



# An investment designed to endure.

## ANNUAL REPORT 2021

**MELCOR** | REIT

**We own, acquire,  
manage and lease  
quality retail, office  
and industrial income-  
generating properties.**

**A LOOK BACK ON 2021**







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## FACTS & DATA

**39**  
ASSETS

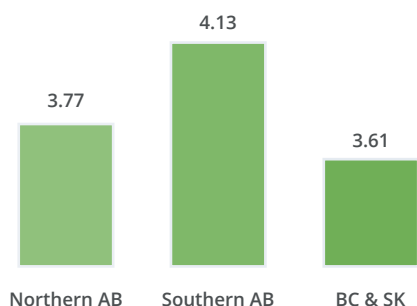
**\$735.7M**  
ASSET FAIR VALUE

**\$74.1M**  
REVENUE

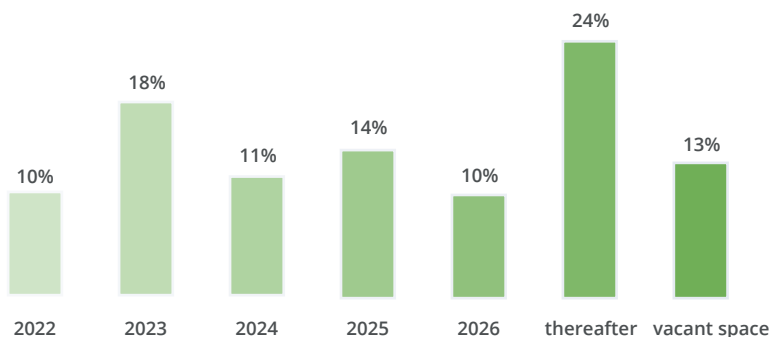
**63%**  
ACFO PAYOUT RATIO<sup>1</sup>

1. Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 27 of the annual MD&A for further information.

### WEIGHTED AVERAGE LEASE TERM REMAINING (YEARS)



### GROSS LEASABLE AREA EXPIRING (%)



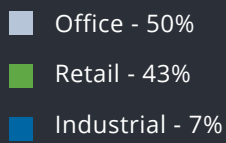
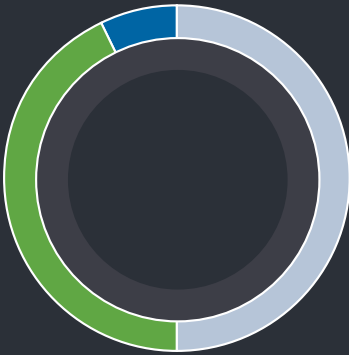
## MELCOR | REIT

Melcor REIT is an unincorporated, open-ended real estate investment trust. We own, acquire, manage and lease quality retail, office and industrial income generating properties. Our portfolio is currently made up of interests in 39 properties representing approximately 3.22 million square feet of gross leasable area located in and around Edmonton, Calgary, Lethbridge, Grande Prairie and Red Deer, Alberta; Regina, Saskatchewan; and Kelowna, British Columbia.

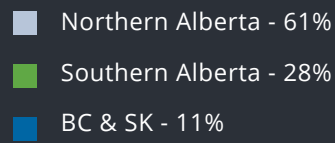
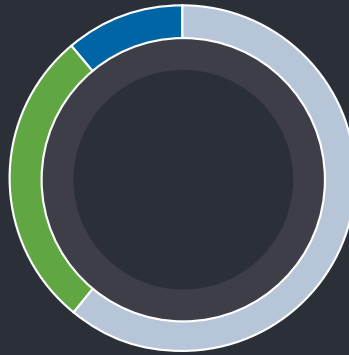
Backed by Melcor Development's 99 year history, Melcor REIT was borne out of a proud tradition of real estate excellence in western Canada. Our growth potential is a true competitive advantage, with the right to acquire Melcor's pipeline of newly constructed, high quality retail, industrial and office projects. Subsequent to the initial acquisition, we have vended-in over 1 million sf from Melcor, and there is a further 4.6 million sf in current and future projects to be built over the next 5 to 15 years.

## KEY METRICS

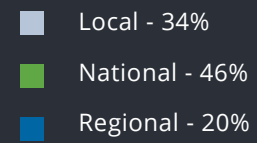
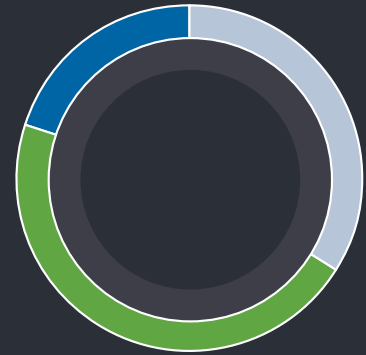
GLA BY  
PROPERTY TYPE



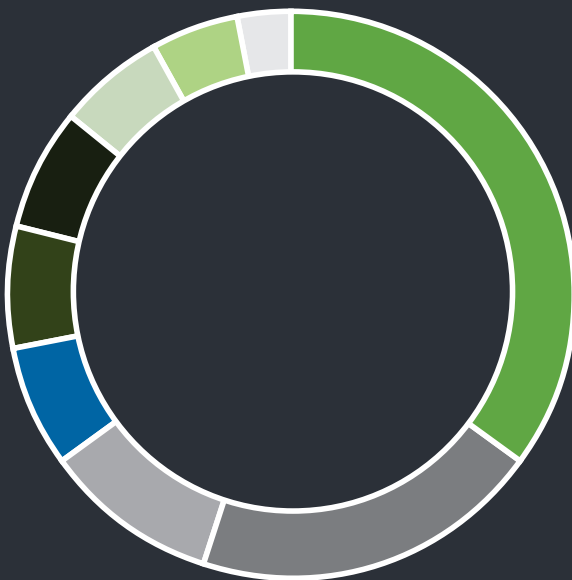
GLA BY  
REGION



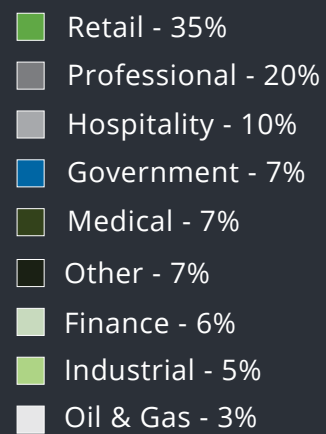
RENT BY  
TENANT PROFILE



## RENT BY TENANT INDUSTRY



RENT BY TENANT INDUSTRY



# MESSAGE FROM THE CHAIR

RALPH YOUNG



## A LOOK BACK ON 2021

2021 was a year of continued disruption in business and uncertainty about the recovery of real estate markets from the challenges of the COVID-19 pandemic. The pandemic has impacted all of our stakeholders - from unitholders with declining unit values and distributions, to tenant viability, to managing government support programs, to concerns over debt levels and financial sustainability, to leadership changes. Despite these many challenges, I am pleased to report on an overall positive year for Melcor REIT.

Our success this year is attributed to the collaboration of Melcor REIT with our stakeholders. Our efforts were supported by a strong economic recovery in the western Canadian economy and the lifting of restrictions in the markets where our assets are located.

The patience and support of unitholders has resulted in significant improvement in unit value and distributions in 2021. In addition, the trust has maintained a strong financial position with a conservative payout ratio, reasonable financial leverage, and continued access to mortgages and financial markets.

Our management team has worked responsibly with our tenants to support their sustainability and maintain our real estate assets in a professional manner. Rent collection was maintained at 99% during the year. Our leasing team has completed a high level of lease renewals and attracted new tenants to our buildings.

The REIT team has seen significant change recently, most notably with the retirement of Darin Rayburn from the role of CEO and the recent addition of Randy Ferguson as senior vice president of the REIT. Naomi Stefura continues her role as REIT CFO, while taking on additional responsibilities with operations of Melcor Developments. The REIT board thanks Darin for his leadership of the REIT since its inception, in his roles as CEO and board member. We are pleased with the return of Andrew Melton as CEO while continuing his role as a trustee. Andrew brings back significant depth of knowledge, skill and experience to the REIT.



The REIT board was also pleased to welcome Bernadette (Bernie) Kollman ICD.D to our board in December.

In the upcoming year, the REIT board will focus on future strategies to strengthen our position financially and build value within our portfolio for the benefit of all stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph Young".

**Ralph Young**



# MESSAGE FROM THE CEO

ANDREW MELTON



## A LOOK BACK ON 2021

It is my privilege to report to you on the REIT's results for 2021, as the returning CEO. It is an honour to hold this position again, and I would like to acknowledge the collective efforts of our team in navigating these uncharted waters.

We have continued to execute on our proactive leasing strategy to retain existing and attract new tenants. We commenced over 76,000 sf in new leasing in 2021 and retained over 240,000 sf in renewals. Additionally, we laid the groundwork for over 127,000 sf in future occupancy, including deals with two tenants that will take possession in 2022 and occupy over 40,000 sf combined.

## THE RIGHT TENANTS

We are pleased to welcome Innovate Edmonton to their first physical home at 10117 Jasper Avenue in Edmonton and Habitat for Humanity Restore to Liberty Crossing in Red Deer, Alberta.

Our strategy of choosing the right tenants for the right properties leads to long-term, mutually beneficial relationships. Our team focuses on creating positive experiences for tenants, thus ensuring loyalty and healthy retention rates. From building operations to

maintenance, to leasing, to property management and administration – every time we connect with a tenant is an opportunity build trust.

Sustainable development was at the forefront for Innovate Edmonton when choosing a place for their new space. Building renovations and improvements, with a focus on energy-efficiency, are underway.

## SUSTAINABILITY

To ensure that we are all working towards a more sustainable future for the REIT and to align corporate sustainability goals and practices with our business, we added an Environmental, Social and Governance oversight to the Board's mandate in 2021.

We truly believe that sustainability and good business go hand in hand. In 2021, we joined the Edmonton Corporate Climate Leaders Program and have completed a benchmark of our energy usage and are now in the process of setting targets for climate action.



## RETURN TO UNITHOLDERS

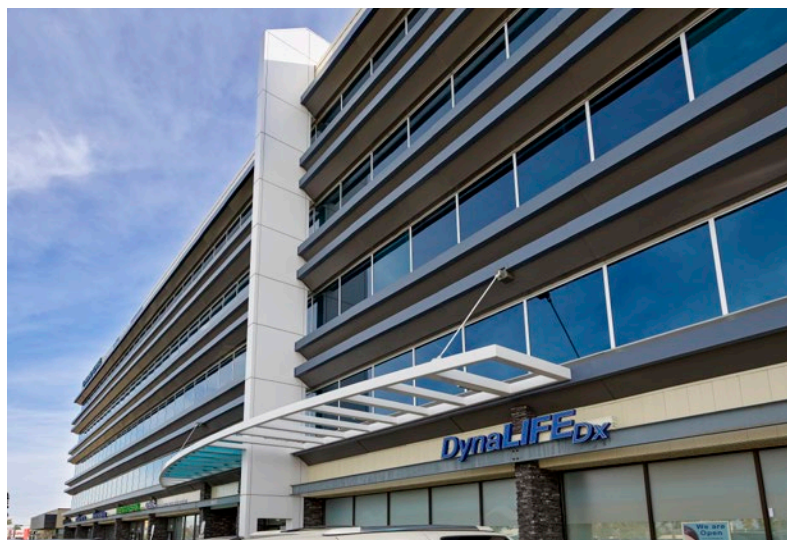
Our goal to deliver stable distributions remained top of mind, even in unstable times. We took necessary measures to preserve cash in 2020, and were able to increase distributions by 33% in 2021.

## OUTLOOK

While there remains speculation about how the traditional office setting will adapt to a returning workforce, the energy returning to our properties feels positive. The market remains soft, yet there are pockets of opportunity for growth. We continue to work with our tenants to address their current and future needs, but caution that the long-term impact of the pandemic may not be known for some time.

Market conditions are competitive in our regions. However, there are deals to be done and we are optimistic about the prospect for new leasing. Coupled with strong renewals and a solid pipeline of 4.63 million sf of GLA of potential development by Melcor Developments to be developed over the next 5-10 years, our portfolio remains well balanced and resilient.

Occupancy at year end was 87.1% compared to 87.6% at the end of the 2020. Our tenants include a diversified mix of national, regional and local businesses operating in a variety of industries. This diversified tenant base helps mitigate our exposure to negative trends occurring in any one sector. With 9.6% of total GLA expiring in 2022, we continue to work towards securing early renewals, particularly on larger tenants. There can be no assurance that this strategy will be successful or that we will continue to meet our retention rate target.



## THANKS

I would like to extend my deepest thanks to all those who continue to support Melcor REIT. I thank the Board of Trustees for your continued wisdom and guidance, and our unitholders for your ongoing trust and commitment. I am incredibly grateful to the teams from Melcor Developments whose daily efforts move the REIT forward under any and all circumstances. Our operations and property management teams provide best-in-class service to our tenants and we are very proud to present our portfolio under their stewardship.

Finally, The Board of Trustees sincerely thanks past president and CEO Darin Rayburn for his work in bringing Melcor REIT forward to its IPO in 2013 and leading us through years of growth. We thank Darin for his dedicated service to the REIT and wish him all the best in his future endeavours.

With gratitude,

A handwritten signature in black ink, appearing to read 'A. Melton'.

**Andrew Melton**

# PROPERTIES MAP

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Our goal is to provide stable monthly cash distributions to unitholders by acquiring high quality properties and diversifying our portfolio.





OFFICE BUILDINGS	LOCATION	GLA	OCC %
Crowfoot Building	Calgary	67,293	81
Kensington Road	Calgary	23,932	100
100 Street Place	Edmonton	44,295	88
10117 Jasper Avenue	Edmonton	132,373	42
Birks Building	Edmonton	35,106	74
Capilano Centre	Edmonton	45,487	64
Melton Building	Edmonton	114,612	77
Princeton Place	Edmonton	60,685	49
Select Building	Edmonton	23,432	100
Stanley Buildings	Edmonton	34,976	99
Sterling Centre	Edmonton	69,882	83
Trail Business Centre	Edmonton	77,296	67
Village at Blackmud Creek	Edmonton	48,335	98
Westcor Building	Edmonton	72,810	77
Westgate Centre	Edmonton	75,099	100
White Oaks Square	Edmonton	30,496	84
Kelowna Centre	Kelowna	72,076	94
Richter Street	Kelowna	28,978	100
LFS Building	Lethbridge	33,196	100
Melcor Centre	Lethbridge	449,862	90
Executive Terrace	Regina	41,959	77
Parliament Place	Regina	28,663	86

RETAIL BUILDINGS	LOCATION	GLA	OCC %
Kingsview	Airdrie	99,987	98
Staples Centre	Calgary	56,084	100
The District	Calgary	23,238	100
Chestermere Station	Chestermere	84,612	97
Coast Home Centre	Edmonton	59,854	85
Village at Blackmud Creek	Edmonton	9,046	60
West Henday Promenade	Edmonton	77,970	100
White Oaks Square	Edmonton	127,824	88
Melcor Crossing	Grande Prairie	283,111	88
Leduc Common	Leduc	283,346	96
Liberty Crossing	Red Deer	64,240	64
Market Mall	Regina	42,912	88
Towers Mall	Regina	114,170	100
University Park	Regina	41,464	82
Westgrove Common	Spruce Grove	29,384	100

INDUSTRIAL BUILDINGS	LOCATION	GLA	OCC %
TKE Building	Edmonton	15,968	100
Telford Industrial	Leduc	143,118	100
Lethbridge Industrial	Lethbridge	49,005	100

LAND LEASE COMMUNITY	LOCATION	GLA	OCC%
Watergrove	Calgary	308	100



# CORPORATE GOVERNANCE

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We are committed to effective corporate governance practices as a core component of our operating philosophy. Strong governance practices lay the foundation for a sustainable company and long-term value creation for our unitholders. As governance practices evolve, we periodically review, evaluate and enhance our governance program. Here are a few highlights of our program:

## INDEPENDENCE

The majority of our trustees are independent. Committees are comprised of a majority of independent directors. The audit committee is 100% independent. The independent directors meet in camera (without management and related directors) for a portion of each in person meeting held. As our chairman is related, we have appointed a lead trustee, Larry Pollock, who is independent. Mr. Pollock chairs the in camera sessions and ensures that the board conducts itself in accordance with good governance practices. Each of the arrangements with Melcor (Asset Management, Property Management and Development and Opportunities Agreements) require the agreement of the majority of independent trustees, providing independent oversight on all transactions to represent the interests of minority unitholders.

## ALIGNMENT WITH UNITHOLDER INTERESTS

The majority of trustees and officers own REIT units, ensuring alignment with unitholder interests and a focus on long-term value creation. Additional information on our governance practices can be found in our 2021 Information Circular.

## INTEGRITY: THE HEART OF OUR BUSINESS

The highest standard of ethical conduct has always been at the heart of our operating philosophy. All employees, trustees and officers follow our Code of Business Conduct and Ethics, which governs the work environment, regulatory compliance and the protection of our assets and reputation. The Code can be found on our website at [www.MelcorREIT.ca](http://www.MelcorREIT.ca). Melcor employees who manage our properties follow the Melcor Code of Business Conduct & Ethics, which is essentially the same.

## STRATEGIC PLANNING PROCESS

The board ensures that we establish a solid strategy designed to optimize unitholder value. This process includes active consultation with management on the issues, business environment, assumptions, goals and financial budgets that underpin the strategy and ensures that risk levels are appropriate. To keep the board fully informed and engaged in the strategic issues and critical risks of our business, one meeting each year is dedicated to the review and approval of our strategic plan to manage risk, protect unitholder value and build a sustainable business.



**Carolyn Graham**  
FCPA, FCA, ICD.D

Edmonton, Alberta, Canada

**Independent**

Senior EVP, Canadian Western Bank

Trustee Since	2019
2021 Attendance	100%
2021 Trustee Compensation	\$46,000
REIT Unitholdings	10,000
Committees	Audit (Chair), Governance



**Richard Kirby**  
MBA, LLB, ICD.D

Edmonton, Alberta, Canada

**Independent**

President, Midnight Sun Integrated Financial

Trustee Since	2019
2021 Attendance	100%
2021 Director Compensation	\$36,000
Common Shareholdings	nil
Committees	Audit, Governance



**Bernie Kollman**<sup>1</sup>  
ICD.D

Edmonton, Alberta, Canada

**Independent**

Corporate Director

Trustee Since	2021
2021 Attendance	100%
2021 Trustee Compensation	\$3,250
REIT Unitholdings	10,000
Committees	Audit, Governance

*1. Ms. Kollman was appointed a Trustee on December 9, 2021.*



**Andrew Melton**<sup>2</sup>

Calgary, Alberta, Canada

**Related**

CEO, Melcor REIT, Corporate Director

Trustee Since	2013
2021 Attendance	100%
2021 Trustee Compensation	\$18,375
REIT Unitholdings	144,025
Committees	none

*2. Mr. Melton and Mr. Young are the Melcor Developments nominees to the REIT Board of Trustees, and are directors of Melcor Developments, which own 55.4% of the voting units of the REIT.*



**Larry Pollock**

Edmonton, Alberta, Canada

**Independent (Lead Trustee)**

Corporate Director

Trustee Since	2013
2021 Attendance	100%
2021 Trustee Compensation	\$48,000
REIT Unitholdings	85,000
Committees	Audit, Governance (Chair)



**Ralph Young**<sup>2</sup>

Edmonton, Alberta, Canada

**Related (Chair)**

Corporate Director

Trustee Since	2013
2021 Attendance	100%
2021 Director Compensation	\$24,625
Common Shareholdings	26,800
Committees	none

# ENVIRONMENTAL COMMITMENT SOCIAL RESPONSIBILITY & GOVERNANCE

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## OUR COMMITMENT

The REIT is committed to corporate sustainability - in environmental practice, social responsibility, governance of our company and as stewards of the areas where we operate. Attaining best practice in all aspects of our business is our constant aspiration. Our ESG practices are highlighted throughout this annual report and in our MD&A. What follows is a brief snapshot of those practices.

## ENVIRONMENTAL COMMITMENT

Our property management practices are designed to improve operating efficiency and reduce cost while at the same time increasing client satisfaction and thus retention rates. Our capital spending strategy focuses on equipment upgrades and maintenance initiatives that will reduce energy consumption in our properties. Examples of our commitment to sustainability and environmental best practices include:



- Achieving ENERGY STAR certification in one asset in 2020. ENERGY STAR recognizes the top 25% most efficient office buildings in Canada.
- We are evaluating other properties to be put forth for this certification.
- We reduced equivalent greenhouse gases from electricity by 46% from 2012 to 2021 (based on 12 properties managed by specialists).
- All of our properties have LED lights, while 80% of our buildings have motion-sensing lights to save electricity when people are not present.
- We have active recycling programs in all of our properties.



## SOCIAL RESPONSIBILITY

The REIT's asset and property manager, Melcor Developments Ltd. is committed to fostering a diverse, inclusive, and safe work environment. Melcor places people at the heart of our strategy and one of three core values is to "empower and care for our exceptional team."



A diverse and inclusive team fosters more innovation, and better intentional collaboration and decision making with a greater scope of experiences and perspectives. Examples of our commitment to workplace diversity and social responsibility include:

- Of the Melcor management team that oversees, leases and manages the REIT's portfolio, 44% are female and 32% are visible minorities.
- Half of the REIT's executive team is female.
- We enhance our properties with public art installations, seasonal floral arrangements, and thoughtfully designed signage to create pleasing streetscapes.
- We demonstrate social responsibility through our relationships with tenants and in the communities where we operate.
- Our focus on relationships extends to our service providers as well. The majority of our service providers are local and many are small businesses that support our local economies.



## EFFECTIVE GOVERNANCE

We are committed to effective corporate governance practices as a core component of our operating philosophy. Strong governance practices form the foundation of a sustainable company and long-term value creation for unitholders. The REIT's board of trustees reviews our corporate governance practices annually to better align the REIT with industry best practices.



- The majority of our trustees (4 of 6) are independent.
- We appoint an independent lead trustee.
- In 2021 we added an Environmental, Social and Governance oversight to the Board's mandate to ensure that our corporate sustainability goals and practices are meaningfully aligned with our business.
- In 2021, we formally established an Independent Committee to examine the agreements between Melcor Developments Ltd. and the REIT and other matters as directed by the Board. The Independent Committee was chaired by independent and Lead Trustee Larry Pollock.
- All arrangements with Melcor require approval by a majority of our independent trustees, providing independent oversight on all transactions to represent the interests of minority unitholders.
- The audit and compensation and governance committees are both comprised of 100% independent trustees.
- Bernie Kollman was appointed to the board of trustees in December 2021, making 40% of the REIT's independent trustees female-identifying.
- Half of the REIT's executive team is female.



## ANNUAL GENERAL MEETING

Melcor REIT will be hosting a virtual AGM. You will be able to listen to management's presentations following the formal part of the meeting and to ask questions. Voting will be in advance only. Please vote by the proxy deadline.

<https://www.gowebcasting.com/11744>

**Thursday May 19, 2022 | 9:30 am MT**

### PROXY DEADLINE:

**Tuesday May 17, 2022 | 9:30 am MT**

### AGM Materials:

[melcorreit.ca/2022AGM](http://melcorreit.ca/2022AGM)

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## UPCOMING EARNINGS DATES

**Q1-2022** – May 5, 2022

**Q2-2022** – July 26, 2022

**Q3-2022** – November 3, 2022

**FY/Q4-2022** – TBD

*Dates are subject to change without notice.*



## TENANT SERVICES

For tenant services, scan the QR code below to download our customer care app on the App Store or Google Play.



You may also submit service requests online at [melcare.ca](http://melcare.ca).

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## CORPORATE & UNITHOLDER INFORMATION

### Exchange Listing

Toronto Stock Exchange:

**REIT Units: MR.UN**

**5.25% Convertible Debenture: MR.DB.A**

**5.10% Convertible Debenture: MR.DB.B**

### Legal Counsel

Bryan & Company LLP

### Tax Information

Regular income - 60%

Return of capital - 40%

### Auditors

PricewaterhouseCoopers LLP

### Investor Relations

Nicole Forsythe

P. 1855.673.6937 x 4707

E. [IR@MelcorREIT.ca](mailto:IR@MelcorREIT.ca)

### Unitholder Services

For unitholder services, please contact:

**By Mail: Odyssey Trust**

Trader's Bank Building

702 67 Yonge Street

Toronto, ON M5E 1J8

**By Phone: 1-888-290-1175**

**Online: <https://odysseycontact.com>**

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The logo for Melcor REIT, with "MELCOR" in a large, bold, white sans-serif font and "REIT" in a smaller, bold, white sans-serif font, separated by a vertical line.





**Melcor Developments**

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