

# Press Release

for immediate distribution

## Melcor REIT announces second quarter 2015 results

Edmonton, Alberta | August 7, 2015

### Highlights

- Execution of our growth strategy over the past twelve months increased our portfolio GLA by 49% over Q2-2014. This contributed to growth in certain key metrics over the comparative period
- Rental Revenue of \$16.32 million for growth of 47% over Q2-2014
- Net rental income of \$9.88 million for growth of 47% over Q2-2014
- Adjusted funds from operations (AFFO) grew 43% to \$5.56 million or \$0.21 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 80%.

Melcor REIT (TSX: MR.UN) today announced results for the second quarter ended June 30, 2015. Rental revenue for the first half of 2015 grew 50% to \$32.58 million compared to \$21.77 million in 2014. Adjusted funds from operations (AFFO) grew 40% to \$10.73 million (\$0.41 per unit) year-to-date.

Darin Rayburn, CEO of Melcor REIT commented: "Our steady results in the second quarter demonstrate the sustainability of our model and the strength of our portfolio. Leasing activity continues to be consistent and we remain focused on providing exceptional customer care to retain tenants.

We continue to execute our strategy to improve on all elements of our business: improving operating efficiency, investing in asset enhancement, tenant retention and strong leasing programs. We believe this focus on the fundamentals will protect unitholder investment and deliver maximum return over time.

With a strong, diversified portfolio, our focus on property management and client relationships, a strong balance sheet and a solid pipeline of over 6 million sf of high quality assets being developed over the next 5-10 years, we remain well positioned for the future."

### Highlights of the quarter include:

Highlights of our performance in the second quarter include:

- Revenue growth of 47% and AFFO growth of 43% over Q2-2014 as a result of property acquisitions completed over the past year, which grew our portfolio GLA by 49% and contributed to increased diversification in our portfolio mix.
- Maintained occupancy at 92.1% compared to 92.4% at December 31, 2014. We continue to see strong leasing activity and renewed 105,013 sf of expiring GLA for a current retention rate of 67.6% at the end of the quarter.
- Continued improvement to operating margin of 61% in Q2-2015 (2014 - 60%) as we look for opportunities to manage expenses.
- Achieved a 96% on-time response rate for work orders submitted via our signature care program.
- Reduced weighted average interest rate by 7 bps as a result of \$8.25 million in mortgage re-financing completed in the current low-interest rate environment.
- On May 1, 2015 we entered into a new revolving credit facility with two Western Canadian financial institutions providing the REIT with available credit to a maximum of \$35.00 million. The new facility provides a \$10.00 million increase in the capital available to the REIT to support the execution of our growth strategy.
- On June 30, 2015 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 adequately reflect the value of the units in relation to the REIT's current and future business prospects.
- We paid distributions of \$0.05625 per trust unit in April, May and June for a quarterly payout ratio of 80%, a reduction of 4 bps from Q1-2015.

## Selected Highlights

<b>Financial Highlights</b>						
	<b>Three Months Ended June 30</b>			<b>Six months ended June 30</b>		
<b>(\$000s)</b>	<b>2015</b>	<b>2014</b>	<b>△%</b>	<b>2015</b>	<b>2014</b>	<b>△%</b>
<b>Non-Standard KPIs</b>						
Net operating income (NOI)	<b>10,382</b>	7,203	44 %	<b>20,587</b>	13,937	48 %
Same asset NOI	<b>6,431</b>	6,530	(2)%	<b>12,528</b>	12,561	— %
Funds from Operations (FFO)	<b>6,689</b>	4,431	51 %	<b>12,992</b>	8,719	49 %
Adjusted Funds from Operations (AFFO)	<b>5,556</b>	3,875	43 %	<b>10,734</b>	7,652	40 %
Rental revenue	<b>16,323</b>	11,119	47 %	<b>32,581</b>	21,766	50 %
Income before fair value adjustments	<b>3,326</b>	2,125	57 %	<b>6,441</b>	4,264	51 %
Fair value adjustment on investment properties	<b>(1,899)</b>	568	nm	<b>(3,708)</b>	737	nm
Distributions to unitholders	<b>1,902</b>	1,782	7 %	<b>3,805</b>	3,323	15 %
Cash flows from operations	<b>1,432</b>	1,806	(21)%	<b>5,419</b>	4,102	32 %
<b>Per unit metrics</b>						
Income - diluted	<b>\$0.01</b>	\$0.22	(95)%	<b>\$0.31</b>	\$0.43	(28)%
FFO	<b>\$0.26</b>	\$0.22	19 %	<b>\$0.50</b>	\$0.45	11 %
AFFO	<b>\$0.21</b>	\$0.19	11 %	<b>\$0.41</b>	\$0.39	5 %
Distributions	<b>\$0.17</b>	\$0.17	— %	<b>\$0.34</b>	\$0.34	— %
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				<b>30-Jun-15</b>	<b>31-Dec-14</b>	<b>△%</b>
Total assets (\$000s)				<b>653,111</b>	657,765	(1)%
Equity (\$000s) <sup>(1)</sup>				<b>261,852</b>	261,852	— %
Debt (\$000s) <sup>(2)</sup>				<b>341,616</b>	344,694	(1)%
Weighted average interest rate on debt				<b>3.91%</b>	3.98%	(2)%
Debt to GBV ratio <sup>(3)</sup>				<b>55%</b>	56%	(2)%
Finance costs coverage ratio <sup>(4)</sup>				<b>2.82</b>	2.94	(4)%
Debt service coverage ratio <sup>(5)</sup>				<b>2.85</b>	2.75	4 %
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<b>Operational Highlights</b>						
				<b>30-Jun-15</b>	<b>31-Dec-14</b>	<b>△%</b>
Number of properties				<b>38</b>	38	— %
Gross Leasable Area (GLA) (sf)				<b>2,738,212</b>	2,735,467	— %
Occupancy % (weighted by GLA)				<b>92.1%</b>	92.4%	— %
Retention % (weighted by GLA)				<b>67.6%</b>	82.7%	(18)%
Weighted average remaining lease term (years)				<b>5.39</b>	5.49	(2)%
Weighted average base rent (per sf)				<b>\$ 15.38</b>	\$ 15.25	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 49% (December 31, 2014 - 50%)

(4) Calculated as the sum of FFO and finance costs; divided by finance costs, excluding distributions on Class B LP Units.

(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 Q2-2015 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, 2015 can be found on the REIT's website at [www.MelcorREIT.ca](http://www.MelcorREIT.ca) or on SEDAR ([www.sedar.com](http://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 7, 2015 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 be webcast at <http://www.gowebcasting.com/6625>. A replay of the call will be available shortly after the call is concluded at the same address.

## 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 2.74 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](http://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 more fully defined and discussed in the REIT's MD&A for the quarter ended June 30, 2015, which is available on SEDAR at [www.sedar.com](http://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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