

Press Release

for immediate distribution

Melcor REIT announces first quarter, twelve month results exceeding forecast

Edmonton, Alberta | May 9, 2014

<i>Quarter Highlights</i>	<i>12-Month Forecast Highlights</i>
<ul style="list-style-type: none"> Rental revenue of \$10.65 million for growth of 10% over Q1-2013 Net operating income of \$6.73 million for growth of 6% over Q1-2013 Adjusted funds from operations (AFFO) of \$3.78 million or \$0.20 per unit compared to \$0.18 per unit in Q1-2013 Debt to Gross Book Value (GBV) ratio of 51%, within our target range of 50-55% Gross leasable area increased by 12% since IPO through 3 property acquisitions 	<ul style="list-style-type: none"> Rental revenue of \$40.28 million, exceeding revised forecast by 3% Net rental income of \$23.85 million, exceeding revised forecast by 5% AFFO of \$14.25 million or \$0.76 per unit, exceeding forecast by 3% Distributions of \$0.05625 per unit were paid in each of the REIT's 11 months of operation (as forecast) <p><i>We presented a 12-month forecast (April 2013 – March 2014) in the prospectus dated April 19, 2013. The three months ended March 31, 2014 was revised on March 10, 2014 to reflect acquisitions completed throughout the forecast period. The data presented above is compared to the revised forecast.</i></p>

Melcor REIT announced results for the first quarter of 2014, which ended March 31, 2014. These results are also compared to the financial forecast disclosed in our prospectus dated April 19, 2013 and revised in our annual management's discussion and analysis dated March 10, 2014, both of which are available on our website at MelcorREIT.ca and on SEDAR.com.

Darin Rayburn, CEO of Melcor REIT commented: "As we conclude our forecast period, I'm pleased to report results exceeding forecast on key performance metrics. Throughout the past year, we've delivered as promised while at the same time consistently and methodologically executing on our strategy. We have initiated and completed specific actions on each element of our growth strategy – acquiring both third party and Melcor properties and making improvements to our overall portfolio through property management and asset enhancements.

Our team remains committed to executing our strategy and continuing to deliver solid results."

Financial Highlights for the quarter include:

- We continue to deliver as promised and exceeded IPO forecast with stable and sustainable growth on key indicators** through Q1-2014. We continued to execute on our growth strategy of acquiring new properties and improving our existing properties through both property management and asset enhancement. Building on the momentum of our first eight months of operations, we:
 - Achieved strong leasing activity.** We completed 45,715 sq. ft. in new leases during the period and have renewed 66% of the GLA expiring in 2014 as of March 31, 2014.

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- **Grew through acquisition.** We completed our third property acquisition with the purchase of LC Industrial, a 67,610 sq. ft. industrial warehouse in Lethbridge, Alberta, for \$5.93 million (excluding closing costs). GLA has grown by 12% since IPO.
- The successful execution of these strategies contributed to:
 - **Revenue growth of 10% over Q1-2013** as a result of our expanded portfolio. Weighted average base rent (per sq. ft.) and occupancy remained consistent with year end. NOI also grew by 6% over Q1-2013.
 - **FFO and AFFO 4% and 3% ahead of our twelve-month forecast**, respectively.
- Direct operating expenses were up by 13% over the comparative period as a result of timing differences as well as differences in allocations in the comparative period. Higher snow removal costs in 2014 also contributed to the increase.
- **Distributions of \$0.05625 per trust unit (in line with forecast) were paid in January, February and March.** Distributions made during each of the eleven months of the REIT's operations represent a payout ratio of 88%.
- **We successfully completed a bought deal issuance of 1,900,000 trust units at \$10.65 for gross proceeds of \$20.24 million** subsequent to the quarter. The funds are to be used to fund two property acquisitions from Melcor, with the remainder intended to pay down our revolving credit facility, and for future acquisitions and for general trust purposes. The two pending property acquisitions demonstrate execution on our growth strategy via our proprietary Melcor pipeline.

Selected Quarter Highlights

Financial Highlights

(\$000s)	Three months ended March 31		
	2014	2013	Δ %
Non-standard KPIs			
Net operating income (NOI)	6,734	6,342	6%
Funds from operations (FFO)	4,288	3,995	7%
Adjusted funds from operations (AFFO)	3,777	3,387	12%
Rental revenue	10,647	9,688	10%
Income before fair value adjustments and taxes	2,139	3,417	(37)%
Fair value adjustment on investment properties	169	2,594	(93)%
Distributions to unitholders	1,541	n/a	
Cash flows from operations	2,296	7,036	(67)%
Per unit metrics ⁽¹⁾			
Income - diluted	0.10	0.26	(62)%
FFO	0.23	0.21	10%
AFFO	0.20	0.18	11%
Distributions	0.17	n/a	
Balance Sheet Metrics			
(\$000s)	31-Mar-14	31-Dec-13	Δ %
Total assets (\$000s)	458,801	454,743	1%
Equity (\$000s) ⁽²⁾	186,608	186,608	—%
Debt (\$000s) ⁽³⁾	219,496	215,601	2%
Weighted average interest rate on debt	3.99%	3.98%	—%
Debt to GBV ratio	51%	51%	—%
Finance costs coverage ratio ⁽⁴⁾	2.94	2.96	(1)%
Debt service coverage ratio ⁽⁵⁾	2.85	2.72	5%

Operational Highlights

(\$000s)	31-Mar-14	31-Dec-13	Δ %
Number of properties	30	29	3%
Gross leasable area (GLA) (sq. ft.)	1,759,761	1,691,920	4%
Occupancy % (weighted by GLA)	90.1%	90.6%	(1)%
Retention % (weighted by GLA)	76.9%	75.5%	2%
Weighted average remaining lease term (years)	4.52	4.75	(5)%
Weighted average base rent (per sq. ft.)	\$16.23	\$16.63	(2)%

(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 trust units and Class B LP Units at their book value of \$10.00.

(3) Calculated as the sum of total amount drawn on revolving credit facility, mortgages payable and Class C LP Units, excluding unamortized fair value adjustment on Class C LP Units, unamortized transaction costs and unamortized discount on bankers acceptance.

(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 Melcor REIT's Q1-2014 report to unitholders, including the consolidated financial statements and management's discussion and analysis for the three-months ended March 31, 2014 which can be found on the REIT's website at www.MelcorREIT.ca or on SEDAR (www.sedar.com).

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 Canadian markets. Its portfolio is currently made up of interests in 30 properties representing approximately 1.76 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 more fully defined and reconciled in the REIT's Management Discussion and Analysis for the period ended March 31, 2014, 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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