PRESS RELEASE
for immediate distribution

Melcor Developments announces third quarter results, declares quarterly dividend of $0.15

Edmonton, Alberta | November 10, 2015

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended September 30, 2015. Revenue for the quarter was $87.92 million compared to $93.48 million in Q3-2014. Year-to-date revenue decreased to $171.59 million from $191.56 million as a result of lower average lot price and the mix of land sold in our Community Development division.

Revenue from income-producing assets (Investment Properties and the REIT) grew by 14% over Q3-2014 and by 20% year-to-date while gross leasable area increased by 18%. Our long-term diversification strategy is to increase the portion of revenues earned from income-producing assets, which represented 28% of total revenue in Q3-2015 and 42% of total revenue year-to-date up from 23% and 31% respectively.

Funds from operations (FFO) was $0.99 per share year-to-date compared to $1.54 per share in the same period of 2014. FFO adjusts for all non-cash earnings items and was impacted by lower sales in certain regions and a 10% decrease in average lot price in our Community Development division.

Melcor earned net income of $43.30 million or $1.31 per share (basic) year-to-date, compared to $50.64 million or $1.62 per share (basic) in 2014. Income in Q3-2015 declined from $26.19 million in Q3-2014 to $24.82 million.

Brian Baker, Melcor's President and Chief Executive Officer, commented on the quarter: "Our stable performance in 2015 to date is due in large part to executing on our ongoing strategy of diversifying our revenue mix with a specific focus on growth in income-producing assets. We also continue to benefit from our investment in US markets, which serves as a partial hedge against lower oil and gas prices and their impact on the Alberta economy. These strategies, in combination with a conservative approach to business execution and a strong balance sheet, will continue to serve us well as the Alberta economy remains in a state of uncertainty."

The Board today declared a quarterly dividend of $0.15 per share, payable on December 31, 2015 to shareholders of record on December 15, 2015. The dividend is an eligible dividend for Canadian tax purposes.

Third Quarter Highlights

All divisions remained active through the first nine months of 2015. Melcor continues to see interest and steady activity in select regions and asset classes. The company's strategies of conservative growth to maintain a strong and stable balance sheet and increasing recurring income by growing and diversifying their investment property portfolio have contributed to a more stable and diverse revenue profile that is less sensitive to economic cycles. Gross leasable area of income producing properties increased by 531,909 sf since Q3-2014.

Additional highlights include:

- Increased investment in the income-producing property portfolio, including:
    - Acquisition of the Evans Business Center (Greater Phoenix Area, Arizona) in the US for $8.47 million (US $6.43 million) adding 47,385 sf to the Investment Properties portfolio.
    - The transfer of 2 buildings from Property Development to Investment Properties for a total of 24,609 sf in 2 projects, Telford Industrial (Leduc, AB) and The District at North Deerfoot (Calgary, AB).
    - Adding density to a retail property by beginning construction on a new 7,800 sf commercial retail unit (CRU).
- During the quarter Melcor sold Pebble Creek (Greater Houston Area, Texas), a US residential rental property, for gross proceeds of $43.55 million (US $33.00 million). The property was purchased in 2010 for $21.97 million (US $20.63 million) and held it in the Investment Property division as an income-producing property.

Selected Highlights

($000s except as noted)	Three months ended			Nine months ended		
	30-Sept-15	30-Sept-14	Change	**30-Sept-15**	30-Sept-14	Change
Revenue	**87,921**	93,484	(6.0)%	**171,588**	191,557	(10.4)%
Gross margin (%) *	**40.8%**	47.2%	(6.4)%	**43.6%**	48.4%	(4.8)%
Net income	**24,823**	26,193	(5.2)%	**43,300**	50,642	(14.5)%
Net Margin (%) *	**28.2%**	28.0%	0.2 %	**25.2%**	26.4%	(1.2)%
Funds from operations *	**17,878**	27,623	(35.3)%	**32,669**	48,228	(32.3)%
Per Share Data						
Basic earnings	**0.75**	0.83	(9.6)%	**1.31**	1.62	(19.1)%
Diluted earnings	**0.74**	0.83	(10.8)%	**1.30**	1.60	(18.8)%
Funds from operations *	**0.54**	0.88	(38.6)%	**0.99**	1.54	(35.7)%

As at ($000s except as noted)	**30-Sept-15**	31-Dec-14	Change
Shareholders' equity	**945,006**	901,335	4.8 %
Total assets	**1,908,902**	1,863,296	2.4 %
Per Share Data			
Book value *	**28.47**	27.22	4.6 %

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, 2015, 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 90 communities across Western Canada and today manages 3.47 million sf in commercial real estate assets and 1,046 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 2015 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

Management's Discussion & Analysis

November 10, 2015

The following discussion of Melcor Developments Ltd.'s (Melcor's) financial condition and results of operations should be read in conjunction with the condensed interim consolidated financial statements and related notes for the quarter ended September 30, 2015 and the management's discussion & analysis (MD&A) and consolidated financial statements for the fiscal year ended December 31, 2014.

The financial statements underlying this MD&A, including 2014 comparative information, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted.

Melcor's Board of Directors, on the recommendation of the Audit Committee, approved the content of this MD&A on November 10, 2015.

All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.

Other Information

Additional information about Melcor, including our annual information form, information circular and annual and quarterly reports, is available on SEDAR at www.sedar.com.

Non-standard Measures

We refer to terms that are not specifically defined in the CPA Handbook and do not have any standardized meaning prescribed by IFRS. These non-standard measures may not be comparable to similar measures presented by other companies. We believe that these non-standard measures are useful in assisting investors in understanding components of our financial results.

For a definition of these measures, refer to the section "Non-standard Measures" at the end of the MD&A.

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Our Business

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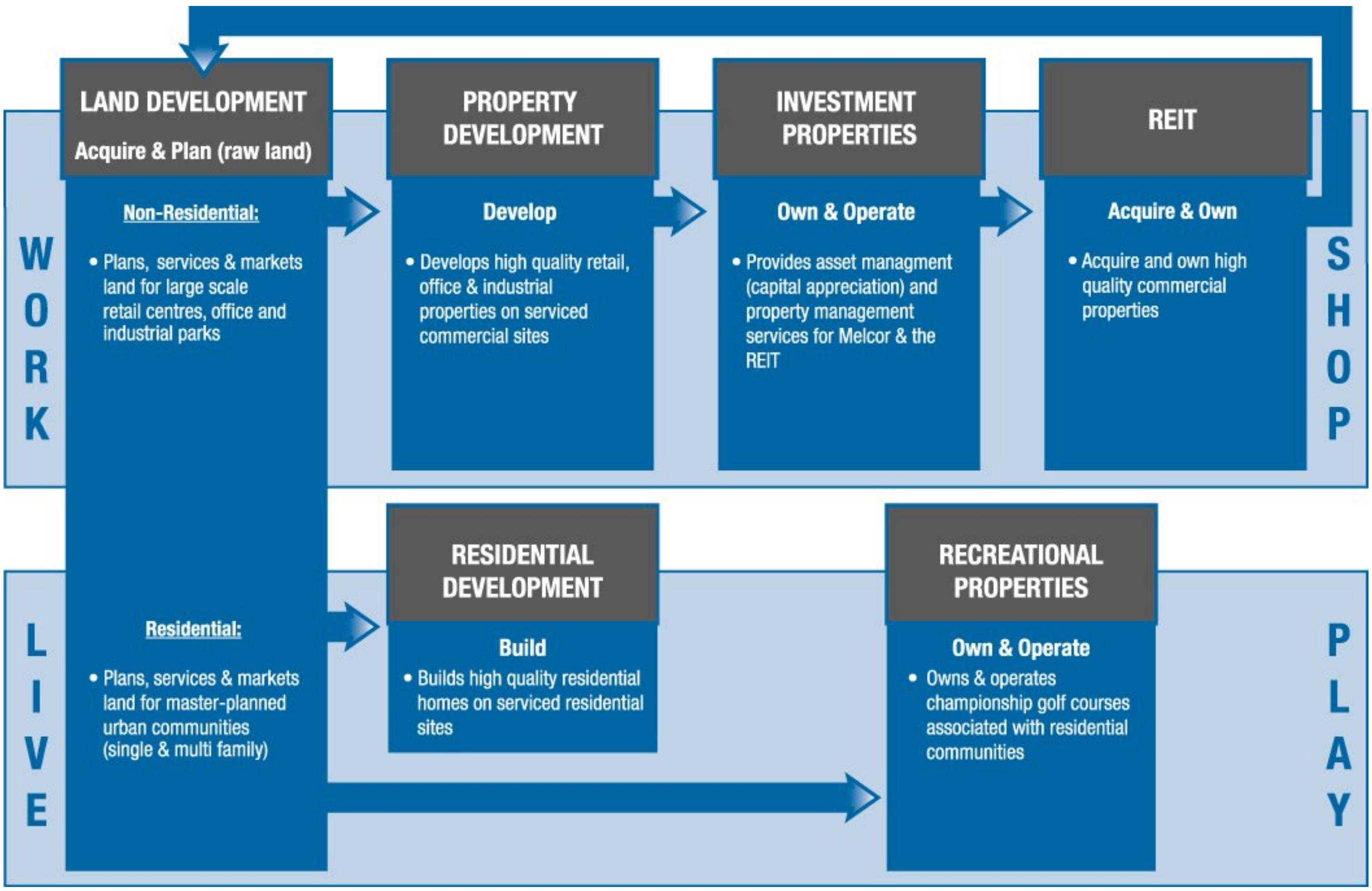
We are committed to building communities that enrich quality of life - communities where people live, work, shop and play.

We operate four integrated divisions that together manage the full life cycle of real estate development:

- acquiring raw land and planning residential communities and commercial developments (Community Development)
- project managing development and construction of commercial properties (Property Development)
- operating a portfolio of commercial and residential properties, including those owned by Melcor REIT (REIT) (Investment Properties)
- acquiring and owning high quality leasable office, retail and residential sites (REIT)

In addition, we own and operate championship golf courses associated with our residential communities in our fifth division, Recreational Properties.

The following diagram illustrates how each of our operating divisions complements one another to create and enhance value from our real estate assets.



In addition to extending the value of our asset base, these diversified operating divisions enable us to manage our business through real estate cycles (both general market conditions and the seasonality associated with construction and development) and diversify our revenue base.

Our headquarters are in Edmonton, Alberta, with regional offices across Alberta, British Columbia, and in Phoenix, Arizona. Our developments span western Canada and the US.

We have been publicly traded since 1968 (TSX:**MRD**).

Third Quarter Highlights

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As at ($000s except as noted)	**30-Sept-15**	31-Dec-14	Change
Shareholders' equity	**945,006**	901,335	4.8 %
Total assets	**1,908,902**	1,863,296	2.4 %
Per Share Data			
Book value *	**28.47**	27.22	4.6 %

**See non-standard measures for calculation.*

All divisions remained active through the first nine months of 2015. We continue to see interest and steady activity in select regions and asset classes. Our strategies of conservative growth to maintain a strong and stable balance sheet and increasing recurring income by growing and diversifying our investment property portfolio have contributed to a more stable and diverse revenue profile that is less sensitive to economic cycles. We have increased the gross leasable area of our income producing properties by 531,909 sf since Q3-2014.

Highlights of the third quarter include:

- Revenue declined 6% to $87.92 million compared to Q3-2014 as a result of lower average lot price and the mix of land sold in our Community Development division. Sales activity remains steady and sales of single-family lots have increased over Q3-2014.
- Revenue from income-producing assets (Investment Properties and the REIT) grew by 14% over Q3-2014 and by 20% year-to-date. Our long-term diversification strategy is to increase the portion of revenues earned from income-producing assets, which represented 28% of total revenue in Q3-2015 and 42% of total revenue year-to-date up from 23% and 31% respectively. We continue to invest in growing this portfolio:
    - We acquired Evans Business Centre (Greater Phoenix Area, Arizona) in the US for $8.47 million (US $6.43 million) adding 47,385 sf to the Investment Properties portfolio.
    - We transferred 2 buildings from Property Development to Investment Properties for a total of 24,609 sf in 2 projects, Telford Industrial and The District at North Deerfoot.
    - We added density to a retail property by beginning construction on a new 7,800 sf commercial retail unit (CRU).
- During the quarter we sold Pebble Creek (Greater Houston Area, Texas), a US residential rental property, for gross proceeds of $43.55 million (US$33.00 million). We purchased the property in 2010 for $21.97 million (US$20.63 million) and held it in the Investment Property division as an income-producing property.
- On November 10, 2015 we declared a quarterly dividend of $0.15 per share, payable on December 30, 2015 to shareholders of record on December 15, 2015. The dividend is an eligible dividend for Canadian tax purposes.

Revenue & Margins:

Revenue from income-producing assets grew by 14% compared to Q3-2014 and by 20% year-to-date. This growth is part of our strategy to diversify our revenue mix to reduce sensitivity to economic cycles and has had a positive impact on our results in 2015. Community Development division revenue decreased by 18% compared to Q3-2014 and by 26% year-to-date, contributing to the overall revenue decrease of 6% compared to Q3-2014 and of 10% year-to-date. While we continue to see residential sales activity, the pace of development has slowed and there is softer demand in some asset classes and regions compared to the prior year.

Gross margin was 41% compared to 47% in Q3-2014 and is impacted by several new phases in existing communities that are developing on higher priced lands purchased in the past five years. Margins were also impacted by a builder incentive program in select communities to increase sales activity.

Net margin was 28% during the quarter, consistent with Q3-2014. Our higher margin income-producing assets are contributing a larger share of revenue to stabilize overall margin and offset margin compression in our Community Development division.

Net fair value losses on investment properties of $0.20 million were recognized in Q3-2015. Gains in Property Development were $3.05 million during the quarter as we continue to actively develop commercial properties. During the quarter the REIT saw fair value losses of $3.61 million, primarily driven by an increase in the terminal capitalization rate of between 25 to 75 basis points for certain property types and decreased stabilized NOI on certain Edmonton area properties.

Our quarterly results are impacted by the cyclical nature of our business. Revenue and income can fluctuate significantly from period to period due to the timing of plan registrations, the cyclical nature of real estate and construction markets, the mix of lot sales and product types, and the mix of joint operation sales activity.

Funds From Operations (FFO)

Funds From Operations (FFO) is a non-standard measure used in the real estate industry to measure operating performance. We believe that FFO is an important measure of the performance of our real estate assets. FFO per share adjusts for certain non-cash earnings items included in income such as fair value adjustments on investment properties and stock based compensation expense.

Below is a reconciliation of net income to FFO:

($000s)	Three months ended		Nine months ended	
	30-Sept-15	30-Sept-14	**30-Sept-15**	30-Sept-14
Net income for the period	**24,823**	26,193	**43,300**	50,642
Amortization of operating lease incentives	**1,755**	1,033	**4,532**	3,500
Fair value adjustment on investment properties	**195**	4,105	**(6,807)**	(2,116)
Depreciation on property and equipment	**608**	532	**1,407**	1,220
Stock based compensation expense	**83**	115	**253**	372
Non-cash interest	**252**	711	**737**	1,151
Gain on sale of asset	**—**	(116)	**(58)**	(167)
Deferred income taxes	**(1,059)**	(440)	**6,315**	(87)
Fair value adjustment on REIT units	**(8,779)**	(4,510)	**(17,010)**	(6,287)
FFO	**17,878**	27,623	**32,669**	48,228
FFO per share	**0.54**	0.88	**0.99**	1.54

FFO during the quarter declined to $17.88 million compared to $27.62 million in Q3-2014. FFO was impacted by lower sales in certain regions and a 10% decrease in average lot price in our Community Development division. Revenue from income-producing assets grew by 14% compared to Q3-2014 and by 20% year-to-date which has helped stabilize overall income. FFO per share was also impacted by an increase in shares outstanding following the conversion of the Melcor debenture.

Divisional Results

Our business is comprised of five integrated and complementary operating divisions:

- Community Development, which acquires raw land for future commercial and residential community development;
- Property Development, which develops high-quality retail, office and industrial income-producing properties on serviced commercial sites developed by Community Development;
- Investment Properties, which manages and leases the commercial developments produced by the Property Development division and an externally purchased portfolio of assets, as well as assets held in the REIT;
- The REIT, which owns and holds 38 income-producing properties; and
- Recreational Properties, which owns and operates championship golf courses associated with Melcor residential communities.

Our Corporate division carries out support functions including accounting, treasury, information technology, administration, legal and human resources.

The following tables summarize the results of our operating divisions:

	Community Development		Property Development		Investment Properties		REIT		Recreational Properties	
	Three months ended September 30		Three months ended September 30		Three months ended September 30		Three months ended September 30		Three months ended September 30	
($000s except as noted)	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Revenue	**58,494**	71,053	**17,274**	16,367	**8,407**	10,249	**15,938**	11,074	**4,368**	4,349
Portion of total revenue	**67%**	76%	**20%**	18%	**10%**	11%	**18%**	12%	**5%**	5%
Cost of sales	**(37,715)**	(40,258)	**(13,185)**	(12,718)	**(3,142)**	(3,750)	**(5,964)**	(4,281)	**(2,550)**	(2,383)
Gross margin	**20,779**	30,795	**4,089**	3,649	**5,265**	6,499	**9,974**	6,793	**1,818**	1,966
Gross margin %	**36%**	43%	**24%**	22%	**63%**	63%	**63%**	61%	**42%**	45%
Portion of total margin	**58%**	70%	**11%**	8%	**15%**	15%	**28%**	15%	**5%**	4%
General and administrative expense	**(2,432)**	(2,682)	**(328)**	(455)	**(578)**	(801)	**(539)**	(470)	**(720)**	(662)
Fair value adjustment on investment properties	**—**	—	**3,045**	(1,910)	**(730)**	152	**(3,614)**	(3,840)	**—**	—
Gain (loss) on sale of assets	**—**	—	**—**	—	**—**	—	**—**	—	**—**	116
Interest income	**650**	805	**—**	—	**5**	8	**10**	15	**—**	—
Divisional income before tax	**18,997**	28,918	**6,806**	1,284	**3,962**	5,858	**5,831**	2,498	**1,098**	1,420

	Community Development		Property Development		Investment Properties		REIT		Recreational Properties	
	Nine months ended September 30		Nine months ended September 30		Nine months ended September 30		Nine months ended September 30		Nine months ended September 30	
($000s except as noted)	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Revenue	**94,394**	127,975	**24,701**	86,326	**24,234**	27,718	**48,519**	32,840	**8,830**	8,224
Portion of total revenue	**55%**	67%	**14%**	45%	**14%**	14%	**28%**	17%	**5%**	4%
Cost of sales	**(62,399)**	(72,469)	**(18,751)**	(68,913)	**(8,799)**	(10,688)	**(18,789)**	(13,032)	**(5,232)**	(4,822)
Gross margin	**31,995**	55,506	**5,950**	17,413	**15,435**	17,030	**29,730**	19,808	**3,598**	3,402
Gross margin %	**34%**	43%	**24%**	20%	**64%**	61%	**61%**	60%	**41%**	41%
Portion of total margin	**43%**	60%	**8%**	19%	**21%**	18%	**40%**	21%	**5%**	4%
General and administrative expense	**(6,899)**	(7,036)	**(1,103)**	(1,512)	**(2,665)**	(2,068)	**(1,832)**	(1,492)	**(1,865)**	(1,782)
Fair value adjustment on investment properties	**—**	—	**9,202**	3,133	**1,995**	2,209	**(7,322)**	(3,103)	**—**	—
Gain (loss) on sale of assets	**—**	—	**—**	—	**—**	—	**—**	—	**58**	167
Interest income	**2,025**	1,984	**—**	—	**11**	22	**46**	54	**—**	—
Divisional income before tax	**27,121**	50,454	**14,049**	19,034	**14,776**	17,193	**20,622**	15,267	**1,791**	1,787

Divisional results are shown before inter-segment eliminations and exclude corporate division.

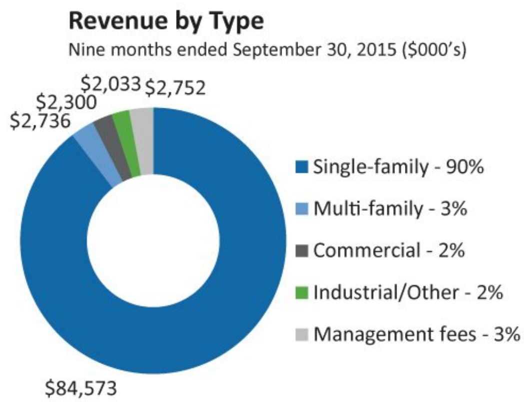
Community Development

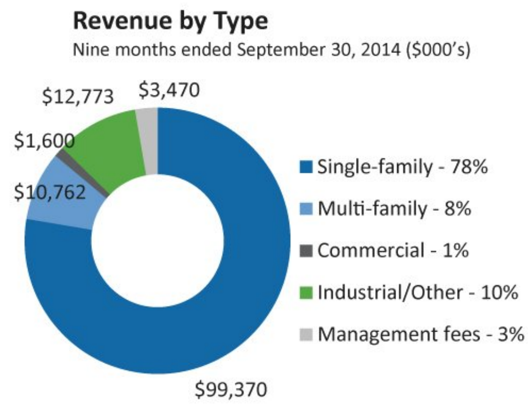
Our Community Development division acquires raw land in strategic urban corridors and subsequently plans, develops and markets this land as builder-ready urban communities and large-scale commercial and industrial centres. This process includes identifying and evaluating land acquisitions, site planning, obtaining approvals from municipalities, developing the land, construction, marketing and ultimately selling the lots to home builders (for residential communities) or developers (for commercial/industrial centres). The division also sells sites to our Property Development division, who in turn develops commercial properties on the land.

Master-planned mixed-use residential communities comprise the majority of Community Development's portfolio. We create efficient and sustainable urban communities by establishing an overall vision for each community and the amenities that will make it a desirable place to live. Residential lots and multi-family parcels are sold to home builders who share our passion for quality and with whom we have long-standing relationships.

Our focus is to grow market share and income levels by ensuring that we have an appropriate land mix and the right inventory in high demand areas in growing regions. We proactively manage our agreement receivables by maintaining an exclusive builder clientele and working closely with those builders.

Sales Activity





Revenue and income can fluctuate significantly from period to period due to the timing of plan registrations, the cyclical nature of real estate markets and the mix of land sold.

Consolidated	Three months ended		Nine months ended	
	30-Sept-15	30-Sept-14	**30-Sept-15**	30-Sept-14
Sales data: (including joint ventures at 100%)				
Single family sales (number of lots)	**574**	549	**859**	918
Gross average revenue per single-family lot ($)	**139,200**	154,600	**146,000**	161,700
Multi-family sales (acres)	**3.20**	4.57	**3.20**	14.66
Gross average revenue per multi-family acre ($)	**855,000**	1,272,200	**855,000**	1,087,000
Commercial sales (acres)	**—**	—	**2.90**	1.23
Gross average revenue per commercial land acre ($)	**—**	—	**793,100**	1,300,800
Industrial sales (acres)	**—**	12.15	**1.76**	21.18
Gross average revenue per industrial land acre ($)	**—**	413,300	**500,000**	383,000
Other land sales - Raw, Other (acres)	**6.89**	1.75	**6.89**	14.35
Gross average revenue per other land acre ($)	**167,300**	71,900	**167,300**	301,400
Financial results: (including joint ventures at Melcor's interest)				
Revenue ($000s)	**58,494**	71,053	**94,394**	127,975
Earnings ($000s)	**18,997**	28,918	**27,121**	50,454

The Community Development division remains active in and began selling one new community (Jensen Lakes in St. Albert) and several new phases of three communities, two in the Edmonton region and one in the Calgary region. We remain committed to managing our risk in this uncertain environment by ensuring that market demand is in place prior to developing. In regions where demand is soft, we are taking advantage of this opportunity to progress land use through the municipal approvals process to ensure we have "shovel-ready", developable land ready when market demand improves.

Single-family lot sales were up 5% but average revenue per lot was down by 10% as a large number of lots sold during the quarter are held under joint arrangements. The number of lots in the table above includes joint ventures at 100%; however, revenue is reported at Melcor's interest. The mix of land sold for commercial, industrial and multi-family development also contributed to lower overall revenue of $58.49 million in Q3-2015, a decrease of $12.56 million from $71.05 million in Q3-2014.

Our primary market is Alberta. Year-to-date market conditions have remained stable in the Edmonton and Lethbridge regions, while the Calgary and Red Deer regions have experienced more sluggish market activity.

Regional Sales Analysis

A summary of our lot and acre sales by region is as follows:

Regional Sales Analysis	**Three months ended 30-Sept-15**			Three months ended 30-Sept-14		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Non-Residential (Acres)**	Single- family (Lots)	Multi-family (Acres)	Non-Residential (Acres)
Edmonton Region	**315**	**—**	**2.08**	115	4.57	12.15
Red Deer Region	**60**	**3.20**	**—**	147	—	—
Calgary Region	**156**	**—**	**—**	265	—	—
Lethbridge	**17**	**—**	**—**	18	—	—
Kelowna	**1**	**—**	**—**	4	—	—
United States	**25**	**—**	**—**	—	—	—
	574	**3.20**	**2.08**	549	4.57	12.15

Regional Sales Analysis	**Nine months ended September 30, 2015**			Nine months ended September 30, 2014		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Non-Residential (Acres)**	Single- family (Lots)	Multi-family (Acres)	Non-Residential (Acres)
Edmonton Region	**486**	**—**	**3.84**	342	6.84	16.62
Red Deer Region	**110**	**3.20**	**—**	197	—	2.67
Calgary Region	**189**	**—**	**2.90**	345	7.82	3.12
Lethbridge	**44**	**—**	**—**	29	—	—
Kelowna	**5**	**—**	**—**	5	—	—
United States	**25**	**—**	**—**	—	—	—
	859	**3.20**	**6.74**	918	14.66	22.41

The Edmonton region delivered strong sales activity in Q3-2015, with 315 lots sold, primarily in our west Edmonton community of Rosenthal and our new St. Albert community of Jensen Lakes.

Inventory

A summary of the movement in our developed lot inventory is as follows:

Developed Inventory	**Nine months ended September 30, 2015**			Nine months ended September 30, 2014		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Non-Residential (Acres)**	Single- family (Lots)	Multi-family (Acres)	Non-Residential (Acres)
Open	**1,144**	**67.61**	**139.65**	1,498	70.93	181.15
Purchases	**—**	**—**	**—**	—	—	—
New developments	**1,083**	**12.29**	**—**	571	9.15	(4.58)
Internal sales	**—**	**—**	**—**	—	—	—
Sales	**(859)**	**(3.20)**	**(6.74)**	(918)	(14.66)	(22.41)
	1,368	**76.70**	**132.91**	1,151	65.42	154.16

Raw land inventory

To support future growth, we acquire land in strategic growth corridors and maintain an inventory of land for future development in our primary markets. In Q1-2015, we purchased 147 acres in the Red Deer region for future residential development. No land was purchased during the second or third quarters. We continue to monitor our land holdings to secure our position in our target markets.

Property Development

Our Property Development division develops, manages construction, markets and initially leases high-quality retail, office and industrial revenue-producing properties on prime commercial sites purchased primarily from our Community Development division. The division currently operates solely in Alberta.

The Property Development division supports Melcor's strategic objectives of asset diversification, income growth and value creation by constructing income-producing developments, primarily on land acquired at fair market value from the Community Development division.

The Property Development division increases the value of land assets and delivers long-term sustainable returns with high profile anchor tenants such as ATB, Bank of Montreal, Canadian Tire, Canadian Western Bank, Cara, CIBC, Home Depot, Loblaws, McDonald's, Rexall, Rona, Royal Bank, Save-on-Foods, Scotiabank, Shoppers Drug Mart, Staples, Starbucks, Subway, TD Canada Trust, Tim Hortons, Wal-Mart, Winners and many others.

Completed buildings are transferred from Property Development to Investment Properties at fair market value (based on third party appraisals) once construction and leasing activities near completion. The transfer revenue and related costs are eliminated on consolidation and do not impact overall earnings.

Management fee revenue is comprised of fees paid by joint arrangement partners and is a percentage of total development costs incurred, which fluctuate period to period depending on the development stage of active projects.

The Property Development division realizes fair value gains resulting from development and leasing activities as construction is in progress. We generally expect to see the majority of fair value increases in the third and fourth quarters as construction and leasing are completed.

Division Highlights

($000s except as noted)	Three months ended		Nine months ended	
	30-Sept-15	30-Sept-14	**30-Sept-15**	30-Sept-14
Total revenue	**17,274**	16,367	**24,701**	86,326
Revenue from property transfers	**13,900**	16,100	**21,250**	85,500
3rd Party property sales	**3,311**	—	**3,311**	—
Management fees	**63**	267	**140**	826
Gross margin (%) on property transfers	**27%**	21%	**26%**	19%
Square footage transferred (sf, at 100%)	**24,609**	79,353	**44,540**	302,820
Number of buildings transferred	**2**	3	**4**	13
Fair value adjustment on investment properties	**3,045**	(1,910)	**9,202**	3,133

The Property Development division completed and transferred 2 buildings (24,609 sf) to Investment Properties during Q3-2015 - an industrial building in Leduc (Telford Industrial) and a CRU in Calgary (The District at North Deerfoot).

During the quarter, the division also sold a commercial site to a third party for $3.31 million which will be developed as a grocery store in Kingsview Market (Airdrie).

The Property Development division continues to focus on the planning and design of future projects, including new product types, following the completion of several major multi-year projects in 2014. New projects must meet specific pre-lease thresholds before we begin development and we have discontinued speculative development in 2015.

Regional Highlights

($000s except as noted)	Three months ended		Nine months ended	
Fair value adjustments by region	**30-Sept-15**	30-Sept-14	**30-Sept-15**	30-Sept-14
Northern Alberta	**1,369**	**(2,352)**	**4,982**	2,185
Central Alberta	**278**	**(6)**	**278**	300
Southern Alberta	**1,398**	**448**	**3,942**	648
	3,045	**(1,910)**	**9,202**	3,133

Year-to-date fair value adjustments are a result of continued development at Telford Industrial with gains of $4.83 million, and at The District at North Deerfoot with gains of $3.54 million (Q3-2015 - gains of $1.37 million and $1.39 million, respectively).

Future development opportunities

We continually identify parcels of land from our land inventory that are well suited for commercial development. We also work with municipalities to gain approvals to commence development on new projects. The following tables illustrate our current and future project expectations.

Current Projects

Project	Location	Type	Total SF *	Developed to Date	SF Under Development
The Village at Blackmud Creek	South Edmonton	*Regional business park*	725,000	57,364	110,000
Telford Industrial	Leduc	*Industrial Park*	500,000	98,790	44,000
The District at North Deerfoot	North Calgary	*Regional business / industrial park*	2,250,000	14,518	8,797
West Henday Promenade	West Edmonton	*Regional mixed use centre*	378,000	96,627	20,000
Clearview Market	Red Deer	*Neighbourhood shopping centre*	151,120	141,120	10,000
Kingsview Market	Airdire	*Regional shopping centre*	331,000	126,852	7,300
Chestermere Station	Chestermere	*Neighbourhood shopping centre*	308,361	229,310	—

Expected Future Projects

Project	Location	Type	Total SF *	Ownership Interest	Expected Start (year)
The Shops at Jagare Ridge	South Edmonton	*Neighbourhood shopping centre*	105,000	50%	2016
The Shoppes at Canyons	Lethbridge	*Neighbourhood shopping centre*	105,000	100%	2016
Greenwich	West Calgary	*Regional mixed use centre*	395,000	100%	2017
Keystone Common	North Calgary	*Regional power centre*	775,000	100%	2018
West Pointe Marketplace	Lethbridge	*Regional power centre*	750,000	100%	2018
Jenson Lakes	St. Albert	*Regional mixed use centre*	173,000	100%	2017
West Calgary Marketplace	West Calgary	*Regional power centre*	800,000	100%	2018

** Size represents the estimated total square footage projected for full build-out. This includes sites that may be individually sold to retailers or end-users.*

Investment Properties

Our Investment Properties division manages and leases our portfolio of high-quality office, retail, industrial and residential properties, which are located across western Canada and the US, including the properties owned by the REIT.

Our Investment Properties division manages 3.47 million sf of income-producing commercial GLA and 1,046 residential units.

Our commercial property portfolio is primarily comprised of properties developed and transferred from our Property Development division. Our goal is to improve the operating efficiency of each property for stable and growing cash flows making them attractive assets for the REIT to purchase under its Right of First Offer (ROFO) option. In our management capacity, we are committed to efficient property management for optimized operating costs, occupancy and rental rates, providing the REIT and our joint venture partners with best in class management services. We focus on client retention through continuous customer contact and ongoing service evaluations. We also enhance our portfolio by upgrading the appearance, functionality and desirability of our properties, thereby increasing their rental potential.

Our US properties provide the division with a stable income stream that diversifies our exposure to the western Canadian resource sector. We also own 7 parking lots and other assets which are held for the long-term, providing current stable income and future re-development opportunities.

Our portfolio under management has high occupancy rates with long-term tenancies from high-quality retail and commercial clients.

Operating results

The following table summarizes the division's key performance measures:

($000s except as noted)	Three months ended		Nine months ended	
	30-Sept-15	30-Sept-14	**30-Sept-15**	30-Sept-14
Commercial properties GLA under management (sf, total)	**3,465,320**	2,933,411	**3,465,320**	2,933,411
Properties owned and managed (sf)	**442,613**	933,349	**442,613**	933,349
Properties managed (sf)	**3,022,707**	2,000,062	**3,022,707**	2,000,062
Revenue (total)	**8,407**	10,249	**24,234**	27,718
Commercial properties	**2,611**	5,020	**7,081**	13,312
US properties	**4,326**	3,527	**12,753**	10,015
Management fees	**1,129**	1,347	**3,335**	3,305
Parking lots and other assets	**341**	355	**1,065**	1,086
Net operating income (NOI) *	**5,022**	6,598	**15,137**	17,702
Funds from operations *	**4,776**	6,079	**13,058**	16,644
Funds from operations per share *	**0.14**	0.20	**0.39**	0.54

** See non-standard measures for definition and calculation.*

Commercial properties

In Q3-2015, Property Development transferred 2 commercial retail units in southern Alberta (24,609 sf). Year-to-date we have increased our commercial property portfolio by 57,566 sf through a third party acquisition and transfers from Property Development. In Q3-2014, Property Development transferred 3 buildings or 79,353 sf and 13 buildings or 302,820 sf for the nine-month period. During the comparative nine-month period we also sold 2 buildings at 54,141 sf to the REIT. The high churn of assets underscores the division's role as asset manager with same asset revenue and NOI representing a small proportion of Investment Properties activity. Revenues generated on assets acquired from Property Development and held through the quarter were $1.44 million and $3.86 million year-to-date (2014 - $0.52 million and $1.03 million year-to-date).

Occupancy on properties owned by Investment Properties was 80% at September 30, 2015 compared to 85% at year end. The decrease reflects the high turnover in the portfolio as newer assets are brought in and are in the process of being leased up, while fully leased up assets are sold to the REIT.

During Q3-2015 we recognized $nil revenues and a loss of $0.12 million year-to-date related to accrual adjustments on assets sold to the REIT (2014 - revenue of $3.27 million; year-to-date $9.21 million). These assets contributed to the growth in revenues under our management fee structure with the REIT.

The following is a reconciliation of same asset net operating income (NOI) to NOI:

($000s except as noted)	Three months ended		Nine months ended	
	30-Sept-15	30-Sept-14	**30-Sept-15**	30-Sept-14
Same asset NOI *	**1,026**	1,168	**2,107**	1,876
Properties transferred from PD	**895**	474	**3,064**	935
Properties transferred to REIT	**(6)**	2,067	**(169)**	5,534
NOI before adjustments	**1,915**	3,709	**5,002**	8,345
Amortization of operating lease incentives	**84**	374	**264**	1,661
Straight-line rent adjustment	**(327)**	(264)	**(546)**	(968)
NOI *	**1,688**	3,819	**4,720**	9,038

** See non-standard measures for definition.*

Divisional NOI is defined as rental revenue less property operating costs plus amortization of operating lease incentives plus/minus straight-line rent adjustment. Same asset NOI increased over 2014 as assets transferred from Property Development were leased up.

US properties

In September 2015, we acquired a 47,385 sf office building on 4.55 acres in the Greater Phoenix area for a purchase price of $8.47 million (US$6.43 million). Year-to-date we also acquired a 63,112 sf office building on 4.59 acres in Denver, Colorado for a purchase price of $6.14 million (US$4.88 million). During the comparative period, we acquired two commercial properties (59,220 sf on 3.05 acres) and purchased six residential units in the Greater Phoenix area. Revenues from newly acquired commercial assets were $0.88 million in Q3-2015 and $1.67 million year-to-date (2014 - $0.56 million and $0.58 million during the three and nine-month periods). In August 2015, we sold a 240 residential unit complex in Texas for gross proceeds of $41.57 million (US$31.50 million). During the three and nine-months ended September 30, 2015 we recognized $0.68 million and $2.80 million in revenues from this asset ($0.96 million and $2.78 million respectively).

Growth in our same asset revenue and NOI was due to improved occupancy on residential assets, higher rental rates and foreign currency gains. Higher occupancy and modest increases in average rental rates in Q3-2015 were the result of the improved economic environment in our US markets in conjunction with the completion of structural work at one of our Texas properties which affected 48 of 240 units in the complex. Same asset NOI also improved due to lower property taxes from the successful appeal of property assessments on one of our Texas properties. Portfolio growth and foreign currency gains led to revenue and NOI growth of 23% and 18% over Q3-2014.

The following is a reconciliation of US properties same asset net operating income (NOI) to NOI:

($000s except as noted)	Three months ended		Nine months ended	
	30-Sept-15	30-Sept-14	**30-Sept-15**	30-Sept-14
Same asset NOI	**1,230**	1,100	**3,411**	2,747
Third party acquisitions	**136**	—	**661**	253
Third party disposition	**276**	547	**1,287**	1,559
NOI before adjustments	**1,642**	1,647	**5,359**	4,559
Foreign current translation	**465**	135	**1,338**	406
Amortization of operating lease incentives	**13**	—	**13**	—
Straight-line rent adjustment	**(28)**	(10)	**(29)**	(20)
NOI *	**2,092**	1,772	**6,681**	4,945

** See non-standard measures for definition.*

Divisional NOI is defined as rental revenue less property operating costs plus amortization of operating lease incentives plus/minus straight-line rent adjustment. Same asset NOI grew by $0.13 million or 12% over Q3-2014 from higher occupancy and growth in average rental rates, while maintaining costs.

Management fees & other

We earn management fees under the asset management and property management agreements with the REIT and under other joint venture agreements where Melcor acts as the manager. Management fees decreased by $0.22 million or 16% compared to Q3-2014. Growth in property management and asset management fees was offset by a decrease in leasing and acquisition fees which fluctuate based on the timing of leasing activity and acquisitions by the REIT. We collected $0.27 million in leasing fees in Q3-2015 and $0.64 million year-to-date (Q3-2014 - $0.43 million and $1.07 million). In 2014 we earned $0.12 million in acquisition fees during the nine-month period.

During Q3-2015 we recognized $0.34 million in revenues on our 516 parking stalls and other assets (Q3-2014 - $0.36 million). These revenues can fluctuate from period to period.

Funds from operations (FFO) decreased by $1.30 million or 21% over Q3-2014 as a result of lower NOI. Year-to-date FFO was also negatively impacted by higher general & administrative expense. The increase in general & administrative expense relates to payments made to the REIT under Head and Bridge Lease Agreements entered into for property acquisitions from Investment Properties completed during 2014. These amounts are eliminated on consolidation.

REIT

The REIT owns 38 income-producing office, retail and industrial properties, comprising 2,737,837 square feet of GLA and a land lease community at September 30, 2015. The REIT's portfolio has a diversified tenant profile, with a mix of national, regional and local tenants, operating in a variety of industries.

We have a controlling 56.7% effective interest in the REIT through ownership of all Class B LP Units (December 31, 2014 - 56.5%). As Melcor controls the REIT, we consolidate 100% of the REIT's revenues, expenses, assets and liabilities.

Operating results

The following table summarizes the REIT's key performance measures:

($000s except as noted)	Three months ended		Nine months ended	
	30-Sept-15	30-Sept-14	**30-Sept-15**	30-Sept-14
Rental revenue	**15,938**	11,074	**48,519**	32,840
Net operating income (NOI) *	**10,325**	7,164	**30,912**	21,101
Same asset NOI * *(see calculation following)*	**6,457**	6,793	**18,259**	18,915
Fair value adjustment on investment properties	**(3,614)**	(3,840)	**(7,322)**	(3,103)
Gross leasable area (GLA) (sf)	**2,737,837**	1,837,439	**2,737,837**	1,837,439
Occupancy % (weighted by GLA)	**92.5%**	91.4%	**92.5%**	91.4%
Fair value of portfolio	**641,914**	468,216	**641,914**	468,216
Funds from operations *	**10,203**	6,937	**30,320**	20,129
Funds from operations per share *	**0.31**	0.23	**0.91**	0.64

** See non-standard measures for definition and calculation.*

Rental revenue for the three and nine months ended September 30, 2015 was $4.86 million and $15.68 million higher compared to the same periods in 2014. This increase was driven by portfolio growth of 49% since September 30, 2014. Rental revenue related to newly acquired properties was $6.13 million and $17.37 million during the three and nine-month periods respectively (2014 - $0.46 million and $1.10 million). On a same-asset basis, rental revenue decreased over 2014 as a result of tenant improvements on lease renewals and new deals in our office portfolio.

Weighted average base rent increased modestly compared to year end. Changes to our asset class mix as a result of recent acquisitions contributed to the increase, but were offset by lower than average base rents on recently leased space that has been chronically vacant.

Recoveries are amounts recovered from tenants for direct operating expenses incurred and include a nominal administrative charge. During the three and nine months ended September 30, 2015 recovery revenue increased by 40% and 46% over the respective 2014 periods and correlates with the increase in direct operating expenses over 2014 and the increase in GLA.

Direct operating expenses increased by $1.68 million compared to Q3-2014 and $5.76 million year-to-date. Excluding the impact of the newly acquired properties, direct operating expenses were steady over 2014. On a same-asset basis, property taxes increased by $0.12 million over 2014 due to increases in appraised property values and utilities decreased as a result of cost savings on certain utility contracts.

Property acquisitions completed in December 2014 led to a 44% increase in NOI over Q3-2014 and 46% year-to-date. Same asset NOI declined over 2014 as a result of increased amortization of tenant incentives. Normalizing for amortization of tenant incentives and straight line rent adjustment, same asset NOI was down by 1% and 3% compared to the three and nine months ended September 30, 2014. The decrease in same asset NOI was offset by the increase in our portfolio through acquisitions and the strength of those assets culminating in an increase in net rental income of 47% and 50% over the respective three and nine-month periods.

The calculation of same-asset NOI is as follows:

($000s except as noted)	Three months ended		Nine months ended	
	30-Sept-15	30-Sept-14	**30-Sept-15**	30-Sept-14
Same asset NOI *	**6,457**	6,793	**18,259**	18,915
Acquisitions	**3,517**	—	**11,471**	893
NOI before adjustments	**9,974**	6,793	**29,730**	19,808
Amortization of operating lease incentives	**758**	599	**2,376**	1,759
Straight-line rent adjustment	**(407)**	(228)	**(1,194)**	(466)
Divisional NOI	**10,325**	7,164	**30,912**	21,101

** See non-standard measures for definition and calculation.*

Funds from operations

Funds from operations (FFO) increased by $3.27 million or 47% over Q3-2014. The increase reflects higher NOI, which was partially offset by higher general and administrative expenses during the period.

The REIT recognized fair value losses of $3.61 million in the three months ended September 30, 2015 (2014 - fair value loss of $3.84 million). Fair value losses were primarily driven by an increase in terminal capitalization rate of between 25 to 75 basis points and decreased stabilized NOI on certain Edmonton area properties. The remainder of fair value losses across the portfolio were due to capital and tenant incentive spending that did not result in a significant change in the fair value of the related property. Fair value adjustments represent a change of approximately 1% in the fair value of our portfolio.

Recreational Properties

Our Recreational Properties division owns and manages championship golf courses built to add value to Melcor residential communities.

Our golf courses aspire to achieve consistent course conditions and quality, and to be recognized as championship public golf courses with state of the art clubhouses that contribute to our ability to attract tournaments and events. Achieving these goals enables us to find the appropriate balance between the revenue levers of course fees, number of rounds played and customer satisfaction and enjoyment.

	Ownership interest	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
		Season opened 2015	**Rounds of Golf**	Season opened 2014	Rounds of Golf
Managed by Melcor:					
Lewis Estates (Edmonton)	60%	**April 9**	**32,687**	April 20	29,570
The Links (Spruce Grove)	100%	**April 10**	**27,086**	April 19	25,383
Black Mountain (Kelowna)	100%	**March 13**	**27,405**	March 28	27,837
Managed by a Third Party:					
Jagare Ridge (Edmonton)	50%	**April 17**	**24,633**	April 30	21,945

Favourable weather conditions and an early start to the year contributed to strong year-to-date results for our golf courses. Rounds of golf played increased 7% for the nine months ended September 30, 2015. Revenue for the quarter remained consistent with Q3-2014, and year-to-date revenues have increased $0.61 million, or 7%. We continue to focus on expanding revenue through our food and beverage operations and achieved revenue growth of 4% compared to Q3-2014 and 8% year-to-date. The restaurants at the golf courses we manage will be open with a modified schedule during the winter months.

General and Administrative Expense

Cost management strategies implemented across the company contributed to a 17% reduction in G&A expense over Q3-2014 and a 9% reduction year-to-date. G&A expense reductions in the Corporate and Property Development divisions were partially offset by G&A expense growth in the REIT and Investment Properties divisions, where expenses have increased to support the significant growth in GLA under management in the past year.

Liquidity & Capital Resources

The following table represents selected information as at September 30, 2015, compared to December 31, 2014.

As at ($000s except as noted)	**30-Sept-15**	31-Dec-14
Cash & cash equivalents	**37,726**	19,011
Restricted cash	**2,390**	2,945
Accounts receivable	**21,061**	21,407
Agreements receivable	**139,529**	167,773
Revolving credit facilities	**113,186**	86,510
Accounts payable and accrued liabilities	**43,906**	56,077
Total assets	**1,908,902**	1,863,296
Total liabilities	**963,896**	961,961
Debt to equity ratio*	**1.02**	1.07

**See non-standard measures for definition and calculation.*

We employ a range of strategies to maintain operations and facilitate growth. Our principal liquidity needs are to:

- Fund recurring expenses;
- Meet debt service requirements;
- Make dividend payments;
- Make distributions to unitholders of the REIT;
- Fund land development; and
- Fund investing activities such as the discretionary purchase of land inventory and/or investment property purchases.

We are able to meet our capital needs through a number of sources, including cash generated from operations, long and short-term borrowings from our syndicated credit facility, mortgage financings, convertible debentures, and the issuance of common shares or trust units. Our primary use of capital includes paying operating expenses, sustaining capital requirements on land and property development projects, completing real estate acquisitions, debt principal and interest payments, paying distributions on the REIT units and paying dividends when declared by our board of directors.

We believe that internally generated cash flows, supplemented by borrowings through our credit facility and mortgage financings, where required, will be sufficient to cover our normal operating and capital expenditures. We regularly review our credit facility limits and manage our capital requirements accordingly.

We do not currently have plans to raise additional capital through the issuance of common shares, trust units, preferred shares or convertible debentures; however, under certain circumstances, we would consider these means to facilitate growth through acquisition or to reduce the utilized level on our credit facility.

Financing

As at September 30, 2015, our total general debt outstanding was $652.95 million. This compares to $621.34 million at December 31, 2014. A summary of our debt is as follows:

As at ($000s)	**30-Sept-15**	31-Dec-14
Melcor - revolving credit facilities	**108,052**	81,549
REIT - revolving credit facility	**5,134**	4,961
Project specific financing	**42,759**	34,205
Secured vendor take back debt on land inventory	**81,591**	80,335
Debt on investment properties and golf course assets	**383,100**	388,326
REIT - convertible debenture	**32,311**	31,965
	652,947	621,341

We are subject to financial covenants on our revolving credit facility. We were in compliance with these covenants at September 30, 2015.

	Covenant	30-Sept-15
Maximum debt to total capital	**1.25**	**0.78**
Minimum interest coverage ratio	**3.00**	**5.91**
Minimum net book value of shareholders' equity	**$ 300,000**	**$ 945,006**

We are also subject to financial covenants on the REIT $35.00 million revolving credit facility. The covenants include a maximum debt to total capital ratio of 60% and a minimum interest coverage ratio of 1.50. As at September 30, 2015, and throughout the period, we were in compliance with our financial covenants.

These metrics are non-standard measures used to assess compliance with our lending agreements and are not specifically defined in the CPA Handbook or in IFRS. These non-standard measures may not be comparable to similar measures presented by other companies.

Sources and uses of cash

The following table summarizes our cash flows from (used in) operating, investing and financing activities, as reflected in our consolidated statement of cash flows:

($000s)	Three months ended		Nine months ended	
	30-Sept-15	30-Sept-14	30-Sept-15	30-Sept-14
Cash flows from operating activities	**26,035**	13,452	**29,927**	**48,709**
Cash flows from (used in) investing activities	**24,117**	(34,825)	**(5,543)**	**(95,465)**
Cash flows from (used in) financing activities	**(20,605)**	25,755	**(6,027)**	**46,413**

Cash flows from operating activities were $26.04 million in the current quarter, an increase of $12.58 million over Q3-2014. During the quarter, agreements receivables increased by $2.89 million compared with $18.68 million during the same period last year. This positively impacted cash flows from operating activities. A $9.75 million decrease in FFO during the third quarter partially offset this increase, driven by the decline in gross profit in the Community Development division.

Cash flows generated from investing activities was $24.12 million compared with cash used in investing activities of $34.83 million during Q3-2014. During the quarter, we sold a US residential property for net cash of $41.41 million (US $16.26 million) and reinvested with the purchase of a US office property for $8.47 million (US $6.43 million). We also invested $7.14 million in additions to investment properties on existing commercial properties as well as properties under development.

Cash flows used in financing activities were $20.61 million, a decrease of $46.36 million over Q3-2014. Proceeds from general debt of $38.52 million and draws on our credit facilities $11.17 million were offset by dividends paid in the quarter of $4.98 million and repayments on general debt of $64.82 million.

Commencing in Q1-2015, we began paying dividends quarterly as opposed to semi-annually. As a result, comparing dividends paid during the quarter to the prior year is not meaningful.

Share Data

Melcor has been a public company since 1968 and trades under the symbol “MRD” on the Toronto Stock Exchange. As at September 30, 2015 there were 33,196,807 common shares issued and outstanding and 840,650 options, each convertible to one common share upon exercise or exchange. There is only one class of common shares issued.

Off Balance Sheet Arrangements, Contractual Obligations, Business Environment & Risks, Critical Accounting Estimates, Changes in Accounting Policies

There are no material changes to the above titled sections at September 30, 2015 in comparison to the December 31, 2014 annual MD&A. Refer to note 3 of the condensed interim consolidated financial statements for changes in accounting policies.

Normal Course Issuer Bid

We announced a Normal Course Issuer bid on March 27, 2015. Under the bid, we may acquire up to 1,653,451 common shares (5% of issued and outstanding) with a daily repurchase restriction of 3,057 common shares. To September 30, 2015, we did not repurchase any common shares.

Quarterly Results

The following table presents a summary of our unaudited operating results for the past eight quarters. This information should be read in conjunction with the related financial statements, notes to the financial statements and management's discussion and analysis.

	Three Months Ended							
($000s)	**30-Sept-15**	30-Jun-15	31-Mar-15	31-Dec-14	30-Sept-14	30-Jun-14	31-Mar-14	31-Dec-13
Revenue	**87,921**	46,113	37,554	121,452	93,484	66,062	32,011	152,193
Net income	**24,823**	3,917	14,560	50,077	26,193	17,585	6,864	53,909
Per Share								
Basic earnings	**0.75**	0.12	0.44	1.56	0.83	0.57	0.22	1.76
Diluted earnings	**0.74**	0.12	0.44	1.46	0.83	0.55	0.22	1.64
Book value	**28.47**	27.67	27.76	27.22	25.96	25.49	25.35	25.03

We have historically experienced variability in our results of operations from quarter to quarter due to the seasonal nature of the development business and the timing of plan registrations with the municipalities. We typically experience the highest sales in our Community Development division in the fourth quarter, as this is when the majority of plans register. The fair value gains in our Property Development division are also seasonally affected, as the majority of construction in Alberta takes place during the spring and summer months. Growth in our income-producing assets serves to offset this cyclicality.

Related Party Transactions

Please refer to note 8 to the condensed interim consolidated financial statements for information pertaining to transactions with related parties.

Subsequent Events

Refer to note 12 of the interim consolidated financial statements for information pertaining to subsequent events.

Internal Control over Financial Reporting & Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were material changes to internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. No such changes were identified.

Non-standard Measures

Throughout this MD&A, we refer to terms that are not specifically defined in the CICA Handbook and do not have any standardized meaning prescribed by IFRS. These non-standard measures may not be comparable to similar measures presented by other companies.

We believe that these non-standard measures are useful in assisting investors in understanding components of our financial results.

The non-standard terms that we refer to in this MD&A are defined below.

Net operating income (NOI): this is a measure of revenue less direct operating expenses.

Same asset NOI: this measure compares the NOI on assets that have been owned for the entire current and comparative period.

Funds from operations (FFO): this measure is commonly used to measure the performance of real estate operations.

Calculations

We use the following calculations in measuring our performance.

Book value per share = (shareholders' equity) / (number of common shares outstanding)

Gross margin (%) = (gross profit) / (revenue) This measure indicates the relative efficiency with which we earn revenue

Net margin (%) = (net income) / (revenue) This measure indicates the relative efficiency with which we earn income

Debt to equity ratio = (total debt) / (total equity)

Net operating income (NOI) = (net income) +/– (fair value adjustments on investment properties) + (general and administrative expenses) – (interest income) + (amortization of operating lease incentives) +/- (straight-line rent adjustment). A reconciliation of NOI to the most comparable IFRS measure, net income, is as follows:

Investment Properties

($000s)	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Divisional income for the period	**3,962**	5,858	**14,776**	17,193
Fair value adjustment on investment properties	**730**	(152)	**(1,995)**	(2,209)
General and administrative expenses	**578**	801	**2,665**	2,068
Interest income	**(5)**	(8)	**(11)**	(22)
Amortization of operating lease incentives	**84**	373	**277**	1,660
Straight-line rent adjustment	**(327)**	(274)	**(575)**	(988)
Divisional NOI	**5,022**	6,598	**15,137**	17,702

REIT

($000s)	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Divisional income for the period	**5,831**	2,498	**20,622**	15,267
Fair value adjustment on investment properties	**3,614**	3,840	**7,322**	3,103
General and administrative expenses	**539**	470	**1,832**	1,492
Interest income	**(10)**	(15)	**(46)**	(54)
Amortization of operating lease incentives	**758**	599	**2,376**	1,759
Straight-line rent adjustment	**(407)**	(228)	**(1,194)**	(466)
Divisional NOI	**10,325**	7,164	**30,912**	21,101

Funds from operations (FFO) = (net income) + (amortization of operating lease incentives) +/– (fair value adjustment on investment properties) + (depreciation of property and equipment) + (stock based compensation expense) + (non-cash interest) +/- (gain (loss) on sale of asset) + (deferred income taxes) +/– (fair value adjustment on REIT Units). A reconciliation of NOI to the most comparable IFRS measure, net income, is as follows:

Consolidated

($000s)	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Net income for the period	**24,823**	26,193	**43,300**	50,642
Amortization of operating lease incentives	**1,755**	1,033	**4,532**	3,500
Fair value adjustment on investment properties	**195**	4,105	**(6,807)**	(2,116)
Depreciation on property and equipment	**608**	532	**1,407**	1,220
Stock based compensation expense	**83**	115	**253**	372
Non-cash interest	**252**	711	**737**	1,151
Gain on sale of asset	**—**	(116)	**(58)**	(167)
Deferred income taxes	**(1,059)**	(440)	**6,315**	(87)
Fair value adjustment on REIT units	**(8,779)**	(4,510)	**(17,010)**	(6,287)
FFO	**17,878**	27,623	**32,669**	48,228

Investment Properties

($000s)	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Divisional income for the period	**3,962**	5,858	**14,776**	17,193
Fair value adjustment on investment properties	**730**	(152)	**(1,995)**	(2,209)
Amortization of operating lease incentives	**84**	373	**277**	1,660
Divisional FFO	**4,776**	6,079	**13,058**	16,644

REIT

($000s)	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Divisional income for the period	**5,831**	2,498	**20,622**	15,267
Fair value adjustment on investment properties	**3,614**	3,840	**7,322**	3,103
Amortization of operating lease incentives	**758**	599	**2,376**	1,759
Divisional FFO	**10,203**	6,937	**30,320**	20,129

FFO per share = (FFO) / (basic weighted average common shares outstanding)

MELCOR

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2015

(Unaudited, in thousands of Canadian dollars)

Condensed Interim Consolidated Statement of Income

(Unaudited)	For the three months ended September 30, 2015	 September 30, 2014	For the nine months ended September 30, 2015	 September 30, 2014
Revenue	**87,921**	93,484	**171,588**	191,557
Cost of sales	**(52,052)**	(49,338)	**(96,726)**	(98,871)
Gross profit	**35,869**	44,146	**74,862**	92,686
General and administrative expense	**(5,582)**	(6,739)	**(16,555)**	(18,173)
Fair value adjustment on investment properties (note 5 and 11)	**(195)**	(4,105)	**6,807**	2,116
Adjustments related to REIT units (note 10)	**6,884**	2,608	**11,310**	(680)
Gain on sale of asset	**—**	116	**58**	167
Operating earnings	**36,976**	36,026	**76,482**	76,116
Interest income	**665**	831	**2,083**	2,083
Finance costs	**(6,234)**	(4,812)	**(18,094)**	(13,614)
Net finance costs	**(5,569)**	(3,981)	**(16,011)**	(11,531)
Income before income taxes	**31,407**	32,045	**60,471**	64,585
Income tax expense	**(6,584)**	(5,852)	**(17,171)**	(13,943)
Net income for the period	**24,823**	26,193	**43,300**	50,642
Earnings per share:				
Basic earnings per share	**0.75**	0.83	**1.31**	1.62
Diluted earnings per share	**0.74**	0.83	**1.30**	1.60

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Comprehensive Income

(Unaudited)	For the three months ended September 30, 2015	 September 30, 2014	For the nine months ended September 30, 2015	 September 30, 2014
Net income for the period	**24,823**	26,193	**43,300**	50,642
Other comprehensive income				
Items that may be reclassified subsequently to net income:				
Currency translation differences	**18,131**	4,857	**13,980**	4,235
Comprehensive income	**42,954**	31,050	**57,280**	54,877

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Financial Position

(Unaudited)	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	37,726	19,011
Restricted cash	2,390	2,945
Accounts receivable	21,061	21,407
Income taxes recoverable	4,316	—
Agreements receivable	139,529	167,773
Land inventory (note 4)	715,227	688,453
Investment properties (note 5 and 11)	921,957	901,104
Property and equipment	16,491	16,848
Other assets	50,205	45,755
	1,908,902	1,863,296
LIABILITIES		
Accounts payable and accrued liabilities	43,906	56,077
Income taxes payable	—	5,256
Provision for land development costs	104,806	108,268
General debt (note 6)	652,947	621,341
Deferred income tax liabilities	73,362	64,357
REIT units (note 10 and 11)	88,875	106,662
	963,896	961,961
SHAREHOLDERS' EQUITY		
Share capital (note 7)	69,145	67,767
Contributed surplus	2,886	2,947
Accumulated other comprehensive income (AOCI)	24,003	10,023
Retained earnings	848,972	820,598
	945,006	901,335
	1,908,902	1,863,296

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)	Equity attributable to Melcor's shareholders: Share capital	Contributed surplus	Convertible debenture	AOCI	Retained earnings	Total equity
Balance at January 1, 2015	**67,767**	**2,947**	**—**	**10,023**	**820,598**	**901,335**
Net income for the period	—	—	—	—	43,300	43,300
Cumulative translation adjustment	—	—	—	13,980	—	13,980
Transactions with equity holders						
Dividends	—	—	—	—	(14,926)	(14,926)
Employee share options						
Value of services recognized	—	253	—	—	—	253
Share issuance	1,378	(314)	—	—	—	1,064
Balance at September 30, 2015	**69,145**	**2,886**	**—**	**24,003**	**848,972**	**945,006**

(Unaudited)	Equity attributable to Melcor's shareholders: Share capital	Contributed surplus	Convertible debenture	AOCI	Retained earnings	Total equity
Balance at January 1, 2014	23,405	3,357	639	3,380	738,450	769,231
Net income for the period	—	—	—	—	50,642	50,642
Cumulative translation adjustment	—	—	—	4,235	—	4,235
Transactions with equity holders						
Dividends	—	—	—	—	(8,638)	(8,638)
Redemption of Debenture	40,639	—	(639)	—	—	40,000
Employee share options						
Value of services recognized	—	372	—	—	—	372
Share issuance	2,812	(673)	—	—	—	2,139
Balance at September 30, 2014	66,856	3,056	—	7,615	780,454	857,981

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

(Unaudited)	For the three months ended September 30, 2015	September 30, 2014	For the nine months ended September 30, 2015	September 30, 2014
CASH FLOWS FROM (USED IN)				
OPERATING ACTIVITIES				
Net income for the period	**24,823**	26,193	**43,300**	50,642
Non cash items:				
Amortization of tenant incentives	**1,755**	1,033	**4,532**	3,500
Depreciation of property and equipment	**608**	532	**1,407**	1,220
Stock based compensation expense	**83**	115	**253**	372
Non cash interest	**252**	711	**737**	1,151
Straight-line rent adjustment	**(695)**	(514)	**(1,589)**	(1,471)
Fair value adjustment on investment properties (note 5 and 11)	**195**	4,105	**(6,807)**	(2,116)
Fair value adjustment on REIT Units (note 10)	**(8,779)**	(4,510)	**(17,010)**	(6,287)
Gain on sale of asset	**—**	(116)	**(58)**	(167)
Deferred income taxes	**(1,059)**	(440)	**6,315**	(87)
	17,183	27,109	**31,080**	46,757
Agreements receivable	**(2,885)**	(18,682)	**28,244**	26,437
Development activities	**1,788**	(3,511)	**(10,521)**	(10,066)
Operating assets and liabilities	**9,949**	8,536	**(18,876)**	(14,419)
	26,035	13,452	**29,927**	48,709
INVESTING ACTIVITIES				
Purchase of land inventory (note 4)	**—**	(21,336)	**(2,500)**	(34,199)
Payment of tenant incentives	**(1,573)**	(736)	**(4,446)**	(10,328)
Purchase of investment properties	**(8,474)**	—	**(18,620)**	(24,135)
Additions to investment properties	**(7,144)**	(12,278)	**(20,459)**	(26,758)
Disposal of investment properties (note 7)	**41,410**	—	**41,410**	—
Purchase of property and equipment	**(103)**	(1,304)	**(1,062)**	(2,149)
Proceeds on disposal of property and equipment	**—**	202	**70**	285
Change in restricted cash	**1**	627	**64**	1,819
	24,117	(34,825)	**(5,543)**	(95,465)
FINANCING ACTIVITIES				
Proceeds from issuance of trust units	**—**	—	**—**	22,845
Revolving credit facilities	**11,170**	20,865	**26,676**	15,996
Proceeds from general debt	**38,516**	16,393	**58,492**	62,322
Repayment of general debt	**(64,818)**	(12,316)	**(77,047)**	(49,005)
Change in restricted cash	**130**	249	**491**	754
Repurchase of non-controlling interest	**(777)**	—	**(777)**	—
Dividends paid	**(4,979)**	—	**(14,926)**	(8,638)
Share capital issued	**153**	564	**1,064**	2,139
	(20,605)	25,755	**(6,027)**	46,413
FOREIGN EXCHANGE GAIN ON CASH HELD IN A FOREIGN CURRENCY	**184**	58	**358**	62
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**29,731**	4,440	**18,715**	(281)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**7,995**	24,252	**19,011**	28,973
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**37,726**	28,692	**37,726**	28,692
Total income taxes paid	**3,104**	1,887	**20,344**	19,188
Total interest paid	**7,162**	5,124	**21,053**	16,491

See accompanying notes to these condensed interim consolidated financial statements.

(Unaudited – in $000s except per share, share and acre amounts)

1. CORPORATE INFORMATION

We are a real estate development company with community development, property development, investment properties, REIT and recreational property divisions. We develop, manage, and own mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres, and golf courses.

The parent company is Melcor Developments Ltd. ("Melcor" or "we") and is incorporated in Canada. The registered office is located at Suite 900, 10310 Jasper Avenue Edmonton, AB T5J 1Y8. We operate in Canada and the United States ("US"). Our shares are traded on the Toronto Stock Exchange under the symbol "MRD". As at September 30, 2015 Melton Holdings Ltd. holds approximately 47.4% of the outstanding shares and pursuant to IAS 24, Related party disclosures, is the ultimate controlling party of Melcor.

As at November 10, 2015, Melcor through an affiliate, holds an approximate 56.7% effective interest in Melcor REIT ("REIT" or "the REIT") through ownership of all Class B LP Units of the Partnership and is the ultimate controlling party. Melcor continues to manage, administer and operate the REIT and its properties under an asset management agreement and property management agreement. Trust units of the REIT are traded on the Toronto Stock Exchange under the symbol "MR.UN".

Our quarterly results are impacted by the cyclical nature of our business environment. Income can fluctuate significantly from period to period due to the timing of plan registrations, the cyclical nature of real estate and construction markets, and the mix of lot sales and product types.

2. BASIS OF PRESENTATION

We prepare our condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as set out in Part I of the Chartered Professional Accountants ("CPA")Handbook applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These condensed interim consolidated financial statements should be read in conjunction with our annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on November 10, 2015.

3. ACCOUNTING POLICIES

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those of the previous financial year.

4. LAND INVENTORY

	September 30, 2015	December 31, 2014
Raw land held	**354,648**	337,292
Land under development	**159,180**	156,480
Developed land	**201,399**	194,681
	715,227	688,453

During the nine-month period ended September 30, 2015 we purchased 146 acres of land at a cost of $14,000 and received vendor financing of $11,500.

During the nine-month period ended September 30, 2014, we purchased 495 acres of land in Canada at a cost of $35,326 and received vendor financing of $14,665, and 123 acres of land in the United States at a cost of $7,100 ($6,511 USD) and received vendor financing of $3,080 ($2,825 USD). We also entered into a joint arrangement by purchasing a 50% interest in 148 acres of land at a cost of $10,490 and financing of $2,690, and purchased an additional 10% interest in 162 acres of land at a cost of $1,718.

5. INVESTMENT PROPERTIES

Investment properties consists of the following:

	September 30, 2015	December 31, 2014
Investment properties	**878,484**	863,966
Properties under development	**43,473**	37,138
Total	**921,957**	901,104

The following table summarizes the change in investment properties during the period:

			Nine months ended September 30, 2015
	Investment Properties	**Properties under Development**	**Total**
Balance - beginning of period	863,966	37,138	**901,104**
Additions			
Direct acquisition	983	3,018	**4,001**
Acquisitions through business combinations	14,619	—	**14,619**
Transfer from land inventory	—	763	**763**
Direct leasing costs	259	415	**674**
Property improvements	3,848	—	**3,848**
Development costs	301	15,447	**15,748**
Capitalized borrowing costs	—	189	**189**
Disposals	(41,410)	(3,088)	**(44,498)**
Transfers	20,077	(20,077)	**—**
Net fair value adjustment on investment properties	(2,861)	9,668	**6,807**
Change in provision	—	—	**—**
Foreign currency translation (included in OCI)	18,702	—	**18,702**
Balance - end of period	**878,484**	**43,473**	**921,957**

			Year ended December 31, 2014
	Investment Properties	Properties under Development	**Total**
Balance - beginning of year	642,275	142,235	**784,510**
Additions			
Direct acquisition	44,226	—	**44,226**
Acquisition through business combination	12,272	—	**12,272**
Transfer from land inventory	—	3,561	**3,561**
Direct leasing costs	663	1,268	**1,931**
Property improvements	4,768	—	**4,768**
Development costs	640	25,531	**26,171**
Capitalized borrowing costs	—	909	**909**
Transfers	152,915	(152,915)	**—**
Net fair value adjustment on investment properties	(3,721)	16,549	**12,828**
Change in provision	381	—	**381**
Foreign currency translation (included in OCI)	9,547	—	**9,547**
Balance - end of year	**863,966**	**37,138**	**901,104**

Acquisitions through Business combinations:

During the nine months ended September 30, 2015, we completed the acquisition of two properties in the US - Evans Business Centre for $8,474 (US $6,430) adding 47,385 sf in the Greater Phoenix area, and Centennial Aiport Plaza for $6,145 (US $4,880) adding 63,112 sf in Denver, Colorado. These acquisitions were accounted for as business combinations.

Judgment is required in determining if an acquisition is an asset purchase or a business combination. Unlike the other acquisitions completed during the period, Melcor will not directly manage these buildings and acquired all the inputs, processes and outputs related to these buildings to meet the definition of a business under IFRS 3, Business Combinations.

We are unable to present pro forma revenue and earnings as though the acquisition date had been January 1, 2015 as the information necessary to determine these amounts is not available.

Disposals:

During the nine months ended September 30, 2015, we disposed of a US residential rental property, resulting in proceeds (net of transaction costs) of $41,410 (US $31,378). After the repayment of debt and working capital adjustments, this resulted in cash inflows of $20,747 (US $15,721).

Supplemental information on fair value measurement, including valuation techniques and key inputs, is included in note 11.

6. GENERAL DEBT

	September 30, 2015	December 31, 2014
Melcor - revolving credit facilities	**108,052**	81,549
REIT - revolving credit facility	**5,134**	4,961
Project specific financing	**42,759**	34,205
Secured vendor take back debt on land inventory	**81,591**	80,335
Debt on investment properties and golf course assets	**383,100**	388,326
REIT - convertible debenture	**32,311**	31,965
	652,947	621,341

On May 1, 2015, the REIT entered into a revolving term facility credit agreement with two Western Canadian financial institutions (the "new facility"). Under the terms of the agreement the REIT has an available credit limit based upon the carrying values of specific investment properties up to a maximum of $35,000 for general purposes, including a $5,000 swingline sub-facility. The agreement also provides the REIT with $5,000 in available letters of credit which bear interest at 2.25%. The facility matures on May 1, 2018, with an extension option of up to three years at the discretion of the lenders. Depending on the form under which the credit facility is accessed, rates of interest will vary between prime plus 1.15% or banker's acceptance plus 2.25% stamping fee. The agreement also bears a standby fee of 0.45% for the unused portion of the revolving facility. The lenders hold demand debentures, a first priority general security and a general assignment of leases and rents over specific investment properties as security for the new facility. As at September 30, 2015, the carrying value of pledged properties was $58,400. Concurrent with commencement of the new facility the REIT canceled their previous credit facility with two major Canadian chartered banks.

7. SHARE CAPITAL

Issued and outstanding common shares at September 30, 2015 are 33,196,807 (December 31, 2014 – 33,115,691). During the three and nine months ended September 30, 2015, there were 11,550 and 81,116 options exercised (Q3-2014 – 42,850 and 164,257).

8. RELATED PARTY TRANSACTIONS

During 2014, the Melcor debenture was converted into common shares. As a result, during the three and nine months ended September 30, 2015, there were no debenture coupon payments paid. During the comparative three and nine months ended September 30, 2014, there was $139 and $821 paid to companies controlled by two members of our executive management team who are also directors of Melcor.

These transactions occurred in the normal course of operations and were measured at their exchange amount, which approximates carrying value.

(Unaudited – in $000s except per share, share and acre amounts)

9. SEGMENTED INFORMATION

Geographic Analysis

A reconciliation of our revenues and assets by geographic location is as follows:

External Revenues	**For the three months ended**		**For the nine months ended**	
For the three months ended (in Canadian dollars)	**September 30, 2015**	September 30, 2014	**September 30, 2015**	September 30, 2014
United States	**7,832**	3,523	**16,258**	10,521
Canada	**80,089**	89,961	**155,330**	181,036
	87,921	93,484	**171,588**	191,557

Total Assets		
As at (in Canadian dollars)	**September 30, 2015**	December 31, 2014
United States	**202,426**	181,349
Canada	**1,706,476**	1,681,947
	1,908,902	1,863,296

(Unaudited – in $000s except per share, share and acre amounts)

9. SEGMENTED INFORMATION (continued)

Divisional Analysis

Our divisions reported the following results:

For the three months ended September 30, 2015	Community Development	Property Development	Investment Properties	REIT	Recreational Properties	Corporate	Subtotal	Intersegment Elimination	Total
Segment revenue	58,494	17,274	8,407	15,938	4,368	—	**104,481**	(16,560)	**87,921**
Cost of sales	(37,715)	(13,185)	(3,142)	(5,964)	(2,550)	(152)	**(62,708)**	10,656	**(52,052)**
Gross profit	20,779	4,089	5,265	9,974	1,818	(152)	**41,773**	(5,904)	**35,869**
General and administrative expense	(2,432)	(328)	(578)	(539)	(720)	(1,962)	**(6,559)**	977	**(5,582)**
Fair value adjustment on investment properties	—	3,045	(730)	(3,614)	—	—	**(1,299)**	1,104	**(195)**
Gain on sale of assets	—	—	—	—	—	—	—	—	—
Interest income	650	—	5	10	—	—	**665**	—	**665**
	18,997	6,806	3,962	5,831	1,098	(2,114)	**34,580**	(3,823)	**30,757**
Finance costs									**(6,234)**
Adjustments related to REIT units									**6,884**
Income before tax									**31,407**
Income tax expense									**(6,584)**
Net income									**24,823**

For the three months ended September 30, 2014	Community Development	Property Development	Investment Properties	REIT	Recreational Properties	Corporate	Subtotal	Intersegment Elimination	Total
Segment revenue	71,053	16,367	10,249	11,074	4,349	—	**113,092**	(19,608)	**93,484**
Cost of sales	(40,258)	(12,718)	(3,750)	(4,281)	(2,383)	(140)	**(63,530)**	14,192	**(49,338)**
Gross profit	30,795	3,649	6,499	6,793	1,966	(140)	**49,562**	(5,416)	**44,146**
General and administrative expense	(2,682)	(455)	(801)	(470)	(662)	(2,221)	**(7,291)**	552	**(6,739)**
Fair value adjustment on investment properties	—	(1,910)	152	(3,840)	—	—	**(5,598)**	1,493	**(4,105)**
Gain on sale of assets	—	—	—	—	116	—	**116**	—	**116**
Interest income	805	—	8	15	—	3	**831**	—	**831**
	28,918	1,284	5,858	2,498	1,420	(2,358)	**37,620**	(3,371)	**34,249**
Finance costs									**(4,812)**
Adjustments related to REIT units									**2,608**
Income before tax									**32,045**
Income tax expense									**(5,852)**
Net income									**26,193**

(Unaudited – in $000s except per share, share and acre amounts)

9. SEGMENTED INFORMATION (continued)

For the nine months ended September 30, 2015	Community Development	Property Development	Investment Properties	REIT	Recreational Properties	Corporate	Subtotal	Intersegment Elimination	Total
Segment revenue	94,394	24,701	24,234	48,519	8,830	—	**200,678**	(29,090)	**171,588**
Cost of sales	(62,399)	(18,751)	(8,799)	(18,789)	(5,232)	(460)	**(114,430)**	17,704	**(96,726)**
Gross Profit	31,995	5,950	15,435	29,730	3,598	(460)	**86,248**	(11,386)	**74,862**
General and administrative expense	(6,899)	(1,103)	(2,665)	(1,832)	(1,865)	(5,038)	**(19,402)**	2,847	**(16,555)**
Fair value adjustment on investment properties	—	9,202	1,995	(7,322)	—	—	**3,875**	2,932	**6,807**
Gain on sale of assets	—	—	—	—	58	—	**58**	—	**58**
Interest Income	2,025	—	11	46	—	1	**2,083**	—	**2,083**
	27,121	14,049	14,776	20,622	1,791	(5,497)	**72,862**	(5,607)	**67,255**
Finance costs									**(18,094)**
Adjustment related to REIT units									**11,310**
Income before tax									**60,471**
Income tax expense									**(17,171)**
Net income									**43,300**

For the nine months ended September 30, 2014	Community Development	Property Development	Investment Properties	REIT	Recreational Properties	Corporate	Subtotal	Intersegment Elimination	Total
Segment revenue	127,975	86,326	27,718	32,840	8,224	—	**283,083**	(91,526)	**191,557**
Cost of sales	(72,469)	(68,913)	(10,688)	(13,032)	(4,822)	(385)	**(170,309)**	71,438	**(98,871)**
Gross Profit	55,506	17,413	17,030	19,808	3,402	(385)	**112,774**	(20,088)	**92,686**
General and administrative expense	(7,036)	(1,512)	(2,068)	(1,492)	(1,782)	(6,025)	**(19,915)**	1,742	**(18,173)**
Fair value adjustment on investment properties	—	3,133	2,209	(3,103)	—	—	**2,239**	(123)	**2,116**
Gain on sale of assets	—	—	—	—	167	—	**167**	—	**167**
Interest Income	1,984	—	22	54	—	23	**2,083**	—	**2,083**
	50,454	19,034	17,193	15,267	1,787	(6,387)	**97,348**	(18,469)	**78,879**
Finance costs									**(13,614)**
Adjustments related to REIT Units									**(680)**
Income before tax									**64,585**
Income tax recovery									**(13,943)**
Net income									**50,642**

10. NON-CONTROLLING INTEREST IN MELCOR REIT

In accordance with our policy, we account for the remaining 43.3% publicly held interest in the REIT as a financial liability measured at fair value through profit or loss ("FVTPL"). As at September 30, 2015 the REIT units had a fair value of $88,875. We recorded adjustments related to REIT units for the three and nine months ended September 30, 2015 of $6,884 and $11,310 (2014 - $2,608 and $680, respectively).

As illustrated in the table below, the adjustment is comprised of:

	For the three months ended		For the nine months ended	
($000s)	**September 30, 2015**	September 30, 2014	**September 30, 2015**	September 30, 2014
Fair value adjustment on REIT units (note 11)	**8,779**	4,510	**17,010**	6,287
Transaction costs on REIT unit issuance	**—**	—	**—**	(1,742)
Distributions to REIT unitholders	**(1,895)**	(1,902)	**(5,700)**	(5,225)
Adjustments related to REIT units	**6,884**	2,608	**11,310**	(680)

The following tables summarize the financial information relating to Melcor's subsidiary, the REIT, that has material non-controlling interest (NCI), before intra-group eliminations.

As at	**September 30, 2015**	December 31, 2014
Assets	**648,374**	657,765
Liabilities	**347,505**	353,038
Net assets	**300,869**	304,727
Cost of NCI	**102,989**	103,959
Fair value of NCI	**88,875**	106,662

	For the three months ended		For the nine months ended	
($000s)	**September 30, 2015**	September 30, 2014	**September 30, 2015**	September 30, 2014
Revenue	**15,938**	11,074	**48,519**	32,840
Net income and comprehensive income	**11,287**	2,693	**24,689**	8,867
Cash flows from operating activities	**5,026**	2,649	**10,445**	6,751
Cash flows used in investing activities	**(2,011)**	(2,458)	**(5,575)**	(22,845)
Cash flows from (used in) financing activities, before distributions to REIT unitholders	**(2,591)**	3,611	**(5,308)**	17,287
Cash flows used in financing activities - cash distributions to REIT unitholders	**(1,895)**	(1,902)	**(5,700)**	(5,225)
Net increase (decrease) in cash and cash equivalents	**(1,471)**	1,900	**(6,138)**	(4,032)

11. FAIR VALUE ESTIMATION

Fair value is the price that market participants would be willing to pay for an asset or liability in an orderly transaction under current market conditions at the measurement date.

The fair value of Melcor's financial instruments were determined as follows:

- the carrying amounts of cash and cash equivalents, restricted cash, accounts receivables and accounts payable and accrued liabilities approximate their fair values based on the short term maturities of these financial instruments.
- fair values of general debt is estimated by discounting the future cash flows associated with the debt at market interest rates (Level 2).

(Unaudited – in $000s except per share, share and acre amounts)

- fair value of derivative financial liability, the conversion feature on the REIT convertible debenture, is estimated based upon unobservable inputs, including volatility and credit spread (Level 3).
- fair value of REIT units are estimated based on the closing trading price of the REIT's trust units (Level 1).

In addition, Melcor carries its investment properties at fair value, which is determined by either the direct capitalization approach of by discounting future cash flows at a property specific discount rate (Level 3).

The following table summarizes Melcor's assets and liabilities carried at fair value and its financial liabilities where carrying value does not approximate fair value.

				September 30, 2015		December 31, 2014
	Fair Value	**Amortized Cost**	**Total Carrying Value**	**Total Fair Value**	Total Carrying Value	Total Fair Value
Non-financial assets						
Investment properties	**921,957**	**—**	**921,957**	**921,957**	901,104	901,104
Financial liabilities						
General debt, excluding derivative financial liability	**—**	**652,947**	**652,762**	**649,470**	621,156	633,119
Derivative financial liability	**185**	**—**	**185**	**185**	185	185
REIT units	**88,875**	**—**	**88,875**	**88,875**	106,662	106,662

The table below analyzes assets and liabilities carried at fair value in the condensed interim consolidated statement of financial position, by the levels in the fair value hierarchy. The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

- Level 1: quote prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

There were no transfers between the levels of the fair value hierarchy during the period.

	Level 1	**Level 2**	**Level 3**	**Total**
Non-financial assets				
Investment properties	—	—	921,957	921,957
Financial liabilities				
REIT units	88,875	—	—	88,875
Derivative financial liability	—	—	185	185

Investment properties

Investment properties are remeasured to fair value on a recurring basis and categorized as Level 3 in the fair value hierarchy. Investment properties were valued by qualified independent external valuation professionals as at December 31, 2014. We obtained updated market data at September 30, 2015 and considered whether changes to any valuation model variables resulted in significant changes to any of the investment property fair values at September 30, 2015. Fair values of investment properties were revised based on the updated data and model variables resulting in a fair value gain for the nine month period of $6,807 (September 30, 2014 - $2,116) recorded as fair value adjustment on investment properties in the statement of income.

(Unaudited – in $000s except per share, share and acre amounts)

The following table summarizes the valuation approach, significant unobservable inputs, and the relationship between the key inputs and the fair value:

Asset	Valuation approach	Significant unobservable inputs	Relationship between inputs and fair value
Investment properties	Direct capitalization or discounted cash flows	- Capitalization rate - Discount rate - Terminal rate - Stabilized NOI - Cash flows	Inverse relationship between capitalization, discount and terminal rates and fair value (higher rates result in decreased fair value); whereas higher stabilized NOI or cash flows results in increased fair value.
Properties under development	Direct capitalization less cost to complete	- Capitalization rate - Stabilized NOI - Costs to complete	Inverse relationship between capitalization rate and fair value (higher capitalization rate results in lower fair value); whereas higher stabilized NOI results in increased fair value.
Properties under development - undeveloped land	Direct comparison	- Comparison to market transactions for similar assets	Land value reflects market value.

The significant unobservable inputs in the Level 3 valuation under the above methods are as follows:

- Capitalization rate - based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- Stabilized net operating income - revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Discount rate - reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Terminal capitalization rate - taking into account assumptions regarding vacancy rates and market rents; and
- Cash flows - based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

In determining the fair value of our investment properties judgment is required in assessing the 'highest and best use' as required under IFRS 13, *Fair value measurement*. We have determined that the current uses of our investment properties are their 'highest and best use'.

Melcor's executive management team is responsible for determining fair value measurements including verifying all major inputs included in the valuation and reviewing the results with the independent valuator. Management, along with the Audit Committee, discuss the valuation process and key inputs on a quarterly basis.

Weighted average annual stabilized net operating income for investment properties as at September 30, 2015 is $1,406 (December 31, 2014 - $1,478). Other significant valuation metrics and unobservable inputs are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

	Investment Properties			**Properties under Development**		
September 30, 2015	**Min**	**Max**	**Weighted Average**	**Min**	**Max**	**Weighted Average**
Capitalization rate	**5.50%**	**9.00%**	**6.50%**	**5.75%**	**6.75%**	**6.37%**
Terminal capitalization rate	**5.75%**	**9.25%**	**6.78%**	**6.00%**	**7.25%**	**6.76%**
Discount rate	**6.50%**	**10.00%**	**7.68%**	**7.00%**	**7.75%**	**7.51%**

	Investment Properties			Properties under Development		
December 31, 2014	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	5.50%	9.00%	6.44%	6.00%	6.50%	6.32%
Terminal capitalization rate	5.75%	9.92%	6.71%	6.25%	7.00%	6.74%
Discount rate	6.50%	10.00%	7.64%	7.00%	7.75%	7.59%

(Unaudited – in $000s except per share, share and acre amounts)

A change in capitalization rates by a 50 basis points increase or decrease would inversely change the carrying amount of investment properties by $55,349 or $64,573 (December 31, 2014 - $54,626 or $63,827) respectively.

REIT units

REIT units are remeasured to fair value on a recurring basis and categorized as Level 1 in the fair value hierarchy. The units are fair valued based on the trading price of the REIT units at the period end date. At September 30, 2015 the fair value of the REIT units was $88,875, resulting in a fair value gain of $8,779 and gain of $17,010 (2014 - gain of $4,510 and $6,287) in the statement of income and comprehensive income during the three and nine months ended September 30, 2015.

Derivative financial liability

Our financial derivative liability is comprised of the conversion feature on the REIT convertible debenture and is categorized as level 3 in the fair value hierarchy.

The significant unobservable inputs used in the fair value measurement of the conversion feature on the REIT convertible debenture as at September 30, 2015 are as follows:

- Volatility - expected volatility as at September 30, 2015 was derived from the historical prices of the REIT's trust units. As the REIT was formed on May 1, 2013, price history is limited and we have used the entire historical data up until September 30, 2015. Volatility was 15.17%.
- Credit spread - the credit spread of the convertible debenture was imputed from the traded price of the convertible debenture as at September 30, 2015. The credit spread used was 3.76%.

12. EVENTS AFTER THE REPORTING PERIOD

Distributions on REIT trust units

On October 15, 2015 the REIT declared a distribution of $0.05625 per unit for the months of October, November and December 2015. The distributions will be payable as follows:

Month	**Record Date**	**Distribution Date**	**Distribution Amount**
October 2015	October 30, 2015	November 16, 2015	$0.05625 per unit
November 2015	November 30, 2015	December 15, 2015	$0.05625 per unit
December 2015	December 31, 2015	January 15, 2016	$0.05625 per unit

Dividends declared

On November 10, 2015 our board of directors declared a dividend of $0.15 per share payable on December 31, 2015 to shareholders of record on December 15, 2015.