MEDIA RELEASE

for immediate distribution

Melcor Developments announces first quarter results, declares quarterly dividend of $0.11 per share

Edmonton, Alberta | May 13, 2025

Melcor Developments Ltd. ("Melcor") (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the first quarter ended March 31, 2025. The first quarter Management Discussion & Analysis (MD&A) and Condensed Interim Financial Statements are available on our website (www.melcor.ca) under Investors, or on SEDAR+ (www.sedarplus.ca).

Timothy Melton, Melcor's Executive Chair and Chief Executive Officer, commented: "Melcor is pleased to report results for the first quarter of 2025. Consolidated revenue was $50.74 million, a 2.0% increase over Q1-2024, primarily as a result of an increase in land revenues over Q1-2024. Gross profit rose 15.7% to $27.31 million over Q1-2024 at a gross margin of 53.8%, up 13.3% since Q1-2024.

Our Land division had a good first quarter, contributing 44.5% of total revenue before intersegment elimination compared to 40.7% in 2024 for total revenues of $23.28 million. Our US region completed a 44 acre paper-lot sale in the first quarter, bringing in $12.00 million to revenues and $8.18 million to earnings in the period. On April 10, 2025 we sold 154 acres of land in the Greater Pheonix area, AZ for total revenue of $49.36 million ($35.22 million USD).

Revenues from our Properties and REIT divisions were down 5.6% to $28.90 million (Q1-2024: $30.60 million) in Q1-2025, with the decrease partly attributed to recent property sales, partially offset by revenue generated from newly developed commercial properties. Our leasing team had an active quarter and completed 97,246 sf in renewals and an additional 18,146 sf of new leasing.

We closed on the sale of Melcor Crossing (Grande Prairie, AB), a REIT held retail building for gross proceeds of $48.00 million. This asset was classified as assets held for sale at year end. We also sold 3 residential units located at the Edge at Grayhawk in Phoenix, AZ for gross proceeds of $1.22 million.

Subsequent to the quarter, on April 23, 2025, Melcor closed on the acquisition of all outstanding public trust units (approximately 45%) in Melcor REIT for $5.50 per unit, for a total of $71.30 million. The REIT used these proceeds to repurchase and cancel all outstanding participating trust units at the same price. This transaction, as previously announced, represents a major milestone for us and reinforces our commitment to long-term value creation for our shareholders.

In order to complete the acquisition of REIT, including the redemption of the REIT debenture, Melcor increased its bank operating line to $170 million in 2024. Our intention is to pay down this operating line throughout the year with operating cash flows as well as through sales of Melcor income producing assets. It will be Melcor's objective to strategically dispose of certain assets in order to generate cash to pay down the operating line of credit. The process of selling these assets will consider the best long-term interest of value creation for shareholders, but will also take into account the reality of today's real estate markets.

Today the Board declared a dividend of $0.11 per share, payable on June 30, 2025 to shareholders of record on June 16, 2025. The dividend is an eligible dividend for Canadian tax purposes."

Transaction with Melcor REIT:

On September 12, 2024, Melcor and the REIT announced that they entered into an arrangement agreement (the "Arrangement Agreement") with Melcor REIT GP Inc. (the "GP") pursuant to which, among other steps, Melcor will acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP") for $4.95 per unit in cash consideration ("REIT LP Sale").

Details on the transaction with the REIT are as follows:

- On April 11, 2025, the unitholders voted in favour of a special resolution to approve the plan of arrangement for Melcor to purchase its unowned equity interest in Melcor REIT LP for $5.50 per Class A LP Unit or $71.30 million in cash consideration (the "REIT LP Sale").
- The transaction closed on April 23, 2025 and in accordance with the Amended Arrangement Agreement, the REIT used the proceeds from the REIT LP Sale to redeem and cancel all of the REIT's outstanding trust units.
- This transaction will result in a loss on settlement of the REIT units that will be recognized in the second quarter.
- This transaction will also result in an increase in deferred tax liabilities in the second quarter. Melcor was only taxable on our share (55.4%) of the REIT and as a result, only recorded 55.4% of the REIT's deferred tax balances. Subsequent to the transaction closing, we own 100% of the REIT LP and will be recognizing 100% of the deferred tax balances related to the REIT LP.
- As at March 31, 2025, we have recorded $6.79 million in transaction costs and other fees related to this transaction including $3.50 million in contingent fees that were due on completion of the transaction. Included in these expenses, $5.62 million of transaction costs were capitalized to REIT units, with the remaining costs being expensed through G&A in the first quarter.

Further details regarding the Transaction is contained in a REIT management information circular which was filed on SEDAR+ under the REIT's profile at www.sedarplus.ca.

Financial Highlights

Financial highlights of our performance are summarized below:

First quarter:

- Revenue was up 2.0% to $50.74 million (Q1-2024: $49.75 million)
- Gross profit was up 15.7% to $27.31 million (Q1-2024: $23.61 million)
- Net income was down 60.8% to $5.02 million (Q1-2024: $12.79 million)
- Funds from operations (FFO) was down 2.3% to $13.43 million (Q1-2024: $13.75 million)
- Basic earnings per share was down 59.5% to $0.17 per share (Q1-2024: $0.42 per share)

The real estate industry is impacted by the cyclical nature of development, demand for product, the timing of raw and multi-family land sales and lot registrations. Revenue and net income can also fluctuate significantly from quarter to quarter due to the timing of plan registrations. Lot sales, which have a significant impact on quarterly results, are uneven by nature and it is difficult to predict when they will close.

Consolidated revenue was $50.74 million, up 2.0% over Q1-2024 as a direct result of an increase in land revenues over Q1-2024. This increase was partially offset by lower revenue generated by our Properties and REIT divisions, a result of the dispositions described further below. Gross profit was up 15.7% to $27.31 million in Q1-2025 (Q1-2024: $23.61 million), and our consolidated gross margin was up 13.3% since Q1-2024 to 53.8% .

Our Land division delivered strong results in the first quarter of 2025 and contributed 44.5% of total revenue before intersegment elimination compared to 40.7% in 2024. Our Properties and REIT divisions contributed 55.3% of revenue before intersegment eliminations in 2025 compared to 59.1% in 2024. Revenues from our Properties and REIT divisions were down 5.6% to $28.90 million (Q1-2024: $30.60 million) in Q1-2025. The reduction in overall revenues is directly attributed to the recent property disposals partially offset by revenue generated from newly developed commercial properties developed in our Properties division. Our leasing team had an active quarter and completed 97,246 sf in renewals and an additional 18,146 sf of new leasing to date in 2025. Occupancy levels have decreased slightly over year-end to 85.7% (December 31, 2024: 86.1%).

The US contributed 29.7% of total revenue or $15.05 million in the year, with $12.00 million related to our Land division, and $3.05 million from our Properties division. This compares to Q1-2024 US revenue of $3.62 million (7.3% of total revenue), with $0.19 million from our Land division and $3.43 million from our Properties division.

Overall, FFO decreased by 2.3% to $13.43 million in Q1-2025 (Q1-2024: $13.75 million). FFO was impacted by an increase in G&A expenses related to the transaction between Melcor and Melcor REIT which closed on April 23, 2025 - subsequent to quarter end. Net of certain non-cash items, G&A expenses were up $1.80 million or 33.3% over Q1-2024, of which $1.17 million relates to higher professional fees incurred as a result of the transaction.

In the first quarter we recorded net income of $5.02 million (Q1-2024: net income of $12.79 million). Net income was significantly impacted by $5.62 million of transaction costs which were included in Adjustments related to REIT units. These costs were considered directly attributable and incremental to the transaction and negatively impacted net income, but have been adjusted for in our FFO calculations. Other non-cash items that have a significant impact on net income include:

- *Fair value adjustments on investment properties*: in Q1-2025, we have recorded fair value gain on investment properties of $4.10 million in the quarter (Q1-2024: fair value loss of $8.83 million) positively affecting our net income in the quarter.
- *Change in the REIT's unit price:* this change has a counter-intuitive impact on net income as an increase in unit value decreases net income. In Q1-2025 the fair value adjustment on REIT units was a loss of $2.33 million compared to a gain of $12.06 million in Q1-2024 contributing a swing of $14.39 million negatively affecting our net income in the quarter.
- *Non-cash financing costs*: in Q1-2025, we have recorded non-cash financing costs of $1.49 million compared to non-cash financing recoveries of $1.23 million in Q1-2024, negatively affecting our net income in the quarter.

These non-cash gains and losses are driven by market forces outside of Melcor's control and are a key reason we focus on FFO as a truer measure of our financial performance.

In the past 12 months we have reduced our general debt by 18.6% (Q1-2024: $671.08 million) and since year end general debt is down 10.7% (December 31, 2024: $611.34 million). Our debt to equity ratio on March 31, 2025 was 0.64, down from 0.71 in Q1-2024, and 0.70 at the start of the year. We remain focused on maintaining a strong balance sheet and being prudent with spend in the current inflationary market.

DIVISIONAL OPERATING HIGHLIGHTS

Our **Land** division revenue was up 10.5% or $2.22 million in Q1-2025 to $23.28 million (Q1-2024: $21.07 million). The increase was attributed to our US region, which contributed $12.00 million to revenues from a 44.00 acre paper lot sale which closed in the first quarter. In our Canadian market, we had an increase in revenue generated from single-family lot sales of $3.16 million over Q1-2024, with 80 single-family lots sold in the first quarter (Q1-2024: 66 single-family lots). Edmonton contributed our largest sales volume with 58 single-family lot sales in Q1-2025 (Q1-2024: 38 singe-family lot sales). These increases were partially offset by a decrease in revenue generated from commercial and multi-family acres, which was anomalously high in Q1-2024 at $12.90 million from the sale of 22.20 acres, all in our Canadian regions. No multi-family or commercial land was sold in Q1-2025.

Our **Properties** division currently has 81,755 sf under active development or awaiting lease-up on four projects (Chestermere Station, Woodbend Market, Winterburn Point, and Greenwich). Construction and leasing activity resulted in a $1.06 million fair value gain in the period.

Our **Properties and REIT** divisions accounted for 56.9% of revenue, after intersegment eliminations compared to 61.5% in Q1-2024. Occupancy decreased over year-end to 85.7% (December 31, 2024: 86.1%) and was down over last year (Q1-2024: 87.4%). During the quarter we completed 97,246 sf in renewals and an additional 18,146 sf of new leasing.

Our **Golf** division, had revenues of $0.10 million in Q1-2025 (2024: $0.14 million). All of our Edmonton, AB courses opened subsequent to the period. Our Black Mountain course located in Kelowna, BC opened on March 26, 2025.

ASSET DISPOSITIONS

We continue to focus on pruning non-core assets within our portfolio:

2025 Dispositions:

- Melcor Crossing, a REIT held retail building located in Grande Prairie, AB for gross proceeds of $48.00 million
- 3 residential units located at the Edge at Grayhawk in Phoenix, AZ for gross proceeds of $1.22 million (US$0.86 million)

2024 Dispositions:

- 14 residential units located at the Edge at Grayhawk in Phoenix, AZ for gross proceeds of $6.14 million (US$4.47 million)
- 104th Street Building, an office building located in Edmonton, AB for gross proceeds of $2.90 million ($0.96 million at JV%)
- Lethbridge Industrial, a REIT held industrial building located in Lethbridge, AB for gross proceeds of $4.50 million
- Parliament Place, a REIT held office building located in Regina, SK for gross proceeds of $5.00 million
- Richter Street Building, a REIT held office building located in Kelowna, BC for gross proceeds of $7.80 million

In 2025, Melcor will focus on divesting select assets to generate cash for the purpose of reducing borrowings on our line of credit. This credit facility was utilized to repay the REIT's maturing debentures in late 2024 and fund the repurchase of the approximately 44.6% unowned equity interest in the REIT in April 2025. Asset sales will be conducted with careful consideration of long-term shareholder value.

SHAREHOLDER HIGHLIGHTS

We continue to focus on returning value to our shareholders:

Melcor Developments:

- We repurchased 87,156 shares for cancellation pursuant to the NCIB at a cost of $1.10 million in Q1-2025.
- On May 13, 2025, we declared a quarterly dividend of $0.11 per share, payable on June 30, 2025, to shareholders of record on June 16, 2025. The dividend is an eligible dividend for Canadian tax purposes.

Melcor REIT:

- No cash distributions have been made since January 2024.
- On April 23, 2025 Melcor acquired its unowned equity interest in the REIT for $5.50 per Unit. The REIT used the proceeds to repurchase and cancel all of the REIT's outstanding participating trust units.
- On April 24, 2025 the REIT's Units were delisted from the TSX and the REIT applied to cease to be a reporting issued.

Selected Highlights

($000s except as noted)	Three months ended March 31,		
	2025	2024	Change %
Revenue	**50,743**	49,748	2.0
Gross margin[1]	**53.8 %**	47.5 %	13.3
Net income	**5,016**	12,788	(60.8)
Net margin[1]	**9.9 %**	25.7 %	(61.5)
FFO[2]	**13,426**	13,748	(2.3)
Per Share Data ($)			
Basic earnings	**0.17**	0.42	(59.5)
Diluted earnings	**0.16**	0.42	(61.9)
FFO[3]	**0.44**	0.45	(2.2)
Dividends	**0.11**	0.11	–

As at ($000s except share and per share amounts)	**March 31, 2025**	December 31, 2024	Change %
Total assets	**2,036,083**	2,108,553	(3.4)
Shareholders' equity	**1,243,488**	1,242,630	0.1
Total shares outstanding	**30,280,470**	30,367,626	(0.3)
Per Share Data ($)			
Book value (3)	**41.07**	40.92	0.4

1 Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section of the MD&A for further information.
2 Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section of the MD&A for further information.
3 Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section of the MD&A for further information.

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 consolidated financial statements and management's discussion and analysis for the three months ended March 31, 2025, which can be found on the company's website at www.Melcor.ca or on SEDAR+ (www.sedarplus.ca).

Non-GAAP & Non-Standard Measures

FFO is a key measure of performance used by real estate operating companies; however, that is not defined by IFRS Accounting Standards, do not have standard meanings and may not be comparable with other industries or income trusts. This non-IFRS Accounting Standards measure is more fully defined and discussed in the Melcor's management discussion and analysis for the period ended March 31, 2025, which is available on SEDAR+ (www.sedarplus.ca).

Funds from operations (FFO): FFO is a non-GAAP financial measure and is defined as net income in accordance with IFRS Accounting Standards, excluding (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, transaction costs, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) adjustment for amortization of deferred financing fees, which is included in non-cash financing costs and (vii) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. See tables below for reconciliation of FFO:

Consolidated

($000s)	Three months ended March 31	
	2025	2024
Net income for the period	**5,016**	12,788
Amortization of operating lease incentives	**1,488**	4,138
Fair value adjustment on investment properties	**(4,098)**	8,833
Depreciation on property and equipment	**117**	142
Stock based compensation expense	**316**	296
Non-cash finance costs	**1,486**	(1,227)
Gain on sale of asset	**(1)**	(47)
Deferred income taxes	**1,149**	881
Fair value adjustment on REIT units	**2,333**	(12,056)
Transaction costs on REIT units acquisition	**5,620**	–
FFO	**13,426**	13,748

Properties

($000s)	Three months ended March 31	
	2025	2024
Segment Earnings	**7,688**	4,783
Fair value adjustment on investment properties	**(2,951)**	575
Amortization of operating lease incentives	**550**	750
Divisional FFO	**5,287**	6,108

REIT

($000s)	Three months ended March 31	
	2025	2024
Segment Earnings	**9,626**	509
Fair value adjustment on investment properties	**(712)**	9,056
Amortization of operating lease incentives	**938**	959
Divisional FFO	**9,852**	10,524

Gross margin (%): Gross margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn revenue. This ratio is calculated by dividing gross profit by revenue.

Net margin (%): Net margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn income. This ratio is calculated by dividing net income by revenue.

Book value per share: Book value per share is a non-GAAP financial ratio and is calculated as shareholders' equity over number of common shares outstanding.

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 170 communities and commercial projects across Western Canada and today manages 4.48 million sf in commercial real estate assets and 449 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 Kelowna, British Columbia and Phoenix, 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 2025 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 and the additional disclosure under Business Environment and Risk in this 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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