

## PRESS RELEASE

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# Melcor Developments announces second quarter results, declares quarterly dividend of \$0.13

Edmonton, Alberta | August 9, 2017

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended June 30, 2017. Revenue was \$46.96 million in the quarter, up 12% over Q2-2016. Revenue for the first half of the year was \$85.52 million, up 18%.

Revenue growth was driven by a significant increase in sales in the Community Development division, with divisional revenue up 42% compared to Q2-2016. All other operating divisions achieved stable results in both the quarter and year to date periods.

Net income for the quarter was \$3.93 million or \$0.12 per share (basic), up 121% over Q2-2016. Melcor reported a year to date net loss of \$5.08 million or \$0.15 per share loss (basic) compared to net loss of \$5.94 million or \$0.18 per share loss (basic) in the same period of 2016. The net loss is significantly impacted by the \$12.86 million non-cash fair value loss on investment properties recorded in the period due to an increase in capitalization rates on our downtown Edmonton office properties, compared to a gain of \$1.42 million in the first six months of 2016.

Funds from operations in the quarter was \$9.31 million or \$0.12 per share (basic), up 11% over Q2-2016. Year to date funds from operations (FFO) was \$15.38 million or \$0.46 per share in Q2-2017 compared to \$12.58 million or \$0.38 per share in the same period of 2016. FFO eliminates the elements that have no cash impact on our business from net income and management believes it better reflects the Company's true operating performance.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "I'm pleased to report on solid results in each of our operating divisions for the first half of 2017.

Our Community Development and Property Development divisions have been busy through the start of the 2017 construction season. Community Development has begun development on new community phases in many of our operating regions with much of the activity driven by builder demand as they seek to replenish inventory supply. We also acquired raw land and serviced lots in the US and commenced development on a new community in the Greater Denver area.

Property Development has 185,000 sf in development underway for 2017 and broke ground on two new neighbourhood shopping centres and an office building in the Edmonton region.

Our Investment Properties and REIT divisions now have a portfolio of close to 4 million square feet of high quality commercial and residential properties and have maintained stable occupancy and steady results. The REIT has completed over 162,000 square feet in new and renewed leases in the first half of 2017.

We remain well positioned for the future with a strong and conservatively managed balance sheet and continue to manage through pressure in some of our markets."

The Board today declared a quarterly dividend of \$0.13 per share, payable on September 29, 2017 to shareholders of record on September 15, 2017. The dividend is an eligible dividend for Canadian tax purposes.

## Second Quarter Results

We achieved stable results in each of our main operating divisions in Q2-2017 and year to date, with growth over the comparable period driven by the 57% increase in revenue in the Community Development division over the first half of 2016. Our focus on working with our builders to diversify our product mix with an emphasis on affordable lot options over the past year resulted in a strong first half of the year, with inventory remaining well-positioned in many of our active communities.

We continue to conservatively manage our assets and liabilities to create a strong and stable balance sheet that will enable us to take advantage of opportunities to grow our business via opportunistic raw land and commercial income-producing property acquisitions.

Highlights of the second quarter include:

- Revenue increased 12% to \$46.96 million in Q2-2017 and by 18% to \$85.52 million year to date due to higher lot sales in the Community Development division. Community Development revenue grew by 42% over Q2-2016 and by 57% year to date.

- The Investment Properties and REIT division combined revenue grew by 2% over the same period as a result of stable occupancy and gross leasable area in the portfolio.
- Net income was \$3.93 million in the quarter, with a net loss of \$5.08 million year to date. The year to date net loss was driven by a \$12.86 million non-cash fair value loss on investment properties due to an increase in capitalization rates on our downtown Edmonton office properties, as well as fair value losses on REIT units due to unit price appreciation. Management believes funds from operations (FFO) is a more accurate reflection of our true operating performance. Funds from operations was \$15.38 million, up 22% over the same period last year.
- We continue to invest in land holdings for future development and made the following acquisitions during in Q2-2017:
  - 53.38 acres in Edmonton, AB for a purchase price of \$6.50 million,
  - 43.06 acres in Kelowna, BC for a purchase price of \$7.25 million,
  - 4.87 acres in Calgary, AB for a purchase price of \$0.53 million,
  - 197.78 acres in the Greater Phoenix, Arizona area for a purchase price of \$13.22 million (\$US 10.19 million), and
  - 294 lots at 80% interest in the Greater Phoenix, Arizona area for a purchase price of \$3.81 million (\$US 2.94 million).
- The REIT completed the sale of a 67,610 sf industrial building in Lethbridge, AB for \$7.76 million (including transaction costs).
- We paid a quarterly dividend of \$0.13 per share on April 5, 2017 and June 28, 2017. The REIT paid distributions of \$0.05625 per trust unit in April, May and June for a quarterly payout ratio of 83%.
- On April 15, 2017 Darin Rayburn was appointed Melcor's President & Chief Executive Officer.
- On August 9, 2017 we declared a quarterly dividend of \$0.13 per share, payable on September 29, 2017 to shareholders of record on September 15, 2017. The dividend is an eligible dividend for Canadian tax purposes.

## Selected Highlights

(\$000s except as noted)	Three months ended			Six months ended		
	30-June-17	30-June-16	Change	30-June-17	30-June-16	Change
Revenue	46,955	42,084	11.6 %	85,522	72,638	17.7 %
Gross margin (%) *	46.8%	48.4%	(1.6)%	47.5 %	49.9 %	(2.4)%
Net income (loss)	3,927	1,778	120.9 %	(5,076)	(5,936)	14.5 %
Net margin (%) *	8.4%	4.2%	4.2 %	(5.9)%	(8.2)%	2.3 %
Funds from operations *	9,306	8,388	10.9 %	15,384	12,578	22.3 %
<b>Per Share Data (\$)</b>						
Basic earnings (loss)	0.12	0.05	140.0 %	(0.15)	(0.18)	(16.7)%
Diluted earnings (loss)	0.12	0.05	140.0 %	(0.15)	(0.18)	(16.7)%
Funds from operations *	0.28	0.25	12.0 %	0.46	0.38	21.1 %
<b>As at (\$000s except as noted)</b>				<b>30-June-17</b>	<b>31-Dec-16</b>	<b>Change</b>
Shareholders' equity				977,312	994,721	(1.8)%
Total assets				1,865,942	1,891,988	(1.4)%
<b>Per Share Data (\$)</b>						
Book value *				29.30	29.83	(1.8)%

### MD&A and Financial Statements

Information included in this press release is a summary of results. This press release should be read in conjunction with Melcor's consolidated financial statements and management's discussion and analysis for the three and six months ended June 30, 2017, which can be found on the company's website at [www.Melcor.ca](http://www.Melcor.ca) or on SEDAR ([www.sedar.com](http://www.sedar.com)).

## About Melcor Developments Ltd.

Melcor is a diversified real estate development and asset management company that transforms real estate from raw land through to high-quality finished product in both residential and commercial built form. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a well diversified portfolio of assets in Alberta, Saskatchewan, British Columbia, Arizona and Colorado.

Melcor has been focused on real estate since 1923. The company has built over 100 communities across Western Canada and today manages 3.88 million sf in commercial real estate assets and 612 residential rental units. Melcor is committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor's headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and in Kelowna, British Columbia and Phoenix, Arizona. Melcor has been a public company since 1968 and trades on the Toronto Stock Exchange (TSX:MRD).

## Forward Looking Statements

In order to provide our investors with an understanding of our current results and future prospects, our public communications often include written or verbal forward-looking statements.

Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions, courses of action and include future-oriented financial information.

This news release and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Future-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2017 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under Business Environment and Risk in our annual MD&A.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the company or on its behalf.

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