

PRESS RELEASE

for immediate distribution

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

Edmonton, Alberta | November 6, 2019

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the third quarter and nine months ended September 30, 2019. Revenue was down 10% to \$53.95 million compared to Q3-2018. Year to date revenue was \$129.92 million, down 12% compared to the same period last year. Weaker residential markets in Alberta led to a 17% decrease in Community Development revenue over the same period last year. Investment Properties revenue grew by 21% over Q3-2018 as a result of increased occupancy, transfers from the Property Development division and third party acquisitions over the past 12 months. Investment properties owned gross leasable area grew by 9%.

Q3-2019 net income was up 40% at \$16.07 million. Year to date net income was \$20.80 million or \$0.62 per share (basic) compared with a net income of \$27.75 million or \$0.83 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. Q3-2019 net income was also positively impacted by a tax recovery resulting from reduced tax rates in Alberta. Funds from operations (FFO) was down 17% to \$10.70 million or 0.32 per share in the quarter and 4% to \$24.35 million or \$0.73 per share over the prior period. The FFO decrease over last year is primarily due to the overall decrease in Community Development revenues. Management believes FFO better reflects Melcor's true operating performance.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "Our results through nine months are in line with expectations given the soft market for new homes in Alberta. While we have tempered residential development this year, we continue to actively develop commercial projects to meet demand, particularly in neighbourhood shopping centres. Our Property Development division transferred 20,832 square feet, valued at \$13.5 million in the quarter and has an additional 125,485 square feet under active development or completed and awaiting lease-up. This pipeline will eventually transfer to our Investment Properties division for active management and then offered to the REIT.

Our income producing divisions continue to produce stable results while maintaining occupancy and base rents in a challenging market and contributed over 50% of revenue year to date. We are pleased to continue growing this business and recently announced an acquisition that will increase the REIT's gross leasable area by 10% and also be immediately accretive to AFFO.

The outlook for the housing market remains challenging and we continue to focus on our income producing divisions to stabilize results.

We are encouraged by the actions of the Alberta government in their quest to restore our province's capacity to get business done, support employment growth and attract a strong and diverse group of businesses."

The Board today declared a quarterly dividend of \$0.12 per share, payable on December 31, 2019 to shareholders of record on December 16, 2019. The dividend is an eligible dividend for Canadian tax purposes.

Third Quarter Results

Revenues in Q3-2019 were down 10% over Q3-2018 and 12% year-to-date as a result of the soft residential market in Canada and the timing of sales in the US. Community Development was the main contributor to the revenue decline, with revenue down 17% year-to-date and 23% over Q3-2018.

Investment Properties revenue growth partially offset the softness experienced in Community Development, with a 21% increase in revenue over Q3-2018 and 23% year-to-date. Third-party acquisitions and transfers from our Property Development division have increased our owned and managed gross leasable area (GLA) by 9% over the last 12 months. US revenue will continue to be uneven 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.

Our Community Development and Property Development divisions are actively engaged in a number of projects as we continue through the 2019 construction season.

Highlights of the quarter and year-to-date periods include:

FINANCIAL HIGHLIGHTS

- Year-to-date revenue was down 12% to \$129.92 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) were down 4% to \$24.35 million compared to the same period last year. FFO was down 17% to \$10.70 million in Q3-2019 from \$12.84 million in Q3-2018 due to the decrease in revenue earned in our Community Developments division of 23% over Q3-2018 and 17% over the same period last year. Management believes funds from operations is a more accurate reflection of our true operating performance.
- Net income of \$16.07 million in the quarter was positively impacted by non-cash fair value gains on investment properties of \$3.30 million which were partially offset by non-cash fair value losses on REIT units of \$1.18 million. These gain and losses are driven by market forces outside of Melcor's control.

DIVISIONAL OPERATING HIGHLIGHTS

- Our Community Development division began the initial phases of two new communities adjacent to successful communities in west Edmonton, and Airdrie, AB. All planned fall servicing and paving have been completed. The Community Development team has engaged in strategies and marketing programs to reduce slow-moving inventory, and single-family lot inventory is down 34% since September 30, 2018 as a result.
- Our Property Development team transferred 20,832 sf of GLA in Q3-2019 to our Investment Properties division and started 6,600 sf of new development during the quarter with a total of 32,379 sf currently under construction. A further 93,106 sf is complete and awaiting lease-up and/or transfer.
- With the 4% growth in total GLA via acquisitions and transfer from Property Development since September 30, 2018, our income-producing divisions (Investment Properties and REIT) revenue was up 7% over Q3-2018 and year-to-date. These divisions continue to yield stable results in spite of market challenges and achieved consistent occupancy and base rents.
- Our golf courses (Recreational Properties) enjoyed an early spring start and good fall conditions, offset by a wet summer. Overall, the total number of rounds played was up 7% at quarter end.

ACQUISITIONS FOR FUTURE GROWTH

- Community Development purchased 158.03 acres of strategic land in Red Deer, AB for \$12.80 million and received vendor financing of \$8.80 million. This land will be planned for a residential community with a commercial component for a neighbourhood shopping centre. We have purchased 470.60 acres of land at a total cost of \$28.61 million and received total vendor financing of \$16.11 million year to date.
- Property Development acquired land from a third-party at a purchase price of \$1.05 million on August 1, 2019. The land is adjacent to and will be developed as part of the Kingsview Market regional shopping centre in Airdrie, AB.

SUBSEQUENT EVENTS

- On October 10, 2019 we announced that the REIT had entered into an agreement to acquire a \$54.80 million third-party property (the "REIT Property Acquisition"), which is expected to close on or about November 12, 2019. This latest acquisition increases our portfolio gross leasable area by 9.7% and is expected to be immediately accretive to AFFO per unit. The purchase price will be partially satisfied through the issuance of a 5.10% unsecured convertible debenture (the "2019 REIT Debentures").
- On October 29, 2019 the REIT completed the placement of the 2019 REIT Debentures to the public for gross proceeds of \$46.00 million, including \$6.00 million issued pursuant to the exercise of an over-allotment option in full. The 2019 Debentures were issued in connection with the REIT Property Acquisition currently under contract and our intention to redeem the 5.50% \$34.50 million 2014 Debentures.

RETURNING VALUE

- We continue to return value to our shareholders and unit holders:
 - We paid a quarterly dividend of \$0.12 per share on September 28, 2019. The REIT paid distributions of \$0.05625 per trust unit in July, August and September for a quarterly payout ratio of 97% and 100% year to date.
 - On November 6, 2019 we declared a quarterly dividend of \$0.12 per share, payable on December 31, 2019 to shareholders of record on December 16, 2019. The dividend is an eligible dividend for Canadian tax purposes.

Selected Highlights

(\$000s except as noted)	Three-months			Nine-months		
	30-Sept-19	30-Sept-18	Change	30-Sept-19	30-Sept-18	Change
Revenue	53,946	60,245	(10.5)%	129,915	147,452	(11.9)%
Gross margin (%) *	43.5%	46.6%	(6.7)%	49.5%	48.7%	1.6 %
Net income	16,068	11,469	40.1 %	20,795	27,747	(25.1)%
Net margin (%) *	29.8%	19.0%	56.8 %	16.0%	18.8%	(14.9)%
Funds from operations *	10,696	12,841	(16.7)%	24,348	25,456	(4.4)%
Per Share Data (\$)						
Basic earnings	0.48	0.34	41.2 %	0.62	0.83	(25.3)%
Diluted earnings	0.48	0.34	41.2 %	0.62	0.83	(25.3)%
Funds from operations *	0.32	0.38	(15.8)%	0.73	0.76	(3.9)%
As at (\$000s except as noted)				30-Sept-19	31-Dec-18	Change
Shareholders' equity				1,070,814	1,067,565	0.3 %
Total assets				2,044,964	2,023,076	1.1 %
Per Share Data (\$)						
Book value *				32.20	32.01	0.6 %

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 nine months ended September 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 4.23 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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