

# Press Release

for immediate distribution

## Melcor REIT announces first quarter 2015 results

Edmonton, Alberta | May 7, 2015

### Quarter Highlights

- Rental Revenue of \$16.26 million for growth of 53% over Q1-2014.
- Net rental income of \$9.88 million for growth of 57% over Q1-2014.
- Adjusted funds from operations (AFFO) grew 37% to \$5.18 million and remained steady at \$0.20 per unit.
- Debt to Gross Book Value (GBV) ratio of 49%, below our target range of 50%-55%. Debt to GBV ratio of 54% including convertible debenture, below maximum threshold of 65%.
- Distributions of \$0.05625 per trust unit were paid in January, February and March for a payout ratio of 84%.
- Gross leasable area (GLA) growth of 55% over Q1-2014.

Melcor REIT (TSX: MR.UN) today announced results for the first quarter ended March 31, 2015. Q1-2015 rental revenue grew 53% to \$16.26 million compared to \$10.65 million in Q1-2014. Adjusted funds from operations (AFFO) grew 37% to \$5.18 million and remained steady at \$0.20 per unit.

Darin Rayburn, CEO of Melcor REIT commented: "Our high-quality portfolio continued to perform in the first quarter, demonstrating that our focus on real estate fundamentals, including asset enhancement and redevelopment, operating efficiency and providing our customers with the best experience in our buildings leads to increased occupancy and stable rent rates.

We remain focused on executing our proactive strategy to improve on all elements of our business: streamlining processes to enhance operating efficiencies, looking for opportunities to create value by densifying our existing properties, exploring opportunities to diversify our portfolio within and outside of Alberta, redeveloping and upgrading assets to maximize their potential, and providing exceptional customer care to our tenants to ensure that we remain their landlord of choice. We believe this focus on the fundamentals will result in maximum return for our unitholders over time.

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 of the quarter include:

- Revenue growth of 53% and AFFO growth of 37% over Q1-2014 as a result of property acquisitions completed over the past year, which grew our portfolio GLA by 55% and contributed to increased diversification in our portfolio mix.
- Improved occupancy, with a quarter end rate of 93.4% as a result of strong leasing activity on new and renewed deals. As at March 31, 2015, we had renewed 33,468 sf of expiring GLA for a current retention rate of 73.6%.
- Improved operating margin of 61% (2014 - 59%) as a result of improved operating efficiency.
- We achieved a 96% on-time response rate for work orders submitted via our signature care program.
- We received BOMA BEST certification at Princeton Place, bringing our total to 4 BOMA BEST certified Green & Responsible buildings. BOMA BEST is the leading environmental certification program for existing buildings in Canada. We continue to assess our buildings against the BOMA BEST standards.
- We paid distributions of \$0.05625 per trust unit in January, February and March for a payout ratio of 84%.
- Subsequent to the quarter, we entered into a new revolving credit facility, increasing the capital available to the REIT to support the execution of our growth strategy.

## Selected Highlights

<b>Financial Highlights</b>			
	<b>Three Months Ended March 31</b>		
<b>(\$000s)</b>	<b>2015</b>	<b>2014</b>	<b>△%</b>
<b>Non-Standard KPIs</b>			
Net operating income (NOI)	<b>10,205</b>	6,734	52%
Funds from Operations (FFO)	<b>6,303</b>	4,288	47%
Adjusted Funds from Operations (AFFO)	<b>5,178</b>	3,777	37%
Rental revenue	<b>16,258</b>	10,647	53%
Income before fair value adjustments	<b>3,115</b>	2,139	46%
Fair value adjustment on investment properties	<b>(1,809)</b>	169	nm
Distributions to unitholders	<b>1,903</b>	1,541	23%
Cash flows from operations	<b>3,987</b>	2,296	74%
Same asset NOI	<b>6,229</b>	6,165	1%
<b>Per unit metrics</b>			
Income - diluted	<b>\$0.15</b>	\$0.10	4%
FFO	<b>\$0.24</b>	\$0.23	4%
AFFO	<b>\$0.20</b>	\$0.20	—%
Distributions	<b>\$0.169</b>	\$0.169	—%
<b>Balance Sheet Ratios</b>			
	<b>31-Mar-15</b>	<b>31-Dec-14</b>	<b>△%</b>
Total assets (\$000s)	<b>649,664</b>	657,765	(1)%
Equity (\$000s) <sup>(1)</sup>	<b>261,853</b>	261,853	—%
Debt (\$000s) <sup>(2)</sup>	<b>337,406</b>	344,694	(2)%
Weighted average interest rate on debt	<b>3.96%</b>	3.98%	(1)%
Debt to GBV ratio <sup>(3)</sup>	<b>54%</b>	56%	(4)%
Finance costs coverage ratio <sup>(4)</sup>	<b>2.78</b>	2.94	(5)%
Debt service coverage ratio <sup>(5)</sup>	<b>2.75</b>	2.75	—%

<b>Operational Highlights</b>			
	<b>31-Mar-15</b>	<b>31-Dec-14</b>	<b>△%</b>
Number of properties	<b>38</b>	38	—%
Gross Leasable Area (GLA) (sf)	<b>2,735,467</b>	2,735,467	—%
Occupancy % (weighted by GLA)	<b>93.4%</b>	92.4%	1%
Retention % (weighted by GLA)	<b>73.6%</b>	82.7%	(11)%
Weighted average remaining lease term (years)	<b>5.49</b>	5.49	—%
Weighted average base rent (per sf)	<b>\$ 15.24</b>	\$ 15.25	—%

(1) Calculated as the sum of trust units and Class B LP Units at their book value. Class B LP Units are presented as a financial liability in the condensed interim 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 49% (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.

(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 the REIT's Q1-2015 quarterly report to unitholders. The REIT's consolidated financial statements and management's discussion and analysis for the three-months ended March 31, 2015 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 Thursday, May 7, 2015 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/6475>. A replay of the call will be available shortly after the call is concluded at the same address.

## 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 2.74 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](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 MD&A for the quarter ended March 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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