Press Release

for immediate distribution

Melcor REIT announces third quarter 2015 results

Edmonton, Alberta | November 9, 2015

Highlights

- Execution of our growth strategy over the past twelve months increased our portfolio GLA by 49% over Q3-2014. This contributed to growth in certain key metrics over the comparative period.
- Rental Revenue of $15.94 million for growth of 44% over Q3-2014
- Net rental income of $9.97 million for growth of 47% over Q3-2014
- Adjusted funds from operations (AFFO) grew 35% to $5.56 million or $0.21 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 July, August and September for a payout ratio of 80%.

Melcor REIT (TSX: MR.UN) today announced results for the third quarter ended September 30, 2015. Year-to-date rental revenue grew 48% to $48.52 million compared to $32.84 million in 2014 . Adjusted funds from operations (AFFO) grew 38% to $16.29 million ($0.63 per unit) year-to-date.

Darin Rayburn, CEO of Melcor REIT commented: “Our continued stable results are the outcome of our strategy of building a diversified portfolio of quality assets and our focus on the fundamentals of our business - looking after our tenants, executing on our leasing strategy, improving operating efficiency and investing in our assets. At 81%, our payout ratio is a strong indicator of our overall health and our ability to sustain distributions at current rates.

Strong leasing activity on both renewals and new leases throughout the year contributed to steady occupancy in spite of 30% of the leases in our portfolio maturing over the past two years. We remain well positioned for the future."

Highlights of our performance in the third quarter include:

- Revenue growth of 44% and AFFO growth of 35% over Q3-2014 as a result of property acquisitions completed over the past year, which grew our portfolio GLA by 49% and contributed to increased diversification in our portfolio mix.
- Maintained occupancy at 92.5%. We continue to see leasing activity and renewed 143,515 sf of expiring GLA for a tenant retention rate of 71.1%. We have also closed over 107,000 sf in new lease deals.
- Our focus on managing expenses resulted in improved operating margin of 61% year-to-date (2014 - 60%).
- Achieved a 99% on-time response rate for our signature care program.
- Reduced weighted average interest rate by 4% year-to-date as a result of mortgage re-financings and Class C LP Unit extension.
- We entered into a normal course issuer bid (NCIB) in June 2015. We repurchased and canceled 95,792 trust units during the quarter, decreasing our public float by 1%. Trust units repurchased had an approximate yield of 8.3%, based on an approximate unit price of $8.11 for a total cost of $0.78 million. As at September 30, 2015 467,958 additional trust units may be repurchase by the REIT under the current NCIB.
- We paid distributions of $0.05625 per trust unit in July, August and September for a quarterly payout ratio of 80%, a reduction of 9 bps from Q3-2014.
- As at September 30, 2015 we have $0.57 million in cash, $2.39 million in restricted cash and additional capacity under our new revolving credit facility with available credit to a maximum of $35.00 million.

On November 6, 2015 the REIT's board of trustees approved the acquisition of interests in two commercial properties for a purchase price of approximately $15.25 million (excluding closing and transaction costs) from Melcor. The acquisitions consist of a 50% joint venture interest in a 43,116 sf retail complex and a 10,091 sf single tenant industrial building. The acquisitions are expected to close on or about November 12, 2015.

Selected Highlights

Financial Highlights

($000s)	Three months ended September 30 2015	2014	△%	Nine months ended September 30 2015	2014	△%
Non-Standard KPIs						
Net operating income (NOI)	**10,325**	7,164	44 %	**30,912**	21,101	46 %
Same asset NOI	**6,457**	6,793	(5)%	**18,259**	18,915	(3)%
Funds from operations (FFO)	**6,724**	4,766	41 %	**19,716**	13,485	46 %
Adjusted funds from operations (AFFO)	**5,560**	4,115	35 %	**16,294**	11,767	38 %
Rental revenue	**15,938**	11,074	44 %	**48,519**	32,840	48 %
Income before fair value adjustments	**3,500**	2,442	43 %	**9,941**	6,706	48 %
Fair value adjustment on investment properties	**(3,614)**	(3,840)	(6)%	**(7,322)**	(3,103)	136 %
Distributions to unitholders	**1,895**	1,902	— %	**5,700**	5,225	9 %
Cash flows from operations	**5,026**	2,649	90 %	**10,445**	6,751	55 %
Per unit metrics						
Income - diluted	**$0.10**	$0.02	400 %	**$0.41**	$0.43	(5)%
FFO	**$0.26**	$0.22	18 %	**$0.76**	$0.67	13 %
AFFO	**$0.21**	$0.19	11 %	**$0.63**	$0.59	7 %
Distributions	**$0.17**	$0.17	— %	**$0.51**	$0.51	— %
Payout ratio	**80%**	89%	(10)%	**80%**	86%	(7)%

	30-Sep-15	31-Dec-14	△%
Total assets ($000s)	**648,374**	657,765	(1)%
Equity ($000s) (1)	**260,882**	261,852	— %
Debt ($000s) (2)	**339,672**	344,694	(1)%
Weighted average interest rate on debt	**3.84%**	3.98%	(4)%
Debt to GBV ratio (3)	**55%**	56%	(2)%
Finance costs coverage ratio (4)	**2.86**	2.94	(3)%
Debt service coverage ratio (5)	**2.86**	2.75	4 %

Operational Highlights

	30-Sep-15	31-Dec-14	△%
Number of properties	**38**	38	— %
Gross Leasable Area (GLA) (sf)	**2,737,837**	2,735,467	— %
Occupancy % (weighted by GLA)	**92.5%**	92.4%	— %
Retention % (weighted by GLA)	**71.1%**	82.7%	(14)%
Weighted average remaining lease term (years)	**5.36**	5.49	(2)%
Weighted average base rent (per sf)	**$ 15.51**	$ 15.25	2 %

(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 Q3-2015 quarterly report to unitholders. The REIT's consolidated financial statements and management's discussion and analysis for the three and nine months ended September 30, 2015 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 CEO Darin Rayburn and CFO Jonathan Chia on a conference call to be held Monday, November 9, 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/6957. 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.

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 September 30, 2015, 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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