Press Release

for immediate distribution

Melcor REIT announces first quarter 2019 results

Edmonton, Alberta | May 2, 2019

Highlights

- Rental revenue remained stable over Q1 - 2018 at $17.94 million
- Net operating income remained stable over Q1-2018 at 11.01 million.
- Adjusted funds from operations (AFFO) declined 6% to $4.62 million or $0.16 per unit
- Debt to Gross Book Value (GBV) ratio of 56%, well 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 103%

Melcor REIT (TSX: MR.UN) today announced results for the first quarter ended March 31, 2019. Rental revenue was stable compared to the prior year. Net operating income also remained stable at $11.01 million. AFFO was down 6% due to the increase in tenant incentives and leasing commissions as the REIT strives to maintain occupancy under challenging market conditions.

Andrew Melton, President & CEO of Melcor REIT commented: "I'm pleased to report on another stable quarter for Q1-2019. We again maintained steady occupancy and growth in average rents in spite of continued challenges in some of our markets. Last week, we took advantage of these market conditions and completed a third party acquisition of a retail property with warehousing space in a well-positioned Calgary location.

As present value does not reflect our intrinsic value, we initiated a share buy back program after the quarter and have been actively purchasing since April 1, 2019.

We anticipate that our new provincial government will do those things necessary to stimulate the Alberta economy and assist Alberta businesses; however, we remind you that real estate tends to lag behind economic cycles.

With a solid financial position, we remain well-positioned to continue to achieve steady results and to capitalize on growth opportunities."

Q1-2019 Highlights:

Our portfolio performance remained stable through the first quarter of 2019. Market fundamentals remain challenging; particularly in our Edmonton office assets. We continue to proactively renew existing tenants and pursue new tenants, which resulted in a healthy retention rate of 88.9% at quarter end and overall occupancy of 89.3%. The diversity of our portfolio with respect to both tenant profile and asset class enable the REIT to continue navigating through economic cycles. We are focused on the real estate fundamentals of asset enhancement and property management while conservatively managing our debt.

Highlights of our performance in the first quarter include:

- Revenue and NOI were stable over Q1-2018.
- Same-asset NOI was down 1% over Q1-2018 and 2% from Q4-2018, trending with a decline in same-asset occupancy.
- We continued to execute on our proactive leasing strategy to both retain existing and attract new tenants. We completed lease renewals representing 56,939 sf (including holdovers) for a retention rate of 88.9% at March 31, 2019. New leasing has been steady across the portfolio with 10,122 sf in new deals commencing to date in 2019 and an additional 45,000 sf in committed leasing for future occupancy.
- Net income in the current and comparative periods is significantly impacted by non-cash fair value adjustments on investment properties due to changes in capitalization rates/NOI and Class B LP Units due to changes in the REIT's unit price. Management believes funds from operations (FFO) is a better reflection of our true operating performance. FFO was $6.53 million or $0.23 per unit, down 3% from Q1-2018 due to slightly lower net rental income.
- Adjusted funds from operations (AFFO) was $4.62 million or $0.16 per unit, down 6% from Q1-2018 and 4% over Q4-2018. The decrease was due to lower FFO and higher reserves for tenant incentives and leasing commissions on account of continued challenging market conditions.

- Subsequent to the quarter we acquired a 56,084 sf single tenant retail building with warehouse space in Calgary, Alberta from a 3rd party for $12.45 million. This redeployment of capital is immediately accretive to AFFO.
- We paid distributions of $0.05625 per trust unit in January, February and March for a quarterly payout ratio of 103% based on AFFO and 73% based on FFO.
- On April 1, 2019 we commenced a normal course issuer bid (NCIB) which allows the REIT to purchase approximately 5% of its issued and outstanding trust units for cancellation. The REIT believes that its units have been trading in a price range which does not reflect the value of the units in relation to the REIT's current and future business prospects. Since commencement, we have purchased 13,432 units for $0.10 million at a weighted average cost of $7.60 or 77% of book value. Purchases under the NCIB will have a positive impact on payout ratio going forward.
- As at March 31, 2019 we have $1.55 million in cash and $25.05 million in additional capacity under our revolving credit facility. We conservatively manage our debt, with a debt to GBV on the low end of our target range.

Financial Highlights

	Three months ended March 31		
($000s)	**2019**	2018	△%
Non-standard KPIs			
Net operating income (NOI)	**11,012**	11,075	(1)%
Same-asset NOI	**9,639**	9,766	(1)%
Funds from operations (FFO)	**6,531**	6,702	(3)%
Adjusted funds from operations (AFFO)	**4,617**	4,893	(6)%
Adjusted Cash Flow from Operations (ACFO)	**4,584**	4,837	(5)%
Rental revenue	**17,944**	18,017	— %
Income before fair value adjustments	**3,252**	3,420	(5)%
Fair value adjustment on investment properties[1]	**1,159**	(1)	nm
Cash flows from operations	**2,751**	3,697	(26)%
Distributions to unitholders	**2,225**	2,225	— %
Distributions[2]	**$0.17**	$0.17	
Per Unit Metrics			
Net income			
Basic	**$0.19**	$0.74	
Diluted	**$0.19**	$0.21	
Weighted average number of units for net income (000s):[3]			
Basic	**13,187**	12,915	2 %
Diluted	**13,187**	27,777	(53)%
FFO			
Basic	**$0.23**	$0.24	
Diluted	**$0.23**	$0.24	
Payout ratio	**73%**	70%	
AFFO			
Basic	**$0.16**	$0.18	
Payout ratio	**103%**	96%	
Weighted average number of units for FFO & AFFO (000s):[4]			
Basic	**28,086**	27,777	1 %
Diluted	**32,813**	32,504	1 %

1. *The abbreviation nm is shorthand for not meaningful and is used through this MD&A where appropriate.*
2. *Distributions for the current and comparative periods have been paid out at a rate of $0.05625 per unit per month.*

3. *For the purposes of calculating per unit net income 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.*
4. *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. The diluted weighted average number of units includes convertible debentures.*

	31-Mar-19	31-Dec-18	△%
Total assets ($000s)	**712,376**	709,603	— %
Equity ($000s)(1)	**280,401**	280,401	— %
Debt ($000s)(2)	**391,240**	390,918	— %
Weighted average interest rate on debt	**3.81%**	3.77%	1%
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)	**48%**	48%	—%
Debt to GBV (maximum threshold - 65%)	**56%**	56%	—%
Finance costs coverage ratio(3)	**2.60**	2.60	— %
Debt service coverage ratio(4)	**2.32**	2.30	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 (as applicable) 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.*

Operational Highlights

	31-Mar-19	31-Dec-18	△%
Number of properties	**37**	37	— %
Gross leasable area (GLA) (sf)	**2,869,743**	2,868,901	— %
Occupancy (weighted by GLA)	**89.3%**	89.9%	(1%)
Retention (weighted by GLA)	**88.9%**	77.4%	15%
Weighted average remaining lease term (years)	**4.53**	4.67	(3)%
Weighted average base rent (per sf)	**$16.60**	$16.51	1 %

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 Q1-2019 quarterly report to unitholders. The REIT's consolidated financial statements and management's discussion and analysis for the three-months ended March 31, 2019 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 3, 2019 at 11:00 AM ET (9:00 AM MT). Call 647-484-0477 in the Toronto area; 1-800-458-4121 toll free.

The call will also be webcast (listen only) at http://www.gowebcasting.com/9930. 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 in western Canadian markets. Its portfolio is currently made up of interests in 38 properties representing approximately 2.93 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 defined and discussed in the REIT's MD&A for the quarter ended March 31, 2019, 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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