

PRESS RELEASE

for immediate distribution

Melcor Developments announces first quarter results, declares quarterly dividend of \$0.12

Edmonton, Alberta | May 11, 2016

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended March 31, 2016. Revenue for the quarter was \$30.55 million compared to \$37.55 million in Q1-2015.

Revenue from income-producing assets (Investment Properties and the REIT) grew by 2% over Q1-2015 and gross leasable area increased by 17%. The bulk of these property acquisitions were completed mid-way through and at the end of the quarter and thus did not contribute to the full quarter.

Funds from operations (FFO) was \$4.19 million (\$0.13 per share) compared to \$6.21 million (\$0.19 per share) in the same period of 2015. FFO adjusts for all non-cash earnings items.

Melcor recorded a net loss of \$7.71 million or \$0.23 per share (basic), compared to net income of \$14.56 million or \$0.44 per share (basic) in 2015. Melcor's net loss during the quarter was due to non-cash fair value losses of \$9.83 million.

The Board today declared a quarterly dividend of \$0.12 per share, payable on June 30, 2016 to shareholders of record on June 15, 2016. The dividend is an eligible dividend for Canadian tax purposes.

Brian Baker, Melcor's President and Chief Executive Officer, commented on the quarter: "Despite the economic headwinds the Alberta economy is facing, people are still buying houses and companies are still leasing space.

We set and adhere to strategy to manage for the long-term so we are always prepared for challenging times. Our conservative growth strategy has resulted in a strong and stable balance sheet that will enable us to take advantage of opportunities to strategically grow our business via raw land and commercial income-producing property acquisitions.

Our strategy of growing and diversifying our revenue property portfolio and our US investment has contributed to a more stable revenue profile that is less sensitive to the economic cycles of Alberta.

We are well positioned to navigate through this most recent economic downturn."

Tim Melton, Melcor's Chairman, commented on the Fort McMurray wildfire: "Our thoughts and prayers are with the residents of Fort McMurray as they continue to deal with the tragic events of the past week. Our office and retail property in the community of Timberlea is believed to have been largely unaffected by the fires and we hope it can be used as a base to help support the rebuilding of the community in the weeks and months to come."

First Quarter Results

All divisions remained active in Q1-2016; however the pace of sales in the Community Development division is slower than it has been over the past few years. We continue to see interest and steady activity in select regions and asset classes. In other areas, builders have excess inventory and sales of single-family lots have softened significantly.

First quarter results include:

- Revenue declined 19% to \$30.55 million compared to Q1-2015 primarily due to decreased lot sales in the Community Development division. The Investment Properties and REIT divisions both remained stable in the quarter.
- Revenue from income-producing assets (Investment Properties and the REIT) grew by 2% over Q1-2015 consistent with Melcor's long-term diversification strategy to increase the portion of revenues earned from income-producing assets, which represented 80% of total revenue during the quarter, up from 64% in Q1-2015.
- Funds from operations was \$4.19 million compared to \$6.21 million in Q1-2015. Funds from operations eliminates the elements that have no cash impact on the business from net income (loss) and we view it as a better indicator of our operating business.
- Melcor continues to invest in growing our portfolio of income-producing assets in the United States and completed the following acquisitions in the Greater Denver area, which added 306,169 sf of office space on 20.15 acres to our portfolio:

- On February 26, Melcor purchased the Offices at Promenade for \$23.07 million (US\$17.03 million) (including transaction costs). As part of the purchase, Melcor assumed a mortgage on the property with a carrying value of \$15.62 million (US\$11.53 million);
- On March 3, Melcor purchased the Offices at Inverness for \$13.07 million (US\$9.75 million) (including transaction costs); and
- On March 31, Melcor purchased Syracuse Hill One for \$13.22 million (US\$10.19 million) (including transaction costs).
- Paid a quarterly dividend of \$0.12 per share on April 5, 2016. The REIT paid distributions of \$0.05625 per trust unit in January, February and March for a quarterly payout ratio of 80%.

Selected Highlights

(\$000s except as noted)	Three months ended		
	31-Mar-16	31-Mar-15	Change
Revenue	30,554	37,554	(18.6)%
Gross margin (%) *	52.1 %	47.3%	4.8 %
Net income (loss)	(7,714)	14,560	(153.0)%
Net Margin (%) *	(25.2)%	38.8%	(64.0)%
Funds from operations *	4,190	6,213	(32.6)%
Per Share Data (\$)			
Basic earnings (loss)	(0.23)	0.44	(152.3)%
Diluted earnings (loss)	(0.23)	0.44	(152.3)%
Funds from operations *	0.13	0.19	(31.6)%
As at (\$000s except as noted)			
	31-Mar-16	31-Dec-15	Change
Shareholders' equity	959,051	977,970	(1.9)%
Total assets	1,882,391	1,891,969	(0.5)%
Per Share Data (\$)			
Book value *	28.86	29.43	(1.9)%

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 months ended March 31, 2016, which can be found on the company's website at www.Melcor.ca or on SEDAR (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, Colorado and Texas.

Melcor has been focused on real estate since 1923. The company has built over 100 communities across Western Canada and today manages 3.84 million sf in commercial real estate assets and 781 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 2016 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.

Contact Information:

Business Contact

Brian Baker
Chief Executive Officer
Tel: 780.423.6931
info@melcor.ca

Investor Relations

Jonathan Chia, CA
Chief Financial Officer
Tel: 1.855.673.6931
ir@melcor.ca