

PRESS RELEASE

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Melcor Developments announces 2016 results, declares quarterly dividend of \$0.13 per share

Edmonton, Alberta | March 15, 2017

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the fourth quarter and year ended December 31, 2016. The economic environment remained challenging in many of Melcor's Alberta markets throughout the year, resulting in revenue of \$242.46 million in 2016 compared to \$263.31 million in 2015. Funds from operations (FFO) per share was down 22% to \$1.28 in 2016 compared to \$1.64 in 2015. FFO adjusts for all non-cash earnings items.

Net income declined 55% to \$34.43 million or \$1.04 per share (basic) in 2016, compared to \$75.96 million or \$2.29 per share (basic) in 2015.

Brian Baker, Melcor's President and Chief Executive Officer, commented on the year: "The Company continues to execute on its strategic plan and achieved solid results in both the fourth quarter and the full year 2016. Highlights include the sale of 958 single-family lots and 147 acres of serviced multi-family and commercial land. Over 90,600 sf of retail and industrial development was completed and leased. Melcor now manages 3.95 million square feet of income property and overall occupancy in these assets remains stable at 92%.

The Company held firm to our base disciplines and as a result is well positioned for future growth. The diversification of our business over the past 10 years in both asset class and geography has had its desired effect of helping to ease the challenges of the Alberta economy.

With appropriate levels of serviced land inventory, high occupancy rates and low debt, the company is well prepared to take advantage of opportunities that will arise in this challenging Alberta real estate market."

The Board today declared a quarterly dividend of \$0.13 per share, payable on April 5, 2017 to shareholders of record on March 27, 2017. The dividend is an eligible dividend for Canadian tax purposes.

Selected Highlights

(\$000s except as noted)	2016	2015	Change
Revenue	242,461	263,309	(7.9)%
Gross margin (%) *	44.7%	45.8%	(2.4)%
Fair value adjustment on investment properties	15,795	9,574	65.0 %
Net income	34,433	75,958	(54.7)%
Net margin (%) *	14.2%	28.8%	(50.7)%
Funds from operations *	42,564	54,271	(21.6)%
Shareholders' equity	994,721	977,970	1.7 %
Total assets	1,891,988	1,891,969	— %
Per Share Data			
Basic earnings	1.04	2.29	(54.6)%
Diluted earnings	1.04	2.29	(54.6)%
Funds from operations *	1.28	1.64	(22.0)%
Book value *	29.83	29.43	1.4 %

While the economic environment remained challenging in many of our Alberta markets in 2016, we achieved solid results and advanced several strategies that position Melcor for future growth and success.

Community Development focused on diversifying residential product types to respond to demand in the more price-sensitive Alberta markets. In addition, we worked closely with our builders to implement promotions to move inventory and create activity.

Property Development completed and transferred 6 buildings (90,694 sf) in 2016 with a further 31,108 sf near completion. Revenue from the Property Development division is eliminated on consolidation. Pre-elimination, total revenue increased 2% over 2015. This activity will positively impact results in future years as we continue to grow our income-producing assets for long-term holding or for sale to the REIT. We continued to progress commercial land through the development, approvals and lease-up process and have 2 new developments and a new 53,000 sf office building at an existing development breaking ground in spring 2017.

Investment Properties maintained stable occupancy rates and healthy renewals in a challenging market and now manages 3.95 million sf (growth of 12% over 2015).

Our long-term strategy of creating a pipeline of stable, income-producing assets to reduce volatility in our operating results continues to generate results and helped to offset the revenue contraction seen in our Community Development division. Revenue from our income-producing portfolio (including REIT properties) grew by 4% to partially offset the 8% decline in revenue from Community Development due to regional softness in residential real estate. Diversity in the Community Development division's product types (from multi-family to estate) contributed to steady activity in under-served asset classes.

Throughout the year, we maintained our conservative and disciplined approach to investment and development activities and the management of our assets and liabilities. We reduced our inventory of single-family lots in some markets. Lower sales and a focused effort on collections across divisions contributed to a 9.7% reduction in receivables over 2015. Over the past few years, we have focused on operating more efficiently and have reduced our general and administrative spending by \$4.01 million or 16.2% since 2014.

We continued to invest in income-producing commercial properties and grew our portfolio of managed properties by 12%:

- We acquired 3 income-producing office buildings in the Greater Denver, Colorado area:
 - a 128,383 sf office for \$20.07 million (US\$17.03 million).
 - a 95,127 sf office for \$13.07 million (US\$9.75 million).
 - a 82,659 sf office for \$13.22 million (US\$10.19 million).

- We disposed of a 240 unit multi-family apartment in the Greater Dallas, Texas area for \$38.42 million (US\$29.19 million). This disposition completes our exit from the Texas market to better hedge our exposure to resource economies.

We also acquired Northridge Place, a 72 unit, 65,474 sf apartment on 1.63 acres in St. Albert, Alberta for \$14.83 million.

We continued to invest in land inventory and increased our land holdings by 144.58 acres in strategic growth corridors. The acquired land is primarily allocated to residential development and includes 42.24 acres acquired in the US. We continue to move land use designations through the municipal approval process to increase our supply of shovel ready assets so that we are ready to capitalize when market demand improves.

Occupancy in our income-producing properties owned by Melcor and the REIT remained steady at 92%.

Return to Shareholders

Melcor continues to distribute profit to investors. During 2016, the Company paid annual dividends of \$0.48 per share. The dividend paid out in 2016 was reduced over the prior year to ensure the appropriate balance between returning profit to shareholders and conserving cash for investment opportunities and our capital allocation strategy.

Melcor declared a \$0.13 per share dividend on March 15, 2017 payable on April 5, 2017 to shareholders of record on March 27, 2017. The dividend is an eligible dividend for Canadian tax purposes.

Melcor has been paying dividends since 1969.

Outlook

Melcor owns a high quality portfolio of assets, including raw land, developed land inventory (including residential lots and acres for multi-family and commercial development), income-producing properties and championship golf courses. Alberta, our largest market, has undergone dramatic changes in economic outlook over the past few years as a result of lower oil prices. Despite these clear economic headwinds, we continue to execute on our strategic plan and achieved solid results in 2016. Diversification of both asset class and geography continues to ease the challenges of the Alberta economy.

We expect variations in market demand based on region and asset class to continue in 2017. On the residential side, we expect starter homes and lower priced options including duplexes and townhomes to continue to lead the market. We also expect Kelowna and Lethbridge to remain unaffected by the pressures of our other markets. On the commercial side, retail activity remains steady and we expect that trend to continue. Our US assets continue to deliver positive returns and we again expanded our commercial asset base via opportunistic buys in economies that are growing and that are counter cyclical to our resource dependence in Alberta.

Our business model has adapted to changing times for over 90 years. We will continue to take advantage of opportunities to diversify our asset base both geographically and by product type. We will maintain our disciplined, conservative approach to operations to ensure that we remain profitable while achieving our fundamental goals of protecting shareholder investment and sharing corporate profit with our shareholders.

With appropriate levels of serviced land inventory, high occupancy rates and large capacity on our operating facility, Melcor remains in an excellent position to take advantage of opportunities that may arise in a challenging real estate market.

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's 2016 consolidated financial statements and management's discussion and analysis for the year ended December 31, 2016, which can be found on the Company's website at www.Melcor.ca or on SEDAR (www.sedar.com).

Annual General Meeting

We invite shareholders to join us at Melcor's annual general meeting on April 26, 2017 at 11:00 am MDT. The meeting will be held in the Devonian Room at the Westin, 10135 100 Street, Edmonton, Alberta. We look forward to seeing you there.

About Melcor Developments Ltd.

Melcor is a diversified real estate development and asset management company that transforms real estate from raw land through to high-quality finished product in both residential and commercial built form. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a well diversified portfolio of assets in Alberta, Saskatchewan, British Columbia, Arizona and Colorado.

Melcor has been focused on real estate since 1923. The Company has built over 100 communities across western Canada and today manages 4.0 million sf in commercial real estate assets and 612 residential rental units. Melcor is committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor's headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and in British Columbia and Arizona. Melcor has been a public company since 1968 and trades on the Toronto Stock Exchange (TSX:MRD).

Forward Looking Statements

In order to provide our investors with an understanding of our current results and future prospects, our public communications often include written or verbal forward-looking statements.

Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions, courses of action and include future-oriented financial information.

This news release and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Future-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2017 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under Business Environment and Risk in our annual MD&A.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the Company or on its behalf.

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