



**Committed
for more than
10 years**

2016

BTB Real Estate Investment Trust
Annual Report

Profile

BTB is a real estate investment trust listed on the Toronto Stock Exchange. It owns and manages a portfolio of 72 commercial, industrial and office properties, located primarily in the Montréal, Québec City and Ottawa areas. Its portfolio comprises more than 5.1 million square feet of leasable area.

Since BTB's inception in 2006, the total value of its assets has grown steadily and now stands at over \$658 million, making BTB the second-largest real estate investment trust in the Province of Québec.

BTB's primary objective is to maximize total return for unitholders by:

- generating stable monthly cash distributions that are reliable and tax-efficient;
- increasing the Trust's assets value through internal growth accretive and acquisition strategies in order to increase available income and fund distributions;
- managing assets internally in a centralized and controlled fashion in order to reduce operating expenses, management fees and rental expenses;
- maximising the value of its assets through dynamic and responsible management so as to ensure the long-term value of its units.

Table of contents

1	Highlights
15	Message from the Chairman of the Board of Trustees and from the President and Chief Executive Officer
17	Executive Team
19	Our Properties
21	Management Discussion and Analysis
59	Audited Consolidated Financial Statements
99	Corporate Information
100	Unitholder Information

Highlights

\$73.4 M

Rental income

\$658 M

Total assets

72

Number
of properties

5.1 M

Number
of square feet

83.4%

Payout ratio on recurring
distributable income

59.1%

Mortgage debt ratio

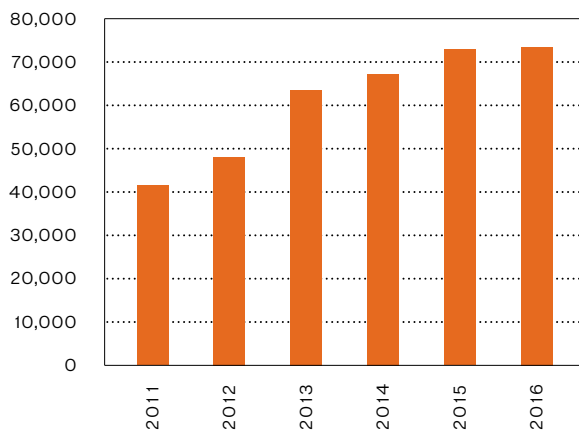
90.5%

Occupancy rate

Evolution of rental income for the years ending December 31st

(in thousands of dollars)

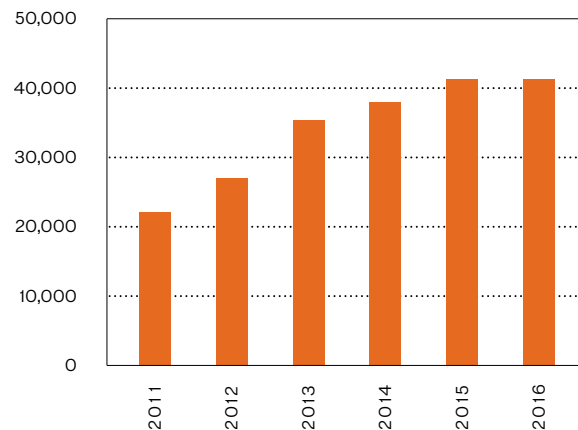
2016	73,384
2015	72,892
2014	67,170
2013	63,435
2012	48,118
2011	41,459



Evolution of net operating income for the years ending December 31st

(in thousands of dollars)

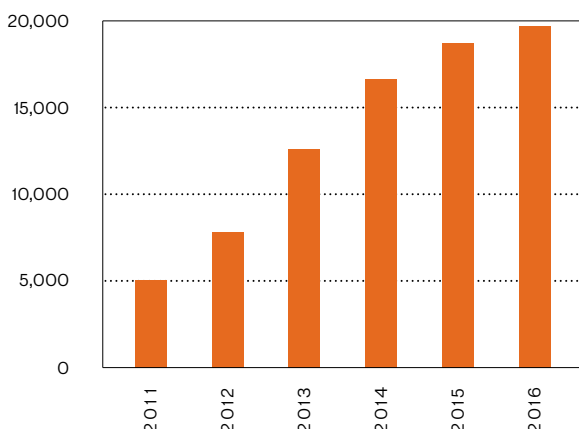
2016	41,339
2015	41,294
2014	37,983
2013	35,336
2012	26,996
2011	22,122



Evolution of recurring distributable income for the years ending December 31st

(in thousands of dollars)

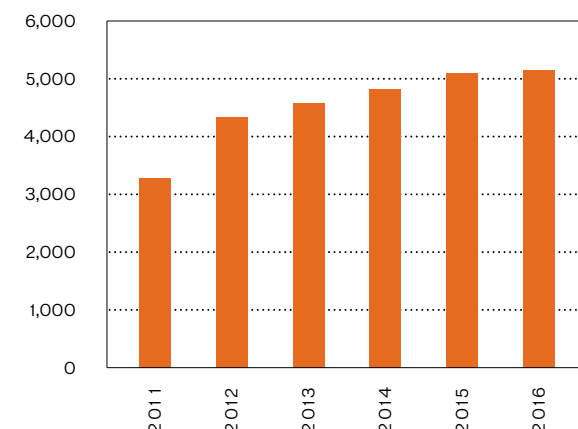
2016	19,711
2015	18,733
2014	16,626
2013	12,610
2012	7,805
2011	5,026



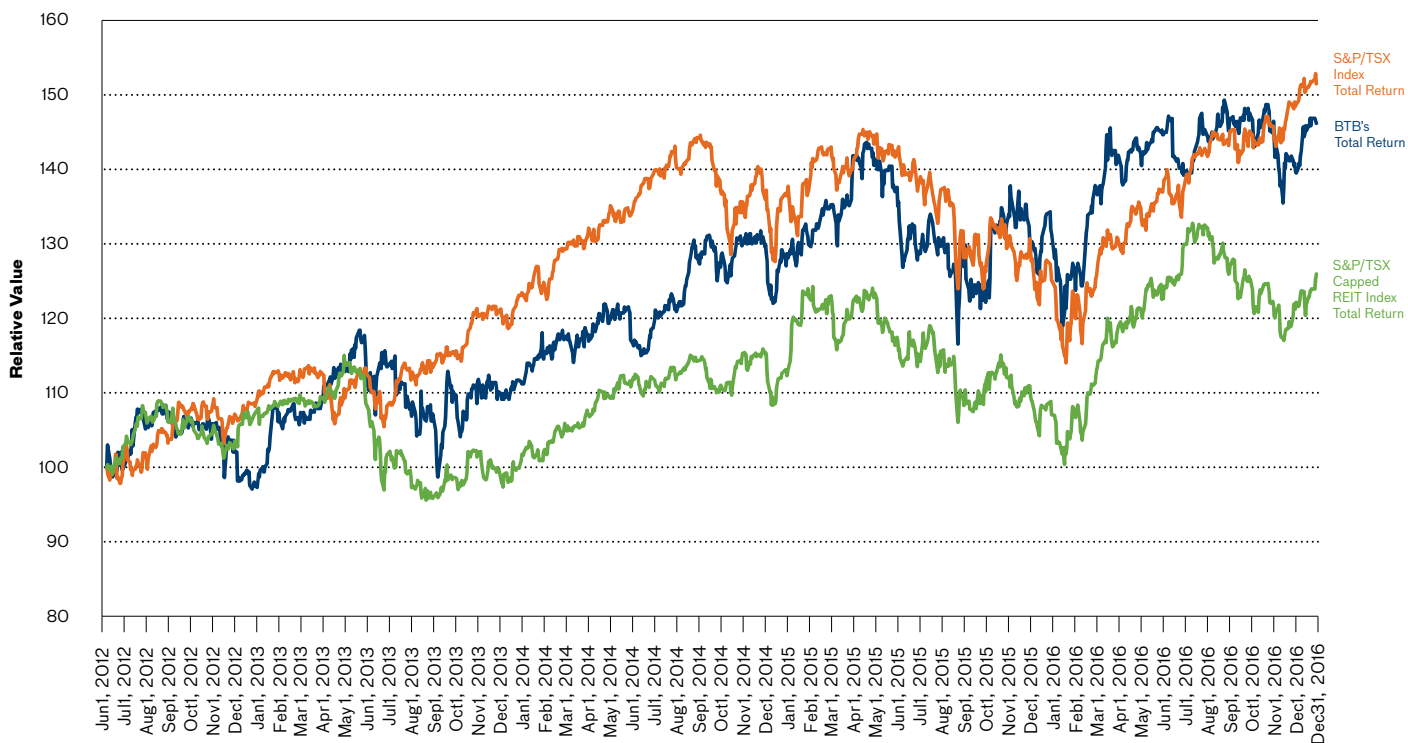
Evolution of total leasable area for the years ending December 31st

(in thousands square feet)

2016	5,144
2015	5,095
2014	4,822
2013	4,580
2012	4,341
2011	3,272



Performance on the markets



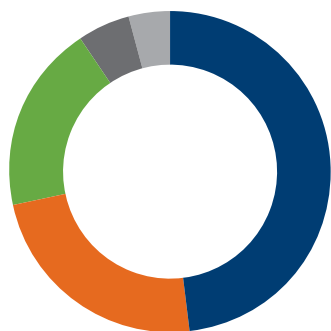
Breakdown of portfolio by geographical region at December 31st, 2016

(per leasable area)

Greater Montreal area	48.3%
Greater Quebec city area	23.4%
Ottawa area	19.0%
Sherbrooke	5.3%
London area	4.0%

Total

100%



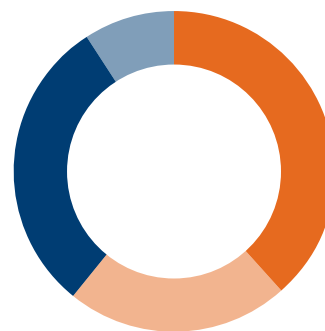
Breakdown by asset type at December 31st, 2016

(per leasable area)

Office	38.6%
Retail	22.3%
Industrial	30.2%
Mixed-use	8.9%

Total

100%



Our commitment is to create strong performance, profitability and value creation for our unitholders.

Our returns are driven by the strength of our team, the strength of our assets and how they are managed, along with all the relationships at every level of the value chain. We ranked among the top-performing real estate trusts, providing unitholders with a total five-year return of 54%.



Sylvie Laporte

Vice President Property Management

Before I joined BTB seven months ago, company president, Michel Léonard, told me to get ready to rock! “Ça bouge!” he said. That was an understatement. We’re a great team and we never stop. There are always new challenges, constant lease renewals, changes and improvements. In the past, I’ve worked for dynamic companies that were always on the move, but nothing like this. My job is to manage our 72 properties, which also involves managing people, which is a great pleasure. I’m also pleased to be BTB’s first female executive, and I think I bring a fresh perspective to the business!



We acquire quality real estate assets and improve them.

We continue to grow by managing the 72 properties in our portfolio and maximizing tenant satisfaction. We also invest wisely and uncompromisingly in our assets to ensure tenant retention and attract new tenants with superior covenants.

Michelle Lauzier

Director of Administration
Clinique Neuro Rive-Sud

We've been located at 4896 Taschereau Boulevard in Longueuil since 1992. It's obvious we like the location, especially the ample parking for our clients. Since we moved here, we've doubled in size and in 2015, we undertook a major renovation of our facilities. We were delighted that our landlord, BTB, invested in the renovation of the corridors, elevator cab and washrooms, which added an important image enhancement to our own renovations.

They are excellent building managers and I would definitely recommend BTB as a landlord. They ask for our opinion, and they quickly respond to our requests. We appreciate that very much.



Our tenants are the engine of our success.

They are our key asset. They sustain our profitability and growth. We see client satisfaction as the core of everything we do.



Bernard Robitaille
Executive Director, Quebec
COFOMO

Moving represents a complete change in environment. The service we received from BTB was excellent. We built out our space completely, and the result was even better than we expected. BTB was very accommodating. They listen and they responded to our needs generating a high level of satisfaction. It sounds like a small thing, but on our first day of work in our new premises, they installed a sign welcoming us. We are very pleased with our choice of building and landlord.



The relationships we nurture and maintain with the brokerage community contribute to the growth of the organization.

They partner with us to ensure the right tenant is going into the best suitable space in order to remain for the long term.

Isabelle Gosselin
Administrative Assistant
TINK/BKOM

My principal contact at BTB is Nathalie Laurin and she's super to work with and amazingly efficient. We expanded our space recently and BTB acted really fast and responded rapidly to our need to get the plans done and the construction underway. BTB has a really efficient team, and they treat every request as a high priority. As a tenant you can't ask for more.



**BTB's team is the key
to its growth and that makes
the difference between
good and great.**

They understand that every individual must
contribute meaningfully for us to succeed.

Employees Recognition Awards Winners 2016

Isabelle Tremblay

Lease Manager

I am so proud to be part of this great organization, where I have worked since 2008. Over that period of time we've more than tripled in size but our values haven't changed. I prepare offers to lease and other legal documentation for our leasing and property management departments, so my clients are internal; they are my colleagues. BTB is like a big family and teamwork is the norm. We all understand that we're nothing without each other, and that everything we do is connected to everything everyone else is doing. We communicate and work together.

Gilles Giguère

Assistant Property Manager – Building Services

As a property manager, I negotiate contracts with various suppliers, oversee the construction of tenant improvements for our tenants and new tenants, as well as maintain the HVAC systems of our 8 properties. I had been working with the previous property manager since 2011 and when BTB took over the management of its Quebec City Portfolio in 2015, I decided to switch to BTB. What a difference! At BTB, we work as a team. It is fantastic to have superiors and colleagues I can lean on for support. It is an honour to work for an organization who is getting recognized in Quebec City for great tenant service and has the highest standards of building management. I'm proud to be part of BTB's success.

Étienne Charbonneau

Principal Controller

When I arrived at BTB, I was surprised and delighted to see that the structures, the systems and the reporting mechanisms exceeded the norm for such a comparatively young company. They put in place the structures of a very mature and diligent organization. Running a real estate investment trust is a complex operation to manage, with many variables and considerations. Having timely and accurate information is key to making the right decision at the right time. That said, the organization is not afraid to shed old processes to adopt new and better ones.



From left to right:

Gilles Giguère, Assistant Property Manager – Building Services, Isabelle Tremblay, Lease Manager, Sylvie Laporte, Vice-President, Property Manager, Mathieu Dallaire, Technical Supervisor, Étienne Charbonneau, Principal Controller

Mathieu Dallaire

Technical Supervisor

My job is to work with the property managers to insure that the mechanical systems are performing optimally. The property managers are my internal clients, as are our tenants. There's a huge advantage to having a technical supervision as an internal resource and not an external supplier. Naturally, I also work with external suppliers as well as a project manager and supervisor, to ensure work gets done in the building, on time, with quality and on budget. The benefits for our building managers, our tenants and for investors are clear. Tenants get the personalized service that distinguishes our buildings from many others. I'm accessible and act as an advisor to them. For our investors, it means that we're taking care of our most important assets: our tenants and our buildings.



Message from the Chairman of the Board of Trustees and from the President and Chief Executive Officer

Committed to BTB's success

October 2016 marked our tenth anniversary and this event quite naturally prompted a period of reflection and strategic planning for the board of trustees and the senior management of BTB. It saw us recommitting to our various values of integrity, teamwork, leadership, respect and quality. It also allowed us to reaffirm the strategic direction that has guided us over the last decade; that is, to pursue growth without compromising profitability.

2016 was not the most favourable year for real estate investment trusts and for the real estate industry as a whole, which is sensitive to increases in interest rates. A rising tide raises all boats and the contrary is also true. Rumours of interest rate hikes at the beginning of the year created uncertainty, and the stock market where the majority of REITs are traded were affected. Despite this less favourable market environment and despite other factors as well, we managed to outperform many of the other real estate trusts. In fact our five-year return to investors is 54%.

Through a successful public share offering in June 2016 we raised over \$33 million, which has allowed us to redeem before maturity the Series D debenture maturing on July 31, 2018. This transaction allowed us to reduce our total debt ratio by 4%, which we believe represents a level of debt that is more acceptable to unitholders who are looking to reduce risk. Only two series of debentures remain for a total

of \$46 million, maturing in 2020. Series E may be redeemed prior to maturity as of March 2018 and Series F as of December 2019. Our priority remains the reduction of the debt level of BTB.

We have stayed the course in 2016 and are moving forward, based on careful analysis and scrutiny of our assets that in turn has led to finely-honed investment and property management strategies – all with an eye to improving the performance of the portfolio as a whole. To that effect, we have taken over the management of our properties located in Ottawa. We believe that our direct involvement in the management of our buildings creates better relations with our clients and better service, at reduced cost. We are aligning our leasing strategy to retain and attract quality tenants by negotiating leases that are in the interests of both BTB as the landlord and our clients as tenants.

Our portfolio now includes 72 office, industrial and retail properties totalling more than 5.1 million square feet. We have invested in repositioning key assets through renovation programs. Among the notable renovation projects completed, are the lobby and common areas to par of 1001 Sherbrooke St. East in Montreal and the complete modernization of the façade of our building on the Trans-Canada Highway in Dorval, which reflects the change in destination of the property. We renovated the facades of two shopping centres in Sherbrooke as well.

From left to right:
Jocelyn Proteau, Chairman of the Board of Trustees,
Michel Léonard, President and Chief Executive Officer

The fact that we manage almost all (but two) of the buildings in our portfolio gives us a strategic advantage in terms of understanding the needs and requirements of our tenants, and it makes us responsive to their needs. It also allows us to contain costs. The newly created position of in-house technical supervisor provides technical support to our property managers. Managing the mechanical systems is a highly specialized task requiring specific training and experience. This resource provides the knowledge and the ability to proactively optimize our systems at a reasonable cost.

We are very pleased to have welcomed Sylvie Laporte to the executive team as our new Vice President, Property Management. Sylvie is a seasoned real estate professional with a track record in property management and real estate investment trusts. She is a welcomed addition to our seasoned team and has already proven her worth to the organization. Dominic Gilbert, who occupied Sylvie's position previously, remains with the organization and is now Vice President, Leasing. We understand the crucial importance of increasing the occupancy in our buildings and, in that regard, Dominic has already made inroads.

We saw a slight change in the composition of the board of trustees. Mr. Claude Garcia retired from the board after serving since 2006. Mr. Garcia's wise counsel served the board very well and his insights proved very useful to BTB unitholders. We thank him sincerely for his valuable contribution.

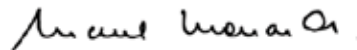
To fill Mr. Garcia's vacancy, we welcomed Luc Martin as a trustee in 2016. Mr. Martin is a CPA and brings more than 30 years experience in finance, accounting and business management to the board

and to the organization. In addition, he comes to us as a seasoned director and a former partner at Deloitte, where he held a variety of positions of increasing responsibility.

In conclusion, 2016 was a year of introspection and consolidation for BTB, where we have marshalled the strengths of all our assets and resources. We enter 2017 committed as always to growth, committed to providing solid returns to our unitholders, committed to our tenants and confident that we have the systems and the human capital in place to achieve those returns for our unitholders.



Jocelyn Proteau
Chairman, Board of Trustees



Michel Léonard
President and Chief Executive Officer

Executive Team



From left to right: Benoit Cyr, Michel Léonard, Sylvie Laporte and Dominic Gilbert.

Michel Léonard

President and Chief Executive Officer

Benoit Cyr, CPA, CA, MBA

Vice President and Chief Financial Officer

Sylvie Laporte

Vice President, Property Management

Dominic Gilbert, B.A.A.

Vice President, Leasing



50 St-Charles Street West, Longueuil



15-41 Georges-Gagné Blvd, Delson



80 Aberdeen Street, Ottawa



815 Lebourgneuf Blvd, Quebec



145 St-Joseph Blvd, St-Jean-sur-Richelieu



1500, Royale Street, Three-Rivers



315-325 Macdonald Street, Saint-Jean-sur-Richelieu



11600-11800 De Salaberry Blvd, Dollard-des-Ormeaux

Our Properties

Portfolio listing

Montreal Area

1400-1440 Antonio-Barbeau Street, Montreal
5810 Sherbrooke Street East, Montreal
5878-5882 Sherbrooke Street East, Montreal
7001-7035 St-Laurent Blvd, Montreal
1001 Sherbrooke Street East, Montreal
2153-2155 Crescent Street, Montreal
2101 Ste-Catherine Street West, Montreal
550-560 Henri-Bourassa Blvd, Montreal
3627-3645 des Sources Blvd, Dollard-des-Ormeaux
3761-3781 des Sources Blvd, Dollard-des-Ormeaux
11600-11800 De Salaberry Blvd, Dollard-des-Ormeaux
1863-1865 Trans-Canada Highway, Dorval*
1325 Hymus Blvd, Dorval
5600 Côte-de-Liesse, Mont-Royal
4105 Sartelon Street, St-Laurent
208-244 Mignerons Street and 3400-3410
Griffith Street, St-Laurent
7777 Trans-Canada Highway, St-Laurent
2265-2665-2673 and 2681 Côte Saint-Charles,
Saint-Lazare

North Shore of Montreal

2900 Jacques-Bureau Street, Laval
1125-1135 St-Martin Blvd. West, Laval
4535 Louis B. Mayer Street, Laval
3695 Des Laurentides (Highway-15), Laval
81-83 Turgeon Street, Ste-Thérèse
5791 Laurier Blvd, Terrebonne
2175 Des Entreprises Blvd, Terrebonne
2205-2225 Des Entreprises Blvd, Terrebonne

South Shore of Montreal

4890-4898 Taschereau Blvd., Brossard
2340 Lapinière Blvd, Brossard
204 De Montarville Blvd, Boucherville
32 St-Charles Street West, Longueuil
50 St-Charles Street West, Longueuil
85 St-Charles Street West, Longueuil
3036-3094 De Chambly Road, Longueuil
2111 Fernand-Lafontaine Blvd, Longueuil
2350 Chemin du Lac, Longueuil
145 St-Joseph Blvd, St-Jean-sur-Richelieu
315-325 MacDonald Street, St-Jean-sur-Richelieu
1000 Du Séminaire Nord Blvd, St-Jean-sur-Richelieu
15,19,21,35 and 41 Georges-Gagné Blvd, Delson

Quebec City Area

6655 Pierre-Bertrand Blvd, Quebec
6700 Pierre-Bertrand Blvd, Quebec
909-915 Pierre-Bertrand Blvd, Quebec
825 Lebourgneuf Blvd, Quebec
815 Lebourgneuf Blvd, Quebec
1170 Lebourgneuf Blvd, Quebec
191 D'Amsterdam Street, St-Augustin-de-Desmaures
175 de Rotterdam Street, St-Augustin-de-Desmaures
1100 and 1108-1136 St-Joseph Blvd, Drummondville
505 Des Forges Street and 1500 Royale Street,
Three Rivers
665-669 Thibeau Blvd, Three Rivers
3885 Harvey Blvd, Saguenay
100 1st Street West, Thetford Mines*

Sherbrooke

2865-2885 De Portland Blvd, Sherbrooke
1640-1650 King Street West, Sherbrooke
30-66 Jacques-Cartier Blvd Nord, Sherbrooke
1635-1645 King Street East and 150-170 Duplessis Road,
Sherbrooke
747-805 King Street East, Sherbrooke
3705 Industrial Blvd, Sherbrooke
2059 René-Patenaude Street, Magog

Greater London Area, Ontario

311 Ingersoll Street, Ingersoll

Ottawa Area, Ontario

80 Aberdeen Street, Ottawa
245 Menten Place, Ottawa
1-9 and 10 Brewer Hunt Way and 1260-1280 Teron Rd,
Ottawa
400 Hunt Club Rd, Ottawa
2200 Walkley Road, Ottawa
2204 Walkley Road, Ottawa
7 and 9 Montclair Blvd, Gatineau
705 Boundary Road, Cornwall
725 Boundary Road, Cornwall
805 Boundary Road, Cornwall*
2901 Marleau Avenue, Cornwall
2905 Marleau Avenue, Cornwall

*Properties in redevelopment



1863-1865 Trans-Canada Highway, Dorval

TABLE OF CONTENTS

23	Introduction
23	Forward-Looking Statements Caveat
24	Non-IFRS Financial Measures
25	The Trust
25	Objectives and Business Strategies
26	Highlights of the Year Ended December 31, 2016
27	Selected Financial Information
28	Significant Events
28	Selected Annual Information
29	Selected Quarterly Information
29	Real Estate Portfolio
30	Real Estate Operations
32	Operating Results
36	Operating Results – Same-Property Portfolio
37	Distributable Income and Distributions
39	Funds from Operations (FFO)
40	Adjusted Funds from Operations (AFFO)
41	Segmented Information
42	Financial Position
42	Assets
45	Capital Resources
50	Income Taxes
37	Taxation of Unitholders
51	Accounting Policies and Estimates
52	New Accounting Policies
52	Risks and Uncertainties
53	Disclosure Controls and Procedures and Internal Control Over Financial Reporting
54	Appendix 1 - Performance Indicators
55	Appendix 2 - Definitions

INTRODUCTION

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the year ended December 31, 2016, as well as its financial position on that date. The report also presents the Trust's business strategies and the risk exposure it faces. This MD&A dated March 10, 2017, should be read together with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2016 and 2015. It discusses any significant information available up to the date of this MD&A. The Trust's consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts. Per unit amounts are calculated using the weighted average number of trust units outstanding for the periods and years ended December 31, 2016, and 2015. Additional information about the Trust, including the 2016 Annual Information Form, is available on the Canadian Security Administrators ("CSA") website at www.sedar.com and on our website at www.btbreit.com.

The Audit Committee and the Trust's Board of Trustees have approved the contents of this Management Discussion and Analysis and the annual financial statements.

FORWARD-LOOKING STATEMENTS CAVEAT

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make forward-looking statements in this MD&A, other filings with Canadian regulators, reports to unitholders and other communications. These forward-looking statements include statements regarding our future objectives, strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, forecasts, estimates and intentions. The words "may," "could," "should," "outlook," "believe," "plan," "forecast," "estimate," "expect," "propose," and the use of the conditional and similar words and expressions are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate strategic acquisitions successfully, potential dilution, our ability to attract and retain key employees and executives, the financial position of lessees, our ability to refinance our debts upon maturity and to lease vacant space, our ability to complete developments on plan and on schedule and to raise capital to finance our growth, as well as changes in interest rates. We caution that the foregoing list of important factors likely to affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to BTB, investors and others should carefully consider these factors and other facts and uncertainties. Additional information about these factors can be found in the "Risks and Uncertainties" section of this quarterly MD&A.

BTB cannot assure investors that actual results will be consistent with any forward-looking statements and BTB assumes no obligation to update or revise such forward-looking statements to reflect new events or circumstances, except as required under applicable securities regulations.

NON-IFRS FINANCIAL MEASURES

“Net operating income,” “net operating income of the same-property portfolio”, “distributable income” and “recurring distributable income,” “funds from operations” (“FFO”) and “recurring funds from operations” (“FFO”), “adjusted funds from operations” (“AFFO”) and “recurring adjusted funds from operations” (“AFFO”), “adjusted net income and comprehensive income” and “net property income” and per unit information, if applicable, are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. These measures are used by BTB to improve the investing public’s understanding of operating results and the Trust’s performance. IFRS are International Financial Reporting Standards defined and issued by the IASB, in effect as at the date of this MD&A.

These measures cannot be compared to similar measures used by other issuers. However, BTB presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations, as revised in April 2014.

Securities regulations require that these measures be clearly defined, that they be readily comparable to the most similar IFRS measures, and that they not be assigned greater weight than IFRS measures.

THE TRUST

BTB is an unincorporated open-ended real estate trust formed and governed under the laws of the Province of Québec pursuant to a trust agreement. BTB began its real estate operations on October 3, 2006, and up to December 31, 2016, it has acquired and owns 72 retail, office and industrial properties in primary and secondary markets. BTB is an important real estate owner in geographical markets in Québec and eastern Ontario. The units and Series E and F convertible debentures are traded on the Toronto Stock Exchange under the symbols “BTB.UN”, “BTB.DB.E”, and “BTB.DB.F”, respectively.

Most of the Trust’s properties are managed internally, with 69 of the Trust’s 72 properties held as at December 31, 2016 entirely managed by the Trust’s employees. Management’s objective is to resume, when favourable circumstances prevail, internal management of the Trust’s properties under agreements between the Trust and its external managers, thereby achieving savings in management and operating fees through centralized and improved property management.

The following table provides a summary of the property portfolio:

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of \$)
As at December 31, 2016⁽¹⁾	72	5,143,955	645,485

(1) These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb, a 75% interest in a 140,824 square-foot building in Québec City and a 50% interest in two buildings totalling 74,940 square feet in Gatineau, Québec.

BTB’s management is entirely internalized and no service agreements or asset management agreements are in force between BTB and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders.

OBJECTIVES AND BUSINESS STRATEGIES

BTB’s primary objective is to maximize total returns to unitholders. Returns include cash distributions and long-term appreciation in the value of units. More specifically, the objectives are as follows:

- (i) Generate stable monthly cash distributions that are reliable and fiscally beneficial to unitholders.
- (ii) Grow the Trust’s assets through internal growth and accretive acquisition strategies in order to increase distributable income and therefore fund distributions.
- (iii) Optimize the value of its assets through dynamic management of its properties in order to maximize the long-term value of its units. Strategically, BTB has purchased and seeks to acquire properties with low vacancy rates, good lessee quality, superior locations, low lease turnover potential and properties that are well maintained and require a minimum of future capital expenditures.

BTB’s management also regularly performs a strategic portfolio assessment to determine whether it is financially advisable to hold onto certain investments. BTB may dispose of certain assets if their size, location and/or profitability do not meet the Trust’s current criteria.

In such cases, BTB expects to use the proceeds from the sale of assets to reduce debt and/or to make accretive acquisitions.

HIGHLIGHTS OF THE YEAR ENDED DECEMBER 31, 2016

Slight increase

- In rental income, net operating income⁽¹⁾, recurring distributable income⁽¹⁾, recurring funds from operations (FFO)⁽¹⁾, recurring adjusted funds from operations (AFFO)⁽¹⁾ and total assets.

(1) Non-IFRS financial measures.

Slight decrease

- In net income of the same-property portfolio.

Reduction

- In the total debt ratio and the average interest rate on mortgage debt.

Leasing activities

- More than 520,000 square feet of leases renewed and new leases signed during the year.
- 5.6% increase in the average rental rate of renewed leases during the year.

Financing activities

- \$9.9 million in financings, with an average term of 4.2 years and an average rate of 3.59%.
- \$87.2 million in refinancings, with terms varying from 1 year to 10 years, for a weighted average term of 7.5 years, as well as fixed rates of 2.88% to 4.11% and a weighted average rate of 3.50%. These refinancings allowed for an equity take-out of approximately \$16 million.

Summary of significant items as at December 31, 2016

- 72 properties
- More than 5.1 million leasable square feet
- \$658 million in assets
- \$189 million in market capitalization

SELECTED FINANCIAL INFORMATION

As at December 31, 2016, the Trust owns 72 properties generating, on an annualized basis, revenues of close to \$75 million.

The following table presents highlights and selected financial information for the quarters and years ended December 31, 2016, and December 31, 2015:

Periods ended December 31 (in thousands of dollars, except for ratios and per unit data)	Reference	Quarter			Year
		2016	2015	2016	2015
		\$	\$	\$	\$
Financial information					
Rental income	Page 32	18,270	18,539	73,384	72,892
Net operating income ⁽¹⁾	Page 33	10,121	10,020	41,339	41,294
Net income and comprehensive income	Page 35	9,130	(2,124)	22,085	8,669
Net property income from the same-property portfolio ⁽¹⁾	Page 36	5,498	5,566	23,236	24,060
Recurring distributable income ⁽¹⁾	Page 37	5,047	4,211	19,711	18,733
Distributions	Page 38	4,442	3,640	16,444	14,478
Recurring Funds from operations (FFO) ⁽¹⁾	Page 39	4,808	3,710	17,710	16,333
Recurring adjusted funds from operations (AFFO) ⁽¹⁾	Page 40	4,485	3,588	17,391	17,165
Total assets	Page 42			658,462	633,082
Investment properties	Page 42			645,485	622,651
Mortgage loans payable	Page 45			384,350	366,596
Convertible debentures	Page 47			47,692	68,866
Mortgage liability ratio	Page 47			59.1%	58.4%
Debt-equity ratio – convertible debentures	Page 47			7.6%	11.5%
Debt-equity ratio – acquisition line of credit	Page 47			—%	1.6%
Total debt ratio	Page 47			65.7%	70.9%
Weighted average interest rate on mortgage debt	Page 45			3.79%	3.95%
Unitholders' equity	Page 49			212,963	174,359
Market capitalization				189,270	153,050
Financial information per unit					
Units outstanding (000)	Page 49			42,342	34,705
Weighted average number of units outstanding (000)	Page 49	42,283	34,649	38,546	34,450
Net income and comprehensive income	Page 35	21.6¢	(6.1¢)	57.3¢	25.2¢
Recurring distributable income ⁽¹⁾	Page 38	11.9¢	12.2¢	51.1¢	54.4¢
Distributions	Page 38	10.5¢	10.5¢	42.0¢	42.0¢
Recurring payout ratio on distributable income ⁽¹⁾	Page 38	88.0%	86.4%	83.4%	77.3%
Recurring FFO ⁽¹⁾	Page 39	11.4¢	10.7¢	45.9¢	49.8¢
Recurring payout ratio on FFO ⁽¹⁾	Page 39	92.4%	98.1%	92.8%	88.6%
Recurring AFFO ⁽¹⁾	Page 40	10.6¢	10.4¢	45.1¢	47.2¢
Recurring payout ratio on AFFO ⁽¹⁾	Page 40	99.0%	101.4%	94.5%	89.0%
Unitholders' equity	Page 49			5.04	5.02
Market price				4.47	4.41
Tax on distributions					
Revenue	Page 51			0.0%	0.0%
Tax deferral	Page 51			100%	100%
Operational information					
Number of properties	Page 43			72	71
Leasable area (thousands of sq. ft.)	Page 29			5,144	5,095
Occupancy rate	Page 30			90.5%	91.7%
Increase in average lease renewal rate	Page 30	10.1%	10.0%	5.6%	5.8%

(1) Non-IFRS financial measures. See appropriate sections for definition and reconciliation to the closest IFRS measure.

SIGNIFICANT EVENTS

On June 30, 2016, and July 19, 2016, on the exercising of the overallotment option, the Trust issued approximately 7.2 million units at \$4.55 by public subscription, for approximately \$31 million in proceeds, net of underwriting fees and issue expenses.

The proceeds of issue were used to redeem the Series D debentures in the amount of \$23 million bearing interest at 7.25% and a portion of the acquisition line of credit in the amount of \$6.1 million bearing interest at 5.95%.

These transactions reduced the Trust's overall debt rate by 400 basis points.

These transactions also reduced the per-unit ratios by 1.2¢ per quarter and significantly increased the various payout ratios.

These transactions also resulted in the write-off of unamortized financing expenses and the liability component of the convertible debenture. This write-off, a non-recurring transaction totalling \$1,088, is not, in accordance with REALpac's recommendations, adjusted into the calculation of FFO. If it had been taken into account, FFO and recurring FFO would have increased by 2.6¢ per unit for the quarter and the various quarterly payout ratios would have increased by 22.5%.

Management considers that the long-term benefits of the reduced debt rate outweigh the consequences of the deterioration in the various per-unit and payout ratios.

SELECTED ANNUAL INFORMATION

The following table summarizes the Trust's financial information for the last three years.

Years ended December 31 (in thousands of dollars, except for ratios and per unit data)	2016	2015	2014
	\$	\$	\$
Rental income	73,384	72,892	67,170
Net operating income ^{(1) (5)}	41,339	41,294	37,983
Fair value adjustment on investment properties	6,200	(5,223)	(1,860)
Net income	22,085	8,669	12,883
Recurring distributable income ⁽⁵⁾	19,711	18,733	16,626
Recurring FFO ^{(2) (5)}	17,710	17,164	15,226
Recurring AFFO ^{(3) (5)}	17,391	16,260	14,363
Distributions	16,443	14,478	12,953
Total assets	658,462	633,082	586,737
Long-term debt	432,042	445,262	395,129
Financial information per unit			
Net income	57.3¢	25.2¢	41.0¢
Recurring distributable income ⁽⁵⁾	51.1¢	54.4¢	52.9¢
Recurring FFO ^{(2) (5)}	45.9¢	49.8¢	48.5¢
Recurring AFFO ^{(3) (5)}	45.1¢	47.2¢	45.7¢
Distributions	42.0¢	42.0¢	40.8¢
Payout ratio for recurring distributable income ^{(4) (5)}	83.4%	77.3%	77.9%

(1) Defined as rental income from investment properties less operating expenses.

(2) See "Funds from operations" on page 56 for reconciliation to net income.

(3) See "Adjusted funds from operations" on page 56 for reconciliation to FFO and net income.

(4) Represents total distributions divided by recurring distributable income.

(5) Non-IFRS financial measures. See appropriate sections for definition and reconciliation to the closest IFRS measure.

SELECTED QUARTERLY INFORMATION

The following table summarizes the Trust's financial information for the last eight quarters.

(in thousands of dollars except for per unit data)	2016 Q-4	2016 Q-3	2016 Q-2	2016 Q-1	2015 Q-4	2015 Q-3	2015 Q-2	2015 Q-1
	\$	\$	\$	\$	\$	\$	\$	\$
Rental income	18,270	18,264	18,300	18,550	18,539	18,421	17,603	18,329
Net operating income ⁽¹⁾	10,121	10,633	10,466	10,119	10,020	10,958	10,184	10,132
Net income (loss) and comprehensive income	9,130	5,422	3,982	3,551	(2,124)	3,669	3,724	3,400
Net income (loss) and comprehensive income per unit	21.6¢	13.0¢	11.4¢	10.2¢	(6.1¢)	10.6¢	10.8¢	9.9¢
Recurring distributable income ⁽¹⁾	5,047	5,285	4,924	4,455	4,211	5,286	4,739	4,497
Recurring distributable income per unit ⁽¹⁾	11.9¢	12.7¢	14.1¢	12.8¢	12.2¢	15.3¢	13.8¢	13.1¢
Recurring funds from operations (FFO) ⁽¹⁾	4,808	3,994	4,692	4,216	3,710	4,321	4,420	4,066
Recurring FFO per unit ⁽¹⁾	11.4¢	9.6¢	13.4¢	12.1¢	10.7¢	12.5¢	12.9¢	11.9¢
Recurring adjusted funds from operations (AFFO) ⁽¹⁾	4,485	4,733	4,333	3,840	3,588	4,663	4,132	3,876
Recurring AFFO per unit ⁽¹⁾	10.6¢	11.4¢	12.4¢	11.0¢	10.4¢	13.5¢	12.0¢	11.3¢
Distributions	4,442	4,449	3,897	3,655	3,640	3,628	3,615	3,596
Distributions per unit	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢

(1) Non-IFRS financial measures. See appropriate sections for definition and reconciliation to the closest IFRS measure.

PERFORMANCE INDICATORS

The indicators used to measure BTB's financial performance are presented and explained in Appendix 1.

REAL ESTATE PORTFOLIO

BTB owns 72 quality properties which have a fair value of \$646 million representing a total leasable area of more than 5 million square feet. A concise description of the properties owned as at December 31, 2015, can be found in the Trust's Annual Information Form available at www.sedar.com. The properties acquired during fiscal 2016 are described on page 28 of this MD&A.

Summary of properties as at December 31, 2016

Operating segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	27	1,920,977	85.8
Retail	17	1,107,058	94.0
Industrial	19	1,499,783	94.1
Mixed use	6	442,472	96.4
Subtotal	69	4,970,290	91.1
Properties under redevelopment	3	173,665	
Total	72	5,143,955	

On January 1, 2016, the Trust reclassified some properties to better reflect the current mix of tenant activities.

REAL ESTATE OPERATIONS

Leasing activities

The following table summarizes changes in available leasable area during the periods ended December 31, 2016 and 2015.

Periods ended December 31 (in square feet)	Quarter		Year	
	2016	2015	2016	2015
Available leasable area at beginning of period	444,999	462,131	408,243	340,348
Available leasable area purchased (sold)	—	(22,119)	—	(19,053)
Leasable area of properties under redevelopment	—	(8,020)	—	(8,020)
Leasable area of expired leases	166,111	29,651	520,883	427,668
Leasable area of leases terminated before term	5,575	7,297	61,705	150,399
Leasable area of renewed leases	(70,766)	(15,286)	(319,392)	(248,567)
Leasable area of new leases signed	(73,404)	(37,027)	(200,332)	(224,399)
Other	(410)	(8,384)	998	(10,133)
Available leasable area at end of period	472,105	408,243	472,105	408,243

The average rental rate of expired and renewed leases rose 10.1% during the fourth quarter (2015: 10.0%). For the year, the average rate increased by 5.6% (2015: 5.8%). The increase in the average rental rate was particularly significant in the “Office” segment, standing at 9.2% for the year.

Occupancy rates

The following tables provide occupancy rates by operating segment and geographic sector based on firm lease agreements signed as at the date of this report:

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
	%	%	%	%	%
Operating segment					
Office	84.5	85.5	85.3	85.8	85.8
Retail	94.0	93.9	92.7	92.1	92.5
Industrial	94.1	94.4	95.6	97.1	97.1
Mixed use	95.8	96.3	96.3	95.6	96.3
Total portfolio	90.5	91.0	91.0	91.5	91.7

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
	%	%	%	%	%
Geographic sector					
Laval and North Shore	97.4	97.4	97.4	97.2	96.9
Island of Montréal	89.3	86.5	86.2	86.2	85.5
Montréal South Shore	91.9	92.3	91.3	91.9	92.5
Québec City and surrounding area	89.4	90.7	89.6	90.1	89.9
Ottawa and surrounding area	88.8	92.5	94.7	95.2	96.7
Sherbrooke and surrounding area	79.5	79.5	78.4	81.1	80.6
Central Ontario	100.0	100.0	100.0	100.0	100.0
	90.5	91.0	91.0	91.5	91.7

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
	%	%	%	%	%
By province					
Québec	90.6	90.4	89.6	90.1	89.9
Ontario	90.1	93.3	95.5	96.0	97.2
Total portfolio	90.5	91.0	91.0	91.5	91.7

The overall occupancy rate is down by 0.5% since September 30, 2016, and by 1.2% since December 31, 2015. It stood at 90.5% at the end of the fourth quarter of 2016.

The office segment is down 1.0% since September 30, 2016, and 1.3% since December 31, 2015. In geographical terms, the Québec City and Ottawa areas posted a quarterly and annual decrease.

The “1001 Sherbrooke Est” and “Henri-Bourassa” properties in Montréal, “50 St-Charles” on the Montréal South Shore, “Complexe de Léry” classified in the Québec City area and “Aberdeen” in Ottawa are office buildings with an occupancy rate below 75%, which explains essentially the segment’s rate below that of the portfolio. The “René-Patenaude” property in the Sherbrooke area also had a 15% occupancy rate for several quarters and affects the occupancy rate of the Sherbrooke area.

Retention rate

The renewal rate for leases expired in 2016 was 61.0%.

Lease maturity

The following table shows the lease maturity profile for the next five years:

	2017	2018	2019	2020	2021
Office					
Leasable area (sq. ft.)	157,971	181,798	326,519	116,015	282,513
Average lease rate/square foot (\$)	\$12.51	\$13.00	\$13.97	\$14.45	\$12.37
% of office portfolio	8.2%	9.5%	17.0%	6.0%	14.7%
Retail					
Leasable area (sq. ft.)	80,060	149,723	182,934	68,956	86,878
Average lease rate/square foot (\$)	\$13.21	\$12.41	\$11.79	\$14.09	\$12.75
% of retail portfolio	7.2%	13.5%	16.5%	6.2%	7.9%
Industrial					
Leasable area (sq. ft.)	517,954	5,399	94,482	24,062	440,803
Average lease rate/square foot (\$)	\$4.35	\$5.78	\$3.75	\$5.43	\$6.34
% of industrial portfolio	34.6%	0.4%	6.3%	1.6%	29.4%
Mixed use					
Leasable area (sq. ft.)	45,415	28,424	49,955	80,513	114,480
Average lease rate/square foot (\$)	\$12.83	\$15.00	\$13.52	\$2.54	\$9.58
% of mixed use portfolio	10.3%	6.4%	11.3%	18.2%	25.9%
Total portfolio					
Leasable area (sq. ft.)	801,401	365,344	653,890	289,546	924,674
Average lease rate/square foot (\$)	\$7.32	\$6.34	\$4.87	\$3.81	\$5.41
% of total portfolio	16.1%	7.4%	13.2%	5.8%	18.6%

Top 10 tenants

As at December 31, 2016, BTB managed more than 600 leases, with an average area of more than 8,000 square feet. The three largest tenants are Public Works Canada, Société québécoise des infrastructures (SQI) and Provigo Distribution Inc., accounting respectively for 5.8%, 2.5% and 2.2% of revenues, generated by a number of leases whose maturities are spread over time. Approximately 34% of the Trust’s total revenues are generated by leases entered into with government agencies (federal, provincial and municipal) and public companies, ensuring stable and high-quality cash flows for the Trust’s operating activities.

The following table shows the contribution of the Trust's top 10 tenants as a percentage of revenues as at December 31, 2016:

	% of revenue	Leased area (square feet)
Client		
Public Works Canada	5.8	205,836
Société québécoise des infrastructures (SQI)	2.5	122,112
Provigo Distribution Inc. (Loblaws)	2.2	107,642
Atis Portes et Fenêtres Corp.	1.9	219,941
Shoppers Realty Inc.	1.8	64,304
Strongco	1.7	81,442
Flextronics	1.7	48,731
Le Groupe SM inc.	1.5	109,185
Germain Larivière Inc.	1.5	101,194
CSSS Haut-Richelieu-Rouville	1.5	70,242

OPERATING RESULTS

The following table summarizes financial results for the quarters and years ended December 31, 2016, and December 31, 2015. The table should be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31 (in thousands of dollars)	Reference	Quarter		Year	
		2016	2015	2016	2015
		\$	\$	\$	\$
Rental income	Page 32	18,270	18,539	73,384	72,892
Operating expenses	Page 33	8,149	8,519	32,045	31,598
Net operating income ⁽¹⁾	Page 33	10,121	10,020	41,339	41,294
Other income	Page 33	(59)	(19)	(307)	(52)
Financial expenses	Page 34	4,088	5,948	21,431	23,203
Trust administration expenses	Page 34	1,177	992	4,330	4,044
Fair value adjustment to investment properties	Page 35	(4,215)	5,223	(6,200)	5,223
Expenses for abandoned transaction		—	—	—	207
Net income and comprehensive income	Page 35	9,130	(2,124)	22,085	8,669

(1) Non-IFRS financial measure

Rental income

BTB acquired a property during the first quarter of 2016 and disposed of four properties in the fourth quarter of 2015. Due to the net effect of these transactions, rental income decreased by \$269 for the fourth quarter compared to the same quarter of 2015, and increased by \$492 for fiscal 2016 compared to fiscal 2015.

BTB recovers operating expenses of the properties in question from most tenants. The decrease in operating expenses recorded in the fourth quarter of 2016 compared to the same period of 2015, as presented below, explains most of the decrease in revenues in the fourth quarter of 2016.

In the fourth quarter of 2016, rent adjustments of \$2 (2015: payables of \$141) were recorded on a straight-line basis. For the year ended December 31, 2016, these adjustments totalled \$246 (2015: \$702).

In the fourth quarter of 2016, BTB recorded amortization of \$610 (2015: \$552) as a reduction in rental income, which represents amortization of lease incentives afforded to lessees. For the year ended December 31, 2016, these adjustments totalled \$2,177 (2015: \$2,084).

Operating expenses

BTB recorded a decrease in operating expenses of \$370 or 4.3% between the fourth quarter of 2015 and the fourth quarter of 2016, and an increase of \$447 or 1.4% for the year compared to last year.

The following table shows the breakdown of operating expenses for the periods ended December 31, 2016, and 2015.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Operating expenses				
Maintenance, repairs and other operating costs	3,058	3,418	11,558	11,748
Property taxes and public utilities	5,091	5,101	20,487	19,850
Total operating expenses	8,149	8,519	32,045	31,598
% of rental income	44.6	46.0	43.7	43.3

The decrease in maintenance, repairs and other operating costs in the fourth quarter of 2016 compared to the fourth quarter of 2015 was due to the sale of four properties in 2015 and effective budgetary cost management in the fourth quarter of 2016.

Net operating income

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net operating income ⁽¹⁾	10,121	10,020	41,339	41,294
% of rental income	55.4	54.0	56.3	56.7

(1) Non-IFRS financial measure

Net operating income is reduced by non-cash rental income adjustments. Before adjustments, net operating income was as follows:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net operating income	10,121	10,020	41,339	41,294
Straight-line rental income adjustments	2	(141)	(246)	(702)
Adjustments related to amortization of lease incentives	610	552	2,177	2,084
Net operating income before rental income adjustments⁽¹⁾	10,733	10,431	43,270	42,676
% of rental income on the basis of in-place leases	56.8	55.0	57.5	57.5

(1) Non-IFRS financial measure

Other income

In addition to interest income in the amount of \$27 (2015: \$19), the Trust earned income of \$32 from a dispute settlement during the quarter.

Financial expenses

The following table shows the breakdown of financial expenses for the reporting periods:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Interest expense on mortgage loans payable	3,658	3,688	14,582	14,360
Interest expense on debentures	874	1,412	4,471	5,228
Interest expense on acquisition line of credit	94	212	519	675
Interest expense on operating line of credit and other interest expenses	34	38	128	125
Interest expenses	4,660	5,350	19,700	20,388
Early repayment fees	—	—	—	625
Impact of early redemption of Series D convertible debentures	—	—	1,088	—
Accretion of effective interest	240	378	1,074	1,273
Accretion of non-derivative liability component of convertible debentures	11	178	192	629
Financial expenses before following item:	4,911	5,906	22,054	22,915
Fair value adjustment on derivative financial instruments (debenture conversion options and interest rate swap)	(823)	42	(623)	288
Financial expenses	4,088	5,948	21,431	23,203

Financial expenses decreased by \$690 during the fourth quarter of 2016 and by \$688 for fiscal 2016 compared to the same periods of fiscal 2015, mainly due to the repayment of Series D debentures on August 2, 2016 and partial repayment of the acquisition line of credit using the proceeds of the unit issue in June 2016.

Financial expenses can be allocated among interest expenses amounting to \$4,660 for the quarter (2015: \$5,350) and \$19,700 for the year (2015: \$20,388) and non-monetary items. Non-monetary items include, but are not limited to, the accretion of effective interest and the liability component of convertible debentures and fair value adjustments on financial instruments. To this effect, during the third quarter, the Trust incurred special charges totalling \$1,088, which would have been recognized in the future, i.e. \$515 as accretion of effective interest and \$573 as accretion of the liability component, following the redemption on August 2, 2016, of the Series D convertible debentures. Lastly, geopolitical instability over the last few months has led to greater interest rate volatility and higher bond yields, resulting in a value gain of \$833 on our interest rate swaps during the quarter ended December 31, 2016.

As at December 31, 2016, the average weighted contractual rate of interest on mortgage loans payable was 3.79%, 16 basis points lower than the rate in effect at December 31, 2015. For 33 consecutive quarters, the weighted average interest rate has remained stable or declined. Interest rates on first-ranking mortgage financings ranged from 2.77% to 6.80% as at December 31, 2016. The weighted average term of financing in place as at December 31, 2016, was 5.9 years (5.5 years as at December 31, 2015).

Trust administration expenses

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Administrative expenses	1,075	907	4,063	3,696
Amortization	15	17	61	69
Unit-based compensation	87	68	206	279
Trust administration expenses	1,177	992	4,330	4,044

Fair value adjustment on investment properties

At year-end, the Trust uses professional valuers to perform an independent external valuation of a portion of its portfolio. A sample of the portfolio's largest properties and approximately a third of the remaining properties were subject to an independent external valuation. As at December 31, 2016, 63% (2015: 63%) of the portfolio's market value was subject to an independent external valuation. However, as at December 31, 2016, 16 properties with a total fair value of \$82 million had not been subject to an independent external valuation over the past three years. Most of these 16 properties are single-tenant properties with long-term leases located in stable markets, or small lower-value properties.

Market conditions in the Trust's geographic market remained relatively stable during the fourth quarter and fiscal 2016.

Nonetheless, management determined that a fair value adjustment to the portfolio as at December 31, 2016 was required. Accordingly, management recognized an impairment gain of \$6,200 as at December 31, 2016 (2015: impairment of \$5,223).

The following tables highlight the significant assumptions used in the modelling process for both internal and external appraisals:

	Retail	Office	Industrial	Mixed use
As at December 31, 2016				
Capitalization rate	6.25% – 10.00%	6.50% – 8.50%	6.50% – 9.75%	6.75% – 7.75%
Terminal capitalization rate	6.75% – 8.00%	6.75% – 8.75%	7.00% – 7.75%	7.00% – 7.75%
Discount rate	7.25% – 8.75%	7.50% – 9.25%	7.50% – 8.50%	7.50% – 8.25%
As at December 31, 2015				
Capitalization rate	6.25% – 10.00%	6.50% – 9.25%	6.50% – 9.75%	7.25% – 8.25%
Terminal capitalization rate	7.00% – 8.50%	6.75% – 7.75%	7.75% – 9.75%	7.50% – 8.00%
Discount rate	7.75% – 9.00%	7.50% – 8.50%	8.25% – 10.50%	8.00% – 8.50%

The weighted average capitalization rate for the entire portfolio as at December 31, 2016, was 7.20% (December 31, 2015: 7.34%), down 14 basis points since December 31, 2015.

As at December 31, 2016, BTB has estimated that a 0.25% change in the capitalization rate applied to the overall portfolio would change the fair value of the investment properties by approximately \$23 million.

Net income and comprehensive income

BTB generated net income of \$9.1 million for the fourth quarter of 2016, up \$11.2 million compared to a \$2.1 million loss in the fourth quarter of 2015. For the year, net income totalled \$22.1 million, up \$13.4 million from 2015. At the end of fiscal 2015, the Trust had recognized a \$5.2 million impairment; in 2016, the Trust recognized a \$6.2 million appreciation in value, a difference of more than \$11 million.

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net income (loss) and comprehensive income	9,130	(2,124)	22,085	8,669
Per unit	21.6¢	(6.1¢)	57.3¢	25.2¢

Adjusted net income and comprehensive income

Net income and comprehensive income fluctuate from one quarter to another based on certain highly volatile monetary items. Consequently, the fair value of derivative financial instruments and the fair value of the property portfolio fluctuate based on the stock market volatility of BTB units, the forward interest rate curve and the discount and capitalization rates of the property portfolio.

The following table presents adjusted net income and comprehensive income before these volatile non-monetary items.

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net income (loss) and comprehensive income	9,130	(2,124)	22,085	8,669
Volatile non-monetary items				
± Fair value adjustment on investment properties	(4,215)	5,223	(6,200)	5,223
± Fair value adjustment on derivative financial instruments	(823)	42	(623)	288
Adjusted net income and comprehensive income⁽¹⁾	4,092	3,141	15,262	14,180
Per unit	9.7¢	9.1¢	39.6¢	41.2¢

(1) Non-IFRS financial measure

This table shows an increase of 30.3% in quarterly adjusted net income and an increase of 7.6% in annual adjusted net income, before the non-monetary items mentioned above. Quarterly adjusted net income per unit increased 6.6% and annual adjusted net income per unit decreased 3.6%.

OPERATING RESULTS – SAME-PROPERTY PORTFOLIO

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2015, but does not include the financial spin-offs of disposals, acquisitions and developments completed in 2015 and 2016.

The following table summarizes the results of the same-property portfolio.

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2016	2015	Δ%	2016	2015	Δ%
	\$	\$		\$	\$	
Rental income	15,863	16,185	(2.0)	64,143	65,557	(2.2)
Operating expenses	7,162	7,334	(2.3)	28,100	28,357	(0.9)
Net operating income ⁽¹⁾	8,701	8,851	(1.7)	36,043	37,200	(3.1)
Interest expense on mortgage loans payable	3,203	3,285	(2.5)	12,807	13,140	(2.5)
Net property income⁽¹⁾	5,498	5,566	(1.2)	23,236	24,060	(3.4)
Decrease in net property income from the same-property portfolio	(1.2)%			(3.4)%		

(1) Non-IFRS financial measure

A lower occupancy rate in the office segment largely explains the decrease in the same-property portfolio's performance. In addition, some premises subject to firm lease agreements have yet to generate income. The same-property portfolio has therefore also seen a temporary decrease in income-producing area.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

The following table shows the calculation of distributable income.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net income (loss) and comprehensive income (IFRS)	9,130	(2,124)	22,085	8,669
± Fair value adjustment on investment properties	(4,215)	5,223	(6,200)	5,223
+ Amortization of property and equipment	37	35	170	158
+ Unit-based compensation expense	87	68	206	279
+ Accretion of the liability component of convertible debentures	11	178	192	629
± Fair value adjustment on derivative financial instruments	(823)	42	(623)	288
+ Amortization of lease incentives	610	552	2,177	2,084
± Straight-line rental income adjustment	2	(141)	(246)	(702)
+ Accretion of effective interest	240	378	1,074	1,273
+ Impact of early redemption of Series D convertible debentures	—	—	1,088	—
Distributable income⁽⁴⁾	5,079	4,211	19,923	17,901
Unusual Item				
Dispute settlement ⁽¹⁾	(32)	—	(212)	—
Early repayment fees ⁽²⁾	—	—	—	625
Expenses for abandoned transaction ⁽³⁾	—	—	—	207
Recurring distributable income⁽⁴⁾	5,047	4,211	19,711	18,733

(1) Income from a dispute settlement

(2) Early repayment fees incurred for a transaction as part of a refinancing before term

(3) Due diligence expenses incurred for an unrealized acquisition

(4) Non-IFRS financial measure

The following table shows the reconciliation of distributable income (non-IFRS financial measure) and cash flows from operating activities presented in the financial statements.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash flows from operating activities (IFRS)	13,250	12,157	39,850	38,238
+ Financial revenues	27	19	95	52
± Net change in non-cash operating items	(3,538)	(2,615)	(322)	624
- Interest expense on mortgage loans payable	(3,658)	(3,688)	(14,582)	(14,360)
- Interest expense on convertible debentures	(874)	(1,412)	(4,471)	(5,228)
- Interest expense on acquisition line of credit	(94)	(212)	(519)	(675)
- Interest expense on operating line of credit and other interest expenses	(34)	(38)	(128)	(125)
- Early repayment fees	—	—	—	(625)
Distributable income	5,079	4,211	19,923	17,901

Distributions and per unit data

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Distributions				
Cash distributions	3,927	3,154	14,474	12,668
Distributions reinvested under the distribution reinvestment plan	515	486	1,970	1,810
Total distributions to unitholders	4,442	3,640	16,444	14,478
Percentage of reinvested distributions	11.6%	13.4%	12.0%	12.5%
Per unit data				
Distributable income	12.0¢	12.2¢	51.7¢	52.0¢
Recurring distributable income	11.9¢	12.2¢	51.1¢	54.4¢
Distributions	10.5¢	10.5¢	42.0¢	42.0¢
Payout ratio ⁽¹⁾	88.0%	86.4%	83.4%	77.3%
Cash payout ratio ⁽²⁾	77.8%	74.9%	73.4%	67.6%

(1) The payout ratio corresponds to total distributions divided by recurring distributable income.

(2) The cash payout ratio corresponds to cash distributions divided by recurring distributable income.

The decrease in distributable income and distributable income per unit, and in the payout ratios, was due to the issuance of 7.2 million units at \$4.55 for net proceeds of \$31 million and the early repayment of Series D debentures in the amount of \$23 million, bearing interest at 7.25%, and \$6.1 million of the acquisition line of credit bearing interest at 5.95%. Management considers that these transactions reduced the per-unit ratios by 1.2¢ per quarter and significantly increased the payout ratios.

Distribution reinvestment plan

In the fourth quarter of 2016, 11.6% of distributions (2015: 13.4%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. Approximately \$2.0 million (2015: \$1.8 million) of the Trust's cash has thereby been preserved through unit conversions since the beginning of the year. Until April 15, 2016, the plan's discount rate was 5%. As of May 16, 2016, the rate was lowered to 3% in line with the discount offered by most Canadian REITs.

FUNDS FROM OPERATIONS (FFO)

The following table provides a reconciliation of net income and comprehensive income established according to IFRS and FFO for the periods ended December 31, 2016, and 2015:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net income and comprehensive income (IFRS)	9,130	(2,124)	22,085	8,669
- Fair value adjustment on investment properties	(4,215)	5,223	(6,200)	5,223
+ Amortization of a property recognized at cost	15	17	61	69
+ Amortization of lease incentives	610	552	2,177	2,084
± Fair value adjustment on derivative financial instruments	(823)	42	(623)	288
+ Leasing payroll expenses	123	—	422	—
FFO⁽⁶⁾	4,840	3,710	17,922	16,333
Unusual item				
Dispute settlement ⁽¹⁾	(32)	—	(212)	—
Early repayment fees ⁽²⁾	—	—	—	625
Expenses for abandoned transaction ⁽³⁾	—	—	—	207
Recurring FFO⁽⁶⁾	4,808	3,710	17,710	17,165
FFO per unit	11.4¢	10.7¢	46.5¢	47.4¢
Recurring FFO per unit	11.4¢	10.7¢	45.9¢	49.8¢
Recurring FFO payout ratio ⁽⁴⁾	92.4%	98.1%	92.8%	88.6%
Recurring FFO cash payout ratio ⁽⁵⁾	81.7%	85.0%	81.7%	77.6%

(1) Income from a dispute settlement

(2) Early repayment fees incurred for a transaction as part of a refinancing before term.

(3) Due diligence expenses incurred for an unrealized acquisition

(4) The recurring FFO payout ratio corresponds to total distributions divided by recurring FFO

(5) The recurring FFO cash payout ratio corresponds to cash distributions divided by recurring FFO

(6) Non-IFRS financial measure

For the year, recurring FFO per unit was 45.9¢ compared to 49.8¢ in 2015, a 7.8% decrease. The payout ratio stood at 92.8% for fiscal 2016 compared to 88.6% for fiscal 2015. The performance of recurring FFO, recurring FFO per unit and the payout ratios was affected by the issuance of 7.2 million units at \$4.55 for net proceeds of \$31 million and the early repayment of Series D debentures in the amount of \$23 million, bearing interest at 7.25%, and \$6.1 million of the acquisition line of credit bearing interest at 5.95%. Management considers that these transactions reduced the per-unit ratios by 1.2¢ per quarter and significantly increased the payout ratios.

The reconciliation of FFO and recurring FFO does not take account of the write-offs of unamortized financing costs and unamortized liability component of convertible debentures related to the early redemption of the Series D debentures in July 2016. If they had been taken into account, these write-offs in the amount of \$1,088 would have increased FFO and recurring FFO correspondingly to \$19,010 and \$18,798 respectively. FFO and recurring FFO per unit would have been 49.3¢ and 48.8¢ respectively. The payout and cash payout ratios would have been 87.5% and 77.0% respectively.

The following table provides a reconciliation of FFO (non-IFRS financial measure) and cash flows from operating activities presented in the financial statements.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash flows from operating activities (IFRS)	15,250	12,157	41,850	38,238
± Straight-line rental income adjustment	(2)	141	246	702
+ Financial revenues	27	19	95	52
+ Amortization of a property recognized at cost	15	17	61	69
+ Leasing payroll expenses	123	—	422	—
± Net change in working capital items	(5,538)	(2,615)	(2,322)	624
- Unit-based compensation expenses	(87)	(68)	(206)	(279)
- Interest on mortgage loans payable	(3,658)	(3,688)	(14,582)	(14,360)
- Interest on convertible debentures	(874)	(1,412)	(4,471)	(5,228)
- Interest on the acquisition line of credit	(94)	(212)	(519)	(675)
- Other interest expense and operating line of credit	(34)	(38)	(128)	(125)
- Accretion of the liability component of convertible debentures	(11)	(178)	(192)	(629)
- Accretion of effective interest	(240)	(378)	(1,074)	(1,273)
- Early repayment fees	—	—	—	(625)
- Impact of early redemption of Series D convertible debentures	—	—	(1,088)	—
- Amortization of property and equipment	(37)	(35)	(170)	(158)
FFO⁽¹⁾	4,840	3,710	17,922	16,333

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

The following table provides a reconciliation of FFO and AFFO for the quarters and years ended December 31, 2016, and 2015:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
FFO	4,840	3,710	17,922	16,333
± Straight-line rental income adjustment	2	(141)	(246)	(702)
+ Accretion of effective interest	240	378	1,074	1,273
+ Accretion of the liability component of convertible debentures	11	178	192	629
+ Amortization of other property and equipment	22	18	109	89
+ Unit-based compensation expenses	87	68	206	279
+ Impact of early redemption of Series D convertible debentures	—	—	1,088	—
- Provision for non-recoverable capital expenses	(365)	(371)	(1,462)	(1,456)
- Provision for rental fees	(320)	(252)	(1,280)	(1,017)
AFFO⁽⁶⁾	4,517	3,588	17,603	15,428
Unusual items				
Dispute settlement ⁽¹⁾	(32)	—	(212)	—
Early repayment fees ⁽²⁾	—	—	—	625
Expenses for abandoned transaction ⁽³⁾	—	—	—	207
Recurring AFFO⁽⁶⁾	4,485	3,588	17,391	16,260
AFFO per unit	10.7¢	10.4¢	45.7¢	44.8¢
Recurring AFFO payout ratio	10.6¢	10.4¢	45.1¢	47.2¢
Recurring AFFO payout ratio ⁽⁴⁾	99.0%	101.4%	94.5%	89.0%
Recurring AFFO cash payout ratio ⁽⁵⁾	87.6%	87.9%	83.2%	77.9%

(1) Income from a dispute settlement

(2) Early repayment fees incurred for a transaction as part of a refinancing before term.

(3) Due diligence expenses incurred for an unrealized acquisition.

(4) The recurring AFFO payout ratio corresponds to total distributions divided by recurring AFFO.

(5) The recurring AFFO cash payout ratio corresponds to cash distributions divided by recurring AFFO.

(6) Non-IFRS financial measure

Recurring AFFO was up \$897 for the quarter and \$1,131 on a cumulative basis. Recurring AFFO per unit amounted to 10.6¢ compared to 10.4¢ in 2015, and the payout ratio stood at 99.0% compared to 101.4% for the fourth quarter of 2015.

Despite these improvements, the performance of recurring AFFO, recurring AFFO per unit and the payout ratios was affected by the issuance of 7.2 million units at \$4.55 for net proceeds of \$31 million and the early repayment of Series D debentures in the amount of \$23 million, bearing interest at 7.25%, and \$6.1 million of the acquisition line of credit bearing interest at 5.95%. Management considers that these transactions reduced the per-unit ratios by 1.2¢ per quarter and significantly increased the payout ratios.

The following table provides a reconciliation of AFFO (non-IFRS financial measure) and cash flows from operating activities presented in the financial statements.

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash flows from operating activities (IFRS)	13,250	12,157	39,850	38,238
+ Financial revenues	27	19	95	52
+ Leasing payroll expenses	123	—	422	—
± Net change in non-cash operating items	(3,538)	(2,615)	(322)	624
- Interest on mortgage loans payable	(3,658)	(3,688)	(14,582)	(14,360)
- Interest on convertible debentures	(874)	(1,412)	(4,471)	(5,228)
- Interest on the acquisition line of credit	(94)	(212)	(519)	(675)
- Other interest expense and operating line of credit	(34)	(38)	(128)	(125)
- Early repayment fees	—	—	—	(625)
- Provision for non-recoverable capital expenses	(365)	(371)	(1,462)	(1,456)
- Provision for rental fees	(320)	(252)	(1,280)	(1,017)
Adjusted funds from operations	4,517	3,588	17,603	15,428

SEGMENTED INFORMATION

The Trust's operations are derived from four categories of properties located in Québec and Ontario. The following tables present each category's contribution to revenues and net operating income for the quarters and years ended December 31, 2016, and 2015.

Quarters ended December 31 (in thousands of dollars)	Retail		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
	Quarter ended December 31, 2016								
Investment properties	173,965	27.0	290,010	44.9	115,645	17.9	65,865	10.2	645,485
Rental income from properties	4,770	26.1	8,803	48.2	2,582	14.1	2,115	11.6	18,270
Net operating income ⁽¹⁾	2,782	27.5	4,157	41.1	2,116	20.9	1,066	10.5	10,121
Quarter ended December 31, 2015									
Investment properties	167,513	26.9	276,063	44.3	116,950	18.8	62,125	10.0	622,651
Rental income from properties	4,836	26.1	8,923	48.1	2,539	13.7	2,241	12.1	18,539
Net operating income ⁽¹⁾	2,850	28.4	4,075	40.7	2,086	20.8	1,009	10.1	10,020
Years ended December 31 (in thousands of dollars)	Retail		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
	Year ended December 31, 2016								
Rental income from properties	19,213	26.2	35,238	48.0	10,366	14.1	8,567	11.7	73,384
Net operating income ⁽¹⁾	11,467	27.7	16,869	40.8	8,521	20.6	4,482	10.9	41,339
Year ended December 31, 2015									
Rental income from properties	19,015	26.1	33,963	46.6	10,605	14.5	9,309	12.8	72,892
Net operating income ⁽¹⁾	11,567	28.0	16,380	39.7	8,795	21.3	4,552	11.0	41,294

(1) Non-IFRS financial measure

On January 1, 2016, the Trust reclassified some properties to better reflect the current mix of tenant activities. The comparative figures were reclassified to conform to the current period presentation.

FINANCIAL POSITION

The following table presents a summary of the Trust's balance sheet as at December 31, 2016, and December 31, 2015. It should be read in conjunction with the Trust's consolidated annual financial statements and the notes thereto.

(in thousands of dollars)	Reference	December 31, 2016	December 31, 2015
		\$	\$
Assets			
Investment properties	Page 42	645,485	622,651
Amounts receivable from tenants and other receivables	Page 44	2,489	1,981
Other assets	Page 45	3,821	4,261
Cash, cash equivalents and restricted cash	Page 45	6,667	4,189
Total assets		658,462	633,082
Liabilities			
Mortgage loans payable	Page 45	384,350	366,596
Convertible debentures	Page 47	47,692	68,866
Bank loans	Page 47	—	9,800
Accounts payable and other liabilities	Page 48	13,457	13,461
Total liabilities		445,499	458,723
Equity			
Unitholders' equity	Page 49	212,963	174,359
Total liabilities and equity		658,462	633,082

The main changes in the balance sheet as at December 31, 2016, compared to the balance sheet as at December 31, 2015 reflect the acquisition of a property and recognition of an appreciation in value on the portfolio, mortgage financings related to the acquisition, mortgage refinancings during the year, and the unit issue completed on June 30, 2016.

ASSETS

Investment properties

Over the years, BTB has fuelled its growth through high-quality property acquisitions based on strict selection criteria, while maintaining an appropriate allocation among four activity segments: office, retail, industrial and mixed use properties.

The real estate portfolio consists of direct interests in wholly-owned investment properties and the Trust's share of the assets, liabilities, revenues and expenses of three jointly-controlled investment properties.

The fair value of investment properties stood at \$645 million as at December 31, 2016 compared to \$623 million as at December 31, 2015.

Acquisition of investment properties

On February 15, 2016, BTB acquired an office building located in downtown Montréal for \$11 million. The property, entirely leased to a single tenant under a long-term lease, has a leasable area of 52,500 square feet.

On November 1, 2016, the Trust acquired a section of a 7,927-square-foot office building attached to a building already owned by the Trust, for \$458, including acquisition fees.

Proposed disposals of investment properties

Following strategic deliberations, the Trust has agreed to sell certain assets when the circumstances are right. The proceeds of disposal from the sale of these assets will be used to repay related debt and any remaining proceeds will

later be allocated to the acquisition of accretive properties. There were no disposals during the year ended December 31, 2016.

Summary by operating segment

As at December 31	2016			2015		
	Number of properties	Leasable area (sq. ft.)	%	Number of properties	Leasable area (sq. ft.)	%
Office	27	1,920,977	38.6	26	1,871,995	38.1
Retail	17	1,107,058	22.3	17	1,106,951	22.5
Industrial	19	1,499,783	30.2	19	1,490,887	30.4
Mixed use	6	442,472	8.9	6	442,473	9.0
Subtotal	69	4,970,290	100.0	68	4,912,306	100.0
Properties under redevelopment	3	173,665		3	182,560	
Total	72	5,143,955		71	5,094,866	

Investments in investment properties held

BTB invests in permanent capital improvement projects to preserve the quality of infrastructure and services provided to tenants. These disbursements include value-maintenance investments corresponding to expenditures required to keep properties in their current operating condition, as well as property improvement and redevelopment projects intended to increase leasable area, occupancy rates or rental space quality. In some cases, capital expenditures can be recovered from rent.

Capital expenditures for the quarter ended December 31, 2016, totalled \$1,024 compared to \$623 for the same quarter of 2015, of which \$287 was recoverable. These expenditures totalled \$2,682 for the entire year (2015: \$4,046), of which \$740 was recoverable (2015: \$1,183). Capital expenditures do not include repair and maintenance costs. Capital expenditures vary from one quarter to another depending on the activities required or planned for each property.

Upon the signing of several leases, the Trust makes disbursements for leasehold improvements and incentives applicable to the leased areas to meet the specific needs of tenants, as well as leasing fees that are paid to independent brokers. These disbursements totalled \$968 for the fourth quarter and \$4,088 for the year ended December 31, 2016, compared to \$652 and \$3,142 for the same periods of 2015. The leasing fees and leasehold improvements apply to both new tenants and tenants whose leases are renewed for all properties. The amount of leasing fees and leasehold improvements varies depending on the renewal schedule, vacancy rates and tenancy profile.

The following table summarizes expenditures in maintenance capital expenditures, as well as incentives and leasing fees, for the periods ended December 31, 2016, and 2015.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Recoverable maintenance capital expenditures	287	39	740	1,469
Grants	—	(154)	—	(286)
Recoverable maintenance capital expenditures net of grants	287	(115)	740	1,183
Non-recoverable maintenance capital expenditures	737 ⁽¹⁾	738	1,942 ⁽²⁾	2,863
Total maintenance capital expenditures	1,024	623	2,682	4,046
Leasing fees and leasehold improvements	968	652	4,088	3,142
Total	1,992	1,275	6,770	7,188

(1) Includes \$154 related to investment properties under redevelopment (December 31, 2015: \$320).

(2) Includes \$630 related to investment properties under redevelopment (December 31, 2015: \$325).

The following table shows changes in the fair value of investment properties during the periods ended December 31.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Balance, beginning of period	639,432	639,787	622,651	571,462
Additions:				
Acquisitions	458	—	11,795	63,383
Dispositions	—	(13,053)	—	(13,053)
Capital expenditures net of grants	1,024	623	2,682	4,046
Leasing fees and leasehold improvements	968	652	4,088	3,142
Fair value gains (losses)	4,215	(4,947)	6,200	(4,947)
Other non-monetary changes	(612)	(411)	(1,931)	(1,382)
Balance, end of period	645,485	622,651	645,485	622,651

Investment properties under redevelopment

The Trust decided to invest amounts in redeveloping and repositioning one property:

- **1863-1865 Transcanadienne, Montréal – Québec** - This industrial property is currently completely vacant. The Trust has so far invested approximately \$978 to repurpose this property.

The Trust is considering investing amounts in redeveloping and repositioning two properties:

- **805 Boundary Road, Cornwall – Ontario** - The Trust plans to divide this industrial property into two, with one section fully rented under a long-term lease with Canada Post. The Trust plans to reposition the other section, which is currently subject to a few short-term leases.
- **100, 1^{ère} rue Ouest, Thetford Mines – Québec** – The Trust is currently considering various repositioning scenarios.

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from \$1,981 as at December 31, 2015, to \$2,489 as at December 31, 2016. The increase is mainly due to arrears of \$405 on rent from a tenant refinancing its business. Excluding this situation, the value of amounts receivable from tenants, net of the allowance for doubtful accounts, was similar to that of December 31, 2015. These amounts are summarized below:

(in thousands of dollars)	December 31, 2016	December 31, 2015
	\$	\$
Amounts receivable from tenants	1,619	1,125
Allowance for doubtful accounts	(432)	(329)
	1,187	796
Recovery from unbilled tenants	—	105
Balance of sale receivable	600	600
Other receivables	702	480
Amounts receivable from tenants and other receivables	2,489	1,981

Other assets

Other assets include property and equipment net of accumulated depreciation required for the Trust's operations, prepaid expenses and derivative financial instruments in debit positions. They are summarized below:

(in thousands of dollars)	December 31, 2016	December 31, 2015
	\$	\$
Property and equipment	3,259	3,203
Accumulated depreciation	(1,081)	(911)
	2,178	2,292
Prepaid expenses	983	1,285
Derivative financial instruments	242	—
Other	418	684
Other assets	3,821	4,261

Cash, cash equivalents and restricted cash

(in thousands of dollars)	December 31, 2016	December 31, 2015
	\$	\$
Available cash	6,667	4,138
Restricted cash	—	51
Cash, cash equivalents and restricted cash	6,667	4,189

CAPITAL RESOURCES

Long-term debt

The following table shows the balances of BTB's indebtedness as at December 31, 2016, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

As at December 31, 2016 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	\$	\$	%
Year of maturity			
2017	—	66,181	3.84
2018	—	40,294	3.83
2019	—	41,038	3.57
2020	49,700	24,818	5.92
2021	—	38,783	2.96
2022 and thereafter	—	174,967	4.01
Total	49,700	386,081	4.16

Weighted average contractual interest rate

As at December 31, 2016, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.16%, i.e. 3.79% for mortgages payable and 7.03% for convertible debentures.

Mortgage loans payable

As at December 31, 2016, the Trust's mortgage loans payable amounted to \$386 million compared to \$368 million as at December 31, 2015, before deferred financing costs and valuation adjustments, an increase of \$18 million due to acquisition financings completed in 2016, certain refinancings and principal repayments on monthly payments and disposals.

As at December 31, 2016, the weighted average interest rate was 3.79%, compared to 3.95% for mortgage loans on the books as at December 31, 2015, a drop of 16 basis points. As at December 31, 2016, except for a loan balance of \$4,370, all mortgages payable bear interest at fixed rates or are coupled with an interest rate swap.

The weighted average term of existing mortgage financings was 5.9 years as at December 31, 2016, and 5.5 years as at December 31, 2015, an increase of 5 months in one year.

BTB spreads the terms of its mortgages over many years in order to mitigate the risk associated with renewing them.

The following table summarizes changes in mortgage loans payable during the fourth quarter and the year ended December 31, 2016:

As at December 31, 2016 (in thousands of dollars)	Quarter	Year
	\$	\$
Balance at beginning of the period	375,616	367,953
Mortgage loans contracted or assumed	61,000	87,716
Balance repaid at maturity or upon disposal	(47,569)	(57,750)
Monthly principal repayments	(2,965)	(11,838)
Balance as at December 31, 2016	386,081	386,081

Note: Before unamortized financing costs and valuation adjustments.

Except for two properties under redevelopment valued at \$4.6 million, and a property partially securing the acquisition and operating lines of credit as at December 31, 2016, all of the Trust's other properties were mortgaged as at December 31, 2016. Unamortized loan financing costs totalled \$2,756 and are amortized under the effective interest method over the term of the loans.

The following table, as at December 31, 2016, shows future mortgage loan repayments for the next few years:

As at December 31, 2016 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	\$	\$	\$	
Maturity				
2017	10,868	64,670	75,538	19.6
2018	9,080	38,091	47,171	12.2
2019	7,729	37,873	45,602	11.8
2020	7,278	21,849	29,127	7.5
2021	6,480	33,341	39,821	10.3
2022 and thereafter	37,820	111,002	148,822	38.6
Total	79,255	306,826	386,081	100.0
+ Valuation adjustments on assumed loans			845	
- Unamortized financing costs			(2,576)	
Balance as at December 31, 2016			384,350	

During the year, the Trust entered into two new financing agreements totalling \$9.9 million with an average term of 4.2 years and an average rate of 3.59%. The Trust also entered into seven refinancing agreements totalling \$87.2 million. These agreements are for terms of one to ten years, with a weighted average term of 7.5 years, and fixed rates ranging from 2.88% to 4.11%, with a weighted average rate of 3.50%. These refinancings allowed an equity take-out of approximately \$16 million.

Convertible debentures

(in thousands of dollars)	Series E ⁽¹⁾⁽³⁾	Series F ⁽²⁾⁽³⁾	Total
Par value	23,000	26,700	
Contractual interest rate	6.90%	7.15%	
Effective interest rate	7.90%	8.47%	
Date of issuance	February 2013	December 2015	
Per-unit conversion price	\$6.15	\$5.65	
Date of interest payment	March 31 and September 30	June 30 and December 31	
Maturity date	March 2020	December 2020	
Balance as at December 31, 2016	22,182	25,510	47,692

- (1) Redeemable by the Trust, under certain conditions, as of March 31, 2016, but before March 31, 2018, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series E conversion price and, as of March 31, 2018, but before March 31, 2020, to a price equal to their principal amount plus accrued, unpaid interest.
- (2) Redeemable by the Trust, under certain conditions, as of December 31, 2018, but before December 31, 2019, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series F conversion price and, as of December 31, 2019, but before December 31, 2020, at a redemption price equal to their principal amount plus accrued and unpaid interest.
- (3) The Trust may, at its option and under certain conditions, elect to satisfy its obligation to pay the principal amount of the Series E and F debentures by issuing freely tradable units to Series E and F debenture holders.

The Series D convertible debentures were redeemed on August 2, 2016.

Bank loan – operating credit facility

BTB has an operating credit facility of \$3 million with a Canadian chartered bank. The credit facility is partially secured by a first-ranking collateral mortgage on three properties, a second-ranking collateral mortgage on three properties, and by a third-ranking mortgage. The facility bears interest at the bank's base rate, plus 0.75%. As at December 31, 2016, the operating credit facility was unused.

Bank loans – acquisition credit facility

BTB has an acquisition credit facility of \$19 million with a Canadian chartered bank. The credit facility is partially secured by a first-ranking collateral mortgage on three properties, a second-ranking collateral mortgage on three properties, and a third-ranking mortgage on one property. The facility bears interest at the bank's base rate, plus 3.25%. As at December 31, 2016, the acquisition credit facility was unused.

Debt ratio

Under the terms of its trust agreement, the Trust cannot contract a mortgage loan if, after having contracted the said loan, the total debt exceeds 75% of the gross carrying amount of the Trust. When establishing this calculation, the convertible debentures are not considered in the calculation of total indebtedness. Moreover, also under its trust agreement, in case of default with respect to this condition, the Trust has 12 months from the date of recognizing this default to perform the transactions necessary to remedy the situation.

The following table presents the Trust's debt ratios as at December 31, 2016, and 2015.

(in thousands of dollars)	December 31, 2016	December 31, 2015
	\$	\$
Free cash flow	(6,667)	(4,138)
Mortgage loans payable ⁽¹⁾	386,081	367,953
Convertible debentures ⁽¹⁾	49,700	72,700
Acquisition credit facility	—	9,800
Total long-term debt less free cash flow	429,114	446,315
Gross book value of the Trust less free cash flow	652,876	629,855
Mortgage liability ratio (excluding convertible debentures and acquisition credit facility)	59.1%	58.4%
Debt-equity ratio – convertible debentures	7.6%	11.5%
Debt-equity ratio – acquisition line of credit	—%	1.6%
Total debt ratio	65.7%	70.9%

(1) Gross amounts.

According to the table above, the mortgage liability ratio, excluding the convertible debentures and acquisition credit facility as at December 31, 2016, amounted to 59.1%, up 0.7% from December 31, 2015. Including the convertible debentures and the acquisition credit facility, the overall debt ratio stood at 65.7%, down 5.2% from December 31, 2015.

The Trust seeks to finance its acquisitions with mortgage debt ratios of 60% to 65% because the cost of financings is lower than the capital cost of the Trust's equity.

Interest coverage ratio

For the quarter ended December 31, 2016, the interest coverage ratio stood at 2.18, up 30 basis points from the fourth quarter of 2015. For fiscal 2016, the ratio improved eight basis points. These improvements are the result of the July 31, 2016 redemption of Series D debentures, that reduced interest expenses.

Periods ended December 31 (in thousands of dollars, except for the ratios)	Quarter		Year	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net operating income	10,121	10,020	41,339	41,294
Interest expense, net of interest income ⁽¹⁾	4,633	5,331	19,605	20,336
Interest coverage ratio	2.18	1.88	2.11	2.03

(1) Interest expense excludes accretion of effective interest, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments.

Accounts payable and other liabilities

(in thousands of dollars)	December 31, 2016	December 31, 2015
	\$	\$
Trade and other payables	11,691	11,693
Distributions payable	1,482	1,215
Unit-based compensation	284	173
Derivative financial instruments	—	380
Accounts payable and other liabilities	13,457	13,461

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	December 31, 2016	December 31, 2015
	\$	\$
Trust units	217,816	184,853
Cumulative profit	64,317	42,232
Cumulative distributions to unitholders	(69,170)	(52,726)
Unitholders' equity	212,963	174,359

Distribution reinvestment plan

On October 1, 2011, the Trust implemented a distribution reinvestment plan under which unitholders may elect to receive distributions in units, with a 3% discount on their market value. Under the program, 119,006 units were issued during the fourth quarter of 2016 (2015: 114,253 units) and 455,342 units were issued during the year (2015: 408,625 units). Close to \$2 million in cash has thereby been preserved under this plan.

Units outstanding

The following table summarizes units issued during the reporting periods and the weighted number of units for the same periods.

Periods ended December 31 (in number of units)	Quarter		Year	
	2016	2015	2016	2015
Units outstanding, beginning of quarter	42,223,367	34,590,898	34,705,151	34,133,967
Units issued				
Public offering	—	—	7,159,342	—
Distribution reinvestment plan	119,006	114,253	455,342	408,625
Awards - employee unit purchase plan	—	—	8,340	7,758
Awards - restricted unit compensation plan	—	—	14,198	51,601
Unit options exercised	—	—	—	74,000
Conversion of Series C debentures	—	—	—	29,200
Units outstanding, end of quarter	42,342,373	34,705,151	42,342,373	34,705,151
Weighted average number of units outstanding	42,283,216	34,648,520	38,546,160	34,449,596

Unit options

The Trust may grant options to its trustees, senior officers, investor relations consultants and technical consultants. The maximum number of units reserved for issuance under the unit option plan may not exceed 10% of the total number of issued and outstanding units. The trustees have and will set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the quoted market price of the units, as determined under a related agreement. The options have a maximum term of five years from the date of grant. The purpose of granting unit options is to encourage the holder to acquire an ownership interest that increases over time and provides a financial incentive for the holder to consider the long-term interests of BTB and its unitholders. As at December 31, 2016, there were no unit options outstanding.

Deferred unit compensation plan

The Trust has implemented a deferred unit compensation plan for its trustees and certain executive officers. Under this plan, beneficiaries may elect to receive their compensation in cash, deferred units or a combination of both.

The following table summarizes deferred units outstanding during the periods ended December 2016 and 2015.

Periods ended December 31 (in number of units)	Quarter		Year	
	2016	2015	2016	2015
Deferred units outstanding, beginning of period	2,226	—	—	—
Deferred units issued	2,007	—	4,233	—
Deferred units settled	—	—	—	—
Deferred units outstanding, end of period	4,233	—	4,233	—

Restricted unit compensation plan

Under this plan, beneficiaries are awarded restricted units that become fully vested over a quarter of up to three years. The purpose of the plan is to encourage senior officers and selected employees to achieve the Trust's long-term growth objectives and align their interests with the interests of unitholders. The plan is also an executive retention tool.

The following table summarizes restricted units outstanding during the periods ended December 31, 2016, and 2015.

Periods ended December 31 (in number of units)	Quarter		Year	
	2016	2015	2016	2015
Restricted units outstanding, beginning of period	77,673	51,083	51,083	39,816
Restricted units issued	—	—	42,919	62,868
Restricted units cancelled	—	—	(2,131)	—
Restricted units settled	—	—	(14,198)	(51,601)
Restricted units outstanding, end of period	77,673	51,083	77,673	51,083

Employee unit purchase plan

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, a maximum of 3% to 7% of their base salary depending on their years of experience with the Trust. For each two units purchased by an employee, the Trust shall issue one unit from treasury. During the 2016 quarter, no units were issued (December 31, 2015: nil). During fiscal 2016, 8,340 units were issued.

Off-balance sheet arrangements and contractual commitments

BTB does not have any other off-balance sheet arrangements that have or are likely to have an impact on its operating results or financial position, specifically its cash position and sources of financing. During the quarter ended December 31, 2016, BTB complied with all of its loan commitments and was not in default with any covenant at the balance sheet date, except for the following: due to the low occupancy rate of one of its properties, the Trust does not meet the debt service coverage ratio for this loan, which must be at least 1.25. As at December 31, 2016, this ratio was 1.01. The balance of the loan as at December 31, 2016 was \$5,302. The fair value of the mortgaged properties at the same date was \$9,100. The Trust has always met the other loan provisions and has never been late on a monthly payment. The Trust believes that this default will be corrected in the normal course of business.

INCOME TAXES

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The trustees intend to distribute or allocate all of the taxable income to its unitholders and to deduct these distributions for income tax purposes.

A special tax regime applies to trusts that are considered specified investment flow-through (SIFT) entities as well as those individuals who invest in SIFT entities. Under this regime, SIFT entities must generally pay taxes on their income at rates that are close to those of companies. In short, a SIFT entity is an entity (including a trust) that resides in

Canada, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

However, for a given taxation year, BTB is not considered a SIFT entity and is therefore not subject to SIFT rules if, during that year, it constitutes a real estate investment trust (REIT).

Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions all year long: (i) the total fair market value of all the "non-portfolio properties" that are "qualified REIT properties" held by the trust is at least 90% of the total fair market value at that time of all the "non-portfolio assets" held by the trust (ii) not less than 90% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest, disposals of "real or immovable properties" that are capital properties, dividends, royalties and disposals of "eligible resale properties" (iii) not less than 75% of its "gross REIT revenue" for the taxation year comes from one or more of the following sources: rent from "real or immovable properties," interest from mortgages on "real or immovable properties," and disposals of "real or immovable properties" that are capital properties (iv) at each time in the taxation year, an amount that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust, each of which is "real or immovable property" which is a capital property, an "eligible resale property," an indebtedness of a Canadian corporation represented by a banker's acceptance, cash or, generally, an amount receivable from the Government of Canada or from certain other public agencies; and (v) the investments that are made therein are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

As at December 31, 2016, BTB met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to BTB. BTB's management intends to take the necessary steps to meet the conditions for the REIT Exception on an on-going basis in the future.

Nonetheless, there is no guarantee that BTB will continue to meet all the required conditions to be eligible for the REIT exception for 2016 or any other subsequent year.

TAXATION OF UNITHOLDERS

For Canadian unitholders, distributions are qualified as follows for taxation purposes:

Quarters ended December 31	2016	2015
	%	%
Taxable as other income	—	—
Tax deferred	100	100
Total	100	100

ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based on historical experience and other assumptions that are considered reasonable under given circumstances. The result of the continual review of these estimates is the basis for exercising judgment on the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from these estimates. Critical judgments made by BTB in applying significant accounting policies, the most significant of which is the fair value of investment properties, are described in Note 2 to the consolidated financial statements.

The Trust used the income approach to determine fair value. Fair value is estimated by capitalizing the cash flow that a property can reasonably be expected to produce over its remaining economic life. The income approach is based on two methods: the overall capitalization rate method, whereby net operating income is capitalized at the requisite overall capitalization rate, or the discounted cash flow method, whereby cash flows are projected over the expected term of the investment plus a terminal value discounted using an appropriate discount rate.

NEW ACCOUNTING POLICIES

a) Change in accounting policy

In 2016, the Trust adopted the amendments to IAS 1 “Financial Statement Presentation” and IFRS 11 “Joint Arrangements.” The application of these amendments has no impact on the Trust’s financial statements.

b) Pending standards

The following standards have been issued but were not in effect for the year ended December 31, 2016, and were therefore not applied to this MD&A. They are described in more detail in the consolidated financial statements for the year ended December 31, 2016.

- (i) IFRS 9, *Financial Instruments*
- (ii) IFRS 15, *Revenues from Contracts with Customers*
- (iii) IFRS 16, *Leases*
- (iv) Amendment to IAS 7, *Cash Flow Statements*
- (v) Amendment to IAS 40, *Investment Property*

RISKS AND UNCERTAINTIES

Numerous risks and uncertainties could cause BTB’s actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the “Risk Factors” section of BTB’s 2016 Annual Information Form for the year ended December 31, 2016, which is hereby incorporated by reference. Such risks and uncertainties include:

- Access to Capital and to Debt Financing
- Interest Rate Increases
- Ownership of Immovable Property
- Competition and Rising Property Prices
- Availability of Immovable Property for Acquisition
- Development Programs
- Recruitment and Retention of Employees and Executives
- Government Regulation
- Limit on Activities Under the Trust Agreement
- Tax Regulations
- Fluctuations in Cash Distributions
- Reliance on Single or Anchor Tenants
- Potential Unitholder Liability
- Conflicts of Interest
- Market Price of Units
- Legal Rights Relating to Units
- Dilution
- Environmental Matters
- Legal Risks
- General Uninsured Losses
- Retail Industry

BTB has not identified any significant changes to the risks and uncertainties to which it is exposed in its business.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of BTB are responsible for establishing and maintaining disclosure controls and procedures (“DC&P” and internal control over financial reporting (“ICFR”), as those terms are defined in Canadian Securities Administrators Multilateral Instrument 52-109.

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer concluded that the DC&P were effective as at December 31, 2016, and that the current controls and procedures provide reasonable assurance that material information about BTB is made known to them during the quarter in which these filings are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of BTB concluded that ICFR was effective as at December 31, 2016, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During fiscal 2016, management made no changes to internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.

APPENDIX 1 – PERFORMANCE INDICATORS

- **Net operating income of the same-property portfolio**, which provides an indication of the profitability of existing portfolio operations and BTB's ability to increase its revenues, reduce its operating costs and generate organic growth;
- **Distributable income per unit**, which enables investors to determine the stability of distributions;
- **Funds from operations (FFO) per unit**, which provide an indication of BTB's ability to generate cash flow;
- **Adjusted funds from operations (AFFO) per unit**, which takes into account other non-cash items as well as investments in rental fees and capital expenditures, and which may vary substantially from one year to the next;
- The **payout ratios**, which enable investors to assess the stability of distributions against distributable income, FFO and AFFO;
- The **debt-equity ratio**, which is used to assess BTB's financial integrity and its capacity for additional acquisitions;
- The **interest coverage ratio**, which is used to measure BTB's ability to use operating results to pay interest on its debt using its operating revenues;
- The **occupancy rate**, which provides an indication of the optimization of rental space and the potential revenue gain from the Trust's property portfolio;
- The **retention rate**, which is used to assess the Trust's ability to renew leases and retain tenants;
- The **increase in average rate of renewed leases**, which measures organic growth and the Trust's ability to increase its rental income.

APPENDIX 2 – DEFINITIONS

Rental income

Rental income includes all amounts earned from tenants related to lease agreements, including basic rent and additional rent from operating expense recoveries. It also includes other service charges for parking and storage, lease termination revenues and straight-line rent adjustments.

Some of the Trust's leases include clauses providing for the recovery of rental income based on amounts that increase every few years. These increases are negotiated when the leases are signed. Under IFRS, these increases must be recognized on a straight-line basis over the terms of the leases.

Operating expenses

Operating expenses are expenses directly related to real estate operations and are generally charged back to tenants as provided for in the contractual terms of the leases. Operating expenses include property taxes and public utilities, costs related to indoor and outdoor maintenance, heating, ventilation and air conditioning, elevators, insurance, janitorial services and management and operating fees. The amount of operating expenses that BTB can recover from its tenants depends on the occupancy rate of the properties and the nature of the existing leases containing clauses regarding the recovery of expenses. Most of BTB's leases are net rental leases under which tenants are required to pay their share of the properties' operating expenses. BTB pays particular attention to compliance with existing leases and the recovery of these operating expenses.

Net operating income

Net operating income is used in the real estate industry to measure operational performance. BTB defines it as rental income from properties, less the combined operating expenses of investment properties. This definition may differ from that of other issuers and accordingly, BTB's net operating income may not be comparable to the net operating income of other issuers.

Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans payable contracted or assumed totalling approximately \$386 million as at December 31, 2016, compared to \$368 million as at December 31, 2015. The increase resulted from the financing of acquisitions and refinancing of certain properties during the last 12 months.
- Series E and F convertible debentures for a total par value of \$49.7 million. Series D convertible debentures were redeemed on August 2, 2016.
- Operating and acquisition lines of credit used as needed, which allowed primarily for the acquisition of properties during fiscal 2015 and 2016.
- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Administration expenses

Trust administration expenses include administrative costs such as payroll expenses and professional fees associated with executive and administrative staff, the compensation plan for trustees, legal and auditing services, expenses related to listed fund status, insurance costs, office expenses and bad debts and related legal fees. Trust administration expenses include amortization of the head office building and property and equipment, as well as unit-based compensation, a non-monetary item that affects the volatility of administrative expenses from quarter to quarter.

Fair value adjustment on investment properties

Under IAS 40, the Trust accounts for its investment properties at fair value and recognizes the gain or loss arising from a change in the fair value in profit or loss for the quarters in which it arises.

The fair value of investment properties is determined using the discounted cash flow method, the capitalized net operating income method or the comparable method, which are generally accepted valuation methods.

Management receives quarterly capitalization rate and discount rate data from external chartered valuers and independent experts. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization and discount rates within ranges provided by external valuers. To the extent that the externally-provided capitalization rate ranges change from one reporting quarter to the next, or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2015, but does not include the financial impacts from disposals, acquisitions and developments completed in 2015 and 2016.

Net property income from the same-property portfolio

Net property income from the same-property portfolio provides an indication of the profitability of existing portfolio operations and BTB's ability to increase its revenues and reduce its costs. It is defined as rental income from properties from the same-property portfolio, less operating expenses and interest on mortgage financing of the same portfolio.

Distributable income

The notion of "distributable income" does not constitute financial information as defined by IFRS. It is, however, a measurement that is frequently used by investors in real estate trusts. In our opinion, distributable income is an effective tool for assessing the Trust's performance. We define distributable income as net income determined under IFRS, before fair value adjustments of investment properties and derivative financial instruments, accretion of the liability component of convertible debentures, rental income arising from the recognition of leases on a straight-line basis, the amortization of lease incentives, the accretion of effective interest and certain other non-cash items.

Funds from operations (FFO)

The notion of funds from operations ("FFO") does not constitute financial and accounting information as defined by IFRS. It is, however, a measurement that is frequently used by real estate companies and real estate investment trusts. The following is a list of some of the adjustments to net income, calculated according to IFRS, which are items that create volatility:

- Fair value adjustment on investment properties
- Amortization of properties that continue to be recognized at acquisition cost (Trust's head office)
- Amortization of lease incentives
- Fair value adjustment on derivative financial instruments
- Leasing payroll expenses (*starting in 2016*)

Our calculation method is consistent with the method recommended by REALpac, but may differ from measures used by other real estate investment trusts. Consequently, this method may not be comparable to methods used by other issuers.

Adjusted funds from operations (AFFO)

The notion of adjusted funds from operations ("AFFO") is widely used by real estate companies and real estate investment trusts. It is an additional measure to assess the Trust's performance and its ability to maintain and increase distributions in the long term. However, AFFO is not a financial or accounting measure prescribed by IFRS. The method of computing may differ from those used by other companies or real estate investment trusts and may not be used for comparison purposes.

BTB defines AFFO as its FFO, adjusted to take into account other non-cash items that impact comprehensive income and do not enter into the calculation of FFO, including:

- Straight-line rental income adjustment
- Accretion of effective interest following amortization of financing expenses
- Accretion of the liability component of convertible debentures
- Amortization of other property and equipment
- Unit-based compensation expenses
- Impact of early redemption of convertible debentures

Furthermore, the Trust deducts a provision for non-recoverable capital expenses in calculating AFFO. The Trust allocates significant amounts to the regular maintenance of its properties in an attempt to reduce capital expenses as much as possible. The allocation for non-recoverable capital expenses is calculated on the basis of 2% of rental revenues.

The Trust also deducts a provision for rental fees in the amount of approximately 25¢ (2015: 20¢) per square foot on an annualized basis. Even though quarterly rental fee disbursements vary significantly from one quarter to another, management considers that this provision fairly presents, in the long term, the average disbursements that the Trust will undertake. These disbursements consist of inducements paid or granted when leases are signed, and of brokerage commissions and leasing payroll expenses.



Complexe Lebourgneuf, 815-825 Lebourgneuf Blvd, Quebec

TABLE OF CONTENTS

61	Management's responsibility for Financial Reporting
62	Independent Auditor's Report
64	Consolidated Statements of Financial Position
65	Consolidated Statements of Comprehensive Income
66	Consolidated Statements of Changes in Unitholders' Equity
67	Consolidated Statements of Cash Flows
68	Notes to Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of BTB Real Estate Investment Trust ("BTB") were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

Financial information appearing throughout our MD&A is consistent with these consolidated financial statements. In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2016, the President and Chief Executive Officer and the Vice President and Chief Financial Officer of BTB had an evaluation carried out, under their direct supervision, of the effectiveness of the controls and procedures used for the preparation of filings, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based on that evaluation, they concluded that the disclosure controls and procedures were effective.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of Trustees who are not members of BTB's management or personnel. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the trustees on auditing matters and financial reporting issues.

KPMG s.r.l./S.E.N.C.R.L., independent auditors appointed by the unitholders of BTB upon the recommendation of the Board, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2016 and 2015 and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.



Michel Léonard
President and Chief Executive Officer



Benoit Cyr, CPA, CA, MBA
Vice President and Chief Financial Officer

Montreal, March 10th 2017



KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the unitholders of BTB Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of BTB Real Estate Investment Trust, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BTB Real Estate Investment Trust as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

*KPMG LLP**

March 10, 2017

Montréal, Canada

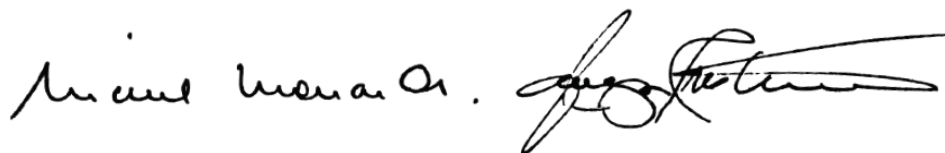
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2016 and 2015
(Audited - in thousands of CAD dollars)

	Notes	2016	2015
		\$	\$
ASSETS			
Investment properties	4, 5, 6	645,485	622,651
Property and equipment	7	2,178	2,292
Derivative financial instruments	14	242	—
Restricted cash	8	—	51
Other assets	9	1,401	1,969
Receivables	10	2,489	1,981
Cash and cash equivalents		6,667	4,138
Total assets		658,462	633,082
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	11	384,350	366,596
Convertible debentures	12	47,692	68,866
Bank loans	13	—	9,800
Derivative financial instruments	14	—	380
Unit-based compensation	15	284	173
Trade and other payables		11,691	11,693
Distributions payable to unitholders		1,482	1,215
Total liabilities		445,499	458,723
Unitholders' equity		212,963	174,359
		658,462	633,082

See accompanying notes to consolidated financial statements.

Approved by the Board on March 10, 2017.



Michel Léonard, Trustee

Jocelyn Proteau, Trustee

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars)

	Notes	2016	2015
		\$	\$
Operating revenues			
Rental revenues from properties	17	73,384	72,892
Operating expenses			
Property taxes and public utilities		20,487	19,850
Other operating costs		11,558	11,748
		32,045	31,598
Net operating income			
		41,339	41,294
Other revenue			
Dispute settlement		212	—
Expenses			
Finance costs		21,959	22,863
Net adjustment to fair value of derivative financial instruments		(623)	288
Net financing costs	18	21,336	23,151
Trust administration expenses		4,330	4,044
Expenses for abandoned transaction	19	—	207
		15,885	13,892
Net changes in fair value of investment properties and disposals transaction costs	20	6,200	(5,223)
Net income being total comprehensive income for the year			
		22,085	8,669

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distributions	Cumulative comprehensive income	Total
Balance at January 1, 2016		184,853	(52,726)	42,232	174,359
Issuance of units	16	32,963	—	—	32,963
Distributions to unitholders	16	—	(16,444)	—	(16,444)
		217,816	(69,170)	42,232	190,878
Comprehensive income		—	—	22,085	22,085
Balance as at December 31, 2016		217,816	(69,170)	64,317	212,963
Balance at January 1, 2015		182,284	(38,248)	33,563	177,599
Issuance of units	16	2,569	—	—	2,569
Distributions to unitholders	16	—	(14,478)	—	(14,478)
		184,853	(52,726)	33,563	165,690
Comprehensive income		—	—	8,669	8,669
Balance as at December 31, 2015		184,853	(52,726)	42,232	174,359

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars)

Notes	2016	2015
	\$	\$
Operating activities		
Net income for the year	22,085	8,669
Adjustment for:		
(Increase) decrease in fair value of investment properties and disposals transaction costs	(6,200)	5,223
Depreciation of property and equipment	7	170
Unit-based compensation	15	206
Straight-line lease adjustment	17	(246)
Lease incentive amortization	17	2,177
Net financing costs	18	21,336
	39,528	38,862
Net change in non-cash operating items	322	(624)
Net cash from operating activities	39,850	38,238
Investing activities		
Additions to investment properties	4, 5	(17,813)
Net proceeds from disposal of investment properties		—
Additions to property and equipment	7	(56)
Net cash used in investing activities	(17,869)	(56,802)
Financing activities		
Mortgage loans, net of financing costs	86,822	78,326
Repayment of mortgage loans	(69,587)	(42,708)
Bank loans, net of financing costs	11,770	18,959
Repayment of bank loans	(21,570)	(9,159)
Net proceeds from issue of convertible debentures	—	25,251
Repayment of convertible debentures	(23,000)	(22,854)
Net proceeds from issue of units	30,908	333
Net distributions to unitholders	(14,216)	(12,685)
Reduction to restricted cash	51	1,666
Interest paid	(20,630)	(20,855)
Net cash (used in) from financing activities	(19,452)	16,274
Net increase (decrease) in cash and cash equivalents	2,529	(2,290)
Cash and cash equivalents, beginning of year	4,138	6,428
Cash and cash equivalents, end of year	6,667	4,138

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

1. Reporting Entity

BTB Real Estate Investment Trust (“BTB”) is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Quebec pursuant to a trust agreement and is domiciled in Canada. The address of BTB’s registered office is 2155, Crescent street, Montreal, Quebec, Canada. The consolidated financial statements of BTB for the years ended December 31, 2016 and 2015 comprise BTB and its wholly-owned subsidiaries (together referred to as the “Trust”) and the Trust’s interest in joint operations.

2. Basis of Preparation

(a) Statement of compliance

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved by the Board of Trustees on March 10, 2017.

(b) Basis of presentation and measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Investment properties are measured at fair value;
- Derivative financial instruments are measured at fair value;
- Unit-based compensation is measured using a fair value-based method of accounting.

The Trust presents its consolidated statements of financial position based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is BTB's functional currency. All financial information has been rounded to the nearest thousand, except per unit amounts.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i) Critical judgements in applying accounting policies

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

Business combinations

The Trust acquires entities that own real estate. At the time of acquisition, the Trust considers whether the acquisition represents the acquisition of a business, i.e., where an integrated set of activities is acquired in addition to the investment property. More specifically, the following criteria are considered:

- The extent to which significant inputs and processes are acquired and in particular the extent of ancillary services provided by the acquiree.
- Whether the acquiree has allocated its own staff to manage the investment property and/or to deploy any processes.
- The number of investment properties owned by the acquiree.

An acquisition of a business is accounted for as a business combination under IFRS 3, *Business Combinations*.

When the acquisition does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values.

Operating lease contracts – Trust as lessor

The Trust enters into commercial property leases on its investment properties. The Trust has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the leases as operating leases.

(ii) Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Valuation of investment properties

Investment properties are stated at fair value at each reporting date. Gains or losses arising from changes in the fair values are included in profit or loss in the period in which they arise. Fair value is determined by management using internally generated valuation models and by independent real estate valuation experts using recognized valuation techniques. These models and techniques comprise both the Discounted Cash Flow Method and the Direct Capitalization method. In some cases, the fair values are determined using the Comparable method which is based on recent real estate transactions with similar characteristics and location to those of the Trust's investment properties.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (including lease income and costs, future revenue streams, capital expenditures of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those cash flows. These estimates are based on local market conditions existing at the reporting date.

The significant methods and assumptions used by management and the valuers in estimating the fair value of investment properties are set out below:

Techniques used for valuing investment properties

The Direct Capitalization method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires estimation of future cash inflows and application of investor yield or return requirements.

The Discounted Cash Flow method involves the projection of a series of periodic cash flows either to an operating investment property or a development investment property. To this projected cash flow series, an

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the investment property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value estimated of the investment property.

The Comparable method involves the comparison of the Trust's investment properties to similar investment properties that have transacted within a recent time frame from which a fair value is estimated based on the price per square foot of these comparable sales.

Derivative financial instruments

Derivative financial instruments, including embedded derivatives, are recognized on the consolidated statement of financial position at fair value. Subsequent to initial recognition, these derivatives are measured at fair value. The fair value of derivative instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument. Changes in estimated fair value at each reporting date are included in profit and loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

Unit options

The Trust has a unit option plan for the benefit of management. The plan does not provide for cash settlement. The Trust recognizes compensation expense on unit options granted, based on their fair value, which is calculated using the Black-Scholes model. The compensation expense is amortized using the graded vesting method. The valuation model requires management to make estimates for the expected life, volatility, the average dividend yield of distributions and the average risk-free interest rate.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and trust units issued by the Trust on the date control of the acquired entity is obtained. Acquisition-related costs, other than those associated with the issue of debt or trust units, are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Trust measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Trust elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Trust incurs in connection with a business combination are expensed as incurred.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Trust. Control exists when the Trust has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. The consolidated financial statements include the Trust's proportionate share of the joint operations' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

(b) Financial instruments

Financial assets and liabilities are recognized when the Trust becomes party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Trust's designation of such instruments.

(i) Non-derivative financial assets

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise restricted cash, receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits with original maturities of three months or less.

Restricted cash

Restricted cash mainly includes amounts which are held in interest-bearing reserve accounts and are expected to be utilized over the coming years to fund certain expenses related to investments, as well as amounts provided in guarantee of mortgage loans.

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(ii) Non-derivative financial liabilities

The Trust classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Non-derivative financial liabilities comprise mortgage loans payable, convertible debentures, bank loans, trade and other payables and distributions payable to unitholders.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iii) Trust units

Trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32 *Financial Instruments: Presentation* ("IAS 32"), in which case, the puttable instruments may be presented as equity.

BTB's trust units meet the conditions of IAS 32 and are therefore presented as equity.

(iv) Convertible debentures

The convertible debentures, which are considered financial liabilities, are convertible into trust units of the Trust. Since BTB's trust units meet the definition of a financial liability, the conversion and redemption options are considered embedded derivatives.

(v) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

(c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. The Trust capitalizes into investment property the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. The Trust also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. Investment property includes income properties, properties under development and land held for future development if necessary.

Cost includes expenditures that are directly attributable to the acquisition of the investment property.

The Trust makes payments to agents for services in connection with negotiating lease contracts with the Trust's lessees. These leasing fees are capitalized within the carrying amount of the related investment property and then considered in the fair value adjustment of the investment property at the next reporting period.

Should the use of a property change and be reclassified as property and equipment, its fair value at the date of reclassification would become its cost for subsequent accounting.

(d) Property and equipment

(i) Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses in accordance with the cost model.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within profit or loss on a net basis.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Owner-occupied building	40 years
Equipment, furniture and fixtures	2 - 12 years
Rolling stock	2 - 7 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted when appropriate.

(iii) Impairment

The carrying amount of the Trust's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

(e) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

(i) Trust as lessor

All existing rental leases related to the Trust's investment properties have been assessed as operating leases.

(ii) Trust as lessee

Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

(f) Provisions

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Trust expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(g) Revenue recognition

Rental revenue from property includes rents from tenants under leases, property taxes and operating cost recoveries, lease cancellation fees and incidental income. Rental revenue is recognized when service has been rendered and the amount of expected consideration can be reliably estimated.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

The Trust commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date, or when the Trust is required to make additions to the leased property in the form of tenant improvements, upon substantial completion of the additions. Certain leases provide for tenant occupancy during periods for which no rent is due ("free rent period") or where minimum rent payments change during the term of the lease. Accordingly, rental revenue is recognized in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which user's benefit derived from the leased asset is diminished. Any deferred amounts related to the straight-line lease adjustments are recognized within investment properties. Leases generally provide for the tenants' payment of maintenance expenses of common elements, property taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests.

Lease incentives which are mostly leasehold improvements and payments of monetary allowances to tenants, are amortized over the lease term as a reduction of rental revenue. The lease term is the non-cancellable period of the lease together with any further extension for which the tenant has the option to continue the lease, where, at the inception of the lease, the Trust is reasonably certain that the tenant will exercise that option. Lease incentives and amortization of lease incentives are recognized as adjustments to the carrying amount of investment properties.

Cancellation fees or premiums received to terminate leases are recognized in profit and loss when they arise.

(h) Government grants

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Trust will comply with the conditions associated with the grant. Grants that compensate the Trust for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Trust for the cost of an asset are deducted from the carrying amount of the asset.

(i) Earnings per unit

The Trust presents basic earnings per unit data for its Trust units. Basic earnings per unit are calculated by dividing the profit or loss attributable to unit holders of the Trust by the weighted average number of units outstanding during the period, adjusted for own units held.

(j) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest on mortgage loans payable, convertible debentures, bank loans and other payables, as well as accretion of the non-derivative liability component of convertible debentures, and accretion of effective interest on mortgage loans payable, convertible debentures and bank loans, and finance income.

Net financing costs comprise finance costs and changes in the fair value of derivative financial instruments.

(k) Operating segment

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Trust's other components. All operating segments' operating results are reviewed regularly by the Trust's Chief Executive officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

(l) Unit-based compensation

(i) Unit option plan

The Trust uses the fair value-based method of accounting for its unit-based awards, under which compensation expense is measured at grant date and recognized over the vesting period. The units are considered financial liabilities and the awards are also considered financial liabilities and measured at fair-value at each reporting period and the change in the fair value is recognized as compensation expense in profit and loss.

(ii) Deferred unit compensation plan for trustees and certain executive officers

Compensation costs related to the deferred unit compensation plan for trustees and certain executive officers are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss.

(iii) Employee unit purchase plan

Compensation costs related to the employee unit purchase plan are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at settlement date. Any changes in fair value are recognized as compensation expense in profit or loss.

(iv) Restricted unit compensation plan

Compensation costs related to the restricted unit compensation plan are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss. The compensation expense is amortized using the graded vesting method.

(m) Income taxes

BTB is a mutual fund trust and a Real Estate Investment Trust ("REIT") pursuant to the Income Tax Act (Canada). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that, it is not liable to pay income tax provided that its taxable income is fully distributed to unitholders. BTB has reviewed the proscribed conditions under the Income Tax Act (Canada) and has determined that it qualifies as a REIT for the year. BTB intends to continue to qualify as a REIT and to make distributions not less than the amount necessary to ensure that BTB will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

(n) Fair value measurement

The Trust measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Trust. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(o) Change in accounting policy

In 2016, the Trust adopted the amendments to IAS 1, *Presentation of Financial Statements* and to IFRS 11, *Joint Arrangements*. The application of the amendments had no impact on the Trust's consolidated financial statements.

(p) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

(i) IFRS 9, Financial Instruments ("IFRS 9")

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The new standard is effective for the Trust's annual period beginning on January 1, 2018. The Trust is currently assessing the impact of IFRS 9 and intends to adopt the new standard on the required effective date.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014 the IASB issued IFRS 15 in replacement of IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard is effective for the Trust's annual period

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

beginning on January 1, 2018. The Trust is currently assessing the impact of IFRS 15 and intends to adopt the new standard on the required effective date.

(iii) IFRS 16, Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. This standard would be effective for the Trust's annual periods beginning after January 1, 2019 with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

(iv) Disclosure initiative (Amendments to IAS 7)

In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 also as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments are effective for annual periods beginning on or after January 1, 2017. The Trust intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Trust does not expect the amendments to have a material impact on the financial statements.

(v) IAS 40, Investment Property (“IAS 40”)

In December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires that an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Trust intends to adopt the amendments to IAS 40 in its financial statements for the annual period beginning on January 1, 2018. The Trust does not expect the amendments to have a material impact on the financial statements.

4. Investment Properties

For the years ended December 31,	2016	2015
	\$	\$
Balance beginning of year	622,651	571,462
Acquisitions of investment properties (note 5)	11,795	63,383
Disposals of investment properties (note 6)	—	(13,053)
Capital expenditures	2,682	4,332
Government grants	—	(286)
Capitalized leasing fees	875	778
Capitalized lease incentives	3,213	2,364
Lease incentives amortization	(2,177)	(2,084)
Straight-line lease adjustment	246	702
Net changes in fair value of investment properties	6,200	(4,947)
Balance end of year	645,485	622,651

The fair value of a subset of the Trust's investment properties comprised of a selection of the most significant investment properties and approximately 1/3 of the remaining investment properties is determined annually on the basis of valuations made by independent external appraisers having appropriate professional qualifications, using

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

recognized valuation techniques, comprising the Discounted Cash Flow, the Direct Capitalization and Comparable methods. The selection of investment properties subject to external valuation is determined by management based on its assessment of circumstances that in its view, may impact the value of a particular individual investment property. The fair value of the remaining investment properties is determined by management using internally generated valuations based on the Direct Capitalization method.

At December 31, 2016 external appraisals were obtained for investment properties with an aggregate fair value of \$409,135 (December 31, 2015 - \$394,213) and management's internal valuations were used for investment properties with an aggregate fair value of \$236,350 (December 31, 2015 - \$228,438).

The fair value of investment properties is based on Level 3 inputs. There have been no transfers during the period between levels. The significant inputs used to determine the fair value of the Trust's investment properties are as follows:

	Commercial	Office	Industrial	General purpose
As at December 31, 2016				
Capitalization rate	6.25% - 10.00%	6.50% - 8.50%	6.50% - 9.75%	6.75% - 7.75%
Terminal capitalization rate	6.75% - 8.00%	6.75% - 8.75%	7.00% - 7.75%	7.00% - 7.75%
Discount rate	7.25% - 8.75%	7.50% - 9.25%	7.50% - 8.50%	7.50% - 8.25%
As at December 31, 2015				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	6.50% - 9.75%	7.25% - 8.25%
Terminal capitalization rate	7.00% - 8.50%	6.75% - 7.75%	7.75% - 9.75%	7.50% - 8.00%
Discount rate	7.75% - 9.00%	7.50% - 8.50%	8.25% - 10.50%	8.00% - 8.50%

During the first quarter of 2016, the classification of six investment properties was updated. The comparative figures have been reclassified to conform to the current year's presentation.

Valuations determined by the Direct Capitalization method are most sensitive to a change in the capitalization rate. The following table summarizes the sensitivity of the fair value of investment properties to changes in capitalization rate:

Capitalization rate sensitivity	Fair Value	Change in fair value
Increase (decrease)	\$	\$
(0.50%)	695,338	49,853
(0.25%)	669,493	24,008
Base rate	645,485	—
0.25%	623,062	(22,423)
0.50%	602,122	(43,363)

As shown in the sensitivity analysis above, an increase in the capitalization rate, other things being equal, will result in a decrease in fair value of the investment properties and vice-versa.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

5. Acquisitions

(a) 2016 Asset acquisition

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2016 were as follows:

Acquisition date	Property type	Location	Interest acquired	Fair value recognized on acquisition			
				Investment properties, including transaction costs	Mortgage loans payable	Trade and other payables, including transaction costs	Total cash consideration paid
			%	\$	\$	\$	\$
February 2016	Office	Montreal, QC	100	11,000	—	41	10,959
November 2016*	Retail	Quebec city, QC	100	450	—	21	429
Transaction costs				345	—	345	—
Total				11,795	—	407	11,388

*Acquisition of a condominium that is part of an investment property the Trust already owned.

(b) 2015 Asset acquisitions

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2015 were as follows:

Acquisition date	Property type	Location	Interest acquired	Fair value recognized on acquisition			
				Investment properties, including transaction costs	Mortgage loans payable	Trade and other payables, including transaction costs	Total cash consideration paid
			%	\$	\$	\$	\$
January 2015	Industrial	Ottawa, ON	100	12,525	—	—	12,525
January 2015	Commercial	Delson, QC	100	21,500	—	123	21,377
August 2015	Office	Ottawa, ON	100	8,560	—	(59)	8,619
August 2015	Office	Ottawa, ON	100	19,350	—	324	19,026
Transaction costs				1,448	—	1,448	—
Total				63,383	—	1,836	61,547

6. Disposals

(a) 2016 Asset Disposals

There were no disposals during the year ended December 31, 2016.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

(b) 2015 Asset Disposals

The following table presents relevant information on disposals recognized in the consolidated financial statements during 2015:

Disposal date	Property type	Location	Gross proceeds	Trade and other payables, including transaction costs	Balance of sale	Net proceeds
			\$	\$		\$
November 2015	Office	Boucherville, QC	2,945	(13)	—	2,932
November 2015	Office	St-Bruno-de-Montarville, QC	3,983	(4)	(600)	3,379
December 2015	General purpose	Laval, QC	3,125	(40)	—	3,085
December 2015	General purpose	Montreal, QC	3,000	(33)	—	2,967
Transaction costs*			—	(276)	—	(276)
Total			13,053	(366)	(600)	12,087

*Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs.

7. Property and Equipment

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
	\$	\$	\$	\$	\$
Cost					
Balance at December 31, 2014	494	1,934	539	82	3,049
Additions	—	11	55	88	154
Balance at December 31, 2015	494	1,945	594	170	3,203
Additions	—	10	46	—	56
Balance at December 31, 2016	494	1,955	640	170	3,259
Accumulated Depreciation					
Balance at December 31, 2014		379	340	34	753
Depreciation for the year		69	72	17	158
Balance at December 31, 2015		448	412	51	911
Depreciation for the year		61	80	29	170
Balance at December 31, 2016		509	492	80	1,081
Net carrying amount					
Balance at December 31, 2015	494	1,497	182	119	2,292
Balance at December 31, 2016	494	1,446	148	90	2,178

8. Restricted Cash

As at December 31, 2015, restricted cash consisted of an amount of \$51 provided in guarantee of mortgage loans.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

9. Other Assets

As at December 31,	2016	2015
	\$	\$
Prepaid expenses	983	1,285
Deposits	418	684
Total	1,401	1,969

10. Receivables

As at December 31,	2016	2015
	\$	\$
Rents receivable	1,619	1,125
Provision for doubtful accounts	(432)	(329)
Net rents receivable	1,187	796
Unbilled recoveries*	—	105
Other receivables	702	480
Balance of sale (note 6)	600	600
Total	2,489	1,981

* At December 31, 2016 the excess of billing for cost recoveries amounts to \$306 and is included in Trade and other payables.

Balance of sale is comprised of one mortgage loan receivable bearing interest at an interest rate of 2.75%, payable semi-annually, maturing in November 2020.

11. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately \$638,635 as at December 31, 2016 (December 31, 2015– \$616,301).

As at December 31,	2016	2015
	\$	\$
Fixed rate mortgage loans payable	364,669	361,450
Floating rate mortgage loans payable	21,412	6,503
Unamortized fair value assumption adjustments	845	1,026
Unamortized financing costs	(2,576)	(2,383)
Mortgage loans payable	384,350	366,596
Weighted average interest rate	3.79%	3.95%
Weighted average term to maturity (years)	5.90	5.48
Range of annual rates	2.77% - 6.80%	2.83% - 6.80%

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

As at December 31, 2016, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	\$	\$	\$
2017	10,868	64,670	75,538
2018	9,080	38,091	47,171
2019	7,729	37,873	45,602
2020	7,278	21,849	29,127
2021	6,480	33,341	39,821
Thereafter	37,820	111,002	148,822
	79,255	306,826	386,081
Unamortized fair value assumption adjustments			845
Unamortized financing costs			(2,576)
			384,350

The Trust may enter into floating-for-fixed interest rate swap agreements on floating interest rate mortgages to hedge the variability in cash flows attributed to fluctuating interest rates. The Trust does not apply hedge accounting to such cash flow hedging relationships (see note 14). The following table presents relevant information on interest rate swap agreements:

Transaction date	Original principal amount	Effective fixed interest rate	Settlement basis	Maturity date	Outstanding amount	
					As at December 31, 2016	As at December 31, 2015
	\$	%			\$	\$
March 2013	7,150	4.02	Monthly	April 2023	6,238	6,503
June 2016	13,000	3.45	Quarterly	June 2026	12,804	—
Total	20,150				19,042	6,503

12. Convertible Debentures

As at December 31, 2016, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	\$		
Series E	23,000	6.90	7.90	6.15	Semi-annual	March 2020
Series F	26,700	7.15	8.47	5.65	Semi-annual	December 2020

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

The components of the subordinated convertible debentures on the issue date were allocated as follows:

	Series E	Series F
	\$	\$
Non-derivative liability component	22,690	26,700
Conversion and redemption options liability component	310	—
	23,000	26,700

The accretion of the non-derivative liability component of the subordinated convertible debentures, which increases as of the initial allocation on the issuance date to the final amount repayable, is recorded under finance costs. The conversion and redemption options liability component is measured at fair value.

	Series E	Series F	Total
	\$	\$	\$
As at December 31, 2016			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component	149	—	149
	22,839	26,700	49,539
Unamortized financing costs	(657)	(1,190)	(1,847)
Non-derivative liability component	22,182	25,510	47,692
Conversion and redemption options liability component at fair value	4	3	7

	Series D	Series E	Series F	Total
	\$	\$	\$	\$
As at December 31, 2015				
Non-derivative liability component upon issuance	21,346	22,690	26,700	70,736
Accretion of non-derivative liability component	932	106	—	1,038
	22,278	22,796	26,700	71,774
Unamortized financing costs	(651)	(828)	(1,429)	(2,908)
Non-derivative liability component	21,627	21,968	25,271	68,866
Conversion and redemption options (asset) liability component at fair value	(5)	2	11	8

Series D

In July 2011, the Trust issued Series D subordinated convertible, redeemable, unsecured debentures bearing 7.25% interest payable semi-annually and maturing in July 2018, in the amount of \$23,000. The debentures were redeemed for their nominal value on August 2, 2016. The excess of the redemption cost over the carrying amount of the debentures amounting to \$1,088, that would have been otherwise amortized over time, was charged to net financing costs during the third quarter (see note 18).

Series E

In February 2013, the Trust issued Series E subordinated convertible, redeemable, unsecured debentures bearing 6.90% interest payable semi-annually and maturing in March 2020, in the amount of \$23,000. The debentures are convertible at the holder's option at any time before March 2020, at a conversion price of \$6.15 per unit ("Series E Conversion Price").

Until March 31, 2018, under certain conditions, the debentures are redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the “current market price”) is at least 125% of the conversion price. As of March 31, 2018, but before March 31, 2020, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

Series F

In December 2015, the Trust issued Series F subordinated convertible, redeemable, unsecured debentures bearing 7.15% interest payable semi-annually and maturing in December 2020, in the amount of \$26,700. The debentures are convertible at the holder’s option at any time before December 2020, at a conversion price of \$5.65 per unit (“Series F Conversion Price”).

These debentures are not redeemable before December 31, 2018, except in the case of a change in control. As of December 31, 2018, but before December 31, 2019, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the “current market price”) is at least 125% of the conversion price.

As of December 31, 2019, but before December 31, 2020, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

13. Bank Loans

The Trust has access to an acquisition line of credit in the amount of \$19,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at December 31, 2016, no amount was due under the acquisition line of credit (December 31, 2015 - \$9,800).

The Trust also has access to an operating credit facility for a maximum amount of \$3,000. This facility bears interest at a rate of 0.75% above the prime rate. As at December 31, 2016 and 2015, no amount was due under the operating credit facility.

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on three properties having a value of \$8,115 and by an immoveable second rank hypothec on four properties having a value of \$86,325.

14. Fair Value Measurement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include the fair value of cash and cash equivalents, restricted cash, receivables, deposits, trade and other payables and distributions payable to unitholders, which approximated their carrying amount as at December 31, 2016 and December 31, 2015 because of their short-term maturity.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

As at December 31, 2016	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 12)	7	—	—	7
Interest rate swap	(249)	—	(249)	—
For which fair values are disclosed				
Mortgage loans payable (note 11)	384,350	—	395,410	—
Convertible debentures, including their conversion and redemption features	47,699	50,980	—	—
As at December 31, 2015				
	Carrying amount	Fair value		
	\$	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 12)	8	—	—	8
Interest rate swap	372	—	372	—
For which fair values are disclosed				
Mortgage loans payable (note 11)	366,596	—	377,459	—
Convertible debentures, including their conversion and redemption features	68,874	72,012	—	—
Bank loans (note 13)	9,800	—	9,800	—

The fair value of mortgage loans payable was calculated by discounting cash flows from future payments of principal and interest using the period end market rate for various loans with similar risk and credit profiles. The period end market rates have been estimated by reference to published mortgage rates by major financial institutions for similar maturities.

The fair value of convertible debentures, including their conversion and redemption features, was determined with reference to the last quoted trading price preceding the period end.

The fair value of bank loans was calculated by discounting cash flows from financial obligations using the period end market rate for similar instruments.

The fair values of derivative financial instruments, which comprise the conversion and redemption options of convertible debentures and an interest rate swap, are based respectively on the partial differential equation method and the discounted future cash flows method. The assumptions used in the partial differential equation method are estimated by reference to the Trust's unit price and its volatility, and take into account the credit risk of the financial instrument. The assumptions used in the discounted future cash flows method are estimated by reference to the Canadian Dollar Offered Rate ("CDOR") forward rates.

Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

The following tables provide a reconciliation of Level 3 fair value measurements on the consolidated statements of financial position:

	Conversion and redemption options of convertible debentures
	\$
Year ended December 31, 2016	
Balance beginning of year	8
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	(1)
Balance end of year	7
Year ended December 31, 2015	
Balance beginning of year	(53)
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	61
Balance end of year	8

The following table provides a sensitivity analysis for the volatility applied in fair value measurement of the conversion and redemption options of convertible debentures at December 31, 2016:

	Conversion and redemption options of convertible debentures	Volatility
	\$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	(14)	11.42
December 31, 2016	7	11.92
0.50%	36	12.42

As shown in the sensitivity analysis above, the fair value of the conversion and redemption options of convertible debentures is impacted by a change in the volatility used in the valuation model. Generally, an increase in the volatility, other things being equal, will result in an increase in fair value of the conversion and redemption options of convertible debentures and vice-versa. In some cases, when the fair value of the redemption option component is increasing more than the fair value of the conversion option component, an increase in volatility will result in a decrease in fair value of the conversion and redemption options.

15. Unit-based Compensation

(a) Unit option plan

The Trust may grant options to its trustees, senior officers, investor relations consultants, and technical consultants. The maximum number of units reserved for issuance under the unit option plan is limited to 10% of the total number of issued and outstanding units. The trustees set the exercise price at the time that the units are granted under the plan; the exercise price may not be less than the discounted market price of the units as determined under the policies

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

of the Toronto Stock Exchange on the date of grant. The options have a minimum term of five years as of the grant date and vest over a period of up to 18 months.

All of the outstanding options have been exercised during the year ended December 31, 2015. As a result, there are no options outstanding as at December 31, 2016 and December 31, 2015.

Unit-based compensation expense was \$21 for the year ended December 31, 2015 (December 31, 2016 - \$nil).

The following table presents relevant information on changes in the number of unit options during the year:

For the years ended December 31,	2016		2015	
	Units options	Weighted average exercise price	Units options	Weighted average exercise price
Outstanding, beginning of year	—	—	74,000	4.50
Forfeited / Cancelled	—	—	—	—
Exercised	—	—	(74,000)	4.50
Outstanding, end of year	—	—	—	—

(b) Deferred unit compensation plan for trustees and certain executive officers

The Trust offers a deferred unit compensation plan for its trustees and certain executive officers. Under this plan, the trustees and certain executive officers may elect to receive as compensation either cash, deferred units, or a combination of both.

The following table presents relevant information on changes in the number of deferred units during the year:

For the years ended December 31,	2016	2015
	Deferred units	Deferred units
Outstanding, beginning of year	—	—
Trustees' compensation	4,172	—
Distributions paid in units	61	—
Outstanding, end of year	4,233	—

As at December 31, 2016, the liability related to the plan was \$19 (December 31, 2015 - \$nil). The related expense recorded in profit and loss amounted to \$19 for the year ended December 31, 2016 (no expense for the year ended December 31, 2015).

(c) Employee unit purchase plan

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, pursuant to a maximum of 3% to 7% of their base salary depending of their years of service with the Trust. For each two units purchased by an employee, the Trust issues one unit from treasury.

As at December 31, 2016, the liability related to the plan was \$40 representing a total of 9,062 units to issue (December 31, 2015 - \$37, representing a total of 8,340 units to issue). The related expense recorded in profit and loss amounted to \$39 for year ended December 31, 2016 (for year ended December 31, 2015 - \$37). The 9,062 units related to 2016 purchases were issued in February 2017 (8,340 units related to 2015 purchases - February 2016).

(d) Restricted unit compensation plan

The Trust offers a restricted unit compensation plan for all executive officers and key employees. Under this plan, the executive officers and key employees are eligible to receive restricted units.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

The following table presents relevant information on changes in the restricted units:

For the years ended December 31,	2016		2015	
	Restricted units		Restricted units	
Outstanding, beginning of year	51,083		39,816	
Granted	42,919		62,868	
Cancelled	(2,131)		—	
Settled	(14,198)		(51,601)	
Outstanding, end of year	77,673		51,083	

As at December 31, 2016, the liability related to the plan was \$225 (December 31, 2015 - \$136). The related expense recorded in profit and loss amounted to \$148 for the year ended December 31, 2016 (for the year ended December 31, 2015 - \$221). As part of settlement, the Trust issued 14,198 units under this plan for the year ended December 31, 2016 (51,601 units for the year ended December 31, 2015).

16. Trust Units Issued and Outstanding

BTB is authorized to issue an unlimited number of trust units. Each trust unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require BTB to redeem their trust units on demand. Upon receipt of the redemption notice, all rights to and under the trust units tendered for redemption are surrendered and the holder thereof is entitled to receive a price per trust unit ("Redemption Price"), as determined by a market formula. The Redemption Price is to be paid in accordance with the conditions provided for in the Declaration of Trust. BTB trust units are considered liability instruments under IFRS because the units are redeemable at the option of the holder, however they are presented as equity in accordance with IAS 32.

In June 2016, the Trust completed a public issue of 7,159,342 units, including the over-allotment option exercised in July, for total net proceeds of \$30,908.

Trust units issued and outstanding are as follows:

For the years ended December 31,	2016		2015	
	Units	\$	Units	\$
Units outstanding, beginning of year	34,705,151	184,853	34,133,967	182,284
Issue pursuant to a public issue	7,159,342	32,575	—	—
Unit issue costs	—	(1,667)	—	—
	41,864,493	215,761	34,133,967	182,284
Issue pursuant to the distribution reinvestment plan (a)	455,342	1,961	408,625	1,772
Issue pursuant to conversion of convertible debentures	—	—	29,200	144
Issue pursuant to the unit option plan (note 15 (a))	—	—	74,000	371
Issue pursuant to the employee unit purchase plan (note 15 (c))	8,340	35	7,758	37
Issue pursuant to the restricted unit compensation plan (note 15 (d))	14,198	59	51,601	245
Units outstanding, end of year	42,342,373	217,816	34,705,151	184,853

(a) Distribution reinvestment plan

BTB offers a distribution reinvestment plan for its trust unitholders. Participation in the plan is optional and under the terms of the plan, cash distributions on trust units are used to purchase additional trust units. The trust units are issued from BTB's treasury at a price based on the volume-weighted average of the trading prices on the Toronto Stock Exchange for the last five trading days before the distribution date, less a 3% discount.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

(b) Distributions

For the years ended December 31,	2016	2015
	\$	\$
Distributions to unitholders	16,444	14,478
Distributions per unit	0.42	0.42

17. Rental Revenues from Properties

For the years ended December 31,	2016	2015
	\$	\$
Rental income contractually due from tenants	75,315	74,274
Lease incentive amortization	(2,177)	(2,084)
Straight-line lease adjustment	246	702
	73,384	72,892

18. Net Financing Costs

For the years ended December 31,	2016	2015
	\$	\$
Financial income	(95)	(52)
Interest on mortgage loans payable	14,582	14,360
Interest on convertible debentures	4,471	5,228
Interest on bank loans	533	690
Other interest expense	114	110
Accretion of non-derivative liability component of convertible debentures	192	629
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	1,074	1,273
Impact of early redemption of convertible debenture series D	1,088	—
Early repayment fees of a mortgage loan	—	625
Net adjustment to fair value of derivative financial instruments	(623)	288
	21,336	23,151

19. Expenses for abandoned transaction

For the year ended December 31, 2015, due diligence expenses of \$207 were incurred for the proposed acquisition of a major property portfolio. As certain preliminary conditions were not met, management decided to terminate the acquisition project and write off any expenses incurred to date.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

20. Net changes in fair value of investment properties and disposals transaction costs

For the years ended December 31,	2016	2015
	\$	\$
Net changes in fair value of investment properties	6,200	(4,947)
Disposals transaction costs	—	(276)
	6,200	(5,223)

21. Expenses by Nature

For the years ended December 31,	2016	2015
	\$	\$
Depreciation	170	158
Employee benefits expense	5,726	4,128

22. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32 (see note 16), the Trust is not required to report a profit or loss per unit figure on its consolidated statements of comprehensive income. However, for disclosure purposes only, the Trust has determined basic earnings per unit using the same basis that would apply in accordance with IAS 33, *Earnings per Share*.

Net earnings per unit are calculated based on the weighted average number of units outstanding as follows:

For the years ended December 31,	2016	2015
	\$	\$
Net income	22,085	8,669
Weighted average number of units outstanding – basic	38,546,160	34,449,596
Earnings per unit – basic	0.57	0.25

23. Operating Lease Income

The Trust as lessor enters into leases on its investment properties. Initial lease terms are generally between three and ten years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to terminate before the end of the lease term.

Future minimum base rentals receivable under non-cancellable operating leases as at December 31, 2016 are as follows:

	2016
	\$
Within one year	46,146
Beyond one year but within five years	144,140
Beyond five years	120,022
	310,308

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

24. Capital and Financial Risk Management

This note presents information about the Trust's management of capital and the Trust's exposure to financial risk and its objectives, policies and processes for measuring and managing risk.

(a) Capital Management

The Trust's capital consists of contributions by unitholders, convertible debentures, mortgage loans and bank loans, excluding issuance costs. In managing its capital, the Trust's objectives are to ensure that it has adequate resources for its operations and development, while maximizing returns for unitholders and maintaining a balance between debt and equity.

The Trust manages its capital structure based on changes in its operations, the economic climate and the availability of capital.

The Trust's capital is as follows:

As at December 31,	2016	2015
	\$	\$
Mortgage loans payable ⁽¹⁾	386,081	367,953
Convertible debentures ⁽¹⁾	49,700	72,700
Bank loans ⁽¹⁾	—	9,800
	435,781	450,453
Unitholders' equity	212,963	174,359
	648,744	624,812

(1) Excluding issue costs

As at December 31,	2016	2015
	%	%
Mortgage loans payable, Convertible debentures and Bank loans / total asset value ratio	66.2	71.2
Mortgage loans payable and Bank loans/ total asset value ratio	58.6	59.7

(b) Financial Risk Management

The Trust has exposure to the following risks from its use of financial instruments:

- credit risk
- interest rate risk
- liquidity risk
- fair value risk (see note 14)

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk, and the Trust's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(i) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates this risk by varying its tenant mix and staggering lease terms; avoiding dependence on a single tenant for a significant portion of the Trust's operating revenues and conducting credit

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

assessments for all major new tenants. The Trust analyzes its trade receivable on a regular basis and records a provision for doubtful accounts when there is a significant risk of non-recovery. As at December 31, 2016, overdue rent receivable amounted to \$1,166 (December 31, 2015 - \$638), of which a provision for doubtful account of \$432 (December 31, 2015 - \$329) has been recorded. Management expects to recover the amounts not provisioned as all lease agreements are signed, and they are in continuous discussions for collections with the tenants.

The Trust places its cash and cash equivalent investments with Canadian financial institutions with high credit ratings. Credit ratings are actively monitored and these financial institutions are expected to meet their obligation.

(ii) Interest rate risk

Interest rate risk reflects the risk of changes in the fair value or future cash flows of a financial instrument because of fluctuations in market interest rates.

Except for one mortgage loan outstanding of \$2,370 as at December 31, 2016, all other mortgage loans payable and convertible debentures bear interest at fixed rates or are covered by an interest rate swap agreement. Accordingly a 100-basis point increase or decrease in the average interest rates for the fiscal year, assuming that all other variables remain constant, would have an impact of approximately \$24 on the Trust's comprehensive income for the year ended December 31, 2016.

(iii) Liquidity risk

Liquidity risk is managed by:

- maximizing cash flows from operations;
- adopting an investment property acquisition and improvement program that takes into account available liquidity;
- using credit facilities on the market;
- staggering mortgage loan maturities;
- maximizing the value of investment properties, thus increasing mortgage financing on renewal of loans; and
- issuing debt securities or BTB's units on the financial markets.

Management believes that the Trust will be able to obtain the financing required to make the payments coming due in the next year. However, there is a risk that changes affecting market conditions and access to financing may invalidate this assumption.

Some mortgage loans include subjective and restrictive covenant clauses under which the Trust must comply with financial conditions and ratios.

As at December 31, 2016, the Trust was in compliance with all the covenants to which it was subject except for the following: due to the low occupancy rate of one of its properties, the Trust does not meet the debt service coverage ratio for this loan, which must be at least 1.25. As at December 31, 2016, this ratio was 1.01. The balance of the loan as at December 31, 2016 was \$5,302. The fair value of the mortgaged properties at the same date was \$9,100. The Trust has always met the other loan provisions and has never been late on a monthly payment. The Trust believes that this default will be corrected in the normal course of business.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

The Trust's cash position is regularly monitored by management. The following are contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2016			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2017	2018	2019	2020	2021	2022 and thereafter
	\$	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	11,691	11,691	10,327	383	307	246	123	305
Distributions payable to unitholders	1,482	1,482	1,482	—	—	—	—	—
Mortgage loans payable and convertible debentures	432,042	522,578	92,795	61,672	58,133	89,125	46,623	174,230
	445,215	535,751	104,604	62,055	58,440	89,371	46,746	174,535

As at December 31, 2015			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2016	2017	2018	2019	2020	2021 and thereafter
	\$	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	11,693	11,693	10,365	333	272	190	125	408
Distributions payable to unitholders	1,215	1,215	1,215	—	—	—	—	—
Bank loans	9,800	9,800	9,800	—	—	—	—	—
Mortgage loans payable and convertible debentures	435,462	528,364	100,661	81,276	77,571	52,722	79,456	136,678
	458,170	551,072	122,041	81,609	77,843	52,912	79,581	137,086

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

25. Subsidiaries and Joint Arrangements

(a) Subsidiaries

The principal entities included in the Trust's consolidated financial statements are as follows:

Entity	Type	Relationship
BTB Real Estate Investment Trust ("BTB REIT")	Trust	Parent
BTB, Acquisition and operating Trust ("BTB A&ET")	Trust	100% owned by BTB REIT
BTB Real Estate Management Inc.	Corporation	100% owned by BTB A&ET
Cagim Real Estate Corporation ("CREC")	Corporation	100% owned by BTB A&ET
Lombard SEC	Limited Partnership	99.9% owned by BTB A&ET 0.1% owned by CREC
Place d'affaire Lebourgneuf Phase II, SENC ("PAL II")	General Partnership	99.9% owned by BTB A&ET 0.1% owned by CREC
Société immobilière Cagim, SEC	Limited Partnership	70.4% owned by BTB A&ET 29.5% owned by PAL II 0.1% owned by CREC

(b) Joint arrangements

The Trust has investments in joint arrangements whereby the parties that have joint control of the arrangements have rights to the assets, and obligations for the liabilities, relating to the arrangements. Therefore, the joint arrangements are classified as joint operations. The joint operations included in the Trust's consolidated financial statement are as follows:

As at December 31,	2016	2015
	%	%
Property*		
Immeuble BTB/Laplaine	50	50
Huntington/BTB Montclair	50	50
Complexe Lebourgneuf Phase II**	75	75

* The three investment properties are located in province of Quebec.

** Structured through a separate vehicle. The legal form of the separate vehicle gives the parties rights to the assets, and obligations for the liabilities, relating to the arrangement. Accordingly, the joint arrangement is classified as a joint operation.

The consolidated financial statements include the Trust's proportionate share of the assets, liabilities, revenues and expenses of these three joint arrangements.

As at and for the years ended December 31,	2016	2015
	\$	\$
Assets	48,319	48,025
Liabilities	30,647	30,098
Revenues	5,581	5,587
Expenses	3,266	3,444

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

26. Operating Segments

For investment properties, discrete financial information is provided to the Chief Executive Officer (“CEO”) on an aggregated investment property basis. The information provided is net rentals (including gross rent and property expenses), the change in fair value of investment properties and fair value of investment properties. The individual investment properties are aggregated into segments with similar economic characteristics. The CEO considers that this is best achieved by aggregating into commercial, office, industrial and general purpose segments.

Consequently, the Trust is considered to have four operating segments, as follows:

- Commercial
- Office
- Industrial
- General purpose

	Commercial	Office	Industrial	General purpose	Total
	\$	\$	\$	\$	\$
Year ended December 31, 2016					
Investment properties	173,965	290,010	115,645	65,865	645,485
Rental revenue from properties	19,213	35,238	10,366	8,567	73,384
Net operating income	11,467	16,869	8,521	4,482	41,339
Year ended December 31, 2015					
Investment properties	167,513	276,063	116,950	62,125	622,651
Rental revenue from properties	19,015	33,963	10,605	9,309	72,892
Net operating income	11,567	16,380	8,795	4,552	41,294

During the first quarter of 2016, the classification of six investment properties was modified. The comparative figures have been reclassified to conform to the current year presentation.

27. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the years ended December 31,	2016	2015
	\$	\$
Salaries and short-term benefits	1,969	1,976
Unit-based compensation	155	264
Total	2,124	2,240

Key management personnel are comprised of the Company’s executive officers.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(Audited - in thousands of CAD dollars, except per unit amounts)

28. Commitments and Contingencies

(a) Operating leases as lessee

The annual future payments required under operating leases expiring between 2017 and 2070 are as follows:

	Total
	\$
Within one year	233
Beyond one year but within five years	883
Beyond five years	14,424
	15,540

The related expense recorded in profit and loss amounted to \$232 for the year ended December 31, 2016 (for the year ended December 31, 2015- \$183).

(b) Finance lease as lessee

The annual future payments required under finance leases expiring between 2018 and 2024 are as follows:

As at December 31,	2016			2015		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	\$	\$	\$	\$	\$	\$
Within one year	143	45	98	244	55	189
Beyond one year but within five years	515	121	394	534	144	390
Beyond five years	331	25	306	455	47	408
	989	191	798	1,233	246	987

The present value of the minimum lease payments is recorded in Trade and other payables.

(c) Litigation

The Trust is involved in litigations and claims which arise from time to time in the normal course of business. These litigations and claims are generally covered by insurance. In the opinion of management, any liability that may arise from such contingencies will not have a significant adverse effect on the Trust's consolidated financial statements.

29. Comparatives Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Corporate Information

Board of Trustees

Jocelyn Proteau ⁽²⁾

President of the Board of Trustees
Corporate Director

Michel Leonard

President and Chief Executive Officer

Jean-Pierre Janson ⁽²⁾

Vice President of the Board of Trustees
Executive Vice President
Richardson GMP Ltd

Luc Lachapelle ⁽¹⁾

Secretary of the Board of Trustees
Corporate Director

Lucie Ducharme ^{(1) (2)}

President, Human Resources and Governance Committee
Executive Vice President
Groupe Petra

Luc Martin ⁽¹⁾

President, Audit Committee
Corporate Director

Fernand Perreault ⁽³⁾

President of the Investment Committee
Corporate Director

Sylvie Lachance ⁽³⁾

Executive Vice President
Real Estate Development
Sobeys inc.

Peter Polatos ⁽³⁾

Corporate Director

(1) Member of the Audit Committee

(2) Member of the Human Resources and Governance Committee

(3) Member of the Investment Committee

Executive Team

Michel Leonard

President and Chief Executive Officer

Benoit Cyr, CPA, CA

Vice-President and Chief Financial Officer

Dominic Gilbert, B.A.A.

Vice President, Leasing

Sylvie Laporte

Vice President, Property Management

Unitholders Information

Head office

BTB Real Estate Investment Trust
2155, Crescent
Montreal, Quebec, H3G 2C1
T 514 286 0188
F 514 286 0011
www.btbreit.com

Listing

The units and debentures of BTB Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbols:

BTB.UN
BTB.DB.E
BTB.DB.F

Transfer Agent

Computershare Investor Services
1500 Robert-Bourassa Blvd
7th floor
Montreal, Quebec, H3A 3S8
Canada
T 514 982-7555
T Toll free: 1 800 564-6253
F 514 982-7850
service@computershare.com

Taxability of distributions

In 2016, for all Canadian unitholders, the distributions were fiscally treated as follow:

- Other revenues: 0%
- Fiscal Deferral: 100%

Auditors

KPMG LLP.
600 De Maisonneuve Blvd. West
Suite 1500
Montreal, Quebec, H3A 0A3

Legal counsel

De Grandpré Chait LLP.
1000 De la Gauchetière St. West
Suite 2900
Montreal, Quebec, H3B 4W5

Annual Meeting of Unitholders

June 15, 2017
11 : 00 a.m. (EDT)
Conference Center Le 1000
1000, De la Gauchetière Street West
Montreal, Quebec, H3B 4W5

Unitholders distribution reinvestment plan

BTB Real Estate Investment trust offers a distribution reinvestment plan to unitholders whereby the participants may elect to have their monthly cash distribution reinvested in additional units of BTB at a price based on the weighted average price for BTB's Units on the Toronto Stock Exchange for the five trading days immediately preceding the distribution date, discounted by 3%.

For further information about the Distribution Reinvestment Plan, please refer to the Investor relations section of our website at www.btbreit.com or contact the Plan agent: Computershare Investor Services.

BTB Real Estate Investment Trust
2155, Crescent
Montreal, Quebec, H3G 2C1
T 514 286 0188
F 514 286 0011
www.btbreit.com

