

PRESS RELEASE

for immediate distribution

Melcor Developments announces first quarter results, declares quarterly dividend of \$0.08 per share

Edmonton, Alberta | May 20, 2020

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended March 31, 2020. Revenue was down 3% to \$33.77 million compared to Q1-2019. In spite of an increase in sales of single-family lots, the lack of land sales in the Community Development division led to a 36% decrease in divisional revenue over the same period last year. Revenue in our Investment Properties and REIT division grew by 5% over Q1-2019 as a result of transfers from the Property Development division and third party acquisitions over the past 12 months. Investment properties owned gross leasable area grew by 4%, while gross leasable area in the REIT grew by 12%.

Q1-2020 net income was \$66.64 million or \$2.00 per share (basic) compared with a net income of \$1.59 million or \$0.05 per share (basic) in the same period of 2019. Net income is significantly impacted by non-cash fair value gains on REIT units and adjustments on investment properties. In Q1-2020, net income was positively impacted by non-cash fair value gains of \$68.63 million on REIT units as the unit price went from \$8.12 at the beginning the quarter to \$2.89 at March 31, 2020.

Funds from operations (FFO) was up 4% to \$5.93 million or \$0.18 per share over Q1-2019. The FFO increase over last year is primarily due to the 12% decrease in general and administrative spending. Management believes FFO better reflects Melcor's true operating performance by removing the non-cash items that may lead to significant swings in net income from period to period.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "I'm pleased to report on our first quarter 2020 results. Revenue was slightly down because no commercial or raw land sales closed in the quarter compared with 7.48 acres sold in Q1-2019. All other aspects of our business grew in the quarter, signaling a good start to 2020.

Then the COVID-19 global pandemic arrived in western Canada in March. We responded quickly, implementing a variety of measures to provide safe and clean work environments to keep our employees, tenants and visitors to our properties safe while doing our part to slow the spread. We also initiated a series of intentional measures to conserve cash in order to support our builders and tenants through these unprecedented times.

We anticipate that the emergency measures enacted to contain COVID-19 and the resulting economic impact will have negative repercussions on our future cash flow and funds from operations. The extent and duration of the impact on our results cannot be accurately predicted at this time. We anticipate that sales of single-family lots may slow down and that our tenants may not be able to pay full rent. In addition, our golf courses opened later than usual due to restrictions on recreational activities and our pro shops and restaurants remain closed.

We do not know if this disruption will be short term or if it will linger. Only time will tell. We continue to monitor the situation, make thoughtful decisions and take action to come through this together with our partners - our builder, tenants, suppliers and shareholders. While our business has survived economic ups and downs for nearly 100 years, the current situation is indeed unprecedented. Our greatest opportunity is to take a cautious approach to reopening and come through this challenge leaner and stronger than we entered it.

I would like to especially acknowledge the Melcor team for the sacrifices and accommodations they have made to make Melcor stronger while protecting our stakeholders."

The Board today declared a quarterly dividend of \$0.08 per share, payable on June 30, 2020 to shareholders of record on June 15, 2020. The dividend is an eligible dividend for Canadian tax purposes.

First Quarter Results

Given the longer term nature of real estate development, comparison of any three-month period may not be meaningful. Land sales, which can have a significant impact on quarterly results, are uneven by nature and it is difficult to predict when they will close.

Revenues in Q1-2020 were down 3% over Q1-2019 as a result of stronger land sales in Canada in the prior period and the timing of sales in the US. Community Development revenue was down 36% over Q1-2019. Our income producing divisions (Investment Properties and REIT) continue to grow, with the 9% increase in GLA under management contributing to first quarter revenue growth of 5% over Q1-2019, which partially offset the decline in Community Development revenue. Third-party acquisitions and transfers from our Property Development division contributed to the growth in GLA over the last 12 months. US revenue will continue to be

uneven as the development model differs from our Canadian markets. Builders bulk buy lots from Melcor to then finish and build homes and sell to homeowners. Sales to homeowners in our Harmony development in Denver remained strong through the first quarter, leading to demand for additional lots in our second phase of development; however, this phase is not expected to be completed for sale to builders until summer 2020.

Our strategy of geographic and product mix diversification over the past few years continues to positively impact our financial results and serve as an offset to the impact of softer residential markets in Alberta.

Our Community Development and Property Development divisions are actively engaged in a small number of projects as we enter the 2020 construction season. Some projects that were initially planned for this year have been paused until we return to a steadier market environment and projects that are going ahead have been reduced to smaller phases to ensure a balance of supply and demand for new residential lots. The phases we are progressing with are also comprised of predominantly smaller, more affordable product types such as laned homes, duplex, townhomes and multi-family sites.

FINANCIAL HIGHLIGHTS

- Revenue for the quarter was down 3% to \$33.77 million as a result of the timing of raw, multi-family and commercial land sales, which tend to fluctuate quarter to quarter. Revenue from the sale of single-family lots was up 26% to \$6.43 million.
- Funds from operations (FFO) increased 4% to \$5.93 million compared to the prior year. This increase is a result of:
 - A 12% or \$0.71 million reduction in general and administrative expenses.
 - A \$0.41 million reduction in finance costs when non-cash items are excluded.
- Net income was significantly impacted by non-cash fair value gains on REIT units of \$68.63 million due to the drastic swing in the REIT unit price in the quarter, which decreased from \$8.12 per unit at the start of the quarter to \$2.89 per unit on March 31, 2020 as worldwide equity markets experienced significant volatility due to COVID-19. This non-cash increase was offset by the non-cash fair value losses on investment properties of \$6.79 million. These gain and losses are driven by market forces outside of Melcor's control and are a key reason we focus on FFO as a better measure of our financial performance.

DIVISIONAL OPERATING HIGHLIGHTS

- All Community Development regions continue to focus on moving existing inventory and are deploying strategies and marketing programs to this effect. These efforts, combined with very cautious new development, have resulted in a 32% reduction to single-family lot inventory since March 31, 2019.
 - We began marketing the initial phase of North Clifton Estates in Kelowna, BC. This development is a high-end lake view community just 20 minutes from downtown Kelowna. Interest in the project has been exceptional, with 9 of the 44 Phase 1 lots sold to date in 2020.
 - Showhomes in our new community of Lanark Landing, adjacent to King's Heights in Airdrie, AB, began opening subsequent to the quarter with laned single family, duplex and townhome products available in the first phase. Interest in the project has been strong.
 - Our new community of Rosewood, adjacent to Rosenthal in Edmonton, AB will see showhomes open later this spring.
 - Interest in Harmony in Aurora, CO remains strong and the development had a great start to the year. The STEM-focused neighbourhood school, Harmony Ridge, is set to open for the 2020-21 school year and the community centre with pool is expected to be complete and open in June 2020.
- Our Property Development team has a total of 110,277 sf currently under construction in five projects. A further 47,688 sf is complete and awaiting lease-up and/or transfer in two projects. Our Property Development division currently only operates in Alberta.
- Total GLA under management has increased 9% via acquisitions and transfer from Property Development since March 31, 2019. Revenue in our income-producing divisions (Investment Properties and REIT) was up 5% over Q1-2019. These divisions continue to yield stable results and have achieved consistent occupancy and base rents despite challenging market conditions. See the COVID-19 section for April and May collection information.
- Our golf courses (Recreational Properties) opened May 1 in BC and May 7 in Alberta. These openings are later than the weather would have otherwise allowed as a result of COVID-19. In response to regulations put in place by health officials,

we are limiting services provided at the golf courses. Our clubhouses, pro shops and practice facilities will remain closed for the time being.

RETURNING VALUE

- We continue to return value to our shareholders and unit holders:
 - We paid a quarterly dividend of \$0.10 per share on March 31, 2020.
 - On May 20, 2020 we declared a quarterly dividend of \$0.08 per share, payable on June 30, 2020 to shareholders of record on June 15, 2020. The dividend is an eligible dividend for Canadian tax purposes.
 - The REIT paid distributions of \$0.05625 per unit in January, February and March for a quarterly payout ratio of 102%. April and May distributions were reduced to \$0.03 per unit to conserve cash in response to COVID-19 and the forced closure of a number of our non-essential service tenants in our neighbourhood retail shopping centres.

SUBSEQUENT EVENTS - NCIB

- On April 1, 2020 Melcor commenced a normal course issuer bid ("NCIB") which allows us to purchase up to 1,661,033 shares for cancellation, representing approximately 5% of Melcor's issued and outstanding trust units. The shares may be repurchased up to a maximum daily limit of 1,000. The price which Melcor will pay for trust units repurchased under the plan will be the market price at the time of acquisition. The NCIB ends one year from commencement on March 31, 2021.
- On April 1, 2020 the REIT commenced a normal course issuer bid ("REIT NCIB") which allows the REIT to purchase up to 655,792 trust units for cancellation, representing approximately 5% of the REIT's issued and outstanding trust units. The trust units may be repurchased up to a maximum daily limit of 3,207. The price which the REIT will pay for trust units repurchased under the plan will be the market price at the time of acquisition. The REIT NCIB ends one year from commencement on March 31, 2021. Following the expiration of the blackout on May 15, 2020 the REIT suspended its purchases under the NCIB program in light of the continued market volatility and in an effort to conserve cash.

Selected Highlights

(\$000s except as noted)	Three-months		
	31-Mar-20	31-Mar-19	Change
Revenue	33,767	34,884	(3.2)%
Gross margin (%) *	51.0%	53.9%	(5.4)%
Net income	66,640	1,590	4,091.2 %
Net margin (%) *	197.4%	4.6%	4,191.3 %
Funds from operations *	5,925	5,677	4.4 %
<i>Per Share Data (\$)</i>			
Basic earnings	2.00	0.05	3,900.0 %
Diluted earnings	2.00	0.05	3,900.0 %
Funds from operations *	0.18	0.17	5.9 %
<i>As at (\$000s except as noted)</i>			
	31-Mar-20	31-Dec-19	Change
Shareholders' equity	1,158,129	1,080,257	7.2 %
Total assets	2,107,783	2,096,047	0.6 %
<i>Per Share Data (\$)</i>			
Book value *	34.88	32.51	7.3 %

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 months ended March 31, 2020, which can be found on the company's website at www.Melcor.ca or on SEDAR (www.sedar.com).

About Melcor Developments Ltd.

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

Melcor has been focused on real estate since 1923. The company has built over 140 communities and commercial projects across Western Canada and today manages 4.52 million sf in commercial real estate assets and 607 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 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 and the additional disclosure under Business Environment and Risk in this MD&A.

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

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