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## Melcor reports first quarter results and announces 12% increase to semi-annual dividend

Edmonton, Alberta | May 9, 2014

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended March 31, 2014. Revenue was \$32.01 million in Q1-2014 compared to \$41.62 million in Q1-2013. The decrease in revenue is primarily due to the timing of plan registrations and land sales in the Community Development division. As a real estate developer, quarterly comparison of results is not always meaningful. Revenue and income can fluctuate significantly from period to period due to the timing of plan registrations and land sales, the cyclical nature of real estate and construction markets, the mix of lot sales and product types, and the mix of joint arrangement sales activity.

Melcor earned net income of \$6.86 million or \$0.22 per share (basic) in Q1-2014, compared to \$12.62 million and \$0.42 per share (basic) in Q1-2013. Adjusted earnings, which reflect our proportionate interest in the earnings for the REIT, were \$9.77 million, a decrease of 22.6% over Q1-2013. Management believes that adjusted earnings are a more accurate measure of operational and relative performance.

Funds from operations (FFO) was \$0.20 per share in Q1-2014 compared to \$0.31 per share in Q1-2013. FFO per share adjusts for all non-cash earnings items included in income such as fair value adjustments on investment properties and stock-based compensation expense.

Brian Baker, Melcor's President and Chief Executive Officer commented on the quarter: "We are pleased with our Q1-2014 results. All operating divisions are experiencing strong activity and we continue to execute successfully on our business plan. We have grown our asset base both organically, through third-party acquisition and via the synergies between Melcor and Melcor REIT. We remain focused on obtaining planning approvals required for future projects and we are well positioned for the 2014 construction season.

We remain confident in the year ahead and have increased our semi-annual dividend by 12% to \$0.28 per share."

### First Quarter Highlights

- Community Development revenues declined versus the comparative period due to the timing of plan registrations and commercial and multi-family land sales. Results remain on budget for 2014 and development activity is strong, with 38 projects presently under active development.
- Investment Property revenue increased as a result of 71% growth in portfolio gross leasable area (GLA). Melcor REIT revenue also grew as a result of growth in portfolio GLA.
- Melcor REIT completed its third property acquisition since IPO with the purchase of LC Industrial, a 67,610 sq. ft. industrial warehouse in Lethbridge, Alberta, for \$5.93 million.
- Melcor REIT paid distributions of \$0.05625 per trust unit in January, February and March. Distributions made during each of the eleven months of the REIT's operations represent a payout ratio of 88%.

- Subsequent to the quarter, the REIT completed an offering of 1.9 million trust units for gross proceeds of \$20.24 million. Part of these proceeds were used to purchase two properties from Melcor in exchange for \$7.40 million in Class B LP Units and \$6.10 million in cash.
- We continued to invest in portfolio growth in our Investment Properties and land inventory in the Community Development division. Subsequent to the quarter, the following deals closed:
  - Investment Properties acquired two commercial properties in Arizona for \$11.11 million. The office buildings have a total of 59,220 sq. ft. of GLA.
  - Community Development purchased 73.86 acres in Calgary and 36.91 acres in Lethbridge.
- On May 9, 2014 we declared a semi-annual dividend of \$0.28 per share, payable on June 30, 2014 to shareholders of record on June 16, 2014. The dividend is an eligible dividend for Canadian tax purposes.

## Outlook

The majority of our assets are in Alberta, with steadily growing inventory in the US. We believe the economic indicators in these regions provide a strong business outlook for the foreseeable future.

- Alberta fundamentals remain solid, with low unemployment rates, high net in-migration, weekly earnings exceeding the national average, strong capital investment, moderate inflation and relative stability in the price of oil. These fundamentals create a favorable environment for both residential and commercial property development.
- The US continues its moderate economic recovery with some lingering uncertainty, but with an increasing sense of optimism.

Our key differentiators are our financial strength, diversified business model, proven track record and the experience and integrity of our personnel.

## MD&A and Financial Statements

Information included in this press release is a summary of results. It should be read in conjunction with Melcor's consolidated financial statements and management's discussion and analysis for the three-months ended March 31, 2014, which can be found on the company's website at [www.Melcor.ca](http://www.Melcor.ca) or on SEDAR ([www.sedar.com](http://www.sedar.com)).

## About Melcor Developments Ltd.

Melcor is a diversified real estate development and management company with a rich heritage of integrity and innovation in real estate since 1923.

Through integrated operating divisions, Melcor manages the full life cycle of real estate development: acquiring raw land, community planning, construction and development, and managing revenue-producing office, retail and residential assets. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses.

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 British Columbia. Company developments span western Canada and the US. 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 2014 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](mailto:info@melcor.ca)

##### **Investor Relations**

Jonathan Chia, CA  
Chief Financial Officer  
Tel: 1.855.673.6931  
[ir@melcor.ca](mailto:ir@melcor.ca)