

PRESS RELEASE

for immediate distribution

Melcor Developments announces second quarter results, declares quarterly dividend of \$0.12 per share

Edmonton, Alberta | August 1, 2019

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the second quarter and six months ended June 30, 2019. Revenue was down 4% to \$41.09 million compared to Q2-2018. Year to date revenue was \$75.97 million, down 13% compared to the same period last year. Weaker residential markets in Alberta led to a 13% decrease in Community Development revenue. Investment Properties revenue grew by 23% as a result of transfers from the Property Development division and third party acquisitions within the past 12 months, which led to 26% growth in owned gross leasable area.

Q2-2019 net income was up 92% at \$3.14 million. Year to date net income was \$4.73 million or \$0.14 per share (basic) compared with a net income of \$16.28 million or \$0.49 per share (basic) in the same period of 2018. Net income is impacted by non-cash fair value adjustments on investment properties and on REIT units. Funds from operations (FFO) was up 4% to \$7.98 million or 0.24 per share in the quarter and 8% to \$13.65 million or \$0.41 per share year to date. The FFO increase over last year is primarily due to the negative tax impact from the sale of assets to Melcor REIT in Q1-2018. FFO eliminates the elements that have no cash impact on our business from net income and management believes FFO better reflects Melcor's true operating performance.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "Our operating results for the first half of 2019 are in line with expectations given the softer market for new homes in Alberta. We anticipate the demand for housing will remain soft in the near to midterm without any job creation catalysts and in turn result in a very challenging environment for sustained housing development. Following the change in our provincial government early in the second quarter, there is a renewed sense of optimism in Alberta; however, we still face the challenges of an Alberta economy without expanded pipelines and a general lack of federal support. Special interest groups continue to impede resource development and prevent access to national and world markets.

Property Development construction in several retail projects continued in the second quarter as we build future assets for our investment property and REIT divisions. These divisions continue to produce stable results while maintaining occupancy and base rents in challenging markets and contributed 72% of revenue year to date.

Community Development construction activity is also progressing although at a tempered rate as we continue to focus on strategic inventory management to ensure that demand is in place prior to putting shovels in the ground. Although the outlook remains very challenging we have a proven ability to adapt product offerings to changing markets."

The Board today declared a quarterly dividend of \$0.12 per share, payable on September 30, 2019 to shareholders of record on September 16, 2019. The dividend is an eligible dividend for Canadian tax purposes.

Second Quarter Results

Revenues in Q2-2019 were down 4% over Q2-2018 and 13% over the prior year as a result of the soft residential market in Canada and the timing of sales in the US residential market. Our community development division experienced a 13% decrease in revenue over the prior year, leading to the overall decrease in revenue. This decline was partially offset by the 20% increase in Investment Properties revenue over Q2-2018 and 23% increase over the prior year as a result of growth in owned gross leasable area (GLA) via third party acquisitions and transfers from Property Development over the last 12 months. US revenue will continue to be lumpy while we ramp up our Harmony project in Aurora, CO. Strategies employed to diversify geographically and via product mix over the past few years continue to positively impact our financial results and serve as an offset to the impact of softer residential markets in Alberta.

Highlights of the quarter and year to date periods include:

- Year to date revenue was down 13% to \$76.0 million as a result of softer residential sales and the timing of multi-family and commercial sales, which tend to fluctuate quarter to quarter.
- Year to date Funds from operations (FFO) was up 8% to \$13.7 million compared with 2018, primarily due to the negative tax impact on the 2018 FFO that resulted from the sale to the REIT during Q1-2018. FFO was up 4% to \$8.0 million in Q2-2019

from \$7.7 million in Q2-2018. Management believes funds from operations is a more accurate reflection of our true operating performance.

- Our Community Development and Property Development divisions are actively engaged in a number of projects as we continue through the 2019 construction season.
- Our Property Development team started 13,200 sf of new development during the quarter for a total of 31,600 sf currently under construction year to date. A total of 98,330 sf of development is planned for the 2019 construction season. A further 52,560 sf is complete and awaiting lease-up of the building.
- Our income-producing divisions (Investment Properties and REIT) continue to yield stable results, with revenue up 7% over 2018 and consistent occupancy rates and base rents.
- On April 24, 2019 the REIT acquired a 56,084 sf single tenant retail building with warehouse space in Calgary, Alberta.
- Net income of \$3.1 million in the quarter was negatively impacted by non-cash fair value losses on investment properties of \$1.92 million and on REIT units of \$0.92 million. These losses are driven by market forces outside of Melcor's control.
- We continue to return value to our shareholders and unit holders:
 - We paid a quarterly dividend of \$0.13 per share on June 28, 2019. The REIT paid distributions of \$0.05625 per trust unit in April, May and June for a quarterly payout ratio of 99%.
 - On August 1, 2019 we declared a quarterly dividend of \$0.12 per share, payable on September 30, 2019 to shareholders of record on September 16, 2019. The dividend is an eligible dividend for Canadian tax purposes.

Selected Highlights

(\$000s except as noted)	Three-months			Six-months		
	30-June-19	30-June-18	Change	30-June-19	30-June-18	Change
Revenue	41,085	42,793	(4.0)%	75,969	87,207	(12.9)%
Gross margin (%) *	53.6%	48.5%	10.5 %	53.8%	50.1%	7.4 %
Net income	3,137	1,631	92.3 %	4,727	16,278	(71.0)%
Net margin (%) *	7.6%	3.8%	100.0 %	6.2%	18.7%	(66.8)%
Funds from operations *	7,975	7,695	3.6 %	13,652	12,615	8.2 %
Per Share Data (\$)						
Basic earnings (loss)	0.09	0.05	80.0 %	0.14	0.49	(71.4)%
Diluted earnings	0.09	0.05	80.0 %	0.14	0.49	(71.4)%
Funds from operations *	0.24	0.23	4.3 %	0.41	0.38	7.9 %
As at (\$000s except as noted)				30-June-19	31-Dec-18	Change
Shareholders' equity				1,056,906	1,067,565	(1.0)%
Total assets				2,026,064	2,023,076	0.1 %
Per Share Data (\$)						
Book value *				31.76	32.01	(0.8)%

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, 2019, 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 and Colorado.

Melcor has been focused on real estate since 1923. The company has built over 140 communities and commercial projects across Western Canada and today manages 4.20 million sf in commercial real estate assets and 608 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 2019 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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