Press Release

for immediate distribution

Melcor REIT announces second quarter 2016 results

Edmonton, Alberta | August 5, 2016

Highlights

- Portfolio performance remained steady in Q2-2016
- Rental Revenue of $16.81 million for growth of 3% over Q2-2015
- Adjusted funds from operations (AFFO) grew 3% to $5.75 million or $0.22 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 April, May and June for a payout ratio of 77%.

Melcor REIT (TSX: MR.UN) today announced results for the second quarter ended June 30, 2016. Rental revenue grew 3% to $16.81 million compared to $16.32 million in 2015. Adjusted funds from operations (AFFO) grew 5% to $11.22 million ($0.44 per unit) year-to-date.

Darin Rayburn, CEO of Melcor REIT commented: "Our continued steady results demonstrate the sustainability of our model and the strength of our portfolio. Leasing activity remains consistent and we maintain our focus on providing exceptional customer care to retain tenants. We continue to execute our strategy to improve operating efficiency and invest in asset enhancement, tenant retention and strong leasing programs. We believe this focus on the fundamentals will deliver maximum return to unitholders over time."

Q2-2016 Highlights:

Our portfolio performance remained steady throughout Q2-2016. The stability and diversity of our portfolio with respect to both tenant profile and asset class position the REIT well for managing through economic cycles. We are focused on the real estate fundamentals of asset enhancement and property management while conservatively managing our debt. At 77%, our payout ratio is a strong indicator of our overall health and our ability to sustain distributions at current rates.

Highlights of our performance in the second quarter include:

- Property acquisitions completed via the Melcor proprietary pipeline over the past 12 months coupled with densification activity on two existing properties led to revenue growth of 3% and AFFO growth of 3% over Q2-2015.
- We continue to see leasing activity, with 68,858 sf in new and renewed leasing completed during the quarter. Occupancy was steady at 93.2%.
- We achieved an on-time response rate in our signature care program of 99% in Q2-2016. We view this metric as an important indication of our commitment to ongoing client care, which contributes to tenant satisfaction and ultimately retention.
- Our weighted average interest rate continues to trend downward with a 10 basis point reduction over December 31, 2015 as a result of mortgage re-financings. Reductions to our average borrowing costs translated into improvement in both our finance costs coverage ratio and debt service coverage ratio, an indicator of our ability to satisfy our ongoing debt servicing requirements.
- We paid distributions of $0.05625 per trust unit in April, May and June for a quarterly payout ratio of 77%.
- Our working capital position remains healthy and we continue to collect receivables in a timely manner to ensure near term liquidity. Funds available under our revolving credit facility at June 30, 2016 provide the REIT with near term capacity to capitalize on acquisition opportunities.

Selected Highlights

Financial Highlights						
	Three months ended June 30			**Six months ended June 30**		
($000s)	**2016**	2015	△%	**2016**	2015	△%
Non-Standard KPIs						
Net operating income (NOI)	**10,773**	10,382	4 %	**21,386**	20,587	4 %
Funds from Operations (FFO)	**6,822**	6,689	2 %	**13,519**	12,992	4 %
Adjusted Funds from Operations (AFFO)	**5,746**	5,556	3 %	**11,223**	10,734	5 %
Rental revenue	**16,807**	16,323	3 %	**33,433**	32,581	3 %
Income before fair value adjustments	**3,329**	3,326	— %	**6,735**	6,441	5 %
Fair value adjustment on investment properties	**(174)**	(1,899)	(91)%	**(1,999)**	(3,708)	(46)%
Distributions to unitholders	**1,883**	1,902	(1)%	**3,764**	3,805	(1)%
Cash flows from operations	**2,937**	324	nm	**5,546**	2,919	90 %
Same-asset NOI	**9,976**	9,877	1 %	**19,846**	19,752	— %
Per unit metrics						
Income (loss) - diluted	**($0.37)**	$0.01	nm	**($1.27)**	$0.31	nm
FFO	**$0.26**	$0.26	2 %	**$0.52**	$0.50	5 %
AFFO	**$0.22**	$0.21	4 %	**$0.44**	$0.41	5 %
Distributions	**$0.17**	$0.17	— %	**$0.34**	$0.34	— %
Payout	**77%**	80%	(4)%	**77%**	82%	(6)%

	30-June-16	31-Dec-15	△%
Total assets ($000s)	**665,845**	666,458	— %
Equity ($000s)(1)	**260,600**	260,600	— %
Debt ($000s)(2)	**352,626**	353,521	— %
Weighted average interest rate on debt	**3.70%**	3.80%	(3)%
Debt to GBV ratio	**55%**	56%	(2)%
Finance costs coverage ratio(3)	**2.90**	2.87	1 %
Debt service coverage ratio(4)	**2.81**	2.76	2 %

Operational Highlights			
	30-June-16	31-Dec-15	△%
Number of properties	**38**	38	— %
Gross Leasable Area (GLA) (sf)	**2,775,723**	2,768,750	— %
Occupancy % (weighted by GLA)	**93.2%**	93.6%	— %
Retention % (weighted by GLA)	**50.1%**	73.0%	(31)%
Weighted average remaining lease term (years)	**4.94**	5.27	(6)%
Weighted average base rent (per sf)	**$ 15.65**	$ 15.49	1 %

(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 50% (December 31, 2015 - 50%).
(4) 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 financial liability.
(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 Q2-2016 quarterly report to unitholders. The REIT's consolidated financial statements and management's discussion and analysis for the three and six months ended June 30, 2016 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 Friday, August 5, 2016 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 also be webcast (listen only) at http://www.gowebcasting.com/7685. 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 with exposure to high growth western Canadian markets. Its portfolio is currently made up of interests in 38 properties representing approximately 2.78 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 June 30, 2016, 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:

Business Contact
Darin Rayburn
Chief Executive Officer
Tel: 780.423.6931
info@melcorREIT.ca

Investor Relations
Naomi Stefura, CA
Vice President, Finance
Tel: 1.855.673.6931
ir@melcorREIT.ca