

## Press Release

for immediate distribution

# Melcor REIT announces 2015 annual results

Edmonton, Alberta | March 11, 2016

### Annual Highlights

- Rental Revenue of \$65.48 million for growth of 47% over 2014.
- Net rental income of \$39.87 million for growth of 50% over 2014.
- Adjusted funds from operations (AFFO) grew 39% to \$21.73 million or \$0.84 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).
- Payout ratio trended downward to 80% compared to 89% in 2014.

### Quarterly Highlights

- Rental Revenue of \$16.96 million for growth of 45% over Q4-2014.
- Net rental income of \$10.14 million, for growth of 48% over Q4-2014.
- AFFO of \$5.43 million for growth of 41% over Q4-2014 or \$0.21 per unit.
- Completed 2 acquisitions of new phases in existing properties which added 31,629 sf to GLA.
- Occupancy improved to 93.6% compared to 92.4% at the end of 2014.

Melcor REIT (TSX: MR.UN) today announced results for the fourth quarter and year ended December 31, 2015. 2015 rental revenue grew 47% to \$65.48 million compared to \$44.51 million in 2014. Adjusted funds from operations grew 39% to \$21.73 million or \$0.84 per unit.

Darin Rayburn, CEO of Melcor REIT commented: "Last year, we committed to continue executing on our business plan in 2015, and we did so. The properties we acquired throughout 2014 contributed to our growth this year and strengthened our overall portfolio. We continue to experience good leasing activity on renewals and with new tenants which contributed to occupancy of 93.6% at year end.

2016 will have its challenges, but we will keep moving forward, making adjustments as necessary to respond to market demand. We will continue to monitor macroeconomic factors and plan for potential impact to our business. We will continue to look for opportunities to build and strengthen our portfolio via acquisition. We will continue to focus on the details and ensure that we have the right mix of properties and clients. We will continue to focus on providing our customers the best service so that when it comes time to renew, we remain the landlord of choice.

With a strong, diversified portfolio, focus on property management and client relationships, strong balance sheet and a solid pipeline of over 7 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:

The REIT completed an acquisition via the proprietary pipeline with Melcor Developments Ltd., adding additional phases at two existing properties: 31,629 sf for \$15.25 million.

The REIT also added density to an existing property by constructing an additional CRU at a retail power centre, which increased GLA by 7,534 sf (JV%).

The increased GLA from these acquisition and densification activities added to the REIT's retail and industrial asset classes to continue its portfolio diversification strategy.

The 2015 acquisition, in conjunction with the acquisitions completed in December 2014 totaling 898,119 sf and other acquisitions throughout 2014 totaling 145,302 sf, had a significant impact on 2015 financial results and contributed to:

- 47% growth in revenue and 45% growth in NOI for income per unit - diluted of \$0.71 compared to \$0.75 in 2014.
- 47% growth in FFO for FFO per unit of \$1.02 compared to \$0.87 in 2014.
- 39% growth in AFFO for AFFO per unit of \$0.84 compared to \$0.76 in 2014.

The REIT continued to execute its strategy of improving existing assets through exceptional property management and asset enhancement programs designed to maximize occupancy, maximize tenant retention, increase rental income and optimize operating costs. 2015 results include:

- Increased occupancy to 93.6%, up from 92.4% at the end of 2014 through strategic leasing programs.
- Achieved BOMA BEST Level 2 certification at Princeton Place. BOMA BEST is the leading environmental certification program for existing buildings in Canada.
- Achieved a 98% on-time response rate on customer service requests (responding to requests within 30 minutes). Call volume also increased by 24% over 2014.
- Increased weighted average base rent to \$15.49 compared to \$15.25 at December 31, 2014. This increase is a result of renewals, new leasing activity in Northern Alberta and improved industrial rent rates.
- Improved asset and portfolio quality through the capital expenditures and improvements program, including lobby upgrades, HVAC upgrades, and roof replacements.

The improvements to occupancy, weighted average base rent and steady same asset NOI illustrate the stability of the REIT's portfolio. The REIT also continued to take advantage of the low interest rate environment and reduced its weighted average interest rate to 3.80% from 3.98% at December 31, 2014.

Distributions remained stable at \$0.05625 per trust unit per month for a payout ratio of 80% compared to 89% in 2014. 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)	2015	2014	△%	2015	2014	△%
<b>Non-Standard KPIs</b>						
Net operating income (NOI)	10,401	7,480	39 %	41,313	28,581	45 %
Funds from Operations (FFO)	6,629	4,422	50 %	26,345	17,907	47 %
Adjusted Funds from Operations (AFFO)	5,434	3,846	41 %	21,728	15,613	39 %
Rental revenue	16,963	11,669	45 %	65,482	44,509	47 %
Income before fair value adjustments	3,481	1,669	109 %	13,422	8,375	60 %
Fair value adjustment on investment properties	1,904	3,196	(40)%	(5,418)	93	nm
Distributions to unitholders	1,882	1,903	(1)%	7,582	7,128	6 %
Cash flows from operations	3,842	970	296 %	10,563	5,247	101 %
Same asset NOI	6,804	6,352	7 %	24,558	24,823	(1)%
<b>Per unit metrics</b>						
FFO	\$0.26	\$0.20	30 %	\$1.02	\$0.87	17 %
AFFO	\$0.21	\$0.17	24 %	\$0.84	\$0.76	11 %
Distributions	\$0.17	\$0.17	— %	\$0.68	\$0.68	— %
Payout ratio	80%	99%	(19)%	80%	89%	(10)%
				31-Dec-15	31-Dec-14	△%
Total assets (\$000s)				666,458	657,765	1 %
Equity (\$000s) <sup>(1)</sup>				260,600	261,853	— %
Debt (\$000s) <sup>(2)</sup>				353,521	344,694	3 %
Weighted average interest rate on debt				3.80%	3.98%	(5)%
Debt to GBV ratio <sup>(3)</sup>				56%	56%	— %
Finance costs coverage ratio <sup>(4)</sup>				2.87	2.94	(2)%
Debt service coverage ratio <sup>(5)</sup>				2.76	2.75	— %
<b>Operational Highlights</b>						
				31-Dec-15	31-Dec-14	△%
Number of properties				38	38	— %
Gross Leasable Area (GLA) (sf)				2,768,750	2,735,467	1 %
Occupancy (weighted GLA)				93.6%	92.4%	1 %
Retention (weighted by GLA)				73.0%	82.7%	(12)%
Weighted average remaining lease term (years)				5.27	5.49	(4)%
Weighted average base rent (per sf)				\$ 15.49	\$ 15.25	2 %

(1) 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.

(2) 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.

(3) Excluding convertible debentures, Debt to GBV ratio is 50% (December 31, 2014 - 50%).

(4) Calculated as the sum of FFO and finance costs; divided by finance costs, excluding distributions on Class B LP Units and fair value adjustment on derivative liability.

(5) 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 2015 consolidated financial statements and management's discussion and analysis, which can be found on the REIT's website at [www.MelcorREIT.ca](http://www.MelcorREIT.ca) or on SEDAR ([www.sedar.com](http://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 Friday, March 11, 2016 at 11:00 AM ET (9:00 AM MT). Call 416-340-8527 in the Toronto area; 877-677-0837 toll free.

The call will be webcast at <http://www.gowebcasting.com/7282>. 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 27, 2016 at 8:30 am MT. The meeting will be held in the YMCA Gymnasium at YMCA Welcome Village, 9538 - 103A Avenue, 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 with exposure to high growth western Canadian markets. Its portfolio is currently made up of interests in 38 properties representing approximately 2.77 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](http://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, 2015, which is available on SEDAR at [www.sedar.com](http://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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