

PRESS RELEASE

for immediate distribution

Melcor Developments announces results for 2019 and declares quarterly dividend of \$0.10 per share

Edmonton, Alberta | March 11, 2020

Melcor Developments Ltd. (TSX: MRD), a real estate development and asset management company with operations across western Canada and in the United States, today reported results for the fourth quarter and year ended December 31, 2019. Softness in the residential markets where Melcor operates in Canada and timing of development in the US resulted in a revenue decrease of 22% to \$207.97 million in 2019 compared to \$267.43 million in 2018. Funds from operations (FFO) per share was down 32% to \$1.15 per share in 2019 compared to \$1.68 per share in 2018. FFO adjusts for all non-cash earnings items and management believes it better reflects true operating performance.

Net income was down 41% to \$37.74 million or \$1.13 per share (basic) in 2019, compared to \$64.27 million or \$1.92 per share (basic) in 2018.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the year: "On behalf of the Melcor team and our Board of Directors, it is my privilege to report on our 2019 results. The economic environment in Alberta remained challenging throughout the year. With continued uncertainty surrounding employment coupled with ongoing debate over pipelines and unstable oil prices, the residential housing market remained soft and contributed to the decline in revenue compared to 2018. We continued to focus on the right product type in the right areas in our community development division. We developed 57% fewer lots than in 2018, our second year of decline as we seek to maintain appropriate inventory levels. We continue to work through strategic marketing programs to reduce both our inventory and our builders' spec inventory. We sold 72 lots in our new community outside of Denver, CO. Sales velocity has been very positive in this new community and we have begun development of the second phase to meet builder demand for lots.

Our property development division remained active in 2019, with 99,794 square feet in new development transferred to investment properties. An additional 47,688 square feet is completed and awaiting lease up, while a further 96,797 square feet is under active development. All of this will eventually be added to our income producing asset portfolio, which in turn becomes potential acquisition targets for the REIT under its right of first offer. These new developments will contribute to further revenue diversification in the future. In 2019 the REIT completed third party acquisitions of over 339,000 square feet of gross leasable area in 2 retail properties and for the first time, retail comprises more than 40% of the portfolio. Melcor divested an office property in the US as part of our capital recycling strategy. At year end, we owned and managed 4.59 million square feet, a growth of 11% over 2018.

Our diversification strategies continue to offset the soft residential market in Alberta & BC. The growth in income-producing properties contributed 8% growth in consolidated revenue and also serves to stabilize gross margins. Our geographic diversification strategy, which includes both investment properties and residential development in the US, made up 14% of total revenue in 2019.

While we expect the economic environment to remain challenging in 2020 with new uncertainty caused by a global pandemic and its impact on the global economy, we continue to be proactive in all areas of our business to ensure that the right people are working on the right things in a way that is most effective for Melcor and our shareholders. We are focused on controlling costs and moving existing inventory. We are continuing to take advantage of opportunities to build future land position and to grow our income-generating properties. Melcor's high quality portfolio of assets - raw land, developed land inventory (residential lots and acres for multi-family and commercial development), income-producing properties and championship golf courses - place the company in a solid position to continue to weather this economic storm."

Today the Board declared a dividend of \$0.10 per share, payable on March 31, 2020 to shareholders of record on March 20, 2020. The dividend is an eligible dividend for Canadian tax purposes.

Rayburn continued: "This reduction from the prior quarter's dividend of \$0.12 per share is consistent with the company's desire to preserve cash in these uncertain economic times."

Selected Highlights

(\$000s except as noted)	2019	2018	Change
Revenue	207,971	267,434	(22.2)%
Gross margin (%) *	46.5%	46.8%	(0.6)%
Fair value adjustment on investment properties	12,234	863	1,317.6 %
Net income	37,741	64,273	(41.3)%
Net margin (%) *	18.1%	24.0%	(24.6)%
Funds from operations *	38,265	56,127	(31.8)%
Shareholders' equity	1,080,257	1,067,565	1.2 %
Total assets	2,096,047	2,023,076	3.6 %
Per Share Data			
Basic earnings	1.13	1.92	(41.1)%
Diluted earnings	1.13	1.92	(41.1)%
Funds from operations *	1.15	1.68	(31.5)%
Book value *	32.51	32.01	1.6 %

Our diversification strategy continues to have a positive impact on results to offset the softness in the Alberta residential market that has existed over the past five years. Our portfolio of income properties has grown 11% to 4.59 million sf via third-party acquisitions and properties constructed and transferred internally. The Property Development team transferred 8 buildings (99,794 sf) to Investment Properties in 2019. Investment Properties and the REIT had a combined revenue growth of 8% and represent 39% of revenue. The majority of GLA growth took place in the latter half of the year and will contribute to revenue growth in 2020. Recent GLA growth will be partially offset by the sale of a US office property with a total of 63,112 sf late in the year.

2019 results were also positively impacted by our geographic diversification strategy as we continued to sell lots in our new community of Harmony outside of Denver, CO. US revenue, which includes both investment properties and residential development, made up 14% of total revenue.

Softness continued in the Alberta & BC residential market in 2019, with single-family lot sales down 38% compared to 2018 leading to a 27% decline in Community Development revenue. With a strategic focus on managing inventory, we developed 57% fewer lots than 2018. Promotions were in place throughout 2019 in various communities to move inventory. We began development on two new communities adjacent to popular communities that had run out of inventory, one in Airdrie, AB and one in west Edmonton, AB. We expect showhomes to open in these new communities this spring. Diversity in the Community Development division's product types and geographic focus contributed to steady activity in spite of market challenges. Community Development contributed \$32.51 million to earnings. However, FFO decreased by 32% due to the decline in Community Development revenue. Our income-producing properties remain a steady source of FFO and help to stabilize overall income.

Throughout the year, we maintained our conservative and disciplined approach to investment and development activities and the management of our assets and liabilities.

Investing for growth

We continued to invest in land inventory and increased our land holdings by 470.60 acres in strategic growth corridors. The acquired land is primarily allocated to residential development and includes 72.57 acres acquired in the US. While active development has slowed, we continue to move land use approvals through the municipal approval process to increase our supply of shovel ready assets.

Our Property Development division completed and transferred 8 buildings (99,794 sf) in 2019 with a further 96,797 sf under development and 47,688 sf completed and awaiting lease up at year end. Revenue was up 38% over 2018 as 51% more GLA was completed and transferred compared to last year. Revenue from the Property Development division is eliminated on consolidation. Transfers to Investment Properties will positively impact results in future years as we continue to grow our income-producing assets for long-term holding or for sale to the REIT. We continued to progress commercial land through the

development, approvals and lease-up process and have an additional 15 buildings in 6 projects expected to be completed and transferred to Investment Properties in 2020.

The REIT completed the following third-party acquisitions during the year:

- a 56,084 sf single tenant retail building with warehouse space in Calgary, AB for \$12.45 million on April 24, 2019
- a 283,235 sf power shopping centre in Grande Prairie, AB for \$54.8 million on November 12, 2019.

We completed the following dispositions of US assets during the year:

- a residential unit in Phoenix, AZ was sold for \$0.31 million (US\$0.24 million) net of transaction costs on March 12, 2019.
- an office property in Denver, CO was sold for \$8.76 million (US\$6.32 million) net of transaction costs on December 31, 2019.

Return to Shareholders

We continue to distribute profits to our shareholders. In 2019, we paid dividends of \$0.50 per share.

We declared a dividend of \$0.10 per share on March 11, 2020 payable on March 31, 2020 to shareholders of record on March 20, 2020. The dividend is an eligible dividend for Canadian tax purposes.

We have been paying dividends since 1969.

Outlook

Melcor owns a high quality portfolio of assets, including raw land, developed land inventory (residential lots and acres for multi-family and commercial development), income-producing properties and championship golf courses. Alberta, our largest market, has undergone dramatic changes throughout the past few years, primarily related to lower oil prices and policy changes related to the governing political bodies both provincially and federally. We continue to intentionally diversify our business across asset class and geography, including investment in the US with raw land and commercial property acquisitions and the continued development of our 1,100-acre community in Aurora. We anticipate that these diversification strategies will continue to ease our reliance on the Alberta economy going forward.

We expect continued softness in the residential market in Alberta in 2020 and are focused on reducing existing lot inventory held by both Melcor and our builders. On the commercial side, retail activity remains steady and we expect that to continue in 2020. Our US assets delivered positive results in economies that are growing and that are counter cyclical to our resource dependence in Alberta.

Our business model has adapted to changing times and economic cycles for over 95 years. We will continue to take advantage of opportunities to diversify our asset base both geographically and by product type. We will maintain our disciplined, conservative approach to operations to ensure that we remain profitable while achieving our fundamental goals of protecting shareholder investment and sharing corporate profit with our shareholders.

With appropriate levels of serviced land inventory, movement of residential and commercial land through the municipal approvals process, steady occupancy rates and capacity on our operating facility, we remain well-positioned for the future.

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 2019 consolidated financial statements and management's discussion and analysis for the year ended December 31, 2019, which can be found on the Company's website at www.Melcor.ca or on SEDAR (www.sedar.com).

Annual General Meeting

Melcor's annual general meeting will be held May 20, 2020 at 11:00 AM MDT. Further details will be provided.

About Melcor Developments Ltd.

Melcor is a diversified real estate development and asset management company that transforms real estate from raw land through to high-quality finished product in both residential and commercial built form. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a well diversified portfolio of assets in Alberta, Saskatchewan, British Columbia, Arizona and Colorado.

Melcor has been focused on real estate since 1923. The Company has built over 140 communities across western Canada and today manages 4.6 million sf in commercial real estate assets and 608 residential rental units. Melcor is committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor's headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and in British Columbia and 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 2020 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under Business Environment and Risk in our annual MD&A.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the Company or on its behalf.

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