

PRESS RELEASE

for immediate distribution

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

Edmonton, Alberta | November 9, 2021

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, 2021. Company year-to-date revenue was up 13% to \$165.03 million compared to 2020. **Community Development** division revenue increased 30% over the same period in 2020.

Investment properties grew by 22,865 sf or 1% year-to-date as a result of properties transferred from our Property Development division. Revenue in our income-producing divisions (**Investment Properties** and **REIT**) was down 1% over Q3-2020 and up 1% year-to-date. Vacancy rates are up slightly due to challenging markets.

Year-to-date net income was impacted by non-cash fair value losses of \$26.31 million on REIT units related to unit price appreciation compared to December 31, 2020 resulting in a net income of \$11.54 million or \$0.35 per share (basic) compared with a net income of \$11.58 million or \$0.35 per share (basic) in the same period of 2020.

Funds from operations (FFO) decreased 13% to \$12.52 million or \$0.38 per share over Q3-2020 and increased 32% to \$39.02 million or \$1.17 per share year-to-date. Changes to FFO are the result of significant swings in fair value adjustments on REIT units and investment properties.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "We are pleased with our results through the first nine months of 2021. Year-to-date, we sold 408 single-family lots in Canada compared to 290 in 2020. In the prior year, we also sold 229 single-family lots in the USA.

While COVID-19 has had a modest impact on our business through the past year, our income-generating divisions have been the most sensitive to changes in consumer behaviour and work from home orders. We continue to work with our tenants to support them through this time. As of September 30, we had collected 99% of year-to-date rent. Revenue and occupancy have remained relatively stable in these divisions throughout the past year. Leasing activity through the period was stable and trending to positive.

Recreational Properties achieved record revenue and margin through the first three quarters as a result of early opening dates and favourable weather throughout the golf season.

Gross margin improved to 48% year-to-date compared to 43% in 2020 due to higher gross margin in most operating divisions, most notably the Community Development Division and the REIT.

Finally, a few acknowledgments in my final quote as president and CEO of Melcor. I am so incredibly proud of our entire Melcor team for their commitment, perseverance and resilience. The success of Melcor, and the REIT, is attributable to all the facets of the Melcor team coming together to achieve a common goal.

I'm grateful to the board, the Melcor team, our shareholders and all stakeholders for your guidance, support and friendship over the years. I look forward to watching Melcor continue to succeed."

CEO SUCCESSION PLAN AND EXECUTIVE CHANGES

Melcor Developments Ltd. today announced that its Board of Directors has appointed Mr. Tim Melton as Chief Executive Officer and Executive Chairman of the Board effective immediately. In addition, Naomi Stefura, Melcor's Chief Financial Officer, has been promoted to the new role of Executive Vice President in addition to her continuing role as CFO, effective immediately. Darin Rayburn will continue to work with Melcor and assist with this transition until his retirement December 31, 2021.

Third Quarter Results

Given the longer term nature of real estate development, comparison of any three-month period may not be meaningful.

Revenue in Q3-2021 was down 23% compared to Q3-2020 due to the bulk sale of 196 single-family lots in Harmony (Aurora, CO) in the prior period and 41% fewer single-family lots sold in Canada in Q3-2021 compared to the prior year, partially offset by the sale of 293 paper lots (79 acres) for \$13.84 million (USD\$10.99 million). The US community development model differs from Canadian markets, resulting in the majority of revenue occurring in a single quarter. In Harmony, where Melcor is developing in much the same way as we do in our Canadian markets, production builders buy lots in bulk to build homes to sell to homeowners. Demand for additional lots in Harmony remains high and we are completing the third phase for sale to builders. In other US assets, Melcor advances land through the municipal approval process and then sells the land as paper lots, typically to a single builder, without doing any development. Paper lot sales transactions result in a quick return on equity, with transactions typically occurring within 18 to 24 months from land purchase to sale.

Revenue was up 13% year-to-date as a result of the 30% increase in Community Development revenue and record revenue for Recreational Properties division. The Community Development division sold 22.69 acres of commercial and industrial land for \$4.68 million year-to-date (2020 - 0.80 acres, \$0.42 million) in addition to the 293 paper lots sold in Q3-2021. We usually see the most revenue from lot sales in the third and fourth quarters as that is when plans typically register.

Investment properties gross leasable area (GLA) grew by 22,865 sf or 1% year-to-date as a result of properties transferred from our Property Development division in 2021. Revenue from our income-generating Investment Properties and REIT divisions was flat in the quarter and year-to-date. Growth in revenues from PD transferred assets, including properties awaiting lease-up which have not yet transferred, but where IP recognizes the revenue, offset a decline in US revenues where tenant turnover drove a decline in occupancy. Year-to-date we recognized \$2.94 million in lease termination fees offsetting lower lease revenue. We continue to both renew tenants and lease new space.

FINANCIAL HIGHLIGHTS

- Revenue was down 23% in the quarter due to the bulk sale of 196 lots in the US in Q3-2020 contributing to the 21% decrease in single-family lots sold and up 13% year-to-date as a result of 30% increase in Community Development revenue due to revenue from the sale of paper lots, and raw, commercial and industrial land sales. Record revenue from Recreational Properties also contributed to the year-to-date growth. Revenue from single-family lot sales was stable at \$58.95 million year-to-date (YTD-2020 - \$58.90 million).
- Funds from operations (FFO) decreased 13% over Q3-2020 and increased 32% year-to-date. These changes are the result of the fluctuations in fair value adjustments on REIT units and investment properties, and changes to non-cash finance charges.
- Net income of \$16.56 million in Q3-2021 (Q3-2020 - \$7.53 million) and \$11.54 million year-to-date (YTD-2020 - \$11.58 million) is a result of the swings in non-cash fair value adjustments on investment properties and REIT units, and increased finance costs offset by increased revenue. The change in the REIT's unit price has a counter-intuitive impact on net income as an increase in unit value decreases net income. These losses are driven by market forces outside of Melcor's control and are a key reason we focus on FFO as a truer measure of our financial performance.

DIVISIONAL OPERATING HIGHLIGHTS

- The **Community Development** division has had a busy construction season to replenish inventory in all regions and is building 1,721 single-family lots (including duplex and townhome sites) in 25 new phases of 14 existing communities and 1 new community, and 3.33 acres for multi-family development. This includes the launch of a new community known as Cobblestone Creek in Airdrie, AB.

Sales activity remains healthy in all Canadian markets, including satellite communities such as St. Albert, Spruce Grove, Airdrie and Cochrane. Year-to-date, we sold 408 single-family lots compared to 290 last year. We continue to move new communities and additional phases in existing neighbourhoods through the municipal approval process.

Interest in Harmony (Aurora, CO) also remained strong throughout the quarter as builders move through their inventory. In 2020, 229 single-family lot sales were made in Harmony.

- The **Property Development** team has a total of 104,776 sf in 5 projects (Greenwich, Jensen Lakes Crossing, Clearview Market, Chestermere Station and Vista Ridge) currently under construction. Property Development transferred a 16,348 sf building at The District (Calgary) to Investment Properties in Q3-2021. A further 18,931 sf is complete and awaiting lease-up

and transfer in 2 projects: Woodbend Market and Clearview Market. Construction and leasing activity resulted in fair value gains of \$2.27 million (YTD - \$1.13 million).

- Total GLA under management has increased 22,865 sf or 1% via transfers from **Property Development**. Revenue in our income-producing divisions (**Investment Properties** and **REIT**) was flat in the quarter and year-to-date. Tenant retention and new leasing remain healthy in our Canadian portfolio driving stable occupancy; while our US portfolio occupancy is down due to soft office conditions. See the COVID-19 section for rent collection information.

The investment property portfolio fair value increased \$2.14 million in Q3-2021 (YTD - \$6.14 million). Gains realized in the quarter were due to lower capitalization rates while year-to-date gains also include the sale of Turney Brownstones in Phoenix, Arizona on July 30, which generated gains of \$2.54 million (US\$2.03 million).

- Our **Recreational Properties** year-to-date revenue increased 30% to \$9.29 million due to mild spring weather allowing earlier course opening dates and favourable weather throughout the season. Comparative 2020 revenues were impacted by COVID-19 related delays to course openings and restrictions imposed on food and beverage service throughout the season.

RETURNING VALUE

- We continue to return value to our shareholders and unitholders:
 - We paid a quarterly dividend of \$0.12 per share in September (year to date - \$0.32 per share).
 - On November 9, 2021 we declared a quarterly dividend of \$0.12 per share, payable on December 31, 2021 to shareholders of record on December 15, 2021. The dividend is an eligible dividend for Canadian tax purposes.
 - The REIT increased the August and September distributions by 14% to \$0.04 per unit compared to \$0.035 per unit January through July.

Selected Highlights

(\$000s except as noted)	Three months ended			Nine months ended		
	30-Sep-21	30-Sep-20	Change	30-Sep-21	30-Sep-20	Change
Revenue	56,213	73,051	(23.0)%	165,030	145,871	13.1 %
Gross margin (%) *	47.9 %	36.4 %	31.6 %	48.2 %	43.3 %	11.3 %
Net income	16,561	7,526	120.1 %	11,542	11,576	(0.3)%
Net margin (%) *	29.5 %	10.3 %	186.4 %	7.0 %	7.9 %	(11.4)%
Funds from operations (FFO) *	12,516	14,315	(12.6)%	39,016	29,516	32.2 %
Per Share Data (\$)						
Basic earnings	0.50	0.23	117.4 %	0.35	0.35	— %
Diluted earnings	0.50	0.23	117.4 %	0.35	0.35	— %
Funds from operations *	0.38	0.43	(11.6)%	1.17	0.89	31.5 %
Dividends	0.12	0.08	50.0 %	0.32	0.26	23.1 %
As at (\$000s except share and per share amounts)						
Total assets	2,054,109	2,001,285	2.6 %			
Shareholders' equity	1,077,716	1,077,429	— %			
Total shares outstanding	32,966,423	33,091,061	(0.4)%			
Per Share Data (\$)						
Book value *	32.69	32.52	0.5 %			

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, 2021, 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 4.66 million sf in commercial real estate assets and 603 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 2021 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 and the additional disclosure under Business Environment and Risk in this 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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