Press Release

for immediate distribution

Melcor REIT announces first quarter 2020 results and declares monthly distribution of $0.03 per trust unit

Edmonton, Alberta | May 14, 2020

Highlights

- Rental revenue was up 8% over Q1-2019 at $19.29 million;
- Net operating income grew 9% over Q1-2019 at $11.96 million;
- Adjusted cash flow from operations (ACFO) increased 7% to $4.97 million or $0.17 per unit in the quarter;
- Occupancy remained stable over Q4-2019 at 88%;
- Distributions of $0.05625 per trust unit were paid in January, February and March for an ACFO payout ratio of 99%

Melcor REIT (TSX: MR.UN) today announced results for the first quarter ended March 31, 2020. Rental revenue was up 8% compared to the prior year. Net operating income increased 9% over the prior year to $11.96 million. ACFO was up 7% due to the 26% increase in cash flows from operations and the actual payment of tenant incentives and direct leasing costs and we continue to renew current tenants and attract new tenants to our properties.

Darin Rayburn, President & CEO of Melcor REIT commented: "I'm pleased to report on our first quarter 2020 results. Our results were enhanced by the acquisitions completed in 2019, and in particular the acquisition of Melcor Crossing in Grande Prairie in November 2019. We now see the full quarter benefit of our larger portfolio, which contributed to 9% growth in NOI. Positive leasing momentum of the past few quarters contributed to a strong 86.7% retention rate and 24,147 sf in new deals commencing to date with a further 73,000 sf committed for future occupancy. All in all, the quarter was proceeding as we had expected until March.

In March, the COVID-19 global pandemic arrived in western Canada. The REIT responded quickly, implementing a variety of measures to provide safe and clean work environments to keep our tenants and visitors to our properties safe while doing our part to slow the spread. We also initiated a series of intentional measure to conserve cash and place the REIT in a position to support our tenants through these unprecedented times.

We do anticipate that the emergency measures enacted to contain COVID-19 and the resulting economic impact to many of our tenants will have negative repercussions on our future cash flow and net operating income. The extent and duration of the impact on our results cannot be accurately predicted at this time. What we do know is that we collected 79% of April rent roll and 71% of May's rent roll. We continue to work with our tenants as partners so that we can all get through this together. We believe that continued solidarity and partnership with our tenants will provide them the best opportunity to endure the pandemic and be successful in the long-term.

In an effort to reduce costs and in response to lower activity at many of our properties we have deferred and suspended, where appropriate, operating expenses, representing approximately 20% of budgeted April expenditures. In addition, we have deferred discretionary capital spending of approximately $1.3 million planned for 2020; collectively providing near term liquidity and reducing non-essential activities at our properties.

We do not know if this disruption with be short term or if it will linger. Only time will tell. We continue to monitor the situation, make thoughtful decisions and take action to come through this together with our tenants.

We are an ecosystem that relies on one another and we strive to make decisions that support our unitholders and our tenants for the long-term success of each and every one of us."

Q1-2020 Highlights:

Our portfolio performance remained stable through the first three months of 2020 with continued leasing stability in spite of challenging markets. We continued to proactively renew existing tenants and pursue new tenants, resulting in a healthy retention rate of 86.7% at quarter-end and overall occupancy of 88.1%.

Highlights of our performance in the first quarter include:

FINANCIAL HIGHLIGHTS

- The 11% growth in our portfolio's square footage via third party acquisitions in 2019 contributed to revenue growth of 8% and net operating income (NOI) growth of 9% compared to Q1-2019.
- Net income in the current and comparative periods is significantly impacted by non-cash fair value adjustments on Class B LP Units due to changes in the REIT's unit price and fair value adjustments on investment properties due to changes in NOI/capitalization rates. Management believes funds from operations (FFO) is a better reflection of our true operating performance. FFO was $6.73 million or $0.23 per unit, compared to $6.53 million or $0.23 in Q1-2019.
- Adjusted cash from operations (ACFO) was up 7% from Q1-2019 at $4.97 million or $0.17 per unit, compared to $4.63 million or $0.16 per unit. Management believes that ACFO better reflects our cash position and therefore our ability to pay distributions.
- As at March 31, 2020 we had $1.89 million in cash and $10.11 million in additional capacity under our revolving credit facility.

OPERATING HIGHLIGHTS

- Same-asset NOI was down 3% compared to Q1-2019 as the drag from the large tenant that vacated a downtown office building continues.
- We continued to execute on our proactive leasing strategy to both retain existing and attract new tenants. We completed lease renewals representing 74,320 sf (including holdovers) for a retention rate of 86.7% at March 31, 2020. New leasing has been steady across the portfolio with 24,147 sf in new deals commencing to date in 2020 and an additional 74,000 sf committed for future occupancy.

CREATING UNITHOLDER VALUE

- We paid distributions of $0.05625 per trust unit in January, February and March for a quarterly payout ratio of 99% based on ACFO 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 our issued and outstanding trust units for cancellation. Under this NCIB, we purchased 76,768 units for $0.53 million at a weighted average cost of $6.95 per unit or 70% of book value. This NCIB plan expired on March 31, 2020.

SUBSEQUENT EVENT

- On April 1, 2020 we renewed the NCIB. We are entitled to purchase up to 655,792 trust units for cancellation, representing approximately 5% of the REIT's issued and outstanding trust units. We believe that our units have been trading in a price range which does not reflect the value of the units in relation to our current and future business prospects. The trust units may be repurchased up to a maximum daily limit of 3,207. The price which the REIT will pay for trust units repurchased under the plan will be the market price at the time of acquisition. The NCIB ends one year from commencement, on March 31, 2021. Subsequent to the quarter we purchased 49,905 units for $0.18 million under the NCIB purchase plan which commenced April 1, 2020. Following the expiration of the blackout on May 15, 2020 the REIT will suspend its purchases under the NCIB program in light of continued market volatility and in an effort to conserve cash.
- Today the Board declared a distribution of $0.03 per trust unit, payable on June 15, 2020 to unitholders of record on May 29, 2020.

Financial Highlights

($000s)	Three months ended March 31 2020	2019	△%
Non-standard KPIs			
Net operating income (NOI)	**11,964**	11,012	9 %
Same-asset NOI	**10,671**	11,012	(3)%
Funds from operations (FFO)	**6,730**	6,531	3 %
Adjusted funds from operations (AFFO)	**4,862**	4,617	5 %
Adjusted cash flow from operations (ACFO)[5]	**4,966**	4,631	7 %
Rental revenue	**19,292**	17,944	8 %
Income before fair value adjustments	**2,942**	3,252	(10)%
Fair value adjustment on investment properties[1]	**(6,187)**	1,159	nm
Cash flows from operations	**3,453**	2,751	26 %
Distributions to unitholders	**2,216**	2,225	— %
Distributions[2]	**$0.17**	$0.17	— %
Per Unit Metrics			
Net income			
Basic	**$6.39**	$0.19	
Diluted	**$0.08**	$0.19	
Weighted average number of units for net income (000s):[3]			
Basic	**13,130**	13,187	— %
Diluted	**29,255**	13,187	122 %
FFO			
Basic	**$0.23**	$0.23	
Diluted	**$0.22**	$0.23	
Payout ratio	**73%**	73%	
AFFO			
Basic	**$0.17**	$0.16	
Payout ratio	**102%**	103%	
ACFO[5]			
Basic	**$0.17**	$0.16	
Payout ratio	**99%**	102%	
Weighted average number of units for FFO, AFFO and ACFO (000s):[4]			
Basic	**29,255**	28,086	4 %
Diluted	**36,424**	32,813	11 %

1. *The abbreviation nm is shorthand for not meaningful.*
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.*
5. *In Q4-2019 we amended our definition of amortization of deferred financing fees to exclude accretion on convertible debenture. Amortization of deferred financing fees is an adjusting item in the calculation of ACFO. This change was applied retroactively.*

	Mar 31, 2020	Dec 31, 2019	△%
Total assets ($000s)	**777,435**	783,534	(1)%
Equity ($000s)(1)	**289,643**	289,873	— %
Debt ($000s)(2)	**452,631**	454,013	— %
Weighted average interest rate on debt	**3.76%**	3.78%	(1%)
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)	**50%**	50%	—%
Debt to GBV (maximum threshold - 65%)	**59%**	59%	—%
Finance costs coverage ratio(3)	**2.43**	2.45	(1)%
Debt service coverage ratio(4)	**2.15**	2.26	(5)%

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. This metrics is not calculated for purposes of covenant compliance on any of our debt facilities. Please refer to page 17 of the MD&A for further discussion and analysis.*
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. This metrics is not calculated for purposes of covenant compliance on any of our debt facilities. Please refer to page 17 of the MD&A for further discussion and analysis.*

Operational Highlights

	Mar 31, 2020	Dec 31, 2019	△%
Number of properties	**39**	39	— %
Gross leasable area (GLA) (sf)	**3,208,463**	3,208,950	— %
Occupancy (weighted by GLA)	**88.1%**	88.0%	—%
Retention (weighted by GLA)	**86.7%**	59.6%	45%
Weighted average remaining lease term (years)	**4.35**	4.37	— %
Weighted average base rent (per sf)	**$16.69**	$16.79	(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 Q1-2020 quarterly report to unitholders. The REIT's consolidated financial statements and management's discussion and analysis for the three-months ended March 31, 2020 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 15, 2020 at 11:00 AM ET (9:00 AM MT). Call 416-915-3239 in the Toronto area; 1-800-319-4610 toll free.

The call will also be webcast (listen only) at www.gowebcasting.com/10536. 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 39 properties representing approximately 3.21 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, 2020, 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.

Contact Information:

Nicole Forsythe
Director, Corporate Communications
Tel: 1.855.673.6931 x4707
ir@melcorREIT.ca