PRESS RELEASE

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Melcor Developments announces first quarter results, declares quarterly dividend of $0.10 per share

Edmonton, Alberta | May 11, 2021

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the first quarter ended March 31, 2021. Revenue was up 28% to $43.27 million compared to Q1-2020. Strong market demand for new homes led to 122 single-family lot sales in Canada compared to 56 last year, resulting in revenue growth of 120% over Q1-2020 for the Community Development division.

Investment properties owned gross leasable area (GLA) grew by 7% as a result of properties transferred from our Property Development division over the past 12 months. Revenue from our income-generating Investment Properties and REIT divisions grew 5% over Q1-2020; however, this is a result of one-time lease termination fees of $2.94 million in the quarter. Excluding these fees, income-generating revenue was down by 5% due to lower occupancy and weighted average base rents related to COVID-19 lease adjustments. We continue to both renew tenants and lease new space.

Net income in the quarter was significantly impacted by non-cash fair value losses of $21.64 million on REIT units related to unit price appreciation compared to December 31, 2020. Q1-2021 net loss was $14.03 million or $0.42 per share (basic) compared with a net income of $66.64 million or $2.00 per share (basic) in the same period of 2020.

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 72% to $10.17 million or $0.31 per share in the quarter. The FFO increase is a result of strong demand for new homes in Melcor-developed neighbourhoods contributing to Community Development division revenue growth.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "We are pleased with our results for the first quarter of 2021. The strong demand for new homes that materialized mid-year in 2020 continued through the quarter and resulted in near-record single-family lot sales for Q1-2021. To replenish inventory, we have an active development program this year and have approved 1,365 new lots for development.

Our ability to react quickly to changes in market demand keeps our inventory levels manageable. At the beginning of the pandemic in early 2020, we cautiously brought on a fewer number of lots at a time (60-100) by splitting larger phases in our communities. As the market began to ramp up later in the year, we adjusted again and are now confidently bringing on some of our largest phases to date.

We expect the US to be a significant contributor to our results this year and are in the process of developing the 511 lot third phase in Harmony (Aurora, CO), which is anticipated to be available for sale to builders this fall. The Kelowna market has also exceeded expectations so far this year, and all available inventory is currently committed.

While COVID-19 has had a modest impact on our business through the past year, our income-generating divisions have been the most sensitive to changes in consumer behaviour and work from home orders. We continue to work with our tenants to support them through this time. As of May 11, we have collected 98% of first quarter rent and 96% of April rent. Through the quarter, we received a total of $2.94 million in lease termination fees, one in the US from a large tenant that reduced their total office square footage, and one Canadian restaurant chain that terminated early in Leduc Common. Prospects for new lease deals in the returned spaces and other vacancies remain positive.

Gross margin appreciation is a result of growth in single-family lot sales in the quarter combined with the overall revenue mix, with income-generating divisions comprising 67% of total revenue at 60% gross margin.

We continue to plan and operate conservatively, as is our nature. Pre-sales threshold requirements remain in place on all new development. We didn't come this far just to come this far."

The Board today declared a quarterly dividend of $0.10 per share, payable on June 30, 2021 to shareholders of record on June 15, 2021. 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.

Revenue in Q1-2021 was up 28% over Q1-2020 as a result of stronger lot sales in Canada compared to the prior period. Lot sales, which can have a significant impact on quarterly results, are uneven by nature and it is difficult to predict when they will close. The strong market demand that began mid-2020 continues at a steady pace and contributed to the 120% increase in Community Development revenue, along with the sale of 8.53 acres of raw land in Leduc. No land sales occurred in Q1-2020.

The US community development model differs from Canadian markets, resulting in the majority of revenue occurring in a single quarter. Builders bulk buy lots from Melcor to finish and build homes to sell to homeowners. Sales to homeowners remained strong through the first quarter. Harmony is in the top ten master-planned communities in all of Colorado based on sales velocity. Demand for additional lots remains high and we have begun development of the third phase; however, this phase is not expected to be completed for sale to builders until fall 2021.

Investment properties owned gross leasable area (GLA) grew by 7% as a result of properties transferred from our Property Development division over the past 12 months. Revenue from our income-generating Investment Properties and REIT divisions grew 5% over Q1-2020; however, this is a result of one-time lease termination fees in the quarter. Excluding these fees, income-generating revenue was down by 5% due to lower occupancy and weighted average base rents related to COVID-19 lease adjustments. We continue to both renew tenants and lease new space.

FINANCIAL HIGHLIGHTS

- Revenue was up 28% in the quarter as a result of increased lots sales and a raw land sale during Q1-2021. Revenue from single-family lot sales was up 110% to $13.60 million in the quarter (Q1-2020: $6.43 million).
- Funds from operations (FFO) increased 72%. This increase is a result of the impact of fair value adjustments on REIT units, lower distributions on REIT units, and an increase in Community Development, Investment Property and REIT revenue earned than in the comparative period.
- Net loss of $14.03 million is a result of the non-cash fair value losses of $21.64 million on REIT units due to unit price appreciation compared to non-cash fair value gains of $68.63 in Q1-2020. The change in unit price has a counter-intuitive impact on net income as an increase in unit value decreases net income. These 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

- Following successful inventory reduction programs in 2020, our **Community Development** division is focused on inventory replenishment in all regions. To date we have approved the development of 22 new phases in 15 communities representing 1,365 single-family lots (which include duplex and townhome lots). This includes the launch of a new community known as Cobblestone Creek in Airdrie, AB. Satellite communities, such as St. Albert, Spruce Grove, Airdrie and Cochrane continue to be hot markets and we are bringing on new phases with smaller product categories to meet current demand. We continue to move new communities and additional phases in existing neighbourhoods through the municipal approval process.

  Interest in Harmony (Aurora, CO) remained strong throughout the quarter as builders move through their inventory. Harmony is a top 10 new master-planned community in all of Colorado based on sales velocity. Our builder group is actively engaged on presales for Phase 3, which is currently under development. The community centre, including the pool, was completed in 2020. The facility remained closed in the prior year due to local COVID-19 restrictions, but is expected to open for the 2021 season.

  While interest in all areas remains high, the Kelowna market had an exceptionally strong start to the year. All lots in North Clifton are under contract, and we expect the recently registered Phase 7 at BlueSky to sell out this year as well.
- The **Property Development** team has a total of 72,804 sf (2 projects: Greenwich & Chestermere) currently under construction. A further 41,796 sf is complete and awaiting lease-up and transfer in 3 projects: The District, Woodbend Market, and Clearview Market.
- Total GLA under management has increased 2% from Q1-2020 via internal transfers from **Property Development** in the third and fourth quarters of 2020, partially offset by a disposal of an office property in Arizona in Q3-2020. Revenue in our income-producing divisions (**Investment Properties** and **REIT**) was up 5% over Q1-2020. These divisions are down slightly in occupancy and base rents because of challenging market conditions. See the COVID-19 section for rent collection information.

The investment property portfolio remained fairly stable in Q1-2021 with fair value gains of $0.98 million compared to fair value losses of $6.79 in Q1-2020.

- Our Melcor-managed golf courses (**Recreational Properties**) had an early spring start and opened April 1 in BC, and April 2 in Alberta. In response to regulations put in place by health officials, physical distancing measures remain in place at our clubhouses and pro shops, and dining service is limited to patio and take-and-go.

RETURNING VALUE

- We continue to return value to our shareholders and unitholders:
  - We paid a quarterly dividend of $0.10 per share on March 31, 2021.
  - On May 11, 2021 we declared a quarterly dividend of $0.10 per share, payable on June 30, 2021 to shareholders of record on June 15, 2021. The dividend is an eligible dividend for Canadian tax purposes.
  - The REIT paid distributions of $0.035 per trust unit in January, February and March for a quarterly payout ratio of 53% based on ACFO and 43% based on FFO. Distributions declared April 15, 2021 remained at $0.035 per trust unit.

SUBSEQUENT EVENTS - NCIB

- On April 1, 2021 Melcor commenced a normal course issuer bid ("NCIB"), which allows us to purchase up to 1,654,553 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 3,781. 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, 2022.
- On April 1, 2021 the REIT commenced a normal course issuer bid ("REIT NCIB"), which allows the REIT to purchase up to 652,525 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 3,824. 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 NCIB ends one year from commencement, on March 31, 2022.

Selected Highlights

($000s except as noted)	Three-months		
	31-Mar-21	31-Mar-20	Change
Revenue	**43,270**	33,767	28.1 %
Gross margin (%) *	**52.2 %**	51.0 %	2.4 %
Net income (loss)	**(14,033)**	66,640	(121.1)%
Funds from operations (FFO) *	**10,174**	5,925	71.7 %
Per Share Data ($)			
Basic earnings (loss)	**(0.42)**	2.00	(121.0)%
Diluted earnings (loss)	**(0.42)**	2.00	(121.0)%
Funds from operations *	**0.31**	0.18	72.2 %

As at ($000s except as noted)	**31-Mar-21**	31-Dec-20	Change
Shareholders' equity	**1,058,069**	1,077,429	(1.8)%
Total assets	**1,996,659**	2,001,285	(0.2)%
Per Share Data ($)			
Book value *	**31.98**	32.56	(1.8)%

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 months ended March 31, 2021, 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 4.63 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 2021 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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