PRESS RELEASE

for immediate distribution

Melcor Developments announces first quarter results, declares quarterly dividend of $0.16 per share

Edmonton, Alberta | May 10, 2023

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended March 31, 2023. Revenue was down $36.08 million or 32% compared to Q1-2022. Revenue from Income Properties was stable; however, Community Development revenue was down significantly. Due to the seasonal nature of Community Development, first quarter results can vary significantly from year to year.

Net income was $2.15 million in Q1-2023 compared to $2.47 million in Q1-2022. Net income is significantly impacted by swings in non-cash fair value adjustments on investment properties, REIT units and the conversion feature on the REIT's convertible debenture. As a result management relies on Funds From Operations (FFO) as a better reflection of Melcor's true operating performance. FFO was down 34% in the quarter to $7.05 million or $0.23 per share. FFO was impacted by reduced revenue and the increase in finance costs in the quarter, offset by a reduction in general and administrative expenditures over 2022.

We sold 82 single-family lots in our Community Development division compared to 288 in Q1-2022. Income Properties (Investment Properties and REIT) occupancy improved over year-end to 88% with strong tenant retention, also at 88%. The Property Development division also had an active first quarter, with 74,284 sf under development.

Timothy Melton, Melcor's Executive Chair and Chief Executive Officer, commented: "Results are down from the first quarter last year but met expectations. Community Development sales may be effected by slower economic conditions brought on by higher interest rates and lower consumer confidence. Lot sales in the first quarter are often irregular and are not necessarily indicative of full year results.

Leasing activity in our Income Properties remains encouraging, and both occupancy and tenant retention are up in the quarter. We continue to pre-lease and build new commercial properties in the Property Development division and have 74,284 sf under development.

Golf course operations got underway in April and will contribute to results in the second quarter.

First Quarter Results

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

The market has been challenged by inflation and higher interest rates over the past year. Our Income Properties divisions contributed 78% of revenue in Q1-2023 compared to 53% last year. Occupancy improved to 88% (December 31, 2022: 88%) and we have been actively pursuing and closing new leases across all asset classes. Our year-to-date retention for REIT was strong at 95%. Our Property Development division continues to pre-lease space to start new commercial development, thus building our future income property asset base.

Demand for homes remained stable across our geographically dispersed Community Development division contributing to both sales and construction activity. The US community development model differs from Canadian markets, with the majority of revenue occurring in a single quarter. Production builders buy lots in bulk and then build and sell the homes to consumers. No US lot sales closed in the quarter, but we do expect sales to close in 2023.

On February 1, 2023 Melcor REIT sold Kelowna Business Centre, an office building located in Kelowna, BC for gross proceeds of $19.50 million. This asset has been owned by the REIT since 2013 and was a strategic sale that enabled the REIT to pay down its line of credit while also achieving a good return on investment for unitholders.

Overall revenue from our income producing properties was up 1% in Q1-2023 despite the sale of the Kelowna Business Centre. This is due to slight increase in weighted average base rents in both our Canadian and US markets, and the slight increase in our Canadian occupancy rate.

FINANCIAL HIGHLIGHTS

Revenue was down 32% to $36.08 million in Q1-2023 (Q1-2022: $53.31 million). Our Q1-2023 results were inline with expectation. The real estate industry is impacted by the cyclical nature of development, demand for product, the timing of raw and multi-family land sales and lot registrations. Lot sales, which have a significant impact on quarterly results, are uneven by nature and it is difficult to predict when they will close.

FFO was down 34% or $3.65 million in the quarter. The reduction of FFO is a direct result of the reduction in revenue and higher net finance costs, offset by a reduction in general and administrative expenditures over Q1-2022.

Net income was $2.15 million in Q1-2023 compared to $2.47 million in Q1-2022. Net income is significantly impacted by swings in non-cash fair value adjustments on investment properties, REIT units and the revaluation of interest rate swaps and the conversion feature on our convertible debenture. The change in the REIT's unit price has a counter-intuitive impact on net income as an increase in unit value decreases net income. In Q1-2023 the fair value adjustment on REIT units swung by $8.01 million over Q1-2022. These gains are driven by market forces outside of Melcor's control and are a key reason we focus on FFO as a truer measure of our financial performance.

DIVISIONAL OPERATING HIGHLIGHTS

The **Community Development** division saw modest sales activity in our Canadian markets, with the Edmonton region contributing the largest sales volume. Year-to-date, we sold 82 single-family lots compared to 288 last year. We continue to move new communities and additional phases in existing neighbourhoods through the municipal approval process. Our Harmony community in Denver, CO is the largest land development project in our US region. Sales in this area are often sold in bulk and thus result in lumpy sales being realized in this region. No lots have been sold in the US year-to-date.

The **Property Development** division currently has 74,284 sf in 3 projects (Chestermere Station, Woodbend Market and Greenwich) under construction. Construction and leasing activity resulted in fair value gains of $0.32 million ($0.33 million in Q1-2022).

Total GLA under management varies period over period as a result of both property transfers and remeasures of property that typically occur on lease transfers and/or renewals. Revenue from our **Income Properties** continued to produce stable results in both the quarter and year-to-date.

We sold 3 residential units in the US in Q1-2023. Improved occupancy on our Canadian assets and REIT owned properties contributed to revenue growth.

The investment properties portfolio fair value decreased $3.53 million in Q1-2023. We had 8 properties (legal phases) valued by external valuation professionals in the quarter. Market shifts led to a slight increase in capitalization rates on our office properties (decrease in fair value) and a decrease in capitalization rates on our retail portfolio (increase in fair value). Fair value is also impacted by increased spend on tenant incentives that did not have a corresponding increase in fair value.

Our golf courses (**Recreational Properties**) opened subsequent to the quarter. Recreational properties revenue is from food and beverage sales.

RETURNING VALUE

We continue to return value to our shareholders and unitholders:

Melcor Developments:

- On May 10, 2023 we declared a quarterly dividend of $0.16 per share, payable on June 30, 2023 to shareholders of record on June 15, 2023. The dividend is an eligible dividend for Canadian tax purposes.

Melcor REIT:

- The REIT has paid monthly distributions of $0.04 per unit in Q1-2023.
- Subsequent to the quarter, the REIT declared distributions for April, May and June as follows:

Month	Declaration Date	Record Date	Distribution Date	Distribution Amount
April 2023	April 28, 2023	April 28, 2023	May 15, 2023	$0.04 per unit
May 2023	May 31, 2023	May 31, 2023	June 15, 2023	$0.04 per unit
June 2023	June 30, 2023	June 30, 2023	July 14, 2023	$0.04 per unit

Selected Highlights

($000s except as noted)	Three months ended March 31		
	2023	2022	Change %
Revenue	**36,077**	53,306	(32)
Gross margin[1]	**50.5 %**	47.2 %	7
Net income	**2,153**	2,470	(13)
Net margin[1]	**6.0 %**	4.6 %	30
FFO[2]	**7,045**	10,697	(34)
Per Share Data ($)			
Basic earnings	**0.07**	0.08	(13)
Diluted earnings	**0.07**	0.07	–
FFO[3]	**0.23**	0.33	(30)
Dividends	**0.16**	0.14	14

As at ($000s except share and per share amounts)	**31-Mar-2023**	31-Dec-2022	Change %
Total assets	**2,112,238**	2,167,050	(2.5)
Shareholders' equity	**1,175,891**	1,178,336	(0.2)
Total shares outstanding	**31,248,628**	31,248,628	–
Per Share Data ($)			
Book value [(3)]	**37.63**	37.71	(0.2)

1 Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.
2 Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.
3 Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.

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, 2023, which can be found on the company's website at www.Melcor.ca or on SEDAR (www.sedar.com).

Non-GAAP & Non-Standard Measures

FFO is a key measures of performance used by real estate operating companies; however, that is not defined by International Financial Reporting Standards ("IFRS"), do not have standard meanings and may not be comparable with other industries or income trusts. This non-IFRS measures are more fully defined and discussed in the Melcor's management discussion and analysis for the period ended March 31, 2023, which is available on SEDAR at www.sedar.com.

Funds from operations (FFO): FFO is a non*GAAP financial measure and is defined as net income in accordance with IFRS, excluding (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) adjustment for amortization of deferred financing fees, which is included in non-cash financing costs and (vii) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. See tables below for reconciliation of FFO:

Consolidated

($000s)	Three-months	
	March 31, 2023	March 31, 2022
Net income for the period	**2,153**	2,470
Amortization of operating lease incentives	**2,320**	1,407
Fair value adjustment on investment properties	**2,484**	2,522
Depreciation on property and equipment	**145**	156
Stock based compensation expense	**230**	117
Non-cash finance costs	**2,778**	(1,472)
Deferred income taxes	**(732)**	(181)
Fair value adjustment on REIT units	**(2,333)**	5,678
FFO	**7,045**	10,697

Investment Properties

($000s)	Three-months	
	March 31, 2023	March 31, 2022
Segment Earnings	**3,500**	5,112
Fair value adjustment on investment properties	**1,939**	218
Amortization of operating lease incentives	**761**	365
Divisional FFO	**6,200**	5,695

REIT

($000s)	Three-months	
	March 31, 2023	March 31, 2022
Segment Earnings	**8,292**	6,513
Fair value adjustment on investment properties	**1,586**	3,662
Amortization of operating lease incentives	**1,058**	901
Divisional FFO	**10,936**	11,076

Gross margin (%): Gross margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn revenue. This ratio is calculated by dividing gross profit by revenue.

Net margin (%): Net margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn income. This ratio is calculated by dividing net income by revenue.

Book value per share: Book value per share is a non-GAAP financial ratio and is calculated as shareholders' equity over number of common shares outstanding.

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 170 communities and commercial projects across Western Canada and today manages 4.73 million sf in commercial real estate assets and 473 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 2023 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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