

Press Release

for immediate distribution

Melcor REIT announces 2014 results

Edmonton, Alberta | March 3, 2015

<i>Annual Highlights</i>	<i>Quarter Highlights</i>
<ul style="list-style-type: none">• Rental Revenue of \$44.51 million for growth of 13% over 2013• Net rental income of \$26.65 million for growth of 14% over 2013• Adjusted funds from operations (AFFO) grew 12% to \$15.61 million or \$0.76 per unit• Debt to Gross Book Value (GBV) ratio of 50%, within our target range of 50%-55%. Debt to GBV ratio of 56% including convertible debenture, below maximum threshold of 65%• Distributions of \$0.675 per trust unit paid out (\$0.05625 per trust unit per month)• Gross leasable area (GLA) growth of 62%, with 86% of GLA acquired closing in December 2014	<ul style="list-style-type: none">• Rental Revenue of \$11.67 million for growth of 16% over Q4-2013• Net rental income of \$6.84 million, for growth of 20% over Q4-2013• AFFO of \$3.85 million or \$0.17 per unit, for growth of 15% over Q4-2013• Occupancy improved to 92.4% compared to 90.6% at the end of 2013• Added 898,119 sf GLA in the quarter via third party and Melcor acquisitions

Melcor REIT (TSX: MR.UN) today announced results for the fourth quarter and year ended December 31, 2014. 2014 rental revenue grew 13% to \$44.51 million compared to \$39.33 million in 2013. Adjusted funds from operations (AFFO) grew 12% to \$15.61 million or \$0.76 per unit.

Darin Rayburn, CEO of Melcor REIT commented: "I am proud of our team and what we accomplished in 2014. Throughout the year, we continued to execute on our growth strategy and achieved significant wins in all aspects of our plan. We positioned the REIT to take advantage when opportunities arose, and we did so in our characteristic manner - quickly and efficiently. We grew our portfolio by 62%, acquiring 1.04 million sf and further diversifying our portfolio mix. I'm pleased with the quality of the properties acquired and look forward to seeing the full impact of their contribution to our results in 2015.

A conservative approach to business drives our growth strategy. Looking into an uncertain environment in our major market of Alberta, we will maintain our tradition of exercising discipline and sticking to the fundamentals of real estate. We will continue to look for and take advantage of opportunities to build and strengthen our portfolio. We continue to experience good leasing activity with both renewals on expiring leases and new tenants, which, in conjunction with the newly acquired properties, contributed to occupancy of 92.4% at year end.

With a strong, diversified portfolio, focus on property management and client relationships, strong balance sheet and a solid pipeline of over 6 million sf of high quality assets being developed over the next 5-10 years, we remain well positioned for the future."

Highlights for the year include:

- 62% increase in portfolio GLA, contributing to diversification of the portfolio mix by increasing industrial and retail GLA.
- Continued execution of strategies to improve existing assets through exceptional property management and asset enhancement programs designed to maximize occupancy, maximize tenant retention, increase rental income and optimize operating costs. These programs achieved the following results in 2014:
 - Leveraged strategic leasing programs to increase occupancy to 92% in 2014 in spite of 17.6% of total GLA expiring in the year. The addition of fully occupied properties also contributed to this increase. Tenant retention in 2014 was 82.7%. Across our portfolio, we continue to see strong leasing activity and increased rental rates on new and renewed leases signed in 2014.
 - Achieved BOMA BEST Level 2 certification at Westcor Building and Princeton Place (subsequent to year end). BOMA BEST is the leading environmental certification program for existing buildings in Canada. The four BOMA BEST certified Green & Responsible buildings have reduced electricity consumption by 28% and natural gas consumption by 22% since 2011.
 - Extended the signature customer care program to our retail and industrial properties and achieved a 97% on-time response rate on customer service requests (responding to requests within 30 minutes). Our call volume also increased by 10% over 2013.

Financial Highlights

- 13% growth in both Revenue and NOI over 2013
- FFO growth of 13% and AFFO growth of 12% over 2013
- 45% increase in total asset value
- Distributions of \$0.05625 per trust unit per month were paid. 70% of distributions to unitholders were classified as return of capital.

Selected Highlights

Financial Highlights						
	Three-months ended December 31			Year ended December 31		
(\$000s)	2014	2013	Δ%	2014	2013	Δ%
Non-standard KPIs						
Net operating income (NOI)	7,480	6,231	20%	28,581	25,295	13%
Funds from operations (FFO)	4,422	3,723	19%	17,907	15,903	13%
Adjusted funds from operations (AFFO)	3,846	3,349	15%	15,613	13,916	12%
Rental revenue	11,669	10,070	16%	44,509	39,325	13%
Income before fair value adjustment and taxes	1,669	1,913	(13)%	8,375	9,317	(10)%
Fair value adjustment on investment properties	3,196	9,488	(66)%	93	16,953	(99)%
Distributions to unitholders	1,903	1,541	23%	7,128	4,109	73%
Cash flows from operations	2,541	1,595	59%	9,252	10,502	(12)%
Same asset NOI	5,613	5,319	6%	22,839	22,954	(1)%
Per unit metrics¹						
FFO	\$0.20	\$0.20	—%	\$0.87	\$0.85	2%
AFFO	\$0.17	\$0.18	(6)%	\$0.76	\$0.75	1%
Distributions	\$0.169	\$0.169	—%	\$0.675	\$0.450	50%

	31-Dec-14	31-Dec-13	Δ%
Total assets (\$000s)	657,765	454,743	45%
Equity (\$000s) ⁽²⁾	261,853	186,608	40%
Debt (\$000s) ⁽³⁾	344,694	215,601	60%
Weighted average interest rate on debt	3.98%	3.98%	—%
Debt to GBV ratio ⁽⁴⁾	56%	51%	10%
Finance costs coverage ratio ⁽⁵⁾	2.94	2.96	(1)%
Debt service coverage ratio ⁽⁶⁾	2.75	2.83	(3)%

Operational Highlights

	2014	2013	Δ%
Number of properties	38	29	31%
Gross Leasable Area (GLA) (sf)	2,735,467	1,691,920	62%
Occupancy % (weighted by GLA)	92.4%	90.6%	2%
Retention % (weighted by GLA)	82.7%	75.5%	10%
Weighted average remaining lease term (years)	5.49	4.75	16%
Weighted average base rent (per sf)	\$15.25	\$16.63	(8)%

(1) The comparative 2013 figures are calculated as if the trust units and Class B LP Units which were issued in 2013 were outstanding during the entire comparative period, except for income - diluted which is calculated for the post formation period May 1, 2013 to December 31, 2013.

(2) Calculated as the sum of trust units and Class B LP Units at their book value. In accordance with IFRS the Class B LP Units are presented as a financial liability in the consolidated financial statements.

(3) Calculated as the sum of total amount drawn on revolving credit facility, mortgages payable, Class C LP Units, excluding unamortized fair value adjustment on Class C LP Units and convertible debenture, excluding unamortized discount and transaction costs.

(4) Excluding convertible debentures, Debt to GBV ratio is 50%

(5) Calculated as the sum of FFO and finance costs; divided by finance costs, excluding distributions on Class B LP Units.

(6) Calculated as FFO; divided by sum of contractual principal repayments on mortgages payable and distributions of Class C LP Units, excluding amortization of fair value adjustment on Class C LP Units.

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 REIT's 2014 Annual Report to unitholders. Melcor REIT's consolidated financial statements and management's discussion and analysis for the three-months and year ended December 31, 2014 can be found on the REIT's website at www.MelcorREIT.ca or on SEDAR (www.sedar.com).

Conference Call & Webcast

Unitholders and interested parties are invited to join CEO Darin Rayburn and CFO Jonathan Chia on a conference call to be held Tuesday, March 3, 2015 at 9:00 AM ET. Call 416-340-8527 in the Toronto area; 877-677-0837 toll free.

The call will be webcast at <http://www.gowebcasting.com/6244>. A replay of the call will be available shortly after the call is concluded at the same address.

Annual General Meeting

We invite unitholders to join us at Melcor REIT's annual meeting on April 23, 2015 at 9:00 am MDT.

The meeting will be held in the Empire Ballroom at the Fairmont Hotel Macdonald, 10065 – 100 Street NW, Edmonton, Alberta. We look forward to seeing you there.

About Melcor REIT

Melcor REIT is an unincorporated, open-ended real estate investment trust. Melcor REIT owns, acquires, manages and leases quality retail, office and industrial income-generating properties in western Canada. Its portfolio is currently made up of interests in 38 properties representing approximately 2.74 million square feet of gross leasable area located across Alberta and in Regina, Saskatchewan; and Kelowna, British Columbia. For more information, please visit www.MelcorREIT.ca.

Non-standard Measures

NOI, FFO and AFFO are key measures of performance used by real estate operating companies; however, they are not defined by International Financial Reporting Standards (“IFRS”), do not have standard meanings and may not be comparable with other industries or income trusts. These non-IFRS measures are more fully defined and discussed in the REIT’s Management Discussion and Analysis for the period ended December 31, 2014, which is available on SEDAR at www.sedar.com.

Forward-looking Statements:

This press release may contain forward-looking information within the meaning of applicable securities legislation, which reflects the REIT’s current expectations regarding future events. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the REIT’s control, that could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking information. Such risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; the REIT’s ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest rate fluctuations. The REIT’s objectives and forward-looking statements are based on certain assumptions, including that the general economy remains stable, interest rates remain stable, conditions within the real estate market remain consistent, competition for acquisitions remains consistent with the current climate and that the capital markets continue to provide ready access to equity and/or debt. All forward-looking information in this press release speaks as of the date of this press release. The REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in the REIT’s filings with securities regulators.

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