Media Release

for immediate distribution

Melcor REIT announces third quarter 2024 results

Edmonton, Alberta | November 4, 2024

Melcor Real Estate Investment Trust ("Melcor REIT" or the "REIT") (TSX: MR.UN) today announced results for the third quarter ended September 30, 2024. The third quarter Management Discussion & Analysis and Condensed Interim Financial Statements are available on our website (www.MelcorREIT.ca) under Financial Reports, or on SEDAR+ (www.sedarplus.ca).

Andrew Melton, CEO of Melcor REIT commented: "The Alberta real estate market continues to face ongoing challenges, particularly in the office sector, where declining demand has resulted in sustained pressure on occupancy rates and a significant reduction in lease rates. In order to mitigate these challenges, we have seen an increase in tenant inducements to attract and retain tenants, which is further eroding returns on investment. Additionally, capital expenditures for property upgrades are essential to stay competitive and attract tenants. However, rising costs, combined with continued increases in operating costs, make it increasingly challenging to generate positive cash flows.

To date in 2024, we have recorded net fair value losses of $22.89 million on our investment properties. Included in this value are $17.44 million fair value losses on our office assets, $9.56 million fair value losses on our retail properties offset by fair value gains of $2.02 million on our industrial properties and $2.08 million on our land lease properties. Fair values on our investment properties are highly influenced by shifts in market capitalization rates and net operating income of the properties. The on-going market pressures have continued to have adverse effects on capitalization rates, while inflationary trends have led to higher operational and finance costs, all of which are significantly affecting the portfolio's overall fair value.

We remain committed to our strategic decision to focus on our core Alberta assets with a goal to reduce overall debt. At quarter end, we had two properties classified as assets held for sale (under IFRS accounting standards) which includes one retail property located in Grande Prairie, AB and one industrial property located in Lethbridge, AB representing a cumulative 332,000 sf. On October 1, 2024 we closed on the sale of the Lethbridge asset classified as held for sale for gross proceeds of $4.50 million, resulting in net proceeds of $4.34 million after transaction costs. The Grande Prairie asset is currently under contract, however conditions have not been removed.

On October 23, 2024 we entered into an unconditional sale on a 24,000 sf office property in Regina, SK, which is set to close on November 22, 2024, for gross proceeds of $5.00 million. This asset was not classified as held for sale as at September 30, 2024 as it did not meet the IFRS accounting standards. Earlier this year, we sold a 29,000 sf office property located in Kelowna, BC for gross proceeds of $7.80 million, resulting in net proceeds of $7.48 million.

Net cash from the sale of assets will be used to be used to pay down the revolving credit facility and reducing our overall debt."

Arrangement with Melcor:

The Board of Trustees of the REIT (the "Board") has established an independent committee (the "Independent Committee") to oversee a broad-based strategic review with a focus on unlocking unitholder value. The Independent Committee retained BMO Capital Markets as financial advisor and DLA Piper (Canada) LLP as legal counsel to evaluate a broad range of strategic alternatives to maximize unitholder value. On September 12, 2024, Melcor Developments Ltd ("Melcor") and Melcor REIT announced that they entered into an arrangement agreement (the "Arrangement Agreement") with Melcor REIT GP Inc. (the GP") pursuant to which, among other steps, Melcor will acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP") for $4.95 per unit in cash consideration ("REIT LP Sale"). Melcor's unowned equity interest in REIT LP comprises all the REIT LP's outstanding Class A LP Units (approximately 13.0 million units). The REIT will use the proceeds from the REIT LP Sale to redeem and cancel all of the REIT's participating trust units (collectively with the REIT LP Sale, the "Transaction").

The Board, based on the recommendation of the Independent Committee, has unanimously (with the exception of Mr. Andrew Melton, Ms. Naomi Stefura and Mr. Ralph Young, each of whom declared their interest in, or position as a director and/or officer of, Melcor and abstained from voting in respect thereof) recommended that unitholders vote in favour of the Transaction.

The Board announced the filing of a Management Information Circular ("Circular") on October 29th, 2024, which provides unitholders with a comprehensive discussion of the background and reasons for the Independent Committee's and Board's recommendations to vote for the resolution approving the proposed Transaction. The Independent Committee, Board and management believe that this information is essential for unitholders to make an informed decision on the proposed Transaction. The Circular can be found on SEDAR+ at www.sedarplus.ca and on our website at https://melcorreit.ca/special-meeting/.

TRANSACTION HIGHLIGHTS:

Details on the transaction noted above are as follows:

- On September 12, 2024 it was announced that Melcor and the REIT entered into the Arrangement Agreement, pursuant to which Melcor will acquire its unowned equity interest (approximately 44.6%) in REIT LP for $4.95 per unit in cash consideration. Melcor's unowned equity interest in the REIT comprises all REIT's outstanding Class A LP Units (approximately 13.0 million units). The REIT will use the proceeds from the REIT LP sale to redeem and cancel all of the REIT's participating trust units in exchange for a cash payment of $4.95 per trust unit, less any Pre-Arrangement Distributions (as defined below), if any, and applicable withholdings (the "Consideration").
- The Arrangement Agreement included a "Go-Shop Period" which expired on October 15, 2024 with no superior proposal having been received.

[1] *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information*

- The Transaction is the result of a rigorous arm's length negotiation process that was undertaken between the Independent Committee and its experienced, qualified and independent financial and legal advisors, on the one hand, and Melcor and its advisors, on the other hand. The Independent Committee was and is composed entirely of independent trustees of the Board who are free from any conflict of interest with respect to the Melcor and REIT management.
- The value of the Consideration is in the range for the fair market value of the units as concluded in the formal valuation delivered to the Independent Committee by Ventum Financial Corp. ("Ventum") dated September 12, 2024.
- Completion of the Transaction remains subject to the satisfaction of customary closing conditions, including court approval and obtaining the required approvals from the holders ("Voting Unitholders") of trust units and special voting units of the REIT at the special meeting to consider the Arrangement, scheduled to be held at 9:30 a.m. (Edmonton time) on November 26, 2024 (the "Meeting") at the Windsor Room, Third Floor, Manulife Place, 10180 101st Street, Edmonton, Alberta,T5J 3V5. The Meeting materials can be found under the REIT's profile on SEDAR+ (www.sedarplus.ca) as well as on Melcor REIT's website at http://melcorreit.ca/special-meeting. The REIT has also commenced the process of mailing the Circular and related documents to Voting Unitholders.

The REIT's Independent Committee evaluated the proposal received from Melcor and other alternatives available to the REIT, as well as had oversight over the negotiations of the Arrangement Agreement with the benefit of financial and legal advice. The REIT Board, after careful consideration and acting on the unanimous recommendation of the Independent Committee after receiving legal and financial advice, the fairness opinion from BMO Nesbitt Burns Inc. ("BMO") and the formal valuation and fairness opinion from Ventum, unanimously (with the exception of Mr. Andrew Melton, Ms. Naomi Stefura and Mr. Ralph Young, each of whom declared their interest in, or position as a director and/or officer of, Melcor and abstained from voting in respect thereof) determined that the arrangement is in the best interests of the REIT and its stakeholders, and is recommending that Voting Unitholders vote FOR the resolution approving the Transaction at the Meeting.

The REIT acknowledges that FC Private Equity Realty Management Corp. and Telsec Property Corporation have launched a mini-tender offer to acquire up to 1,296,316 of the REIT's participating trust units. Unitholders are advised to take no action on the mini-tender offer and not to tender their units until a formal recommendation has been made to unitholders.

Laurel Hill Advisory Group, the strategic unitholder advisor and proxy solicitation agent engaged by the REIT, is available to answer information requests from unitholders and can be reached by telephone toll-free in North America at 1-877-452-7184, outside North America at +1 416-304-0211, or by email at assistance@laurelhill.com.

FINANCIAL HIGHLIGHTS:

Third quarter:

- Revenue was down 4.5% to $17.45 million (Q3-2023: $18.29 million)
- NOI[1] was down 2.5% to $11.60 million (Q3-2023: $11.89 million)
- FFO[1] was down 26.0% to $4.47 million or $0.15 per unit (Q3-2023: $6.03 million or $0.21 per unit)
- ACFO[1] was down 31.6% to $2.73 million or $0.09 per unit (Q3-2023: $3.99 million or $0.14 per unit)
- Fair value losses on investment properties of $12.87 million were recorded (Q3-2023: fair value gains of $1.05 million)

Year-to-date:

- Revenue was down 2.1% to $54.22 million (2023: $55.40 million)
- NOI[1] was down 1.0% to $34.74 million (2023: $35.11 million)
- FFO[1] was down 15.9% to $15.32 million or $0.53 (2023: $18.22 million or $0.63 per unit)
- ACFO[1] was down 18.4% to $9.76 million or $0.34 per unit (2023: $11.96 million or $0.41 per unit)
- Fair value losses on investment properties of $22.89 million were recorded (2023: fair value losses of $8.37 million)

Management believes FFO most accurately reflects our true operating performance, while ACFO provides the best indication of our cash flow and, therefore, our capacity to pay distributions. However, both metrics should be considered in conjunction with our overall liquidity position. Net income (loss) in the current and comparative periods is significantly impacted by non-cash fair value adjustments and thus not a meaningful metric to assess operating performance. Non-cash fair value adjustments include fair value adjustments on investment properties and fair value adjustments on Class B Units. To date in 2024, fair value on investment properties was a loss of $22.89 million compared to a loss of $8.37 million in 2023. To date in 2024, these losses primarily relate to our office properties where we have recorded losses of $17.44 million to date. Fair value adjustment on Class B Units, which have an inverse relationship with the REIT unit price, resulted in gains of $11.45 million recorded to date in 2024 compared to gains of $15.80 million recorded in 2023.

Funds from operations was down 26.0% in the period and 15.9% year-to-date, and adjusted funds from operations was down 32.8% in the period and 19.2% year-to-date. The reduction of funds from operations and adjusted funds from operations is a result of an increase in general and administrative expenditures. The increase over 2023 is primarily attributed to costs related to the Independent Committee and the strategic review process established in February 2024. Costs associated with the proposed transaction with Melcor include additional professional fees related to legal and advisory costs as well as higher public company costs related to fees paid to the committee members.

In the quarter and year-to-date, rental revenue has declined with a 4.5% reduction in the period to $17.45 million and a 2.1% reduction to $54.22 million over 2023. Net rental income saw similar results with a 7.6% decrease over Q3-2023 to $10.08 million, and a 3.4% decrease over 2023 to $31.06 million. The decrease over 2023 is due to a reduction in recoveries and larger straight line rent adjustments (non-cash) which vary period over period depending on lease commencements and terms. Excluding SLR adjustments and amortization of tenant incentives, NOI was down 2.5% over Q3-2023 and steady year-to-date. Our same-asset NOI calculations, which normalize out the Kelowna Business Center (sold in Q1-2023), Richter Street (sold in Q2-2024), as well as assets classified as held for sale under IFRS Accounting Standards, are down 2.1% over Q3-2023 and down 0.9% year-to-date.

[1] Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information

We remain focused on navigating the challenges associated with inflation, such as rising operating costs and leasing costs and higher interest costs as mortgages come up for renewal in a higher interest rate environment. We expect to see continuing pressure on operating cash flow resulting from reductions in office lease rates, higher tenant incentives, increasing operating costs and continuing higher financing costs.

Financing:

In 2024, six mortgages were up for renewal for a combined total of $43.91 million. In the quarter, we renewed one mortgagee set to mature in the period for $4.05 million. This renewal required a $1.60 million pay down (at JV%) and was renewed at a rate of 7.11%. Additionally, year-to-date we refinanced one $11.00 million mortgage at a rate of 6.00%, providing additional proceeds of $3.98 million, and renewed an additional two mortgages for a combined total of $4.32 million. Since quarter end, we have signed commitment letters to renew the remaining two mortgages up for renewal in 2024 with the existing lenders which are expected to be finalized in the fourth quarter.

On May 27, 2024 the REIT formalized the renewal of its $50.00 million revolving credit facility, including a $5.00 million swing line sub-facility. The facility matures on the earlier of June 1, 2026 or November 30, 2024 (as amended in Q3-2024) if the convertible debentures have not been extended, or redeemed or if the REIT has not secured funds to satisfy the convertible debentures by their maturity date. The REIT continues to monitor its secured debts in order to identify opportunities and risks, and proactively engages with lenders in regard to upcoming maturities.

The convertible debentures are due on December 31, 2024. In connection with the execution of the Arrangement Agreement, Melcor, REIT LP and the REIT entered into a separate Backstop Loan Agreement pursuant to which Melcor has agreed to make an unsecured loan to the REIT LP, as borrower, in the principal amount up to the aggregate principal amount of the debentures outstanding on redemption in full, excluding any accrued and unpaid interest thereon. The Backstop Loan Agreement is subject to consent of the REIT's senior lenders, which consent has not, as of the date of this press release, been received. Amounts advanced pursuant to the Backstop Loan Agreement will mature three years from the date of advance with a fixed interest rate of 12%, paid semi-annually and is prepayable, in whole or in part, at anytime prior to maturity with no penalty.

As at November 4, 2024, based on our borrowing base calculation, we have access to $38.57 million of the $50.00 million credit facility, a decrease of $1.83 million since quarter end (September 30, 2024: $40.43 million), and down $7.50 million since year-end (December 31, 2023: $46.07 million supported). This decrease is primarily the result of lower appraised values recognized this quarter on our office properties which support the facility and further erodes cash available to the REIT.

OPERATIONAL HIGHLIGHTS:

The real estate market continues to face challenges reflected in the upward trend of capitalization rates on our portfolio. Office properties have continued to see the largest impact reflected by reduced occupancy and lower base rent on new and renewing base rents. These challenges have resulted in decreased valuations on our office properties, and to date in 2024 we have recorded losses

To date in 2024, we have completed 83,600 sf of new leasing and 315,740 sf in renewals and holdovers for an 86.8% retention rate. Occupancy was down at 87.3% (December 31, 2023: 87.6%) with commitment on an additional 11,202 sf bringing committed occupancy up to 87.6%. We continue to feel the impact of inflationary pressures and increased costs putting downward pressure on metrics such as FFO and ACFO. We continue to focus on leasing efforts, however overall occupancy has decreased by 0.3% since year-end. WABR remain stable at $17.07 compared to year-end (December 31, 2023: $17.06) and is up 1.6% ($0.27 per sf) compared to Q3-2023.

We have completed 37 (of 51 legal phases) valuations of individual properties in our portfolio to date in 2024. Overall, we are seeing a decline in value on both our office and retail properties due to reduced property NOI and rising capitalization rates. To date in 2024, we have recorded net losses on our office properties of $17.44 million (2023: $10.97 million loss) and net losses of $9.56 million (2023: $4.84 million loss) on our retail properties. Furthermore, our aging portfolio requires increased spend on capital repairs and improvements required to attract and retain tenants.

Retail properties continue to anchor our portfolio and have seen slight improvements in WABR over Q3-2023. Occupancy remains strong at 93.4%. Retail represents 44.7% of our total GLA as at September 30, 2024, and 60.1% of net rental income for the nine months ended September 30, 2024.

DISTRIBUTIONS:

In January 2024 we declared a distribution of $0.04 per unit. On February 22, 2024, we announced the suspension of the monthly distribution. In the comparative quarter and nine-months ended September 30, 2023, distributions were paid at a rate of $0.04 per unit per month.

There were no distributions paid in the quarter. To date in 2024, we have paid $0.04 per unit (January 2024) resulting in a year-to-date payout ratio of 11.9% (2023 - 87.5%) based on ACFO and a payout ratio of 7.6% (2023 - 57.0%) based on FFO. As noted above, distributions were suspended in February 2024 impacting the payout ratios in the current period and to date in 2024. Distributions to unit holders and on Class B LP Units are recorded in the period they are declared to unitholders.

As at September 30, 2024 we supported $40.43 million of the $50.00 million credit facility and had borrowings and committed spend (including outstanding accounts payable, security deposits, accrued interest, and other) of approximately $33.42 million, leaving an available balance of approximately $7.01 million. To date in 2024, the distribution suspension has enabled the REIT to retain approximately $10.47 million in cash. If distributions had continued at a rate of $0.04 per unit per month, this amount would have exceeded the $7.01 million available, demonstrating the positive impact of the distribution suspension on the REIT's liquidity.

[1] Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information

On September 12, 2024, the REIT, the GP and Melcor entered into an Arrangement Agreement, pursuant to which, among other things, the parties agreed that the REIT will pay a non-cash Special Distribution (as defined below) to the holders of participating trust units and Melcor will acquire all of the units in the unit capital of REIT LP and shares in the share capital of the GP held by the REIT, and subsequently the REIT will redeem all of the issued and outstanding units pursuant to the plan of arrangement.

Pursuant to the plan of arrangement, the REIT will declare to be payable and pay a Special Distribution on the trust units in an amount equal to the REIT's good faith estimate, of the taxable income of the REIT for the taxation year in which the effective date of the arrangement occurs, reduced by any deductions under subsection 104(6) of the Income Tax Act (Canada) in respect of REIT distributions made prior to the effective time of the arrangement. This Special Distribution will be made through the issuance of additional trust units to the unitholders, rather than by way of cash payment, and will be immediately followed by a consolidation so that each unitholder shall hold the same number of trust units as prior to the Special Distribution, subject to any withholding tax. Management of the REIT intends that after the Special Distribution, the REIT will not be liable in the year for any tax under Part I of the Tax Act.

“Special Distribution” means a distribution in an amount equal to the REIT’s good faith estimate, of the taxable income, including taxable income to be allocated from the REIT LP to the REIT pursuant to the REIT LP Agreement for the REIT’s taxation year in which the effective date of the arrangement occurs, reduced by any deductions under subsection 104(6) of the Income Tax Act (Canada) in respect of REIT distributions made prior to the effective time of the arrangement.

"Pre-Arrangement Distribution" means a distribution declared by the REIT during the period between the date of the Arrangement Agreement and immediately prior to the effective time of the arrangement payable to trust unitholders, excluding the Special Distribution and a distribution of the REIT's taxable income payable by issuance of units which are immediately consolidated so that the number of units following such distribution is no greater than the number of units prior to such distribution.

KPI's:

	Three months ended September 30			Nine months ended September 30		
($000's)	**2024**	2023	△%	**2024**	2023	△%
NOI[1]	**11,598**	11,894	(2.5)	**34,741**	35,105	(1.0)
Same-asset NOI[1]	**10,366**	10,587	(2.1)	**31,032**	31,303	(0.9)
FFO[1]	**4,465**	6,034	(26.0)	**15,320**	18,215	(15.9)
AFFO[1]	**2,600**	3,871	(32.8)	**9,378**	11,611	(19.2)
ACFO[1]	**2,729**	3,989	(31.6)	**9,756**	11,963	(18.4)
Rental revenue	**17,454**	18,285	(4.5)	**54,217**	55,398	(2.1)
Income before fair value adjustments[1]	**3,259**	3,131	4.1	**11,577**	9,391	23.3
Fair value adjustment on investment properties[3]	**(12,873)**	1,051	nm	**(22,887)**	(8,365)	nm
Cash flows from operations	**7,744**	3,827	102.4	**15,225**	8,796	73.1
Distributions paid to unitholders	**–**	1,556	(100.0)	**519**	4,667	(88.9)
Distributions paid[2]	**$–**	$0.12	(100.0)	**$0.04**	$0.36	(88.9)

1. *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
2. *Distributions for 2024 were $0.04 per unit in the month of January 2024, and were suspended in February 2024. Distributions in the comparative period were paid out at $0.04 per unit per month.*
3. *The abbreviation nm is shorthand for not meaningful and may be used where appropriate.*

Operational Highlights:

	September 30, 2024	December 31, 2023	△%
Number of properties	**37**	38	(2.6)
GLA (sf)	**3,121,673**	3,150,646	(0.9)
Occupancy (weighted by GLA)	**87.3 %**	87.6 %	(0.3)
Retention (weighted by GLA)	**86.8 %**	87.9 %	(1.3)
Weighted average remaining lease term (years)	**4.46**	4.31	3.5
Weighted average base rent (per sf)	**$17.07**	$17.06	0.1

[1] *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information*

Per Unit Metrics:

	Three months ended September 30			Nine months ended September 30		
	2024	2023	△%	**2024**	2023	△%
Per Unit Metrics						
Net income (loss)						
Basic	**($3.46)**	$0.55		**($1.85)**	$1.38	
Diluted	**($3.46)**	$0.22		**($1.85)**	$0.27	
Weighted average number of units for net income (loss) (000s):[1]						
Basic	**12,963**	12,963	–	**12,963**	12,963	–
Diluted	**12,963**	34,257	(62)	**12,963**	29,088	(55)
FFO						
Basic[2]	**$0.15**	$0.21		**$0.53**	$0.63	
Diluted[2]	**$0.15**	$0.20		**$0.52**	$0.60	
Payout ratio[2]	**– %**	57.8 %		**7.6%**	57.0%	
AFFO						
Basic [2]	**$0.09**	$0.13		**$0.32**	$0.40	
Payout ratio[2]	**– %**	90.2 %		**12.4%**	90.0%	
ACFO						
Basic[2]	**$0.09**	$0.14		**$0.34**	$0.41	
Payout ratio[2]	**– %**	87.5 %		**11.9%**	87.5%	
Weighted average number of units for FFO, AFFO and ACFO (000s):[3]						
Basic	**29,088**	29,088	–	**29,088**	29,088	–
Diluted	**34,257**	34,257	–	**34,257**	34,257	–

1. *For the purposes of calculating per unit net income (loss) the basic weighted average number of units includes trust units and the diluted weighted average number of units includes Class B LP Units and convertible debentures, to the extent that their impact is dilutive.*
2. *Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
3. *For the purposes of calculating per unit FFO, AFFO and ACFO the basic weighted average number of units includes trust units and Class B LP Units.*

Balance Sheet Highlights:

	September 30, 2024	December 31, 2023	△%
Total assets ($000s)	**673,186**	700,998	(4.0)
Equity at historical cost ($000s)[1]	**288,196**	288,196	–
Indebtedness ($000s)[2]	**405,130**	420,339	(3.6)
Weighted average interest rate on debt	**4.46 %**	4.52 %	(1.3)
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)[3]	**48.6 %**	50.0 %	(2.8)
Debt to GBV (maximum threshold - 65%)[3]	**54.8 %**	56.0 %	(2.1)
Finance costs coverage ratio[4]	**2.00**	2.21	(9.5)
Debt service coverage ratio[5]	**1.74**	1.93	(9.8)

1. *Calculated as the sum of trust units and Class B LP Units at their historical cost value. In accordance with IFRS the Class B LP Units are presented as a financial liability in the consolidated financial statements. Please refer to the MD&A for calculation of Equity at historical cost.*
2. *Calculated as the sum of total amount drawn on revolving credit facility, mortgages payable, Class C LP Units and convertible debentures, excluding unamortized discount and transaction costs. Please refer to the Indebtedness section of the Management and Discussion Analysis for calculation.*
3. *Debt to GBV is a Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section in the MD&A for further information.*
4. *Non-GAAP financial ratio. 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. This metric is not calculated for purposes of covenant compliance on any of our debt facilities. Please refer to Non-GAAP and Non-Standard Measures section in the MD&A for further information.*
5. *Non-GAAP financial ratio. 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. This metric is not calculated for purposes of covenant compliance on any of our debt facilities. Please refer to Non-GAAP and Non-Standard Measures section in the MD&A for further information.*

[1] *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information*

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 Q3-2024 quarterly report to unitholders. The REIT's consolidated financial statements and management's discussion and analysis for the period ended September 30, 2024 can be found on the REIT's website at www.MelcorREIT.ca or on SEDAR+ (www.sedarplus.ca).

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 in western Canadian markets. As at September 30, 2024, its portfolio is currently made up of interests in 37 properties representing approximately 3.12 million square feet of gross leasable area located across Alberta and in Regina, Saskatchewan. For more information, please visit www.MelcorREIT.ca.

Non-GAAP and 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 defined and discussed in the REIT's MD&A for the quarter ended September 30, 2024, which is available on SEDAR+ at www.sedarplus.ca.

Finance costs coverage ratio: Finance costs coverage ratio is a non-GAAP ratio and is calculated as FFO plus finance costs for the period divided by finance costs expensed during the period excluding distributions on Class B LP Units and fair value adjustment on derivative instruments.

Debt service coverage ratio: Debt service coverage ratio is a non-GAAP ratio and is calculated as FFO for the period divided by principal repayments on mortgages payable and Class C LP Units made during the period.

Debt to Gross Book Value: Debt to GBV is a non-GAAP ratio and is 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 (as applicable) and convertible debenture, excluding unamortized discount and transaction costs divided by GBV. GBV is calculated as the total assets acquired in the Initial Properties, subsequent asset purchases and development costs less dispositions.

Income (loss) before fair value adjustment and taxes: Income (loss) before fair value adjustment and income taxes is a non-GAAP financial measure and is calculated as net income (loss) excluding fair value adjustments for Class B LP Units, investment properties and derivative instruments.

	Three months ended September 30			Nine months ended September 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Net income (loss) for the period	**(44,798)**	7,075		**(23,932)**	17,929	
Fair value adjustment on Class B LP Units	**33,701**	(2,257)		**11,449**	(15,803)	
Fair value adjustment on investment properties	**12,873**	(1,051)		**22,887**	8,365	
Fair value adjustment on derivative instruments	**1,483**	(636)		**1,173**	(1,100)	
Income before fair value adjustment and taxes	**3,259**	3,131	4.1	**11,577**	9,391	23.3

Fair value of investment properties: Fair value of investment properties in the Property Profile and Regional Analysis sections of the MD&A is a supplementary financial measure and is calculated as the sum of the balance sheet balances for investment properties and other assets (TIs and SLR).

NOI Reconciliation:

	Three months ended September 30			Nine months ended September 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Net income (loss) for the period	**(44,798)**	7,075		**(23,932)**	17,929	
Net finance costs	**6,717**	6,368		**17,033**	19,380	
Fair value adjustment on Class B LP Units	**33,701**	(2,257)		**11,449**	(15,803)	
Fair value adjustment on investment properties	**12,873**	(1,051)		**22,887**	8,365	
General and administrative expenses	**1,589**	779		**3,623**	2,294	
Amortization of tenant incentives	**1,206**	968		**3,098**	3,019	
Straight-line rent adjustment	**310**	12		**583**	(79)	
NOI	**11,598**	11,894	(2.5)	**34,741**	35,105	(1.0)

[1] Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information

Same-asset Reconciliation:

	Three months ended September 30			Nine months ended September 30		
($000s)	2024	2023	△%	2024	2023	△%
Same-asset NOI	**10,366**	10,587	(2.1)	**31,032**	31,303	(0.9)
Disposals / Assets held for sale	**1,232**	1,307		**3,709**	3,802	
NOI[1]	**11,598**	11,894	(2.5)	**34,741**	35,105	(1.0)
Amortization of tenant incentives	**(1,206)**	(968)		**(3,098)**	(3,019)	
SLR adjustment	**(310)**	(12)		**(583)**	79	
Net rental income	**10,082**	10,914	(7.6)	**31,060**	32,165	(3.4)

FFO & AFFO Reconciliation:

	Three months ended September 30			Nine months ended September 30		
($000s, except per unit amounts)	2024	2023	△%	2024	2023	△%
Net income (loss) for the period	**(44,798)**	7,075		**(23,932)**	17,929	
Add / (deduct)						
Fair value adjustment on investment properties	**12,873**	(1,051)		**22,887**	8,365	
Fair value adjustment on Class B LP Units	**33,701**	(2,257)		**11,449**	(15,803)	
Amortization of tenant incentives	**1,206**	968		**3,098**	3,019	
Distributions on Class B LP Units	**–**	1,935		**645**	5,805	
Fair value adjustment on derivative instruments	**1,483**	(636)		**1,173**	(1,100)	
FFO[1]	**4,465**	6,034	(26.0)	**15,320**	18,215	(15.9)
Deduct						
Straight-line rent adjustments	**310**	12		**583**	(79)	
Normalized capital expenditures	**(750)**	(750)		**(2,250)**	(2,250)	
Normalized tenant incentives and leasing commissions	**(1,425)**	(1,425)		**(4,275)**	(4,275)	
AFFO	**2,600**	3,871	(32.8)	**9,378**	11,611	(19.2)
FFO/Unit	**$0.15**	$0.21		**$0.53**	$0.63	
AFFO/Unit	**$0.09**	$0.13		**$0.32**	$0.40	
Weighted average number of units (000s):[1]	**29,088**	29,088	–	**29,088**	29,088	–

1. *For the purposes of calculating per unit FFO and AFFO, the basic weighted average number of units includes trust units and Class B LP Units.*

ACFO Reconciliation:

	Three months ended September 30			Nine months ended September 30		
($000s, except per unit amounts)	2024	2023	△%	2024	2023	△%
Cash flows from operations	**7,744**	3,827	102.4	**15,225**	8,796	73.1
Distributions on Class B LP Units	**–**	1,935		**645**	5,805	
Actual payment of tenant incentives and direct leasing costs	**267**	1,357		**3,505**	4,358	
Changes in operating assets and liabilities	**(2,821)**	(670)		**(2,246)**	463	
Amortization of deferred financing fees	**(286)**	(285)		**(848)**	(934)	
Normalized capital expenditures	**(750)**	(750)		**(2,250)**	(2,250)	
Normalized tenant incentives and leasing commissions	**(1,425)**	(1,425)		**(4,275)**	(4,275)	
ACFO	**2,729**	3,989	(31.6)	**9,756**	11,963	(18.4)
ACFO/Unit	**$0.09**	$0.14		**$0.34**	$0.41	
Weighted average number of units (000s)[1]	**29,088**	29,088	–	**29,088**	29,088	–

1. *The diluted weighted average number of units includes Trust Units, Class B LP Units and convertible debentures.*

[1] *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information*

Forward-looking Statements:

This press release contains forward-looking information within the meaning of applicable securities legislation, which reflects the REIT's current expectations regarding future events. Specifically, this press release contains forward-looking information relating to, but not limited to: general market conditions and expectations; results from operations; inflation and interest rate implications; statements relating to the sale of assets under contract; completion of the Transaction, including satisfaction of the closing conditions; statements relating to the Meeting, including the timing and the results thereof; the receipt of the consent of the REIT's senior lenders in respect of the Backstop Loan Agreement; and recommendations relating to the mini-tender. 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; interest rate fluctuations; inflation; and required regulatory, court and unitholder approvals relating to the Transaction. 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; unless required by law. Additional information about these assumptions and risks and uncertainties is contained in the REIT's filings with securities regulators available on www.sedarplus.ca.

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[1] *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information*