PRESS RELEASE

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

Edmonton, Alberta | August 11, 2020

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the second quarter and six months ended June 30, 2020. Revenue was down 5% to $39.05 million compared to Q2-2019. Year to date revenue was down 4% to $72.82 million compared to the same period last year. This decrease is due to zero land acre sales thus far in 2020, while 2019 revenue included 24.99 acres of raw, commercial and other land sales for revenue of $17.71 million. This led to the 54% decrease in community development revenue over Q2-2019 and 48% year to date. Revenue in our Investment Properties and REIT divisions grew by 2% over Q2-2019 and 3% year to date as a result of transfers from the Property Development division and third party acquisitions over the past 18 months. Investment properties owned gross leasable area (GLA) grew by 4%, while GLA in the REIT grew by 12%.

Net income in the second quarter and year to date was significantly impacted by non-cash fair value gains on REIT units and fair value losses on investment properties. In Q2-2020, we had our entire Canadian property portfolio revalued by our external valuation professionals which resulted in a non-cash fair value loss on investment properties of $61.89 million contributing to the overall net loss of $62.59 million in the quarter compared to net income of $3.14 million in Q2-2019. Year to date net income was positively impacted by non-cash fair value gains of $58.02 million on REIT units as the unit price went from $8.12 at the beginning the year to $3.70 at June 30, 2020. Year to date net income was $4.05 million or $0.12 per share (basic) compared with a net income of $4.73 million or $0.14 per share (basic) in the same period of 2019.

These drastic swings in net income caused by non-cash gains and losses are the reason that management relies on Funds from Operations (FFO) as a better reflection of Melcor's true operating performance. FFO was up 16% to $9.28 million or $0.28 per share in the quarter and up 11% to $15.20 million or $0.46 per share year to date. The FFO increase over last year is primarily due to the 21% decrease in general and administrative spending over Q2-2019 and 16% year to date.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "While we have been working hard to adjust and react thoughtfully to an ever changing situation due to COVID-19 and other macro factors throughout the second quarter of 2020, we have been pleasantly surprised by our results. We planned for the worst while hoping for the best and ended up somewhere in the middle.

We moved quickly in response to COVID-19, providing a safe and clean work environment for our tenants and our team to stop the spread. We moved to work from home protocols internally by mid-March and have recently developed re-opening protocols to keep both our tenants and our team safe. Throughout the past 6 months, we have continually kept stakeholders updated on measures taken, operational updates and providing information or instructions for applying for relief programs.

We also implemented measures to conserve cash so that we would be in a position to support our builders, suppliers and tenants through these challenging times. These measures included reducing Melcor's dividends and the REIT's distributions, deferring non-essential discretionary capital spending, deferring sales tax, property tax and utility payments where available, and working with our lenders to defer mortgage payments. Further, we reduced board remuneration, implemented wage roll-backs for executive officers, temporary lay offs for approximately 25% of full-time staff and reduced remuneration for all remaining staff from April 1st to July 31st. The majority of furloughed staff returned to work on July 1st, in some cases as part of a work share program. Eight employees were permanently laid off and the board and senior management remains on reduced remuneration.

The amount of behind the scenes work that went into our COVID-19 response cannot be overemphasized. We are so proud of our team for stepping up to the challenge to protect our company.

The federal government, in partnership with the provinces and territories, announced the creation of the Canada Emergency Commercial Rent Assistance (CECRA) program for small businesses that qualify for the months of April, May, June, July and August 2020. Over 97% of retail tenants surveyed in late April and early May let us know that they intend to apply for the CECRA program, provided they qualify. As the deadline to apply for the CECRA program for small businesses who qualify and wish to access funding for April, May and June is August 31, 2020; and those who wish to access funding for July can apply to do so in September, we cannot yet determine the overall impact this program will have on Melcor. To date, we have received requests to apply for the CECRA program from approximately 10% of tenants representing 8% of total Canadian GLA. We cannot yet determine how many of these applications will be successful. We believe, based on existing information, that our net exposure to CECRA claims for the Q2 period is approximately $0.65 million.

Due to the rapidly evolving and widespread impacts of the pandemic, our total Canadian portfolio was revalued by our external valuation professionals in Q2-2020, resulting in a fair value loss of $68.68, or 6% of our portfolio value. Losses were due to declining stabilized NOI and projected cash flows as well as a 25-50 bps increase in capitalization rates and discount rates.

The significant difference between our second quarter results in 2020 and 2019 was the commercial and raw land sales that closed in 2019 in our community development division and a delay to the spring home buying season, particularly in Canada, as a result of measures implemented to stop the spread of COVID-19."

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

Second Quarter Results

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

Revenue in Q2-2020 was down 5% over Q2-2019 and 4% year to date. The significant contributor to this decrease in revenue was commercial, industrial and raw land sales in 2019, where none have been recorded to date in 2020. 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. Overall, Community Development revenue was down 54% in the quarter and 48% year to date.

COVID-19 delayed the typical spring selling season, resulting in fewer single-family lot sales in Canada through the first half of the year compared to 2019. In addition, the price per lot sold was impacted by both the prevalence of sales in joint venture communities along with the focus on smaller product type to meet new home buyer market trends. This decrease in Canadian sales was offset by 33 single-family lot sales in the US during Q2-2020 as we sold most of the remaining lots in the first phase of Harmony, contributing $4.94 million ($US3.62 million) in revenue.

Our income producing divisions (Investment Properties and REIT) continue to grow, with an 8% increase in GLA under management contributing to second quarter revenue growth of 2% over Q2-2019 and 3% year to date, which helped to partially offset the decline in Community Development revenue. Third-party acquisitions and transfers from our Property Development division over the past 18 months contributed to the growth in GLA. US Community Development revenue will continue to be uneven as the development model differs from our Canadian markets. Production builders bulk buy lots from Melcor to then finish, build homes and sell to homeowners. Strong sales to homeowners continued in the US through the second quarter, resulting in continued demand for additional lots in the second phase of our Harmony community in Denver, which is now under development.

Our strategy of geographic and product mix diversification over the past few years continues to positively impact our financial results and serve as a partial 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 during the 2020 construction season, including two brand new communities that are adjacent to successful communities that are close-to or fully built out and the continued build out of neighbourhood shopping centres adjacent to some of our most popular communities.

The community phases under development are comprised of predominantly smaller, more affordable product types such as laned homes, duplex, townhomes and multi-family sites as there has been demand from builders for these products.

FINANCIAL HIGHLIGHTS

- Revenue was down 4% year to date and 5% in the quarter as a result of the timing of raw, multi-family and commercial land sales, which tend to fluctuate quarter to quarter. Land sales made up over 50% of community development revenue in 2019 versus zero land sales to date in 2020. Although the number of single-family lots sold in the current period were comparable to 2019, year to date revenues from these sales increased from $15.09 million in 2019 to $17.06 million in 2020 as a result of sales of higher-priced products such as lake-view estate lots in Kelowna,BC.
- Funds from operations (FFO) increased 11% year to date and 16% in the quarter. FFO increased as a result of our continued focus on reducing general and administrative expenses, which were down 21% in the quarter and 16% year to date.
- Net income for the six-months ended June 30, 2020 was positively impacted by the non-cash fair value gains on REIT units of $58.02 million due to the drastic swing in the REIT unit price from December 31, 2019 at $8.12 per unit down to $3.70 per unit on June 30, 2020 as worldwide equity markets experienced significant volatility due to COVID-19. This non-cash increase to net income was offset by non-cash fair value losses on investment properties of $68.68 million. Both these gains 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 23% reduction to single-family lot inventory since June 30, 2019.
    - We began marketing the initial phase of North Clifton Estates in Kelowna, BC in Q1-2020. This highly anticipated development is a high-end Okanagan lake view community just 20 minutes from downtown Kelowna. Interest in the project has been strong through Q2-2020, with 11 of the 44 lots in Phase 1 sold.
    - Showhomes in our new community of Lanark Landing, adjacent to King's Heights in Airdrie, AB, opened during the quarter with laned single-family, duplex and townhome product available in Phase 1A. Interest in the project has been strong and we are beginning Phase 1B of the community.
    - Showhomes in our new community of Rosewood, adjacent to Rosenthal in Edmonton, AB, are nearing completion and will be opening in Q3-2020.
    - Interest in Harmony in Aurora, CO remained strong throughout the quarter with a total of 33 lots sold as of June 30, 2020. The STEM-focused neighbourhood school, Harmony Ridge, is set to open for the 2020-21 school year and the community centre with pool was completed in June 2020; however, it remains closed due to COVID-19. Phase 2 of the community is under development.
- Our Property Development team has a total of 115,244 sf currently under construction in five projects. A further 52,548 sf is complete and awaiting lease-up and/or transfer in two projects. Our Property Development division currently only operates in Alberta.
- As a result of the uncertainty surrounding the fair value of many of our investment properties, management engaged our independent external valuation professionals to perform assessments of Canadian properties in our income generating divisions. This resulted in a net fair value loss of $61.89 million in the quarter and $68.68 million year to date.
- Total GLA under management has increased 8% via acquisitions and transfers from Property Development since June 30, 2019. Revenue in our income-producing divisions (Investment Properties and REIT) was up 2% over Q2-2019 and 3% over the same period last year. 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 rent 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, services provided at the golf courses were limited in scope in early May. Clubhouses are now open and following all guidelines for safe physical distancing of patrons.

RETURNING VALUE

- We continue to return value to our shareholders and unit holders:
    - We paid a quarterly dividend of $0.08 per share on June 30, 2020. This is a reduction from the $0.10 per share dividend paid during the first quarter in order to conserve cash as a response to COVID-19.
    - On August 11, 2020 we declared a quarterly dividend of $0.08 per share, payable on September 30, 2020 to shareholders of record on September 15, 2020. The dividend is an eligible dividend for Canadian tax purposes.
    - The REIT paid distributions of $0.03 per unit in April, May and June for a quarterly payout ratio of 55%. Distributions made subsequent to June 2020 remained at $0.03 per unit to conserve cash in response to COVID-19.

Selected Highlights

($000s except as noted)	Three-months			Six-months		
	30-June-20	30-June-19	Change	**30-June-20**	30-June-19	Change
Revenue	**39,053**	41,085	(4.9)%	**72,820**	75,969	(4.1)%
Gross margin (%) *	**49.5 %**	53.6 %	(7.6)%	**50.2 %**	53.8 %	(6.7)%
Net income (loss)	**(62,590)**	3,137	(2,095.2)%	**4,050**	4,727	(14.3)%
Net margin (%) *	**(160.3)%**	7.6 %	(2,209.2)%	**5.6 %**	6.2 %	(9.7)%
Funds from operations *	**9,276**	7,975	16.3 %	**15,201**	13,652	11.3 %
Per Share Data ($)						
Basic earnings (loss)	**(1.88)**	0.09	(2,188.9)%	**0.12**	0.14	(14.3)%
Diluted earnings (loss)	**(1.88)**	0.09	(2,188.9)%	**0.12**	0.14	(14.3)%
Funds from operations *	**0.28**	0.24	16.7 %	**0.46**	0.41	12.2 %

As at ($000s except as noted)	**30-June-20**	31-Dec-19	Change
Shareholders' equity	**1,086,281**	1,080,257	0.6 %
Total assets	**2,034,787**	2,096,047	(2.9)%
Per Share Data ($)			
Book value *	**32.76**	32.51	0.8 %

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 six months ended June 30, 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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