

PRESS RELEASE

for immediate distribution

Melcor Developments announces results for 2018 and declares quarterly dividend of \$0.13 per share

Edmonton, Alberta | March 13, 2019

Melcor Developments Ltd. (TSX: MRD), a real estate development and asset management company with operations across western Canada and in the United States, today reported results for the fourth quarter and year ended December 31, 2018. Strong results from our US residential development division and growth in income-generating properties offset softness in the Canadian residential market, resulting in revenue growth of 4% to \$267.43 million in 2018 compared to \$257.95 million in 2017. Funds from operations (FFO) per share was down 5% to \$1.68 in 2018 compared to \$1.77 in 2017. FFO adjusts for all non-cash earnings items and management believes it better reflects true operating performance.

Net income was up 67% to \$64.27 million or \$1.92 per share (basic) in 2018, compared to \$38.53 million or \$1.15 per share (basic) in 2017.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the year: "On behalf of the Melcor team and our Board of Directors, it is my privilege to report on our 95th year of operations and our 50th year as a public company. While our 95th year started on an encouraging note with positive economic indicators, by mid-year it was clear that the challenges facing the province of Alberta showed no sign of easing in the near term.

In spite of this economic volatility, we produced sound results. Our geographic diversification strategy, with investments and expanded activity in the US, and our revenue diversification strategy, with continued growth in income-generating properties, contributed to 4% consolidated revenue growth despite softness experienced in the Canadian residential market.

Our Company's continued sustainability through 95 years is no small feat. It requires resilience to change with the times, to react to market cycles and to continually re-imagine how our business can grow and prosper. Our 2018 results reflect this.

Throughout 2018, we focused on having the right type of lots in the right areas in our community development division. We developed 25% fewer single-family lots in Canada compared to 2017 in order to maintain appropriate inventory levels. We sold 467 single-family lots in our US markets, including 173 in our new community outside of Denver, CO.

Momentum continued to build in our property development division in 2018, with 65,990 square feet in new development transferred to investment properties. An additional 121,800 square feet is under active development and will be added to our income producing asset portfolio, which in turn becomes potential acquisition targets for the REIT under its right of first offer. These new developments will contribute to further revenue diversification in the future.

In 2018, both Melcor and the REIT completed third party acquisitions of over 188,000 sf of gross leasable area in 1 retail and 2 office properties. The REIT acquired a further 172,600 square feet from Melcor for \$80.88 million. The REIT also divested two properties that were previously built by Melcor (1974 and 2009) and held as income-generating properties for \$20.65 million.

With the dividend declared today, we are now in our 31st consecutive year of dividend payments and have paid dividends in all but three years since becoming a public company in 1968. Protecting and growing our shareholders investments and sharing profits through dividends remains a priority.

While we expect the economic environment to remain challenging in 2019, we continue to be proactive in all areas of our business to ensure that the right people are working on the right things in a way that is most effective for Melcor. We are focused on controlling costs and moving existing inventory. We are continuing to take advantage of opportunities to build future land position and to grow our income-generating properties.

Melcor's high quality portfolio of assets - raw land, developed land inventory (residential lots and acres for multi-family and commercial development), income-producing properties and championship golf courses - place the company in a solid position to continue to weather this economic storm."

The Board today declared a quarterly dividend of \$0.13 per share, payable on March 29, 2019 to shareholders of record on March 22, 2019. The dividend is an eligible dividend for Canadian tax purposes.

Selected Highlights

<i>(\$000s except as noted)</i>	2018	2017	Change
Revenue	267,434	257,950	3.7 %
Gross margin (%) *	46.8%	45.3%	3.3 %
Fair value adjustment on investment properties	863	(8,828)	109.8 %
Net income	64,273	38,525	66.8 %
Net margin (%) *	24.0%	14.9%	61.1 %
Funds from operations *	56,127	59,021	(4.9)%
Shareholders' equity	1,067,565	1,008,590	5.8 %
Total assets	2,023,076	1,990,983	1.6 %
<i>Per Share Data</i>			
Basic earnings	1.92	1.15	67.0 %
Diluted earnings	1.92	1.15	67.0 %
Funds from operations *	1.68	1.77	(5.1)%
Book value *	32.01	30.21	6.0 %

2018 results were positively impacted by our diversification strategy as we sold our first lots in our new community of Harmony outside of Denver, CO and expanded our portfolio of office properties in Scottsdale, AZ via a third party acquisition. Our Property Development team also had a productive construction season, adding new retail properties to our portfolio of income-producing assets. These positive influences on our 2018 results were offset by softness in the Canadian residential market, with single-family lot sales down 24% compared to 2017. Development of new single-family lots in Canada also declined by 25% over last year as we focused on inventory management throughout the year. Promotions were in place throughout 2018 in two communities to move inventory. We continue to monitor demand and inventory in all communities to ensure inventory levels remain appropriate.

Occupancy in our income-producing assets (including REIT properties) were slightly lower at 89% compared to 92% in 2017. New properties with higher occupancy partially offset lower occupancy in Edmonton office properties and lower occupancy on the US office building acquired in the third quarter. Investment Properties manages 4.13 million sf of commercial properties, up 5% as a result of third party acquisitions and new properties developed by the Property Development division. They also manage 609 residential units. The increase in GLA was partially offset by sales in the year (two properties, 50,652 sf). Revenue from our income-producing portfolio increased modestly by 1% over 2017 while the Community Development division saw an increase of 6%.

Diversity in the Community Development division's product types and geographical focus contributed to steady activity in a challenging market and contributed \$8.81 million to earnings in the year towards Funds from operations (FFO). FFO decreased by 5% due to the \$3.67 million reclassification between current and deferred taxes triggered by sale of assets to the REIT. Excluding this reclassification, FFO increased 1% in the year. Our income-producing properties also remain a steady source of FFO and help to stabilize overall income.

Throughout the year, we maintained our conservative and disciplined approach to investment and development activities and the management of our assets and liabilities.

Investing for growth

We continued to invest in land inventory and increased our land holdings by 200.21 acres in strategic growth corridors. The acquired land is primarily allocated to residential development and includes 62.00 acres acquired in the US. We continue to move land use approvals through the municipal approval process to increase our supply of shovel ready assets.

Our Property Development division completed and transferred 5 buildings (65,990 sf) in 2018 with a further 121,800 sf under development at year end. Revenue was up 179% over 2017 as 73% more GLA was completed and transferred compared to last year. Revenue from the Property Development division is eliminated on consolidation. Transfers to Investment Properties will positively impact results in future years as we continue to grow our income-producing assets for long-term holding or for sale to the REIT. We continued to progress commercial land through the development, approvals and lease-up process and have an additional 11 buildings in 7 developments expected to be completed and transferred to Investment Properties in 2019.

We completed the following Investment Property acquisitions during the year:

- a 130,400 sf office property consisting of two buildings on 8.5 acres for \$24.53 million (US\$18.91 million) in Glendale, AZ on September 26, 2018.
- two investment properties in Lethbridge, AB. An office building at a purchase price of \$6.32 million (purchased by the REIT) and a commercial building at a purchase price of \$2.69 million (purchased by Melcor) on December 3, 2018.

We completed the following dispositions during the year:

- a retail property in Leduc, AB which was originally developed by Melcor and owned since 1974, was sold for \$6.73 million by the REIT on January 31, 2018.
- a retail property in Edmonton, AB which was originally developed by Melcor and owned since 2009, was sold for \$13.80 million by the REIT on April 16, 2018.
- two residential condo units in the US for \$0.52 million (US\$0.41 million).

We completed the following transaction during the year:

- we sold five commercial properties (172,629 sf of owned GLA) to the REIT for \$80.88 million on January 12, 2018. This represents our fourth asset sale to the REIT and demonstrates how our value chain enables the monetization of value created through the development of commercial properties. Concurrent with the transaction, the REIT generated cash of \$17.30 million from the issuance of trust units.

Return to Shareholders

We continue to distribute profits to our shareholders. During 2018, we paid dividends of \$0.52 per share, consistent with 2017.

We declared a \$0.13 per share dividend on March 13, 2019 payable on March 29, 2019 to shareholders of record on March 22, 2019. The dividend is an eligible dividend for Canadian tax purposes.

We have been paying dividends since 1969.

Outlook

Melcor owns a high quality portfolio of assets, including raw land, developed land inventory (residential lots and acres for multi-family and commercial development), income-producing properties and championship golf courses. Alberta, our largest market, has undergone dramatic changes throughout the past few years, primarily related to lower oil prices. We continue to execute on our strategic plan and achieved stable results in 2018. We continue to intentionally diversify our business across asset class and geography, including continued investment in the US with raw land and commercial property acquisitions and the launch of our 1,100-acre community in Aurora. We anticipate that these diversification strategies will continue to ease our reliance on the Alberta economy going forward.

We expect continued softness in the residential market in Alberta in 2019 and are focused on reducing existing lot inventory held by both Melcor and our builders. On the commercial side, retail activity remains steady and we expect that to continue in 2019. Our US assets delivered positive results in economies that are growing and that are counter cyclical to our resource dependence in Alberta.

Our business model has adapted to changing times for 95 years. We will continue to take advantage of opportunities to diversify our asset base both geographically and by product type. We will maintain our disciplined, conservative approach to operations to ensure that we remain profitable while achieving our fundamental goals of protecting shareholder investment and sharing corporate profit with our shareholders.

With appropriate levels of serviced land inventory, movement of residential and commercial land through the municipal approvals process, steady occupancy rates and capacity on our operating facility, we remain well-positioned for the future.

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 2018 consolidated financial statements and management's discussion and analysis for the year ended December 31, 2018, which can be found on the Company's website at www.Melcor.ca or on SEDAR (www.sedar.com).

Annual General Meeting

We invite shareholders to join us at Melcor's annual general meeting on April 30 at 11:00 am MDT. The meeting will be held in the Empire Ballroom at the Hotel Macdonald, 10065 100 Street, Edmonton, Alberta. We look forward to seeing you there.

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 4.1 million sf in commercial real estate assets and 609 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 British Columbia and 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 2018 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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