Press Release

for immediate distribution

Melcor REIT announces 2017 annual results

Edmonton, Alberta | March 1, 2018

Annual Highlights

- Rental Revenue of $66.61 million for growth of 1% over 2016.
- Net rental income remained stable at $40.11 million.
- Adjusted funds from operations (AFFO) grew 1% to $20.19 million or $0.78 per unit.
- Debt to Gross Book Value (GBV) ratio of 47%. 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 86% compared to 87% in 2016.

Quarterly Highlights

- Rental Revenue of $16.26 million for an increase of 1% over Q4-2016.
- Net rental income of $9.53 million, for a decline of 2% over Q4-2016.
- AFFO of $4.57 million or $0.18 per unit for a decline of 3% over Q4-2016.
- Occupancy declined slightly at 91.8% compared to 92.4% at the end of 2016.

Melcor REIT (TSX: MR.UN) today announced results for the fourth quarter and year ended December 31, 2017. 2017 rental revenue grew 1% to $66.61 million compared to $66.04 million in 2016. Adjusted funds from operations grew 1% to $20.19 million or $0.78 per unit.

Andrew Melton, CEO of Melcor REIT commented: "It is our privilege to report to you as the REIT enters its fifth year. Since our inception, we've witnessed all sorts of market conditions - the decline of oil and its impact on Alberta where the majority of our assets are, an influx of new office product in downtown Edmonton, where 12% of our portfolio is located, and new governments both provincially and nationally.

Against this backdrop we have consistently executed on our strategy, leading to stable results. We've paid out total distributions of $3.21 per unit to our unitholders. We've maintained occupancy of over 90% through some challenging markets. We've achieved our target of 95%+ on-time response on service calls for the past five years.

We've also grown our portfolio gross leasable area by 82% and re-balanced our asset class mix. We completed four vend-ins from Melcor - a key component of our growth strategy and our competitive advantage. We also acquired three assets from third parties and sold two assets, monetizing the value we had created while at the same time diversifying our portfolio. Through these transactions, we've acquired 1.38 million square feet and sold 90,000.

We continue to monitor and respond to market demand and trends in commercial real estate and to focus on exceptional customer care as a differentiating factor in a market where tenants have many options to choose from.

The vend-in completed in January 2018 further strengthens and diversifies our portfolio to position us well for 2018 and beyond.

We remain committed to exceptional property management and customer care to ensure we remain the landlord of choice."

Highlights for the year include:

Our portfolio performance remained steady throughout 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. In 2017, the REIT adopted REALpac's new guidance on AFFO retroactive to January 1, 2016, which resulted in a change from our previously reported payout ratios. We believe this is an improved disclosure and does not represent a fundamental change in our underlying results or strategy.

Highlights of our performance in the year include:

- We continued to execute on our proactive leasing strategy to both retain existing and attract new tenants. In 2017 we completed 340,546 sf in new and renewed leasing (including holdovers), achieving a retention rate of 80.6%.
- Same-asset NOI was steady over 2016, with 91.8% occupancy at December 31, 2017. Retail and office assets in Southern Alberta, British Columbia and Regina generated same-asset income and occupancy growth over 2016; offsetting downward trends within our Northern Alberta portfolio.
- We continue to experience negative market pressure on Edmonton downtown office space as approximately 1.8 million sf in new inventory comes online. Edmonton downtown office spaces makes up 12% of the REIT's GLA.
- Net income in the current and comparative periods were negatively impacted by non-cash fair value losses on investment properties due to an increase in capitalization rates and on Class B LP Units due to appreciation in the REIT's unit price. Management believes adjusted funds from operations (AFFO) is a better reflection of our true operating performance.
- AFFO was stable over 2016 at $20.19 million.
- We took advantage of favourable lending conditions and early re-financed $26.97 million in mortgages at an average interest rate of 3.39% in 2017. Early re-financing was a strategy employed to mitigate and re-balance our risk in 2018, reducing our percentage of mortgage maturing from 21% to 9%. An additional $7.44 million in new financings were completed in the year at an average interest rate of 3.70%.
- We paid monthly distributions of $0.05625 per trust unit during 2017 for an annual payout ratio of 86% (2016 - 87%).

- On December 21, 2017, we issued and sold $23.00 million in 5.25% convertible debentures and $17.30 million in subscription receipts at a price of $8.50 on a bought deal basis. The issuance was fully subscribed with the over-allotment options exercised in full. Proceeds were used to acquire an $80.88 million portfolio of commercial properties from Melcor, which closed January 12, 2018, and upon closing of such transaction all subscription receipts were converted into trust units. The Melcor Acquisition adds 128,301 sf to our retail portfolio in three existing and one new property and 44,328 sf to our industrial portfolio in one existing property. Both retail and industrial are targeted for growth in our overall portfolio mix.

Financial Highlights

	Three-months ended December 31			Year ended December 31		
($000s)	**2017**	**2016**	**△%**	**2017**	**2016**	**△%**
Non-Standard KPIs						
Net operating income (NOI)	**10,237**	10,251	— %	**42,101**	42,329	(1)%
Funds from operations (FFO)	**5,991**	6,306	(5)%	**26,670**	26,668	— %
Adjusted funds from operations (AFFO)[5]	**4,567**	4,723	(3)%	**20,194**	20,039	1 %
Adjusted cash flows from operations (ACFO)	**4,511**	4,667	(3)%	**19,969**	19,812	1 %
Rental revenue	**16,263**	16,170	1 %	**66,613**	66,042	1 %
Income before fair value adjustments	**2,743**	3,052	(10)%	**13,742**	13,586	1 %
Fair value adjustment on investment properties[6]	**3,829**	(3,600)	nm	**(12,800)**	(6,546)	nm
Distributions to unitholders	**1,881**	1,881	— %	**7,527**	7,527	— %
Cash flows from operations	**3,326**	3,078	8 %	**13,605**	12,312	11 %
Same-asset NOI	**10,134**	10,033	1 %	**41,398**	41,351	— %
Per unit metrics						
Income (loss) - diluted	**$0.35**	$0.10		**$0.07**	($1.00)	
FFO	**$0.23**	$0.24		**$1.04**	$1.03	
AFFO[5]	**$0.18**	$0.18		**$0.78**	$0.78	
Distributions	**$0.169**	$0.169		**$0.675**	$0.675	
Payout ratio	**95%**	92%		**86%**	87%	

	31-Dec-17	**31-Dec-16**	**△%**
Total assets ($000s)	**676,237**	663,724	2 %
Equity ($000s)[1]	**260,600**	260,600	— %
Debt ($000s)[2]	**353,340**	351,947	— %
Weighted average interest rate on debt	**3.75%**	3.63%	3 %
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)	**47%**	50%	(6)%
Debt to GBV (maximum threshold - 65%)	**56%**	55%	2 %
Finance costs coverage ratio[3]	**2.93**	2.88	2 %
Debt service coverage ratio[4]	**2.60**	2.65	(2)%

Operational Highlights			
	31-Dec-17	**31-Dec-16**	**△%**
Number of properties	**37**	38	(3)%
Gross leasable area (GLA) (sf)	**2,710,862**	2,775,782	(2)%
Occupancy (weighted by GLA)	**91.8%**	92.4%	(1%)
Retention (weighted by GLA)	**80.6%**	71.0%	14 %
Weighted average remaining lease term (years)	**4.66**	4.85	(4)%
Weighted average base rent (per sf)	**$15.88**	$15.73	1 %

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, liability held for sale and convertible debentures, excluding unamortized discount and transaction costs.*
3. *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 instruments.*
4. *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.*
5. *We adopted REALpac's new guidance on AFFO in 2017 retroactive for the comparative period. See Adjusted Funds from operations on page 13 for details.*
6. *The abbreviation nm is shorthand for not meaningful and is used through this MD&A where appropriate.*

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 2017 consolidated financial statements and management's discussion and analysis, which 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 March 2, 2018 at 11:00 AM ET (9:00 AM MT). Call 416-340-8527 in the Toronto area; 800-355-4959 toll free.

The call will be webcast at http://www.gowebcasting.com/9095. 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 May 10, 2018 at 10:00 am MT.
The meeting will be held in the Devonian Room at the Westin Edmonton, 10135 100 Street NW. 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 37 properties representing approximately 2.86 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, AFFO and ACFO 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, 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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