Press Release

for immediate distribution

Melcor REIT announces first quarter 2017 results

Edmonton, Alberta | May 4, 2017

Highlights

- Portfolio performance remained steady in Q1-2017
- Rental Revenue of $17.00 million for growth of 2% over Q1-2016
- Net operating income of $10.74 million for growth of 1% over Q1-2016
- Adjusted funds from operations (AFFO) grew 6% to $5.81 million or $0.23 per unit
- Debt to Gross Book Value (GBV) ratio of 55%, below our maximum threshold of 65%
- Distributions of $0.05625 per trust unit were paid in January, February and March for a payout ratio of 73%

Melcor REIT (TSX: MR.UN) today announced results for the first quarter ended March 31, 2017. Rental revenue grew 2% to $17.00 million compared to $16.63 million in Q1-2016. Net operating income grew 1% to $10.74 million compared to $10.61 million in Q1-2016. The net loss of $13.49 million is a result of non-cash fair value adjustments on investment properties recorded in the period due to an increase in capitalization rates. Management believes Adjusted funds from operations (AFFO) is a better reflection of our true operating performance. AFFO grew 6% to $5.81 million ($0.23 per unit) to date in 2017.

Andrew Melton, President & CEO of Melcor REIT commented: "It is my pleasure to report on a successful quarter for the REIT. Our portfolio continues to perform steadily, thanks to the dedicated efforts of our team of operators, property managers and portfolio administrators. With over 90,000 square feet of new and renewed leases completed in Q1, occupancy is stable and our retention rate is a healthy 75%. At 73%, our payout ratio continues to demonstrate our overall health and ongoing ability to maintain distributions.

I look forward to working with the Melcor Developments team to continue progressing our growth strategy throughout 2017."

Q1-2017 Activity:

Our portfolio performance remained steady throughout Q1-2017. The stability and diversity of our portfolio with respect to both tenant profile and asset class position the REIT well for managing through economic cycles. We are focused on the real estate fundamentals of asset enhancement and property management while conservatively managing our debt. At 73%, our payout ratio is a strong indicator of our overall health and our ability to sustain distributions at current rates.

Highlights of our performance in the first quarter include:

- Stable property income, with revenue up 2% and NOI growth of 1% over Q1-2016.
- Growth of 6% in AFFO as a result of higher NOI and lower cash finance costs over the comparative period.
- Stable occupancy in all asset classes and operating regions, with 92.5% occupancy at March 31, 2017.
- We continued to execute on our proactive leasing strategy to both retain existing and attract new tenants. Through the first quarter of 2017 we completed 90,265 sf in new and renewed leasing with a quarterly retention rate of 75.3%.
- We achieved an on-time response rate in our signature care program of 98% in Q1-2017. We view this metric as an important indication of our commitment to ongoing client care, which contributes to tenant satisfaction and ultimately retention.
- We paid distributions of $0.05625 per trust unit in January, February and March for a quarterly payout ratio of 73%.

- As at March 31, 2017 we have $0.99 million in cash and additional capacity under our revolving credit facility. Our working capital position remains healthy and we continue to collect receivables in a timely manner to ensure near-term liquidity.
- Subsequent to the quarter we completed the sale of LC Industrial, a 67,610 sf industrial building in Lethbridge, Alberta for $7.76 million (including transaction costs).
- On March 17, 2017 we announced the appointment of Andrew Melton as the REIT's second President & Chief Executive Officer and that Ralph Young would assume the position of Board Chair effective April 15, 2017.

Selected Highlights

Financial Highlights

	Three months ended March 31		
($000s)	**2017**	2016	△%
Non-Standard KPIs			
Net operating income (NOI)	**10,737**	10,613	1 %
Funds from operations (FFO)	**6,815**	6,697	2 %
Adjusted funds from operations (AFFO)	**5,806**	5,477	6 %
Rental revenue	**17,000**	16,626	2 %
Income before fair value adjustments	**3,554**	3,406	4 %
Fair value adjustment on investment properties	**(16,459)**	(1,825)	nm
Distributions to unitholders	**1,882**	1,881	— %
Cash flows from operations	**2,827**	2,609	8 %
Same-asset NOI	**9,980**	9,986	— %
Per unit metrics			
Loss - diluted	**($1.21)**	($0.89)	nm
FFO	**$0.26**	$0.26	2 %
AFFO	**$0.23**	$0.21	6 %
Distributions	**$0.17**	$0.17	— %
Payout ratio	**73%**	80%	(9)%

	31-Mar-17	31-Dec-16	△%
Total assets ($000s)	**647,763**	663,724	(2)%
Equity ($000s)(1)	**260,600**	260,600	— %
Debt ($000s)(2)	**350,573**	351,947	— %
Weighted average interest rate on debt	**3.63%**	3.63%	—%
Debt to GBV ratio(3)	**55%**	55%	—%
Finance costs coverage ratio(4)	**2.96**	2.88	3 %
Debt service coverage ratio(5)	**2.68**	2.65	1 %

Operational Highlights

	31-Mar-17	31-Dec-16	△%
Number of properties	**38**	38	— %
Gross leasable area (GLA) (sf)	**2,779,431**	2,775,782	— %
Occupancy (weighted by GLA)	**92.5%**	92.4%	—%
Retention (weighted by GLA)	**75.3%**	71.0%	6 %
Weighted average remaining lease term (years)	**4.68**	4.85	(4)%
Weighted average base rent (per sf)	**$15.57**	$15.73	(1)%

(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 50% (December 31, 2016 - 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 adjustments on derivative financial instruments.
(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 Q1-2017 quarterly report to unitholders. The REIT's consolidated financial statements and management's discussion and analysis for the three months ended March 31, 2017 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 management on a conference call to be held Friday, May 5, 2017 at 11:00 AM ET (9:00 AM MT). Call 416-340-8527 in the Toronto area; 1-800-355-4959 toll free.

The call will also be webcast (listen only) at http://www.gowebcasting.com/8450. 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 western Canadian markets. Its portfolio is currently made up of interests in 37 properties representing approximately 2.71 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 defined and discussed in the REIT's MD&A for the quarter ended March 31, 2017, 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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