PRESS RELEASE

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

Edmonton, Alberta | November 10, 2020

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the third quarter and nine months ended September 30, 2020. Revenue was up 35% to $73.05 million compared to Q3-2019. Year to date revenue was up 12% to $145.87 million compared to the same period last year. Growth in revenue is due to the year to date increase in single-family lot sales in both Canada (290 compared to 250) and the United States (229 compared to 24). This led to the 66% increase in community development revenue over Q3-2019 and 1% year to date. Revenue in our Investment Properties and REIT divisions grew by 2% over Q3-2019 and 3% year to date 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 (GLA) grew by 2% as a result of four properties with a total of 36,314 sf transferred from our Property Development division during the quarter, while GLA in the REIT grew by 10%.

Net income in the third 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 Q3-2020, valuations of investment properties resulted in a non-cash fair value loss of $0.86 million contributing to a lower net income of $7.53 million in the quarter compared $16.07 million in Q3-2019. Year to date net income was positively impacted by non-cash fair value gains of $56.32 million on REIT units as the unit price went from $8.12 at the beginning the year to $3.83 at September 30, 2020. Year to date net income was $11.58 million or $0.35 per share (basic) compared with a net income of $20.80 million or $0.62 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 34% to $14.32 million or $0.43 per share in the quarter and up 21% to $29.52 million or $0.89 per share year to date. The FFO increase over last year is primarily due to the 14% decrease in general and administrative spending over Q3-2019 and 16% year to date as we have focused on minimizing controllable expenses.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "We are pleased with our results through the first nine-months of 2020, a year that challenged the whole world in so many unanticipated ways. I am especially grateful to our team, who rose to the challenge, and through self-sacrifice and smart planning delivered these results.

As has been the case for the past few years, our diversification strategies of expanding to the US and increasing our portfolio of income producing properties continue to have a positive effect on our results. Our US operations contributed nearly a third of our year to date revenue.

Year to date US results include the complete sellout of our second phase of Harmony near Denver, Colorado. We began servicing a new phase in the third quarter to maintain inventory supply to match current sales velocity.

Investment properties and the REIT were the divisions most impacted by COVID-19. We worked with our tenants to provide temporary relief to support them through this time. We also participated in the CECRA program on behalf of qualified tenants. As of September 30, we had collected 93% of third quarter rent and 85% of second quarter rent, with $4.92 million in outstanding arrears. We expect to collect all deferred and uncollected rent.

We continue to grow our portfolio of commercial properties, with the property development team delivering 36,314 square feet of fully leased neighbourhood shopping centre buildings to investment properties for active management. They have a further 191,716 square feet under active development or completed and awaiting lease-up.

Gross margin erosion is a result of a combination of factors, including bad debts related to the CECRA program (primarily in the REIT), the volume of revenue from Harmony, which as a new community carries higher costs to build brand awareness and competitive pricing to drive initial sales velocity, and lower margins in Canadian community development due to the trend towards smaller product types and minimal land sales in the quarter.

Our results year to date come from thoughtful planning to ensure that our product will meet market demand and focused execution through volatile times. Throughout our 97 year history, we have pivoted when necessary to ensure the future strength of our company. 2020 has been a year unlike any other, yet Melcor continued to grow."

The Board today declared a quarterly dividend of $0.08 per share, payable on December 31, 2020 to shareholders of record on December 15, 2020. The dividend is an eligible dividend for Canadian tax purposes.

Third Quarter Results

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

Revenue in Q3-2020 was up 35% over Q3-2019 and 12% year to date. The main contributor to this increase was the release of the second stage of Harmony (Aurora, CO), which sold out and contributed $25.68 million in revenue in the quarter, with overall US lot sales having contributed $32.45 million year to date.

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. In 2019, 85.09 acres of land sales made up 45% of Community Development revenue, compared to 0.80 acres contributing 1% of revenue year to date in 2020. Community Development revenue was up 66% in the quarter and 1% year to date, primarily due to COVID-19 delaying the spring selling season into the summer and the bulk purchase of lots in Harmony.

Our income producing divisions (Investment Properties and REIT) continue to grow, with a 7% increase in GLA under management contributing to third quarter revenue growth of 2% over Q3-2019 and 3% year to date. During the quarter our Property Development division transferred 4 buildings (36,314 sf) for $13.87 million in transfer revenue.

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.

COVID-19 continues to impact results as described in the Significant Event - COVID-19 section of this MD&A. The main impacts in Q3-2020 and year to date are:

- Investment Property valuations resulting in fair value losses of $69.54 million year to date.
- The decline in the REIT's traded security values, with a 53% decrease in the trading price of trust units (compared to December 31, 2019), resulting in a $56.32 million fair value gain.
- Provisions for doubtful accounts of $1.64 million.
- CECRA rent forgiveness of $0.82 million.

FINANCIAL HIGHLIGHTS

- Revenue was up 12% year to date and 35% in the quarter as a result of increased lots sales in both Canada and the US during Q3-2020 and year to date. The second phase of Harmony in the US sold out during the quarter, contributing $25.68 million in revenues. Overall US lot sales from the first and second phases of Harmony contributed $27.51 million in Q3-2020 compared to $2.89 million in Q3-2019.
- Funds from operations (FFO) increased 21% year to date and 34% in the quarter. This increase is a result of our continued focus on reducing general and administrative expenses, which were down 14% in the quarter and 16% year to date; in conjunction with lower distributions on REIT units and reduced finance costs.
- Year to date net income was positively impacted by the non-cash fair value gains on REIT units of $56.32 million due to the drastic swing in the REIT unit price from December 31, 2019 at $8.12 per unit down to $3.83 per unit on September 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 $69.54 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 cautious new development, have resulted in a 32% reduction to single-family lot inventory since September 30, 2019. 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. In 2020, we introduced three new communities:
    - **North Clifton Estates (Kelowna, BC)**: We began marketing the initial phase of North Clifton Estates in Kelowna, BC in Q1-2020. This high-end Okanagan lake front community is just 20 minutes from downtown Kelowna and has generated significant interest, resulting in 13 of the 44 lots in Phase 1 sold as of Q3-2020.

- **Lanark Landing (Airdrie, AB)**: The remaining first phase showhomes opened during the quarter. The first phase of this community features a variety of home types (laned single-family, duplex and townhome). Interest in the project has been strong and we have begun development of the next phase, which introduces front drive single-family and duplex to the product mix.
- **Rosewood at Secord (Edmonton, AB):** Showhomes in our new community of Rosewood opened this fall. This community, featuring affordable modern farmhouse, prairie contemporary, heritage and classic modern style single-family and townhomes with multi-family sites is garnering strong interest.

Interest in Harmony (Aurora, CO) remained strong throughout the quarter and our builder group bought out an additional 15 lots in phase 1 and bought out all inventory in phase 2 (181 lots). 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 3 of the community is now under development.

- **Property Development** transferred four buildings (36,314 sf) to our Investment Property division during the quarter. The Property Development team has a total of 133,225 sf currently under construction in six projects. A further 58,491 sf is complete and awaiting lease-up and/or transfer in two projects.
- Total GLA under management has increased 7% via transfers from property development (132,426 sf) and third party acquisitions (283,000 sf) and partially offset by two divestures (87,000 sf) since September 30, 2019. Revenue in our income-producing divisions (**Investment Properties** and **REIT**) was up 2% over Q3-2019 and 3% over the same period last year. Revenue growth from portfolio growth was offset by reduced recovery revenue on account of lower direct operating costs and lower same-asset performance. 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.

  The invesment property portfolio remained stable in the third quarter (fair value loss of $0.86 million) following a full revaluation of our Canadian portfolio by our external valuation professionals in the second quarter (year to date loss of $69.54 million). Valuation losses were partially offset by gains in our Property Development division as a result of continued development on several projects.
- Our golf courses (**Recreational Properties**) opened May 1 in BC and May 7 in Alberta, later than the weather would have allowed due to COVID-19 restrictions. These late opening dates were offset by renewed interest in golf as a less-risky recreation option, and our courses made headway on lost revenue in the third quarter while also improving margin.

RETURNING VALUE

- We continue to return value to our shareholders and unit holders:
  - We paid a quarterly dividend of $0.08 per share on September 30, 2020. The dividend was cut following the first quarter to conserve cash and support our response to COVID-19.
  - On November 10, 2020 we declared a quarterly dividend of $0.08 per share, payable on December 31, 2020 to shareholders of record on December 15, 2020. The dividend is an eligible dividend for Canadian tax purposes.
  - The REIT paid distributions of $0.03 per unit in July, August and September for a quarterly ACFO payout ratio of 73%. Distributions made subsequent to September 2020 remained at $0.03 per unit to conserve cash to support its response to COVID-19.

Selected Highlights

($000s except as noted)	Three-months			Nine-months		
	30-Sept-20	30-Sept-19	Change	**30-Sept-20**	30-Sept-19	Change
Revenue	**73,051**	53,946	35.4 %	**145,871**	129,915	12.3 %
Gross margin (%) *	**36.4 %**	43.5 %	(16.3)%	**43.3 %**	49.5 %	(12.5)%
Net income (loss)	**7,526**	16,068	(53.2)%	**11,576**	20,795	(44.3)%
Net margin (%) *	**10.3 %**	29.8 %	(65.4)%	**7.9 %**	16.0 %	(50.6)%
Funds from operations *	**14,315**	10,696	33.8 %	**29,516**	24,348	21.2 %
Per Share Data ($)						
Basic earnings (loss)	**0.23**	0.48	(52.1)%	**0.35**	0.62	(43.5)%
Diluted earnings (loss)	**0.23**	0.48	(52.1)%	**0.35**	0.62	(43.5)%
Funds from operations *	**0.43**	0.32	34.4 %	**0.89**	0.73	21.9 %

As at ($000s except as noted)	**30-Sept-20**	31-Dec-19	Change
Shareholders' equity	**1,087,572**	1,080,257	0.7 %
Total assets	**2,029,003**	2,096,047	(3.2)%
Per Share Data ($)			
Book value *	**32.83**	32.51	1.0 %

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, 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 4.54 million sf in commercial real estate assets and 604 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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