

Press Release

for immediate distribution

Melcor REIT announces second quarter results exceeding forecast

Edmonton, Alberta | August 9, 2013

Second Quarter Highlights

- **Adjusted funds from operations** (AFFO) of \$3.59 million, exceeding forecast by 12%; YTD AFFO of \$6.96 million for growth of 60%
- **Net operating income** (NOI) of \$6.38 million, exceeding forecast by 6% and representing growth of 7% over Q2-12; YTD NOI of \$12.72 million for growth of 7%
- **Same asset NOI** growth of 9%
- **Rental revenue** of \$9.77 million, exceeding forecast by 2% and representing growth of 9% over Q2-12; YTD rental revenue of \$19.46 million for growth of 10%
- **Debt to Gross Book Value** (GBV) ratio of 47%
- **Occupancy** of 90.4% with strong leasing activity throughout and subsequent to the quarter and a slight increase in weighted average base rents

Melcor REIT (TSX: MR.UN) announced results for the three and six months ended June 30, 2013. For the twelve-month period ending March 31, 2014 we will be comparing our results to the financial forecast disclosed in our prospectus dated April 19, 2013, which is available on SEDAR at www.sedar.com.

Darin Rayburn, CEO of Melcor REIT commented: "We are pleased to report second quarter results ahead of our forecast on all significant key performance indicators, including revenue, NOI, AFFO and occupancy. Our growth strategy is simple: acquire and improve. We have a proven track record of doing both."

Rayburn continued: "Our focus continues to be on providing signature customer care, maximizing occupancy and controlling expenses while paying attention to real estate fundamentals. Coupled with a disciplined approach to executing our growth strategy, we are confident in our ability to grow a strong and balanced portfolio and provide consistent returns to our unitholders."

Highlights for the quarter include:

- **Strong growth in revenue** up \$0.77 million or 9% over the same period in the prior year as a result of higher base rent and higher average occupancy for the period. Revenue growth contributed to increased NOI, with growth over the same period in the prior year of \$0.42 million or 7%.
- **FFO and AFFO per unit exceeded forecast** by 10% and 13% respectively.
- **Distributions of \$0.05625 per trust unit** in May and June provided unitholders an effective holding period return of 2.13%. **These distributions were inline with forecast.**
- **Fair value gains of \$4.39 million year-to-date** contributed to a 2% increase in portfolio fair value compared to year-end. This increase is a result of continued investment in asset enhancement projects and increased leasing activity.
- **Weighted average interest rate on our mortgages and Class C LP Units decreased by 10%** as a result of lower average interest rates achieved through refinancing prior to the IPO.

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www.MelcorREIT.com

Selected Financial Information

| Financial Highlights | | | |
|--|--------------------|------------------|---------------------|
| | Three-months ended | Six-months ended | Financial Forecast* |
| (\$000s) | Q2 - 2013 | 2013 | Q2 - 2013 |
| Non-Standard KPIs | | | |
| Rental revenue | 9,773 | 19,461 | 9,598 |
| Net operating income (NOI) | 6,379 | 12,721 | 5,996 |
| Same asset NOI | 5,812 | 11,547 | - |
| Funds from Operations (FFO) | 4,109 | 8,104 | 3,629 |
| Adjusted Funds from Operations (AFFO) | 3,589 | 6,961 | 3,213 |
| Per unit metrics ⁽¹⁾ | | | |
| FFO | 0.22 | 0.43 | 0.20 |
| AFFO | 0.19 | 0.37 | 0.17 |
| Distributions | 0.112 | 0.112 | 0.112 |

*Financial forecast is for the three-months ended June 30, 2013.

| | 30-Jun-13 | 31-Dec-12 |
|------------------------------|------------------|------------------|
| Total assets (\$000s) | 414,769 | 396,845 |
| Debt (\$000s) ⁽²⁾ | 187,886 | 180,002 |
| Debt to GBV ratio | 0.47 | 0.46 |

| Operational Highlights | | |
|--|------------------|------------------|
| | 30-Jun-13 | 31-Dec-12 |
| Number of properties | 27 | 27 |
| Gross Leasable Area (GLA) (sq. ft.) | 1,569,215 | 1,571,474 |
| Occupancy % (weighted by GLA) | 90.4% | 91.0% |
| Weighted average base rent (per sq. ft.) | \$ 16.85 | \$ 16.70 |

(1) Calculated as if the trust units and Class B LP Units were outstanding during the entire current and comparative periods.

(2) Calculated as the sum of total mortgages payable and Class C LP Units.

MD&A and Financial Statements

Melcor REIT's consolidated financial statements and management's discussion and analysis for the three- and six-months ended June 30, 2013 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 Monday, August 12, 2013 at 9:00 AM ET. Call 416-340-8018 in the Toronto area; 866-223-7781 toll free.

The call will be webcast at <http://www.gowebcasting.com/4486>. 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 27 properties representing approximately 1.57 million square feet of gross leasable area located in and around Edmonton, Calgary, and Lethbridge, Alberta; Regina, Saskatchewan; and Kelowna, British Columbia. For more information, please visit www.MelcorREIT.ca.

Non-IFRS supplemental 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 Management Discussion and Analysis for the period ended June 30, 2013, 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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