

Press Release

for immediate distribution

Melcor REIT announces third quarter results

Edmonton, Alberta | November 3, 2014

<i>Quarter Highlights</i>	<i>Year-to-date Highlights</i>
<ul style="list-style-type: none">Rental revenue grew 13% to \$11.07 millionNet operating grew 13% to \$7.16Adjusted funds from operations (AFFO) grew 15% to \$4.13 million or \$0.19 per unit compared to \$3.58 million or \$0.19 per unit in Q3-2013Debt to Gross Book Value (GBV) ratio of 47%, below our target range of 50-55%	<ul style="list-style-type: none">Rental revenue grew 12% to \$32.84 millionNet operating income grew 11% to \$21.10AFFO grew 12% to \$11.81 million or \$0.59 per unit compared to \$10.57 million or \$0.57 per unit YTD-2013Occupancy improved to 91.4% compared to 90.6% at the end of 2013Distributions of \$0.05625 per unit per month paid YTD

Melcor REIT (MR.UN) announced results for the third quarter and nine-months ended September 30, 2014. Year-to-date rental revenue grew 12% to \$32.84 million compared to \$29.26 million in the same period of 2013. Adjusted funds from operations (AFFO) grew 12% year-to-date to \$11.81 million or \$0.59 per unit.

Darin Rayburn, CEO of Melcor REIT commented: "We continue to deliver on our business plan, both operationally and strategically. Strong leasing activity with both renewals on expiring leases and new tenants contributed to occupancy above our target level. We entered into an acquisition agreement for an office and retail property (158,320 sq. ft.) in Edmonton for \$31.38 million. We continue to review the opportunity and timing of future vend-in properties from Melcor Developments.

We remain pleased with our operating performance."

Financial Highlights:

The successful execution of our growth strategies throughout the first nine months of 2014 contributed to:

- Revenue growth of 13% over Q3-2013 as a result of our expanded portfolio, which also grew by 13% in GLA, and improved occupancy. Higher revenue translated into increased NOI, which grew by 13% over Q3-2013. Direct operating expenses increased by 11%, primarily as a result of property acquisitions in conjunction with timing and allocation differences in the comparative period.
- FFO and AFFO grew by 17% and 15% respectively over Q3-2013 with FFO of \$4.77 million and AFFO of \$4.13 million. FFO and AFFO per unit were \$0.22 and \$0.19 respectively, consistent with Q3-2013. Growth in FFO and AFFO was offset by the impact of the trust units issued in Q2-2014.
- We continue to execute on property management and asset enhancement initiatives in order to maintain and improve our assets. These initiatives led to strong occupancy (91.4%) and retention rates (74.0%) during the third quarter. Year-to-date we completed 107,751 sq. ft. in new leasing and have renewed 74.7% of the GLA expiring in 2014.
- Distributions of \$0.05625 per trust unit were paid in July, August and September. Distributions made during Q3-2014 represent a payout ratio of 89%.

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- As at September 30, 2014 we have funds available under our revolving credit facility, providing the REIT with the near term capacity to capitalize on future acquisition opportunities. We continue to pursue third party acquisition opportunities and monitor properties in the Melcor development pipeline to support future growth.

Selected Quarter Highlights

Financial Highlights						
	Three-months ended September 30			Nine-months ended September 30		
(\$000s)	2014	2013	Δ%	2014	2013	Δ%
Non-standard KPIs						
Net operating income (NOI)	7,164	6,343	13%	21,101	19,064	11%
Funds from operations (FFO)	4,766	4,076	17%	13,485	12,180	11%
Adjusted funds from operations (AFFO)	4,128	3,581	15%	11,807	10,572	12%
Rental revenue	11,074	9,794	13%	32,840	29,255	12%
Income before fair value adjustments and taxes	2,442	1,913	28%	6,706	7,818	(14)%
Fair value adjustment on investment properties	(3,840)	3,079	(225)%	(3,103)	7,465	(142)%
Distributions to unitholders	1,902	1,541	23%	5,225	2,568	103%
Cash flows from operations	2,649	(189)	nm	6,751	8,952	(25)%
Per unit metrics ⁽¹⁾						
Income - diluted	0.02	0.35	(94)%	0.43	0.57	(25)%
FFO	0.22	0.22	—%	0.67	0.65	3%
AFFO	0.19	0.19	—%	0.59	0.57	4%
Distributions	0.17	0.17	—%	0.51	0.28	80%
				30-Sep-14	31-Dec-13	Δ%
Total assets (\$000s)				477,115	454,743	5%
Equity (\$000s) ⁽²⁾				216,852	186,608	16%
Debt (\$000s) ⁽³⁾				210,884	215,601	(2)%
Weighted average interest rate on debt				3.96%	3.98%	(1)%
Debt to GBV ratio				47%	51%	(8)%
Finance costs coverage ratio ⁽⁴⁾				3.03	2.96	2%
Debt service coverage ratio ⁽⁵⁾				2.85	2.83	1%
Operational Highlights						
(\$000s)	30-Sep-14			31-Dec-13		
Number of properties	32			29		
Gross leasable area (GLA) (sq. ft.)	1,837,439			1,691,920		
Occupancy % (weighted by GLA)	91.4%			90.6%		
Retention % (weighted by GLA)	74.0%			75.5%		
Weighted average remaining lease term (years)	4.58			4.75		
Weighted average base rent (per sq. ft.)	\$16.22			\$16.63		

(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 September 30, 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 and Class C LP Units, excluding unamortized fair value adjustment on Class C LP Units, unamortized transaction costs and unamortized discount on bankers acceptance.

(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 Melcor REIT's Q3-2014 report to unitholders, including the consolidated financial statements and management's discussion and analysis for the three- and nine-months ended September 30, 2014 which can be found on the REIT's website at www.MelcorREIT.ca or on SEDAR (www.sedar.com).

Conference Call & Webcast

Management will host a conference call at 11:00 am ET (9:00 am MT) on November 3, 2014. You are invited to join management on the call:

Toronto area: 416-340-8527

Toll free: 1-877-677-0837

The call will also be webcast (listen only) at <http://www.gowebcasting.com/5646>. A replay of the call will be available at the same URL shortly after the call is concluded.

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 Canadian markets. Its portfolio is currently made up of interests in 32 properties representing approximately 1.84 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 reconciled in the REIT's Management Discussion and Analysis for the period ended September 30, 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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