BTB Real Estate Investment Trust
Annual Report 2017

Building on Quality

Profile

BTB is a real estate investment trust listed on the Toronto Stock Exchange. It owns and manages a portfolio of 73 commercial, industrial and office properties, located primarily in the Montreal, Quebec City and Ottawa areas. Its portfolio comprises more than 5.4 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 $762 million, making BTB a major player in the real estate industry of the Province of Quebec.

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.

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Highlights

$73.3M
Rental income

$762M
Total assets

73
Number of properties

5.4M
Number of square feet

93.7%
Payout ratio on recurring distributable income (1)

56.5%
Mortgage debt ratio

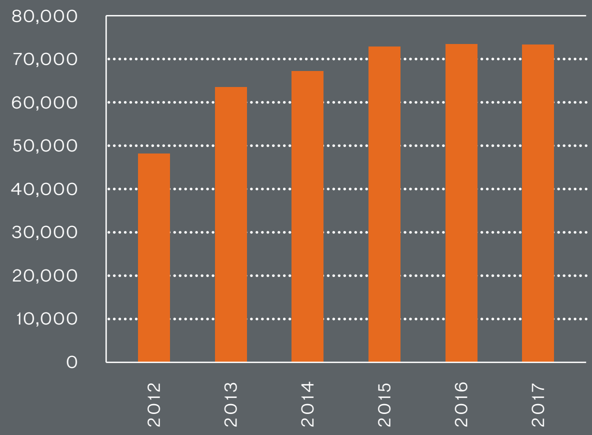
91.4%
Occupancy rate

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

Evolution of rental income for the years ending December 31st

(in thousands of dollars)

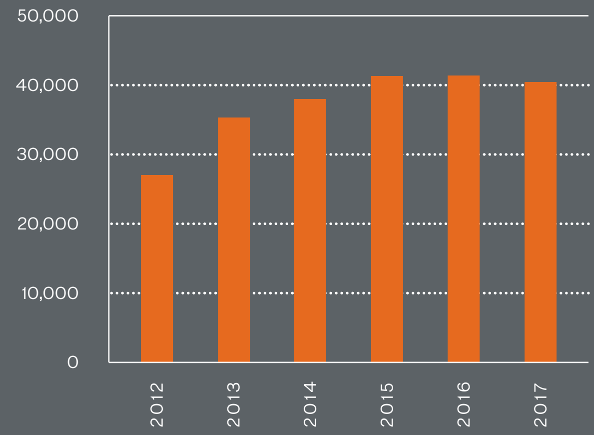
2017	73,317
2016	73,384
2015	72,892
2014	67,170
2013	63,435
2012	48,118



Evolution of net operating income for the years ending December 31st (1)

(in thousands of dollars)

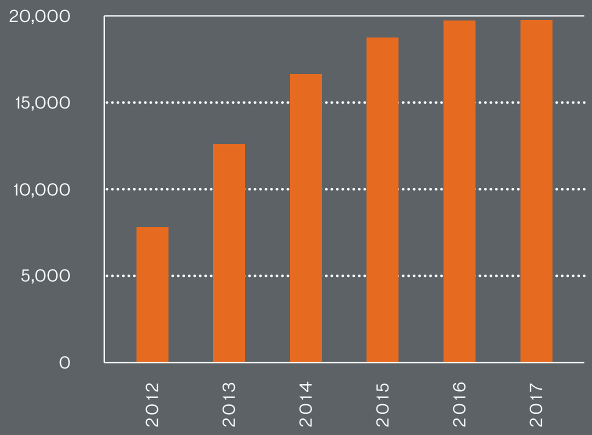
2017	40,394
2016	41,339
2015	41,294
2014	37,983
2013	35,336
2012	26,996



Evolution of recurring distributable income for the years ending December 31st (1)

(in thousands of dollars)

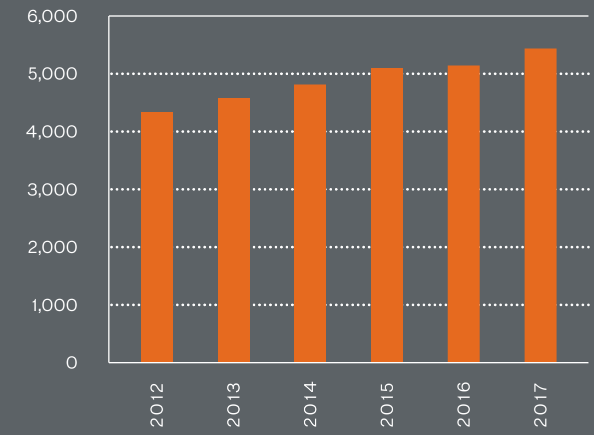
2017	19,721
2016	19,711
2015	18,733
2014	16,626
2013	12,610
2012	7,805



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

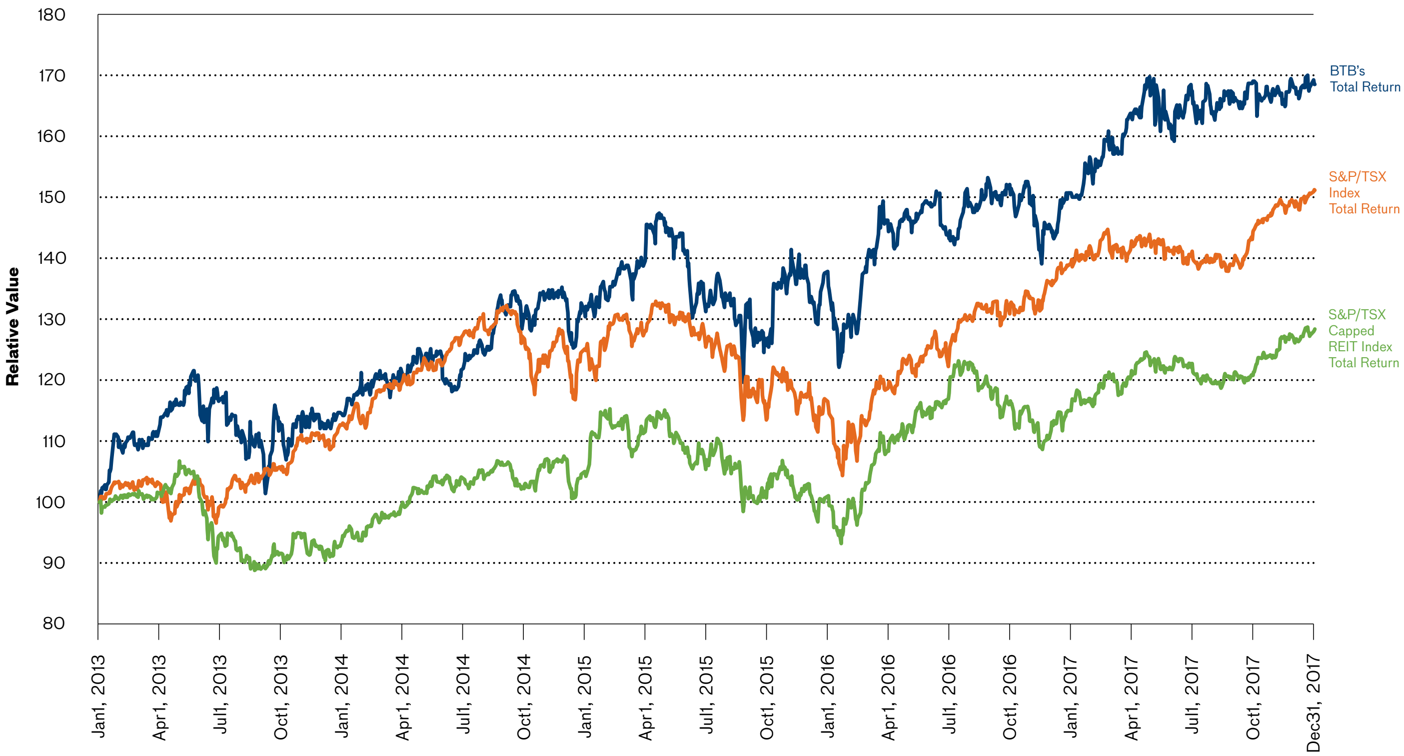
(in thousands square feet)

2017	5,435
2016	5,144
2015	5,095
2014	4,822
2013	4,580
2012	4,341



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

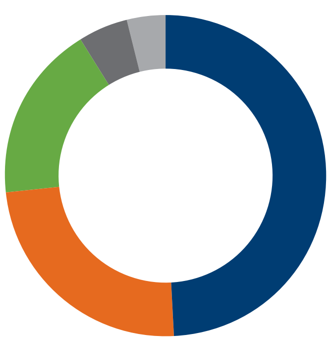
Performance on the markets



Breakdown of portfolio by geographical region at December 31st, 2017

(per leasable area)

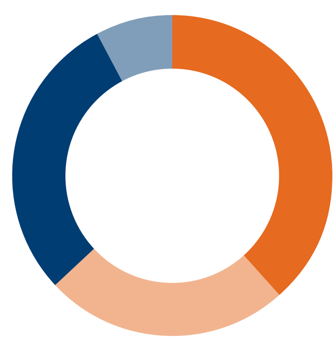
Greater Montreal area	49.4%
Greater Quebec city area	24.0%
Ottawa area	17.8%
Sherbrooke	5.0%
London area	3.8%
Total	**100 %**



Breakdown by asset type at December 31st, 2017

(per leasable area)

Office	38.6%
Retail	24.6%
Industrial	29.1%
Mixed-use	7.7%
Total	**100 %**



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

Building on the quality of its portfolio to generate stable distributions for its unitholders.

Building on quality

In 2017 BTB initiated an ambitious strategy to build on its strengths and set higher objectives to evolve into a stronger organization. Commitment to continuous improvement by our people, at every level of the organization, has been extraordinary.

At the heart of our strategy was repositioning our portfolio. The process began with an in-depth analysis of each asset by management to identify under-performing properties. Whether large or small, all our properties were analysed. A proposed course of action was presented to our board of trustees. Once the board agreed with our conclusions, we proceeded with the sale of the targeted properties. We proposed to sell nine properties representing approximately 256,000 square feet. During the year we sold three buildings for a total consideration of $11.5M and after the year end we sold an additional three buildings for total proceeds of $11.9M. The plan was to sell these properties to acquire larger assets to achieve a better performance. We sold “3627-3645 des Sources Boulevard”, Dollard-des-Ormeaux, QC; “1125-1135 Saint-Martin Boulevard West”, Laval, QC; and “665-669 Thibeau Boulevard”, Trois-Rivières, QC. We then acquired four larger properties including a commercial property located on F.-X. Sabourin St. in St-Hubert, a retail property in the City of Levis known as “Carrefour St-Romuald” and two office properties in the Montreal Technoparc. The total acquisition price of these properties amounts to more than $94M.

To illustrate the benefit of our capital redeployment, three of the disposed properties generated $590,000 of annual Net Operating Income (NOI) and the total sale price was $11,5M. We redeployed this capital, purchasing the property located on F.-X. Sabourin St. in St-Hubert. This property alone generates upwards of $1.7M of annual NOI and the purchase price was $23.2M. We therefore spent twice as much as the proceeds of the sale of the said three properties to generate almost three times the NOI. This is an example of the execution of our strategic plan that saw us migrating to better properties to provide stability and strength.

In addition, our leasing activities were the best leasing activity since our inception. BTB leased 526,000 square feet to new tenants and renewed leases for 591,000 square feet. Therefore our leasing activities totalled 1,117,000 square feet. Regarding our lease renewals, they were concluded at an average increase of revenue of 5.6%.

Our mortgage debt ratio decreased from 59.1% to 56.5%

Our operating revenues were $73.3M for 2017 equivalent to the previous year which were $73.4M and our net income for the year was $28.2M, showing an increase from $22.1M for the prior year.

Because of our acquisition activities, our total assets increased from $658M to $762M, an increase of 16%.

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

To complement the implementation of our strategic plan, we successfully raised $25.3 million by a unit offering in September. The offering was met with success as it was oversubscribed. It allowed us to complete the above-mentioned acquisitions. On December 31, 2017, our portfolio included 73 office, industrial and retail properties totalling more than 5.4 million square feet.

We invested in the improvement of our properties as part of our leasing and client retention strategy. It is important to ensure that the quality of our properties remains competitive as client retention is the foundation of our business. For example, we renovated the lobby and common areas of our building located at 50 Saint-Charles in Longueuil where we saw its occupancy rate evolve from almost 0% to 50% in 2017. The real estate business is cyclical both on a macro and micro level, as supply and demand fluctuate and as tenants make decisions to move or stay at lease expiry and as their space needs increase or shrink. In 2017 more than 16% of our leases were expiring. This in itself was a major challenge. We are proud to say that our leasing and property management teams, supported by all the other areas of the operation, understood the significance of the challenge and rose to it extremely successfully. Because of this colossal effort in lease renewals and concluding transactions with new tenants, our occupancy rate increased from 90.5% (in 2016) to 91.4% (in 2017).

Excellence in property management retains the best tenants, attracts new ones and ultimately contributes positively to our results. The high standard of property management is a source of pride at BTB and reflects our commitment to providing the highest level of client service.

The need to improve our properties does not stop there. We believe our people should be searching for continuous improvement as well. That is why our high performing people are committed to a continuous improvement process and investment in themselves. They know that continuous improvement and building on quality are a responsibility for those who strive to be outstanding performers. Those are values we identify with very much at BTB.

We worked very hard to achieve our unique position, and we are proud of our results. We conclude the year with a portfolio of high performing assets that will produce, over time, better results for our unitholders.

Jocelyn Proteau
Chairman of the Board of Trustees

Michel Léonard
President and Chief Executive Officer

Board of Trustees

From left to right

Executive Team

From left to right

Michel Léonard
President and Chief Executive Officer

Sylvie Laporte
Vice President, Property Management

Dominic Gilbert, B.B.A
Vice President, Leasing

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

BTB, at every level of the organization, is building on its existing quality as it continues to be a top-performing real estate investment trust.

Jocelyn Proteau
Chairman of the Board of Trustees

In 2017, just a little over 10 years after we were founded, we undertook an important reflection on the future of BTB. We developed a strategy to reposition our assets and embark on phase II of our growth. Today, the larger scale of BTB provides a cushion against the turbulence of the markets and in some cases even allows us to take advantage of it.

Building on the quality of its properties by continuously improving them to ensure client retention.

Olivier Marcadet
Chief Financial Officer
Veolia Water Technologies Canada

In 2017, Veolia and BTB renewed their commitment and signed a 10-year lease that has consolidated their partnership. BTB brought their support and financing resources to Veolia Water Technologies Canada by working with us on the renovation of the building and its amenities.

BTB is a very effective partner, always available and responsive to our needs. They have been very supportive when it came time for us to choose to renew our lease agreement, and the outcome is an indication of the trust and mutual respect that we have developed.

Building on quality by responding to tenants' needs.

Marjorie Théodore
Chief Executive Officer
Vues et Voix

Vues et Voix is a non-profit organization, and the individuals that benefit from our establishment have their share of disabilities. BTB has been responsive to our needs in accessibility so that our clients can enjoy a safe environment. When we met BTB's property managers, we were pleasantly surprised. BTB welcomed us with open arms, and made it easy for us to move into the building.

Building on quality by committing to client satisfaction.

Marc Parent
CEO
Commissionaires Quebec

We decided to lease space in BTB's building at 1001 Sherbrooke East because of its location, and for the openness exhibited by BTB from the moment we started negotiations.

We've been in the building for a little more than four months, and we can say without reservation that we are completely satisfied with our space and the profile it offers us. BTB is always available and flexible, and those qualities are what characterize our business relationship. Perhaps even more importantly, we have direct access to the decision makers at BTB when we need to reach them.

Building on quality by developing a shared vision with our tenants.

Bruno Tobelem
Owner
Franchisee, Dunn's West Island

Marché de l'ouest has been on my mind for several years to open a version 2.0 of Dunn's, because of its location, and because it's at the epicentre of the West Island.

We've had great help from BTB to achieve great success in this new market. They listened to my needs and tried to find the right deal for me and for my company. It's always a big challenge to build a new restaurant, and BTB's response has always been quick and efficient. I'm very happy to be here.

Employees Recognition Awards Winners 2017

Building on the quality of our team by recruiting and retaining the best people.

Julie Loiselle, lawyer
Lease Manager

I'm pleased to be part of the BTB team, working with many other departments in the organization – people in accounting, leasing, construction and property management to name just a few. I support those teams. We work closely together for effective management of our operations. I enjoy being involved in every aspect of our day-to-day operations, and I strongly believe that we all contribute in many ways to the success of the company. I understand how lease management fits in with all the other functions to ensure we are building on the existing quality of the organization at all levels.

Sylvain Moquin
Maintenance Technician

We are a family, and the company is much stronger than just one person. I've been working for BTB for seven years now, ensuring the buildings I care for are maintained to the highest quality, and I always give my one hundred percent. I am so proud to have won this Meritas award and I really thank the company for recognizing my contribution. We share the same values and commitment to building on the quality of our work.

Véronique Simard
Administrative Assistant – Operations and Property Management Team

At BTB our priority is to provide a level of service that our clients expect. The pleasure I get from working together on a daily basis colors everything I do including my relationship with our tenants. I believe that small things taken together can make a big difference and that is why I am constantly looking for ways to improve our services and stay in touch with our clients.

David Barbarush
Property Manager

I love the company I'm working for, and we're growing and moving forward as a team. Property Management is the engine that drives BTB and it is the heart of how we operate. It touches and calls on every part of the company: construction, leasing, accounting, executive and other departments. My Meritas Award just motivates me all the more to work with all the people who support me, and coordinate our efforts to achieve more for BTB's success.

Our Top 10 Tenants

Building on the quality of its clients by attracting and retaining a quality mix of successful tenants.

Travaux publics et Services gouvernementaux Canada

Provigo

ATIS

SHOPPERS DRUG MART

Société québécoise des infrastructures Québec

STRONGCO

SMi LE GROUPE S.M. INTERNATIONAL INC.

GERMAIN LARIVIÈRE enchanté!

CNESST

Desjardins

Here are some of our successful achievements in terms of leasing and lease renewals for the year 2017.

Strongco GP Inc.
Collège April-Fortier Inc.
Groupe Canam Inc.
Cision Québec Inc.
Deloitte s.e.c.
Englobe Corp.
Veolia Water Technologies Canada Inc.
Morneau Shepell Ltd
Edward D. Jones
Vues et Voix
Médias Transcontinental senc.
Corps canadiens des Commissionnaires
Randstad Interim Inc.
Ville de St-Jean-sur-Richelieu
Brookfield
Dunn's Restaurant West Island

Building on the quality of its assets through strategic acquisition and growth.

7150 Alexander-Fleming Street, St-Laurent

2250 Alfred-Nobel Blvd, St-Laurent

1200-1252 De la Concorde Street, Lévis

1939-1979 F.-X. Sabourin Street, St-Hubert

Our Properties

204 De Montarville Blvd, Boucherville

50 St-Charles Street West, Longueuil

32 St-Charles Street West, Longueuil

245 Menten Place, Ottawa

Portfolio listing

Montreal
1400-1440 Antonio-Barbeau Street, Montreal
5810 Sherbrooke Street East, Montreal
5878-5882 Sherbrooke Street East, Montreal
7001-7035 St-Laurent Blvd and 25 Mozart Avenue, Montreal
1001 Sherbrooke Street East, Montreal
2101 Sainte-Catherine Street West, Montreal
550-560 Henri-Bourassa Blvd, Montreal
3761-3781 des Sources Blvd, Dollard-des-Ormeaux
11590-11800 De Salaberry Blvd, Dollard-des-Ormeaux
1325 Hymus Blvd, Dorval
5600 Côte-de-Liesse, Mont-Royal
4105 Sartelon Street, St-Laurent
208-244 Migneron Street and 3400-3410 Griffith Street, St-Laurent
7777 Trans-Canada Highway, St-Laurent
2250 Alfred-Nobel Blvd, St-Laurent
7150 Alexander-Fleming Street, St-Laurent
2665-2673 and 2681 Côte Saint-Charles, Saint-Lazare

North Shore of Montreal
2900 Jacques-Bureau Street, 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
1939-1979 F.-X. Sabourin Street, St-Hubert
145 St-Joseph Blvd, St-Jean-sur-Richelieu
315-325 MacDonald Street, St-Jean-sur-Richelieu
1000 Du Séminaire Blvd North, St-Jean-sur-Richelieu
15,19,21,31,35 and 41 Georges-Gagné Blvd South, Delson

31 Georges-Gagné Blvd South, Delson

1252 De la Concorde Street, Lévis

2204 Walkley Road, Ottawa

175 de Rotterdam Street, St-Augustin-de-Desmaures

Quebec City
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
1200-1252 De la Concorde Street, Lévis
191 D'Amsterdam Street, St-Augustin-de-Desmaures
175 de Rotterdam Street, St-Augustin-de-Desmaures
505 Des Forges Street and 1500 Royale Street, Trois-Rivières
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

Properties sold after December 31st, 2017
1863-1865 Trans-Canada Highway, Dorval
2153-2155 Crescent Street, Montreal
1100-1104 and 1108-1136 St-Joseph Blvd, Drummondville
2905 Marleau Avenue, Cornwall

*Properties in redevelopment

Management Discussion and Analysis

December 31, 2017

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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, 2017, 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 8, 2018 should be read together with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016. 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 quarters and years ended December 31, 2017 and 2016. Additional information about the Trust, including the 2017 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 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,” “recurring distributable income,” “funds from operations” ("FFO"), “recurring FFO,” “adjusted funds from operations” (“AFFO”), recurring 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, 2017, it owns 73 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 70 of the Trust's 73 properties held as at December 31, 2017 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 real estate portfolio:

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of $)
As at December 31, 2017(1)	**73**	**5,435,332**	**751,110**

(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 on to 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, 2017

- 27.6% increase in net income and comprehensive income, from $22.1 million to $28.2 million.

- Record leasing activities with the renewal of close to 591,000 square feet of leasable area and the leasing of almost 526,000 square feet to new tenants.

- Increase in occupation rate from 90.5% to 91.4%.

- Decrease in mortgage debt ratio from 59.1% to 56.5%.

- Increase of 8.8% in recurring FFO, from $17.7 million to $19.3 million.

- 15.8% increase in assets, from $658 million to $762 million.

- Slight decrease of 3.5% in net cash from operating activities, from $39.8 million to $38.5 million.

- 11.5% decrease in recurring distributable income per unit and 10.6% for recurring AFFO because of a lower effective occupancy rate in 2017 as compared to 2016.

Property sales and purchases

- Acquisition of four investment properties for a total cost of $94.2 million, generating annual net operating income of $6.5 million.

- As part of the Trust's strategic repositioning of its portfolio, sale of three investment properties for total proceeds of $11.5 million.

Capital transaction

- On October 23, 2017, issuance of 5,561,400 units, at a price of $4.55, for net proceeds of $24.1 million, which was used to purchase other investment properties.

Summary of significant items as at December 31, 2017

- 73 properties
- Approximately 5.4 million leasable square feet
- $762 million in assets
- $224 million in market capitalization

Subsequent events

In January and February 2018, the Trust sold four properties for a consideration totalling $124 million. Net proceeds from the sale of these properties were applied against the Trust's credit facilities.

In February 2018, the Trust purchased a retail property located in the city of Delson, Québec, for a consideration of $1,865.

SELECTED FINANCIAL INFORMATION

As at December 31, 2017, the Trust owns 73 properties generating, on an annualized basis, revenues of close to $85 million.

The following table presents highlights and selected financial information for the quarters and years ended December 31, 2017 and 2016:

Periods ended December 31		Quarter		Year	
(in thousands of dollars, except for ratios and per unit data)		**2017**	2016	**2017**	2016
	Reference	**$**	$	**$**	$
Financial information					
Rental income	Page 39	**19,733**	18,270	**73,317**	73,384
Net operating income[(1)]	Page 40	**10,460**	10,121	**40,394**	41,339
Net income and comprehensive income	Page 43	**15,498**	9,130	**28,171**	22,085
Net property income from the same-property portfolio[(1)]	Page 44	**5,837**	6,365	**24,333**	26,292
Cash flows from operating activities	Page 44	**14,121**	13,250	**38,449**	39,850
Recurring distributable income[(1)]	Page 45	**4,916**	5,047	**19,721**	19,711
Distributions	Page 45	**5,079**	4,442	**18,486**	16,444
Recurring funds from operations (FFO)[(1)]	Page 47	**4,865**	4,808	**19,262**	17,710
Recurring adjusted funds from operations (AFFO)[(1)]	Page 48	**4,370**	4,485	**17,599**	17,391
Total assets	Page 50			**762,390**	658,462
Investment properties	Page 50			**751,110**	645,485
Mortgage loans payable	Page 53			**428,382**	384,350
Convertible debentures	Page 55			**48,183**	47,692
Mortgage debt ratio	Page 56			***56.5%***	*59.1%*
Debt-equity ratio – convertible debentures	Page 56			***6.5%***	*7.6%*
Debt-equity ratio – acquisition line of credit	Page 56			***2.2%***	*–%*
Total debt ratio	Page 56			***65.0%***	*65.7%*
Weighted average interest rate on mortgage debt	Page 53			***3.72%***	*3.79%*
Unitholders' equity	Page 57			**248,947**	212,963
Market capitalization				**222,262**	189,270
Financial information per unit					
Units outstanding (000)	Page 57			**48,423**	42,342
Weighted average number of units outstanding (000)	Page 57	**47,023**	42,283	**43,671**	38,546
Net income and comprehensive income	Page 43	**33.0¢**	21.6¢	**64.5¢**	57.3¢
Recurring distributable income[(1)]	Page 45	**10.5¢**	11.9¢	**45.2¢**	51.1¢
Distributions	Page 45	**10.5¢**	10.5¢	**42.0¢**	42.0¢
Recurring payout ratio on distributable income[(1)]	Page 45	***103.3%***	*88.0%*	***93.7%***	*83.4%*
Recurring FFO[(1)]	Page 47	**10.3¢**	11.4¢	**44.1¢**	45.9¢
Recurring payout ratio on FFO[(1)]	Page 47	***104.4%***	*92.4%*	***96.0%***	*92.8%*
Recurring AFFO[(1)]	Page 48	**9.3¢**	10.6¢	**40.3¢**	45.1¢
Recurring payout ratio on AFFO[(1)]	Page 48	***116.2%***	*99.0%*	***105.0%***	*94.6%*
Unitholders' equity	Page 57			**5.14**	5.04
Market price				**4.59**	4.47
Tax on distributions					
Revenue	Page 59			*0.0%*	*0.0%*
Tax deferral	Page 60			*100%*	*100%*
Operational information					
Number of properties	Page 51			**73**	72
Leasable area (thousands of sq. ft.)	Page 51			**5,435**	5,144
Occupancy rate	Page 37			***91.4%***	*90.5%*
Increase in average lease renewal rate	Page 36	***(0.4)%***	*10.1%*	***5.6%***	*5.6%*
Retention rate	Page 37			***55.9%***	*61.0%*

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

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 per unit data)	2017	2016	2015
	$	$	$
Rental income	**73,317**	73,384	72,892
Net operating income[(1) (5)]	**40,394**	41,339	41,294
Fair value adjustment on investment properties	**10,855**	6,200	(5,223)
Net income	**28,171**	22,085	8,669
Net cash from operating activities	**38,449**	39,850	38,238
Recurring distributable income[(5)]	**19,719**	19,711	18,733
Recurring FFO[(2) (5)]	**19,262**	17,710	17,164
Recurring AFFO[(3) (5)]	**17,597**	17,391	16,260
Distributions	**18,486**	16,443	14,478
Total assets	**762,390**	658,462	633,082
Long-term debt	**476,565**	432,042	445,262
Financial information per unit			
Net income	**64.5¢**	57.3¢	25.2¢
Recurring distributable income [(5)]	**45.2¢**	51.1¢	54.4¢
Recurring FFO [(2) (5)]	**44.1¢**	45.9¢	49.8¢
Recurring AFFO [(3) (5)]	**40.3¢**	45.1¢	47.2¢
Distributions	**42.0¢**	42.0¢	42.0¢
Recurring payout ratio on distributable income [(4) (5)]	***93.7%***	*83.4%*	*77.3%*

(1) Defined as rental income from investment properties less operating expenses.
(2)See "Funds from operations" on page 47 for reconciliation to net income.
(3) See "Adjusted funds from operations" on page 48 for reconciliation to FFO and net income.
(4) Represents total distributions divided by recurring distributable income.
(5) 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)	2017 Q-4	2017 Q-3	2017 Q-2	2017 Q-1	2016 Q-4	2016 Q-3	2016 Q-2	2016 Q-1
	$	$	$	$	$	$	$	$
Rental income	**19,733**	17,507	17,712	18,365	18,270	18,264	18,300	18,550
Net operating income[(1)]	**10,460**	10,044	10,045	9,848	10,121	10,633	10,466	10,119
Net income and comprehensive income	**15,498**	4,327	4,362	3,984	9,130	5,422	3,982	3,551
Net income and comprehensive income per unit	**33.0¢**	10.1¢	10.3¢	9.4¢	21.6¢	13.0¢	11.4¢	10.2¢
Net cash from operating activities	**14,121**	10,161	8,749	5,417	13,250	10,342	9,549	6,709
Recurring distributable income[(1)]	**4,916**	4,883	4,979	4,943	5,047	5,285	4,924	4,455
Recurring distributable income per unit[(1)]	**10.5¢**	11.4¢	11.7¢	11.7¢	11.9¢	12.7¢	14.1¢	12.8¢
Recurring funds from operations (FFO)[(1)]	**4,865**	4,902	4,884	4,611	4,808	3,994	4,692	4,216
Recurring FFO per unit[(1)]	**10.3¢**	11.5¢	11.5¢	10.9¢	11.4¢	9.6¢	13.4¢	12.1¢
Recurring adjusted funds from operations (AFFO)[(1)]	**4,370**	4,516	4,463	4,250	4,485	4,733	4,333	3,840
Recurring AFFO per unit[(1)]	**9.3¢**	10.6¢	10.5¢	10.0¢	10.6¢	11.4¢	12.4¢	11.0¢
Distributions	**5,079**	4,483	4,469	4,456	4,442	4,449	3,897	3,655
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 73 quality properties which have a fair value of $751 million representing a total leasable area of approximately 5.4 million square feet. A concise description of the properties owned as at December 31, 2017, can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of properties as at December 31, 2017

Operating segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	29	2,050,462	*85.2%*
Retail	18	1,304,773	*96.3%*
Industrial	20	1,542,093	*94.9%*
Mixed use	4	406,650	*90.0%*
Subtotal	71	5,303,978	***91.4%***
Properties under redevelopment	2	131,354	
Total	**73**	**5,435,332**	

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

Strategic deliberations

a) Sale of 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 mortgages and any remaining proceeds will be allocated to the acquisition of accretive properties.

Nine properties representing a leasable area of approximately 256,000 square feet have been put on the market. The proceeds of disposal are estimated at $30 million. Following repayment of mortgage financings and payment of transaction costs, the Trust expects to recover a net amount of approximately $12 million.

In March 2017, the Trust sold an investment property for a total consideration of $7.0 million. In September 2017, the Trust sold two investment properties put on the market for a total consideration of $4.450 million.

After year-end, the Trust sold four investment properties for a total consideration of $11.9 million. The disposal of three properties in 2017 and four properties at the beginning of 2018 will deprive the Trust of $1.1 million in annualized net operating income.

b) Property acquisitions

In these strategic deliberations, the Trust agreed to allocate the net proceeds of sale of the properties to the acquisition of accretive properties.

Accordingly, in August 2017, the Trust acquired an investment property for a consideration of $23.2 million. This property is expected to generate annual net operating income of $1.7 million.

In November 2017, the Trust acquired a retail investment property located in the Quebec City area for $35.9 million. This property is expected to generate approximately $2.4 million in annual net operating income.

In November 2017, the Trust also acquired two office properties located in Montreal, in the Ville Saint-Laurent borough, Québec, for $35.1 million. These properties are expected to generate more than $2.4 million in annual net operating income.

REAL ESTATE OPERATIONS

Leasing activities

The following table summarizes changes in available leasable area during the quarters and years ended December 31, 2017 and 2016.

Periods ended December 31 (in square feet)	Quarter		Year	
	2017	2016	**2017**	2016
Available leasable area at beginning of period	**500,712**	444,999	**472,105**	408,243
Available leasable area purchased (sold)	**2,180**	—	**(7,414)**	—
Leasable area of properties under redevelopment	**42,310**	—	**42,310**	—
Leasable area of expired leases	**170,935**	166,111	**905,227**	520,883
Leasable area of leases terminated before term	**27,327**	5,575	**86,149**	61,705
Leasable area of leases terminated and renewed before term	**47,684**	—	**65,385**	—
Leasable area of renewed leases	**(111,573)**	(70,766)	**(590,956)**	(319,392)
Leasable area of new leases signed	**(233,419)**	(73,404)	**(525,894)**	(200,332)
Other	**7,204**	(410)	**6,448**	998
Available leasable area at end of period	**453,360**	472,105	**453,360**	472,105

Fiscal 2017 was quite challenging since more than 905,000 square feet of leasable area expired at the end of leases, and more than 151,000 square feet expired before term, for a total of 1,057,000 square feet (2016: 583,000 square feet). Our property managers renewed close to 591,000 square feet of leasable area, while the leasing team signed new leases with new tenants for almost 526,000 square feet, for a total of 1,117,000 square feet (2016: 520,000 square feet). In both cases, these were record results in the Trust's history.

During the fourth quarter, close to 246,000 square feet (2016: 172,000 square feet) expired at the end of leases (171,000 square feet) or before term (75,000 square feet). Close to 112,000 square feet (2016: 71,000 square feet) were renewed and more than 233,000 square feet (2016: 73,000 square feet) were leased to new tenants.

The "805 Boundary Road" property in Cornwall, Ontario and "100, 1ère rue Ouest" in Thetford Mines, Québec, currently under redevelopment, are not included in these statistics.

The 1863-1865 Transcanadienne property in Montréal was reclassified as an active property during the quarter and a new lease was signed for its total area.

The average rental rate of expired and renewed leases decreased 0.4% during the fourth quarter (2016: 10.1% increase). The average rate rose 5.6% (2016: 5.6%) 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. Approximately 120,000 square feet of rental space is currently subject to firm lease agreements for occupancy over the next few months.

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
	%	%	%	%	%
Operating segment					
Office	**85.2**	84.7	85.1	83.5	84.5
Retail	**96.3**	96.2	94.5	93.4	94.0
Industrial	**94.9**	90.8	87.0	93.5	94.1
Mixed use	**94.0**	94.1	95.2	93.1	95.8
Total portfolio	**91.4**	90.0	88.6	89.5	90.5

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
	%	%	%	%	%
Geographic sector					
Laval and North Shore	**97.7**	97.7	97.7	97.7	97.4
Island of Montréal	**91.5**	90.5	91.1	89.8	89.3
Montréal South Shore	**95.1**	94.6	93.8	92.7	91.9
Québec City and surrounding area	**85.7**	85.0	85.2	83.3	89.4
Ottawa and surrounding area	**92.6**	86.4	79.7	90.1	88.8
Sherbrooke and surrounding area	**81.9**	81.9	81.3	78.5	79.5
Central Ontario	**100.0**	100.00	100.0	100.0	100.0
	91.4	90.0	88.6	89.5	90.5

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
	%	%	%	%	%
By province					
Québec	**90.9**	90.6	90.4	89.1	90.6
Ontario	**93.5**	88.0	82.1	91.2	90.1
Total portfolio	**91.4**	90.0	88.6	89.5	90.5

The overall occupancy rate is up by 1.4% since September 30, 2017 and 0.9% since December 31, 2016. It stood at 91.4% at the end of the fourth quarter of 2017.

All of the operating segments and geographic sectors that make up the Trust's portfolio were stable or had higher occupancy rates in the fourth quarter due to significant leasing activity in the Trust's properties and the sustained efforts of resources assigned to the leasing of rental spaces.

The effective occupancy rate as at December 31, 2017, without the effect of the firm lease agreements, is 88.0% (2016: 89.1%). Vacant space totalling more than 180,000 square feet as at December 31, 2017 is subject to firm lease agreements and will generate additional income in the next few months.

Retention rate

The renewal rate for leases that expired in 2017 was 55.9% (2016: 61.0%).

In 2017, the retention rate was down 5.1% from 2016 due to the loss of industrial tenants that had occupied large leasable areas. Most of this space was re-leased or is subject to firm lease offers for future occupancy.

Lease maturity

More than 900,000 square feet of leasable area expired in 2017, making this a record year for leasing activity.

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

	2018	2019	2020	2021	2022
Office					
Leasable area (sq. ft.)	239,670	289,309	168,517	282,206	252,657
Average lease rate/square foot ($)	$14.75	$13.79	$16.11	$13.00	$14.30
% of office portfolio	*11.7%*	*14.1%*	*8.2%*	*13.8%*	*12.3%*
Retail					
Leasable area (sq. ft.)	182,711	188,583	73,272	126,669	70,741
Average lease rate/square foot ($)	$12.57	$12.70	$14.66	$13.60	$16.69
% of retail portfolio	*14.0%*	*14.5%*	*5.6%*	*9.7%*	*5.4%*
Industrial					
Leasable area (sq. ft.)	133,347	94,482	224,677	408,886	240,071
Average lease rate/square foot ($)	$4.72	$4.34	$5.02	$6.87	$5.38
% of industrial portfolio	*8.6%*	*6.1%*	*14.6%*	*26.5%*	*15.6%*
Mixed use					
Leasable area (sq. ft.)	24,766	42,861	81,411	109,349	47,867
Average lease rate/square foot ($)	$15.58	$13.38	$13.29	$10.97	$12.80
% of mixed use portfolio	*6.1%*	*10.5%*	*20.0%*	*26.9%*	*11.8%*
Total portfolio					
Leasable area (sq. ft.)	580,494	615,235	547,877	927,091	611,336
Average lease rate/square foot ($)	$12.00	$11.98	$10.95	$10.03	$10.96
% of total portfolio	*10.9%*	*11.6%*	*10.3%*	*17.5%*	*11.5%*

Top 10 tenants

As at December 31, 2017, BTB managed more than 650 leases, with an average area of more than 8,000 square feet. The three largest tenants are Public Works Canada, Provigo Distribution Inc. and Atis Portes et Fenêtres Corp., accounting respectively for 6.7%, 2.1% and 1.9% of revenues, generated by a number of leases whose maturities are spread over time. More than 29.3% 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, 2017. This contribution accounts for 22.1% of rental income for the year for 20.6% of leased area.

Client	% of revenue	% of leased area	Leased area (square feet)
Public Works Canada	6.7	3.9	205,836
Provigo Distribution Inc. (Loblaws)	2.1	2.0	107,642
Atis Portes et Fenêtres Corp.	1.9	4.7	251,878
Shoppers Realty Inc.	1.8	1.2	64,304
Flextronics	1.8	0.9	48,731
Société québécoise des infrastructures (SQI)	1.7	1.4	76,003
Strongco	1.7	1.5	81,442
Le Groupe SM inc.	1.5	2.1	109,185
Germain Larivière Inc.	1.5	1.9	101,194
CNESST	1.4	0.9	46,421
	22.1	**20.6**	1,092,636

OPERATING RESULTS

The following table summarizes financial results for the quarters and years ended December 31, 2017 and 2016. The table should be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31		Quarter		Year	
(in thousands of dollars)		**2017**	2016	**2017**	2016
	Reference	**$**	$	**$**	$
Rental income	Page 39	**19,733**	18,270	**73,317**	73,384
Operating expenses	Page 39	**9,273**	8,149	**32,923**	32,045
Net operating income[1]	Page 40	**10,460**	10,121	**40,394**	41,339
Other income		**(50)**	(59)	**(83)**	(307)
Financial expenses	Page 41	**4,768**	4,088	**18,761**	21,431
Trust administration expenses	Page 42	**1,074**	1,177	**4,317**	4,330
Fair value adjustment on investment properties	Page 42	**(10,855)**	(4,215)	**(10,855)**	(6,200)
Investment property disposal costs	Page 43	**25**	—	**83**	—
Net income and comprehensive income	Page 43	**15,498**	9,130	**28,171**	22,085

(1) Non-IFRS financial measure

Rental income

BTB disposed of properties during the year, generating an estimated shortfall of approximately $288 for the quarter. BTB covered this shortfall through the acquisition of accretive properties in 2017. The recent acquisitions described in more detail on page 51 of this MD&A generated additional income of $1,704 during the quarter.

Combined with the net effect of these transactions, rental income increased by $1,463 or 8.0% for the fourth quarter compared to the same quarter of 2016. However, this increase was offset in recent quarters by the lower "in place" occupancy rate compared to the same quarters of 2016. Several spaces that had been vacated in 2017 have since been re-leased and will generate rental income in 2018.

In the fourth quarter of 2017, rent payable adjustments of $182 (2016: $2 receivable) were recorded on a straight-line basis.

BTB also recorded amortization of $636 (2016: $610) as a reduction in rental income, which represents amortization of lease incentives afforded to lessees.

Recent acquisitions generated additional income of $2,104 for fiscal 2017, while disposals generated a $870 shortfall since the beginning of the year. Despite the net combined effect of these transactions, rental income for fiscal 2017 did not increase compared to 2016 due to a lower average occupancy rate in 2017 than in 2016.

For fiscal 2017, rent payable adjustments of $443 (2016: $246) were recorded on a straight-line basis and amortization of $2,449 (2016: $2,177) from lease incentives afforded to lessees was recorded as a reduction in rental income.

Operating expenses

BTB recorded an increase in operating expenses of $1,124, or 13.8%, between the fourth quarter of 2016 and the fourth quarter of 2017.

Recent acquisitions contributed to an increase of $547 in operating expenses for the quarter, while disposals resulted in an estimated reduction of $93. During the last months of the year, BTB invested significant amounts in preventive property maintenance of its properties, which significantly increased certain operating expenses.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
Operating expenses				
Maintenance, repairs and other operating costs	**3,574**	3,058	**12,209**	11,558
Property taxes and public utilities	**5,699**	5,091	**20,714**	20,487
Total operating expenses	**9,273**	8,149	**32,923**	32,045
% of rental income	***47.0***	*44.6*	***44.9***	*43.7*

For the entire year, recent acquisitions contributed to an increase of $679 in operating expenses, while the year's disposals allowed for a reduction in operating expenses of $346. Before the effect of these transactions, annual operating expenses had increased approximately $590 or 1.8% compared to last year, a rate comparable to the increase in the consumer price index (1.6%).

As a percentage of rental income, operating costs in the quarter of 2017 increased by 2.4% to 47.0% and by 1.2% to 44.9% for the year.

Net operating income

Net operating income for the quarter increased by $1,156 because of the year's acquisitions, while management estimates at approximately $195 the net shortfall after disposals.

Had it not been for the effect of these transactions, net operating income would have significantly decreased because of the increase in the portfolio's effective vacancy rate, that will be resolved in 2018, and recent investments in preventive maintenance of the portfolio buildings. The increase in operating expenses, which was greater than the increase in rental income, explains the decrease in percentage of net operating income over rental income from 55.4% to 53.0% for the quarter, and from 56.3% to 55.1% for the year.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
Net operating income[(1)]	**10,460**	10,121	**40,394**	41,339
% of rental income	***53.0***	*55.4*	***55.1***	*56.3*

(1) Non-IFRS financial measure

On an annual basis, net operating income was down $945, or 2.3%, despite the effect of acquisitions during the year that contributed to a $1,421 increase, while management estimates the shortfall from disposals at approximately $525.

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
Net operating income	**10,460**	10,121	**40,394**	41,339
Straight-line rental income adjustments	**(182)**	2	**(443)**	(246)
Adjustments related to amortization of lease incentives	**636**	610	**2,449**	2,177
Net operating income before rental income adjustments[1]	**10,914**	10,733	**42,400**	43,270
% of rental income on the basis of in-place leases	***54.1***	*56.8*	***56.3***	*57.5*

(1) Non-IFRS financial measure

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	
	2017	2016	**2017**	2016
	$	$	**$**	$
Interest expense on mortgage loans payable	**3,984**	3,658	**14,871**	14,582
Interest expense on debentures	**874**	874	**3,496**	4,471
Interest expense on acquisition line of credit	**205**	94	**351**	519
Interest expense on operating line of credit and other interest expenses	**30**	34	**117**	128
Interest expenses	**5,093**	4,660	**18,835**	19,700
Impact of early redemption of Series D convertible debentures	**–**	–	**–**	1,088
Accretion of effective interest	**254**	240	**1,008**	1,074
Accretion of non-derivative liability component of convertible debentures	**12**	11	**45**	192
Financial expenses before following item:	**5,359**	4,911	**19,888**	22,054
Fair value adjustment on derivative financial instruments (debenture conversion options and interest rate swap)	**(591)**	(823)	**(1,127)**	(623)
Financial expenses	**4,768**	4,088	**18,761**	21,431

Interest expenses increased by $433 during the fourth quarter of 2017 compared to the same period of 2016, mainly due to the financing of recent acquisitions which contributed to a $411 increase in interest expense on mortgage loans repayable and the use of the line of credit for these acquisitions. This increase was offset, however, by disposals which generated estimated savings of $86 on interest expense on mortgage loans payable for the quarter.

If not for these transactions, interest expense on mortgage loans payable would have been similar to that of the fourth quarter of 2016.

Financial expenses can be allocated among interest expenses amounting to $5,093 for the quarter (2016: $4,660) and non-monetary items. Non-monetary items include the accretion of effective interest and the liability component of convertible debentures and fair value adjustments on financial instruments. BTB recognized an increase in the value of derivative financial instruments of $591 for the quarter. The increase, which generated the equivalent in income recorded as a reduction of financial expenses, was due to rising interest rates in Canadian markets over the last few months.

As at December 31, 2017, the average weighted contractual rate of interest on mortgage loans payable was 3.72%, 7 basis points lower than the rate in effect as at December 31, 2016. Interest rates on first-ranking mortgage financings ranged from 2.0% to 6.8% as at December 31, 2017. The weighted average term of financing in place as at December 31, 2017 was 6.4 years (5.9 years as at December 31, 2016).

At the end of the year, interest expense on mortgage loans payable increased by $379. Acquisitions during the year contributed to a $503 increase, while disposals generated estimated savings of $179. If not for these transactions, expenses for 2017 would have been similar to 2016. Interest expense on debentures decreased by $97 due to the repayment of Series D convertible debentures in 2016. This redemption also gave rise to a non-recurring expense of $1,088 in 2016. The lines of credit were also used less extensively during 2017, generating savings of approximately $179 compared to the previous year.

Lastly, upward adjustments to financial instruments recorded during the year resulted in the recognition of income of $1,127 as a reduction of financial expenses in 2017 compared to $623 in 2016. Total financial expenses were down by $2,670 in 2017 compared to 2016.

Trust administration expenses

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
Administrative expenses	**952**	1,075	**3,940**	4,063
Amortization	**15**	15	**58**	61
Unit-based compensation	**107**	87	**319**	206
Trust administration expenses	**1,074**	1,177	**4,317**	4,330

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 periods 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 valuators 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 valuators. To the extent that the externally provided capitalization rate ranges change from one reporting period 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.

The Trust annually uses external chartered valuators to appraise a significant portion of its portfolio. The 10 largest properties and approximately a third of the remaining properties are independently appraised. In addition, as part of financing or refinancing and at the request of lenders, other properties were independently appraised during the last months of the year.

As at December 31, 2017, 71.4% (2016: 63.4%) of the fair value of the real estate portfolio was subject to an external independent appraisal and 28.6% (2016: 36.6%) was internally appraised by the Trust’s personnel.

Following these appraisals, the Trust recorded an increase in value of $10.9 million on its real estate portfolio. Of this amount, $2.3 million was recorded to reflect the selling price of properties sold subsequent to year-end. In addition, a $6.6 million increase in value was recognized on four major properties, which significantly increased the expected operating results for 2018. Lastly, a $1.0 million increase in value was recorded on a property following a decrease in the capitalization rate.

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, 2017				
Capitalization rate	6.25% – 10.00%	6.25% – 8.50%	6.50% – 9.75%	6.75% – 7.50%
Terminal capitalization rate	6.25% – 8.00%	6.50% – 7.75%	7.00% – 9.50%	6.75% – 7.50%
Discount rate	7.25% – 8.75%	7.00% – 8.75%	7.75% – 10.50%	7.50% – 8.50%
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%

The weighted average capitalization rate for the entire portfolio as at December 31, 2017 was 7.05% (December 31, 2016: 7.20%), down 15 basis points since December 31, 2016.

As at December 31, 2017, 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 $26.7 million.

Investment property disposal costs

On March 28, 2017, the Trust disposed of the investment property "3627-3645 Des Sources" in Dollard-des-Ormeaux for $7.0 million. The Trust realized a $482 gain on disposal of this property and incurred transaction and early mortgage repayment fees amounting to $350. This property had been acquired in February 2007 at a cost of $4.7 million, including acquisition costs.

On September 5, 2017, the Trust disposed of the investment property "665-669 Thibeau Blvd." in Trois-Rivières for $1.825 million. The Trust realized a $97 loss on disposal of this property and incurred transaction costs amounting to $74. This property had been acquired in August 2008 at a cost of $1.851 million, including acquisition costs.

On September 11, 2017, the Trust disposed of the investment property "1125-1135 St-Martin Blvd. West" in Laval for $2.625 million. The Trust realized a $6 loss on disposal of this property and incurred transaction and early mortgage repayment fees amounting to $116. This property had been acquired in February 2007 at a cost of $2.480 million, including acquisition fees.

Net income and comprehensive income

BTB generated net income of $15.5 million for the fourth quarter of 2017, up $6.4 million from $9.1 million in the fourth quarter of 2016. Net income for the year totalled $28.2 million, up $6.1 million from 2016.

Periods ended December 31	Quarter		Year	
(in thousands of dollars, except for per unit data)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Net income and comprehensive income	**15,498**	9,130	**28,171**	22,085
Per unit	**33.0¢**	21.6¢	**64.5¢**	57.3¢

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 real estate portfolio fluctuate based on the stock market volatility of BTB units, the forward interest rate curve and the discount and capitalization rates of the real estate 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 **2017**	 2016	Year **2017**	 2016
	$	$	**$**	$
Net income and comprehensive income	**15,498**	9,130	**28,171**	22,085
Volatile non-monetary items				
± Fair value adjustment on investment properties	**(10,855)**	(4,215)	**(10,855)**	(6,200)
± Fair value adjustment on derivative financial instruments	**(591)**	(823)	**(1,127)**	(623)
Adjusted net income and comprehensive income(1)	**4,052**	4,092	**16,189**	15,262
Per unit	**8.6¢**	9.7¢	**37.1¢**	39.6¢

(1) Non-IFRS financial measure

This table shows a slight decrease of 1.0% in quarterly adjusted net income and an increase of 6.1% in annual adjusted income, before the non-monetary items mentioned above. The portfolio's lower effective occupancy rate in the fourth quarter and for the year, compared to the same periods of 2016, substantially reduced the contribution to net income from acquisitions for the year. For the fourth quarter of 2017, quarterly adjusted net income per unit decreased 11.3% and annual adjusted net income decreased 6.3%. Income per unit was reduced by the issuance of 5.6 million units finalized on October 23, 2017, and the timing difference between receipt of the net proceeds and their allocation to accretive property acquisitions.

OPERATING RESULTS – SAME-PROPERTY PORTFOLIO

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2016, but does not include the financial spin-offs of acquisitions and developments completed in 2016 and 2017, as well as the contribution during the ownership period of properties sold in 2016 and 2017.

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

Periods ended December 31 (in thousands of dollars)	Quarter **2017**	 2016	 *Δ %*	Year **2017**	 2016	 *Δ %*
	$	$		**$**	$	
Rental income	**17,814**	17,663	0.9	**69,608**	70,959	(1.9)
Operating expenses	**8,507**	7,794	9.1	**31,419**	30,664	2.5
Net operating income(1)	**9,307**	9,868	(5.7)	**38,189**	40,295	(5.2)
Interest expense on mortgage loans payable	**3,470**	3,503	(0.9)	**13,856**	14,003	(1.0)
Net property income(1)	**5,837**	6,365	(7.9)	**24,333**	26,292	(7.5)
Decrease in net property income from the same-property portfolio	***7.9***			***7.5***		

(1) Non-IFRS financial measure

Rental income of the same-property portfolio was up 0.9%, but was limited by the lower effective occupancy rate of the same-property portfolio in 2017 compared to that of 2016. Net operating income and net property income were down for the fourth quarter of 2017 compared to the same period of 2016. Significant capital expenditures in preventive maintenance across the portfolio explain the decrease in the same-property portfolio's performance.

For the year, a lower effective occupancy rate and higher preventive maintenance costs explain the decrease in the same-property portfolio's performance. Currently vacant space totalling more than 180,000 square feet is subject to firm lease agreements and will generate income in the next few months. Based on current rental activities, management is optimistic that the same-property portfolio's performance indicators will soon improve.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

The following table shows the calculation of distributable income.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
Net income (loss) and comprehensive income (IFRS)	**15,498**	9,130	**28,171**	22,085
- Fair value adjustment on investment properties	**(10,855)**	(4,215)	**(10,855)**	(6,200)
+ Amortization of property and equipment	**37**	37	**154**	170
+ Unit-based compensation expense	**107**	87	**319**	206
+ Accretion of the liability component of convertible debentures	**12**	11	**45**	192
± Fair value adjustment on derivative financial instruments	**(591)**	(823)	**(1,127)**	(623)
+ Amortization of lease incentives	**636**	610	**2,449**	2,177
- Straight-line rental income adjustment	**(182)**	2	**(443)**	(246)
+ Accretion of effective interest	**254**	240	**1,008**	1,074
+ Impact of early redemption of Series D convertible debentures	**–**	–	**–**	1,088
Distributable income[1]	**4,916**	5,079	**19,721**	19,923
Unusual item				
Dispute settlement[2]	**–**	(32)	**–**	(212)
Recurring distributable income	**4,916**	5,047	**19,721**	19,711

(1) Non-IFRS financial measures
(2) Income from a dispute settlement

Distributions and per unit data

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
Distributions				
Cash distributions	**4,423**	3,927	**16,199**	14,474
Distributions reinvested under the distribution reinvestment plan	**656**	515	**2,287**	1,970
Total distributions to unitholders	**5,079**	4,442	**18,486**	16,444
Percentage of reinvested distributions	***12.9%***	*11.6%*	***12.4%***	*12.0%*
Per unit data				
Distributable income	**10.5¢**	12.0¢	**45.2¢**	51.7¢
Recurring distributable income	**10.5¢**	11.9¢	**45.2¢**	51.1¢
Distributions	**10.5¢**	10.5¢	**42.0¢**	42.0¢
Payout ratio [1]	***103.3%***	*88.0%*	***93.7%***	*83.4%*
Cash payout ratio[2]	***90.0%***	*77.8%*	***82.1%***	*73.4%*

(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.

Distributable income for the fourth quarter decreased by $163, from $5,079 to $4,916, between 2016 and 2017. Recurring distributable income per unit for the fourth quarter of 2017 was 10.5¢ compared to 11.9¢ in 2016, an 11.8% decrease. Recurring distributable income for the year was the same as last year, while recurring distributable income per unit was down from 51.7¢ to 45.2¢.

Distributions to unitholders totalled 10.5¢ per issued unit for each quarter of 2017 and 2016 and 42.0¢ for the year.

The payout ratio for recurring distributable income was 103.3% in the fourth quarter of 2017 compared to 88.0% in the fourth quarter of 2016, and 93.7% for 2017 compared to 83.4% for 2016. Management attributes the decrease in distributable income per unit to the portfolio's effective occupancy rate, which was lower in 2017 than in 2016, and to higher preventive maintenance costs during the fourth quarter of 2017, as well as the issuance of 5.6 million units on October 23, 2017 and the timing difference between receipt of the net proceeds and their allocation to accretive property acquisitions. Lastly, 180,000 square feet of leasable area are currently subject to firm lease agreements which will generate rental income over the next few quarters and significantly improve these performance indicators.

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	
	2017	2016	**2017**	2016
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**14,122**	13,250	**38,449**	39,850
+ Financial revenues	**50**	27	**83**	95
- Expenses related to disposal of investment properties	**(25)**	—	**(83)**	—
± Net change in non-cash operating items	**(4,138)**	(3,538)	**107**	(322)
- Interest expense on mortgage loans payable	**(3,984)**	(3,658)	**(14,871)**	(14,582)
- Interest expense on convertible debentures	**(874)**	(874)	**(3,496)**	(4,471)
- Interest expense on acquisition line of credit	**(205)**	(94)	**(351)**	(519)
- Interest expense on operating line of credit and other interest expenses	**(30)**	(34)	**(117)**	(128)
Distributable income	**4,916**	5,079	**19,721**	19,923

The following table, presented in accordance with CSA instructions, enables readers to assess the performance of distributed funds and reconcile them with cash flows and net income.

Years ended December 31 (in thousands of dollars)	**2017**	2016	2015
	$	$	$
Net cash flows from operating activities (IFRS)	**38,448**	39,850	38,238
- Interest paid	**(18,593)**	(20,630)	(20,855)
Net cash flows from operating activities	**19,855**	19,220	17,383
Net income	**28,171**	22,085	8,669
Total distributions	**18,486**	16,443	14,478
Cash distributions	**16,199**	14,474	12,688
Surplus (deficit) of net cash flows from operating activities compared to total distributions	**1,369**	2,777	2,905
Excess (deficiency) of net income over total distributions	**9,685**	5,642	(5,809)

For the years ended December 31, net cash flows from operating activities exceeded total distributions. If necessary, BTB has access to lines of credit totalling $22 million to cover seasonal fluctuations in certain disbursements.

Distribution reinvestment plan

In the fourth quarter of 2017, 12.9% of distributions (2016: 11.6%) and 12.4% (2016: 12.0%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. Approximately $2.3 million (2016: $1.8 million) of the Trust's cash was thereby preserved through unit conversions during 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, 2017 and 2016:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
Net income and comprehensive income (IFRS)	**15,498**	9,130	**28,171**	22,085
- Fair value adjustment on investment properties	**(10,855)**	(4,215)	**(10,855)**	(6,200)
- Costs on disposal of investment properties	**25**	—	**83**	—
+ Amortization of a property recognized at cost	**8**	15	**30**	61
+ Amortization of lease incentives	**636**	610	**2,449**	2,177
± Fair value adjustment on derivative financial instruments	**(591)**	(823)	**(1,127)**	(623)
+ Leasing payroll expenses	**144**	123	**511**	422
FFO(1)	**4,865**	4,840	**19,262**	17,922
Unusual item				
Dispute settlement	**–**	(32)	**—**	(212)
Recurring FFO(1)	**4,865**	4,808	**19,262**	17,710
FFO per unit	**10.3¢**	11.4¢	**44.1¢**	46.5¢
Recurring FFO per unit	**10.3¢**	11.4¢	**44.1¢**	45.9¢
Recurring FFO payout ratio(2)	***104.4%***	*92.4%*	***96.0%***	*92.8%*
Recurring FFO cash payout ratio(3)	***90.9%***	*81.7%*	***84.1%***	*81.7%*

(1) Non-IFRS financial measure
(2) The recurring FFO payout ratio corresponds to total distributions divided by recurring FFO.
(3) The recurring FFO cash payout ratio corresponds to cash distributions divided by recurring FFO.

For fiscal 2017, recurring FFO was 44.1¢, compared to 45.9¢ in 2016, a 3.9% decrease. The payout ratio stood at 96.0% for fiscal 2017 compared to 92.8% for 2016.

The decrease in recurring FFO and recurring FFO per unit was due to a lower effective occupancy rate in 2017 than in 2016, significant preventive maintenance expenditures during the last quarter of 2017, and the issuance of 5.6 million units on October 23, 2017 and the timing difference between receipt of the net proceeds and their allocation to accretive property acquisitions. As mentioned above, strong leasing activity in recent months will significantly improve these performance indicators in 2018.

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	
	2017	2016	**2017**	2016
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**14,122**	15,250	**38,449**	41,850
+ Straight-line rental income adjustment	**182**	(2)	**443**	246
+ Financial revenues	**50**	27	**83**	95
+ Amortization of a property recognized at cost	**8**	15	**30**	61
+ Leasing payroll expenses	**144**	123	**511**	422
± Net change in non-cash operating items	**(4,138)**	(5,538)	**107**	(2,322)
- Unit-based compensation expenses	**(107)**	(87)	**(319)**	(206)
- Interest on mortgage loans payable	**(3,984)**	(3,658)	**(14,871)**	(14,582)
- Interest on convertible debentures	**(874)**	(874)	**(3,496)**	(4,471)
- Interest on the acquisition line of credit	**(205)**	(94)	**(351)**	(519)
- Other interest expense and operating line of credit	**(30)**	(34)	**(117)**	(128)
- Accretion of the liability component of convertible debentures	**(12)**	(11)	**(45)**	(192)
- Accretion of effective interest	**(254)**	(240)	**(1,008)**	(1,074)
Impact of early redemption of Series D convertible debentures	**–**	–	**–**	(1,088)
- Amortization of other property and equipment	**(37)**	(37)	**(154)**	(170)
FFO[1]	**4,865**	4,840	**19,262**	17,922

(1) Non-IFRS financial measure

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

The following table provides a reconciliation of FFO and AFFO for the years ended December 31, 2017 and 2016:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
FFO	**4,865**	4,840	**19,262**	17,922
± Straight-line rental income adjustment	**(182)**	2	**(443)**	(246)
+ Accretion of effective interest	**254**	240	**1,008**	1,074
+ Accretion of the liability component of convertible debentures	**12**	11	**45**	192
+ Amortization of other property and equipment	**29**	22	**124**	109
+ Unit-based compensation expenses	**107**	87	**319**	206
+ Impact of early redemption of Series D debentures	**–**	–	**–**	1,088
- Provision for maintenance expenditures	**(395)**	(365)	**(1,467)**	(1,462)
- Provision for rental fees	**(320)**	(320)	**(1,249)**	(1,280)
AFFO[1]	**4,370**	4,517	**17,599**	17,603
Unusual item				
Dispute settlement	**–**	(82)	**–**	(212)
Recurring AFFO[1]	**4,370**	4,435	**17,599**	17,391
AFFO per unit	**9.3¢**	10.7¢	**40.3¢**	45.7¢
Recurring AFFO per unit	**9.3¢**	10.6¢	**40.3¢**	45.1¢
Recurring AFFO payout ratio[2]	***116.2%***	*99.0%*	**105.0%**	*94.6%*
Recurring AFFO cash payout ratio[3]	***101.2%***	*87.6%*	**92.0%**	*83.2%*

(1) Non-IFRS financial measure
(2) The recurring AFFO payout ratio corresponds to total distributions divided by recurring AFFO.
(3) The recurring AFFO cash payout ratio corresponds to cash distributions divided by recurring AFFO.

Recurring AFFO was down $115 for the quarter and up $208 for the year. Recurring AFFO per unit amounted to 9.3¢ compared to 10.6¢ in 2016, and the payout ratio stood at 116.2% compared to 99.0% in the fourth quarter of 2016. It stood at 40.3¢ compared to 45.7¢ for the full year, with a payout ratio of 105.0% compared to 94.6% in 2016.

The decrease in recurring AFFO and recurring AFFO per unit was due to the lower effective occupancy rate in 2017 compared to 2016, significant preventive maintenance expenditures in the last quarter of 2017, and the issuance of 5.6 million units on October 23, 2017 and the timing difference between receipt of the net proceeds and their allocation to accretive property acquisitions. As mentioned above, strong leasing activity in recent months will significantly improve these performance indicators in 2018.

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	
	2017	2016	**2017**	2016
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**14,122**	13,250	**38,449**	39,850
+ Financial revenues	**50**	27	**83**	95
+ Leasing payroll expenses	**144**	123	**511**	422
± Net change in non-cash operating items	**(4,138)**	(3,538)	**107**	(322)
- Interest on mortgage loans payable	**(3,984)**	(3,658)	**(14,871)**	(14,582)
- Interest on convertible debentures	**(874)**	(874)	**(3,496)**	(4,471)
- Interest on the acquisition line of credit	**(205)**	(94)	**(351)**	(519)
- Other interest expense and operating line of credit	**(30)**	(34)	**(117)**	(128)
- Provision for maintenance expenditures	**(395)**	(365)	**(1,467)**	(1,462)
- Provision for rental fees	**(320)**	(320)	**(1,249)**	(1,280)
Adjusted funds from operations	**4,370**	4,517	**17,599**	17,603

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 years ended December 31, 2017 and 2016.

Quarters ended December 31 (in thousands of dollars)	Retail		Office		Industrial		General purpose		Total
	$	%	$	%	$	%	$	%	$
Quarter ended December 31, 2017									
Investment properties	**230,570**	***30.7***	**335,463**	***44.7***	**123,540**	***16.4***	**61,537**	***8.2***	**751,110**
Rental income from properties	**5,969**	***30.3***	**9,472**	***48.0***	**2,375**	***12.0***	**1,917**	***9.7***	**19,733**
Net operating income(1)	**3,385**	***32.4***	**4,334**	***41.4***	**1,779**	***17.0***	**962**	***9.2***	**10,460**
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

(1) Non-IFRS financial measure

Years ended December 31 (in thousands of dollars)	Retail		Office		Industrial		General purpose		Total
	$	%	$	%	$	%	$	%	$
Year ended December 31, 2017									
Rental income from properties	**21,084**	***28.8***	**34,397**	***46.8***	**9,944**	***13.6***	**7,892**	***10.8***	**73,317**
Net operating income(1)	**12,417**	***30.8***	**15,885**	***39.3***	**8,005**	***19.8***	**4,087**	***10.1***	**40,394**
%	**58.9**		**46.2**		**80.5**		**51.8**		**55.1**
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
%	57.9		47.9		82.2		52.3		56.3

Rental income and net operating income of retail properties increased due to the acquisition of the "FX Sabourin" property in August 2017 and the "Carrefour St-Romuald" property in November 2017.

The effective occupancy rate of the office segment, which was affected by significant expiries in 2017, declined significantly in certain properties, explaining the decrease in rental income and net operating income.

The industrial segment was affected by the expected departure following the discontinuance of business of a major tenant in Cornwall, Ontario, which affected this category's occupancy rate, rental income and net operating income. The vacated space was partially filled at the end of the year and the beginning of 2018.

The decrease in rental income and net operating income of general purpose properties was due to the sale of two major properties in this segment.

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, 2017 and December 31, 2016. It should be read in conjunction with the Trust's consolidated financial statements and the notes thereto.

(in thousands of dollars)	Reference	**December 31, 2017**	December 31, 2016
		$	$
Assets			
Investment properties	Page 50	**751,110**	645,485
Amounts receivable from tenants and other receivables	Page 52	**4,212**	2,743
Other assets	Page 53	**5,150**	3,821
Cash and cash equivalents		**1,918**	6,667
Total assets		**762,390**	658,716
Liabilities			
Mortgage loans payable	Page 53	**428,382**	384,350
Convertible debentures	Page 55	**48,183**	47,692
Bank loans	Page 55	**18,130**	—
Accounts payable and other liabilities	Page 56	**18,748**	13,711
Total liabilities		**513,443**	445,753
Equity			
Unitholders' equity	Page 57	**248,947**	212,963
Total liabilities and equity		**762,390**	658,716

The main changes in the balance sheet as at December 31, 2017 compared to the balance sheet as at December 31, 2016 reflect the acquisition and disposal of investment properties during the year and mortgage financing related to these transactions.

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 $751 million as at December 31, 2017 compared to $645 million as at December 31, 2016.

Acquisitions

In August 2017, BTB purchased a retail property with a leasable area of approximately 123,000 square feet located on the Montréal South Shore, for $23.2 million.

In November 2017, the Trust purchased a retail property with a leasable area of 121,000 square feet located on the Québec City South Shore, for $35.9 million.

In November 2017, the Trust also purchased two office properties with a total leasable area of 132,000 square feet located in Ville Saint-Laurent, Québec, for $35.1 million.

Disposal

In March 2017, the Trust sold a 35,823 square-foot mixed use property located in Dollard-des-Ormeaux, Québec, for sales proceeds totalling $7.0 million.

In September 2017, the Trust sold a 13,471 square-foot property located in Trois-Rivières, Québec, for sale proceeds totalling $1.8 million and a 9,900 square-foot retail property located in Laval, Québec, for sale proceeds totalling $2.6 million.

After year-end, the Trust sold three investment properties totalling approximately 54,150 square feet for a total consideration of $11.9 million.

Summary by operating segment

As at December 31	**2017**			2016		
	Number of properties	**Leasable area (sq. ft.)**	**%**	**Number of properties**	**Leasable area (sq. ft.)**	**%**
Office	29	**2,050,462**	***38.6***	27	1,920,977	*38.6*
Retail	18	**1,304,773**	***24.6***	17	1,107,058	*22.3*
Industrial	20	**1,542,093**	***29.1***	19	1,499,783	*30.2*
Mixed use	4	**406,650**	***7.7***	6	442,472	*8.9*
Subtotal	71	**5,303,978**	***100.0***	69	4,970,290	*100.0*
Properties under redevelopment	**2**	**131,354**		3	173,665	
Total	**73**	**5,435,332**		72	5,143,955	

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, 2017 totalled $1,493, compared to $1,024 for the same quarter of 2016, of which $849 was recoverable (2016: $287). Capital expenditures totalled $4,327 for the year (2016: $2,682), of which $1,451 was recoverable (2016: $740). 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 $2,826 for the fourth quarter and $7,360 for the year ended December 31, 2017, compared to $968 and $4,088 for the same periods of 2016. 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 years ended December 31, 2017 and 2016.

Years ended December 31 (in thousands of dollars)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
Recoverable maintenance capital expenditures	**848**	287	**1,451**	740
Non-recoverable maintenance capital expenditures (1)	**646**	737	**2,876**	1,942
Total maintenance capital expenditures	**1,494**	1,024	**4,327**	2,682
Leasing fees and leasehold improvements	**2,818**	968	**7,360**	4,088
Total	**4,312**	1,992	**11,687**	6,770

(1) For the quarter, includes $0 related to investment properties under redevelopment (December 31, 2016: $154). For the cumulative period, includes $26 related to investment properties under redevelopment (December 31, 2016: $630).

The following table shows changes in the fair value of investment properties during the years ended December 31, 2017 and 2016.

Years ended December 31 (in thousands of dollars)	Quarter		Year	
	2017	2016	**2017**	2016
	$	$	**$**	$
Balance, beginning of period	**663,933**	639,432	**645,485**	622,651
Additions:				
Acquisitions	**72,464**	458	**96,057**	11,795
Dispositions	**–**	–	**(11,450)**	–
Capital expenditures net of grants	**1,494**	1,024	**4,327**	2,682
Leasing fees and leasehold improvements	**2,818**	968	**7,360**	4,088
Net changes in fair value of investment properties	**10,855**	4,215	**11,337**	6,200
Other non-monetary changes	**(454)**	(612)	**(2,006)**	(1,931)
Balance, end of period	**751,110**	645,485	**751,110**	645,485

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from $2,489 as at December 31, 2016 to $4,212 as at December 31, 2017. These amounts are summarized below:

(in thousands of dollars)	**December 31, 2017**	December 31, 2016
	$	$
Amounts receivable from tenants	**2,721**	**1,619**
Allowance for doubtful accounts	**(460)**	**(432)**
	2,261	**1,187**
Operating expenses to be recovered	**457**	**254**
Balance of sale receivable	**600**	**600**
Other receivables	**894**	**702**
Amounts receivable from tenants and other receivables	**4,212**	**2,743**

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, 2017	December 31, 2016
	$	$
Property and equipment	3,335	3,259
Accumulated depreciation	(1,235)	(1,081)
	2,100	2,178
Prepaid expenses	1,175	983
Derivative financial instruments	1,370	242
Other	505	418
Other assets	**5,150**	3,821

CAPITAL RESOURCES

Long-term debt

The following table shows the balances of BTB's indebtedness as at December 31, 2017, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

As at December 31, 2017 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2018	–	56,614	3.86
2019	–	48,744	4.03
2020	49,700	24,073	5.94
2021	–	37,696	2.96
2022	–	39,150	3.46
2023 and thereafter	–	224,326	3.80
Total	**49,700**	**430,603**	**4.06**

Weighted average contractual interest rate

As at December 31, 2017, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.06%, i.e. 3.72% for mortgages payable and 7.03% for convertible debentures.

Mortgage loans payable

As at December 31, 2017, the Trust's mortgage loans payable amounted to $431 million compared to $386 million as at December 31, 2016, before deferred financing costs and valuation adjustments, a net increase of $45 million following the financing of acquisitions completed in 2017, certain refinancings and principal repayments on monthly payments and disposals.

The following table summarizes changes in mortgage loans payable during the fourth quarter and year ended December 31, 2017:

As at December 31, 2017 (in thousands of dollars)	Quarter $	Year $
Balance at beginning of the period	**386,264**	**386,081**
Mortgage loans contracted or assumed	**85,175**	**108,088**
Balance repaid at maturity or upon disposal	**(38,828)**	**(51,586)**
Monthly principal repayments	**(2,008)**	**(11,980)**
Balance as at December 31, 2017	**430,603**	**430,603**

Note: Before unamortized financing costs and valuation adjustments.

As at December 31, 2017, the weighted average interest rate was 3.72%, compared to 3.79% for mortgage loans on the books as at December 31, 2016, a decrease of 7 basis points. As at December 31, 2017, except for three loans with a cumulative balance of $21.6 million, all mortgages payable bear interest at fixed rates ($344.3 million) or are coupled with an interest rate swap ($64.7 million).

The weighted average term of existing mortgage financings was 6.4 years as at December 31, 2017, and 5.9 years as at December 31, 2016, an increase of 0.5 years (6 months) in one year.

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

Except for one property under redevelopment valued at $0.3 million, and two properties partially securing the acquisition and operating lines of credit as at December 31, 2017, all of the Trust's other properties were mortgaged as at December 31, 2017. Unamortized loan financing costs totalled $2,931 and are amortized under the effective interest method over the term of the loans.

The following table, as at December 31, 2017, shows future mortgage loan repayments for the next few years:

As at December 31, 2017 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2018	11,560	55,307	66,867	15.5
2019	9,912	46,496	56,408	13.1
2020	9,856	21,849	31,705	7.4
2021	9,160	33,341	42,501	9.9
2022	8,372	33,097	41,469	9.6
2023 and thereafter	45,545	146,108	191,653	44.5
Total	**94,405**	**336,198**	**430,603**	**100.0**
+ Valuation adjustments on assumed loans			710	
- Unamortized financing costs			(2,931)	
Balance as at December 31, 2017			**428,382**	

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, 2017	**22,412**	**25,771**	**48,183**

(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.

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 on one property. The facility bears interest at the bank's base rate, plus 0.75%. As at December 31, 2017, $1.480 million of the operating credit facility had been used.

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, 2017, $16.560 million of the acquisition credit facility had been used. Following the sale of two properties used as collateral and partial repayment of the authorized acquisition credit facility, the facility was reduced to $15.350 million on February 7, 2018.

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, 2017 and December 31, 2016.

(in thousands of dollars)	**December 31, 2017**	December 31, 2016
	$	**$**
Free cash flow	**(1,918)**	(6,667)
Mortgage loans payable [(1)]	**430,603**	386,081
Convertible debentures [(1)]	**49,700**	49,700
Acquisition credit facility	**16,650**	—
Total long-term debt less free cash flow	**495,035**	429,114
Gross book value of the Trust less free cash flow	**761,707**	653,130
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	***56.5%***	*59.1%*
Debt-equity ratio – convertible debentures	***6.5%***	*7.6%*
Debt-equity ratio – acquisition line of credit	***2.2%***	*—%*
Total debt ratio	***65.0%***	*65.7%*

(1) Gross amounts

According to the table above, the mortgage debt ratio, excluding the convertible debentures and acquisition credit facility as at December 31, 2017, amounted to 56.5%, down 2.6% from December 31, 2016, mainly due to the appreciation in value of the real estate portfolio. Including the convertible debentures and the acquisition credit facility, net of free cash flow, the overall debt ratio stood at 65.0%, down 0.7% from December 31, 2016.

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, 2017, the interest coverage ratio stood at 2.07, down slightly by 11 basis points from the fourth quarter of 2016. The ratio increased by 4 basis points, to 2.15, for the year.

Periods ended December 31 (in thousands of dollars, except for the ratios)	**Quarter**		**Year**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Net operating income	**10,460**	10,121	**40,394**	41,339
Interest expense, net of interest income[(1)]	**5,043**	4,633	**18,752**	19,605
Interest coverage ratio	***2.07***	*2.18*	***2.15***	*2.11*

(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, 2017**	December 31, 2016
	$	$
Trade and other payables	**16,034**	11,385
Distributions payable	**1,695**	1,482
Unit-based compensation	**498**	284
Operating expenses to be reimbursed	**521**	560
Accounts payable and other liabilities	**18,748**	13,711

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	December 31, 2017	December 31, 2016
	$	$
Trust units	244,115	217,816
Cumulative profit	92,488	64,317
Cumulative distributions to unitholders	(87,656)	(69,170)
Unitholders' equity	248,947	212,963

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, 137,668 units were issued during the fourth quarter of 2017 (2016: 119,006 units) and 496,248 units were issued during the year (2016: 455,342 units). Close to $2.3 million in cash was thereby preserved in 2017 under the plan.

Units outstanding

On October 23, 2017, the Trust issued 5,561,400 units at a price of $4.55, for net proceeds of $24.1 million, net of underwriters' and professional fees.

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

Periods ended December 31	Quarter		Year	
(in number of units)	2017	2016	2017	2016
Units outstanding, beginning of quarter	42,724,050	42,223,367	42,342,373	34,705,151
Units issued				
Public offering	5,561,400	–	5,561,400	7,159,342
Distribution reinvestment plan	137,668	119,006	496,248	455,342
Awards - employee unit purchase plan	–	–	9,062	8,340
Awards - restricted unit compensation plan	–	–	14,035	14,198
Units outstanding, end of quarter	48,423,118	42,342,373	48,423,118	42,342,373
Weighted average number of units outstanding	47,023,012	42,283,216	43,670,943	38,546,160

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, 2017, 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 31, 2017 and 2016.

Years ended December 31 (in number of units)	Quarter		Year	
	2017	2016	**2017**	2016
Deferred units outstanding, beginning of period	**10,190**	2,226	**4,233**	–
Deferred units issued	**2,140**	2,007	**8,097**	4,233
Deferred units settled	**–**	–	**–**	–
Deferred units outstanding, end of period	**12,330**	4,233	**12,330**	4,233

Restricted unit compensation plan

Under this plan, beneficiaries are awarded restricted units that become fully vested over a period 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, 2017 and 2016.

Years ended December 31 (in number of units)	Quarter		Year	
	2017	2016	**2017**	2016
Restricted units outstanding, beginning of period	**115,628**	77,673	**77,673**	51,083
Restricted units issued	**–**	–	**51,990**	42,919
Restricted units cancelled	**–**	–	**–**	(2,131)
Restricted units settled	**–**	–	**(14,035)**	(14,198)
Restricted units outstanding, end of period	**115,628**	77,673	**115,628**	77,673

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 quarter ended December 31, 2017, no units were issued (2016: nil). During fiscal 2017, 9,691 units were issued.

Subsequent events

On January 25, 2018, the Trust sold the property located at 1863-1865 Autoroute Transcanadienne in Dorval, Québec, for sale proceeds totalling $5.650 million.

On February 6, 2018, the trust sold the property located at 2153-2155 Crescent Street in Montréal, Québec, for sale proceeds totalling $3.150 million.

On February 27, 2018, the Trust sold the property located at 1100 and 1108-1136 Saint-Joseph Blvd. in Drummondville, Québec, for sale proceeds totalling $3.075 million.

In February 2018, the Trust sold a property located at 2905 Marleau in Cornwall, Ontario, for sale proceeds totalling $490.

In February 2018, the Trust purchased a retail property located in the city of Delson, Québec, for a consideration of $1,865.

Off-balance sheet arrangements and contractual commitments

BTB does not have any other off-balance sheet arrangements or commitments 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, 2017, BTB complied with all of its loan commitments and was not in default with any covenant at the balance sheet date.

SUSTAINABLE DEVELOPMENT

In line with the principles of sustainable development, BTB incorporates environmental and social considerations into its business practices. Under BTB's Social Responsibility and Sustainable Development Policy, property is managed and operated so as to integrate sustainable development values into the Trust's activities, protect the health and well-being of employees and the communities where it operates, involve key shareholders in managing its environmental footprint, and demonstrate a commitment to transparency and continuous improvement of sustainability practices.

Ongoing improvement of properties through investment in environmental projects, among other things, is a top priority for BTB. The tangible results of BTB's responsible behaviour include BOMA BEST certification for 26 portfolio properties, publication of the Social Responsibility and Sustainable Development Policy, a sustainable development good practices guide for tenants, benchmarking of the real estate portfolio's energy performance, a partnership with a social reintegration organization for parking lot clean-up, development of Sentinelle client service and preventive maintenance software, and environmental risk management.

As mentioned above, BTB Real Estate Investment Trust contributes to sustainable development and is committed to mobilizing employees, tenants and suppliers to make it a reality. The Trust believes that its commitment to reduce its environmental footprint should be reflected not only across property operation, maintenance and management, but in everything it does. Accordingly, since September 2015, 26 properties in BTB's portfolio have received various levels of BOMA BEST certification, including Gold (2), Silver (3), Bronze (5) and Certified (16). This prestigious certification recognizing BTB's excellence in environmental property management was awarded by the Association des propriétaires et administrateurs d'immeubles - BOMA Québec, a leader in the real estate industry since 1927.

In future, BTB plans to continue improving the environmental footprint of its properties. Major projects, such as the Halles St-Jean energy efficiency project in St-Jean-sur-Richelieu, are in the works to optimize overall equipment performance and upgrade buildings. BTB also expects to keep its BOMA BEST certifications and achieve the highest level of performance for certain properties.

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, 2017, 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 ongoing 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 2017 or any other subsequent year.

TAXATION OF UNITHOLDERS

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

Years ended December 31	**2017**	2016
	%	*%*
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 January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The Trust adopted the amendments to IAS 7 in its financial statements for the first quarter of 2017, resulting in an additional disclosure.

b) Pending standards

The following standards have been issued but were not in effect for the quarter ended December 31, 2017, 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, 2017.

(i) IFRS 9, *Financial Instruments*
(ii) IFRS 15, *Revenues from Contracts with Customers*
(iii) IFRS 16, *Leases*
(iv) 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 2017 Annual Information Form for the year ended December 31, 2017, 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, 2017, 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, 2017, 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 2017, 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 $431 million as at December 31, 2017, compared to $386 million as at December 31, 2016.
- Series E and F convertible debentures for a total par value of $49.7 million.
- Operating and acquisition lines of credit used as needed.
- 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 valuators 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 valuators. 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, 2016, but does not include the financial impacts from disposals, acquisitions and developments completed in 2016 and 2017.

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:

- 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¢ (2016: 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.

Audited Consolidated Financial Statements

Year ended December 31, 2017

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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, 2017, 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, 2017 and 2016 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 9, 2018

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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, 2017 and December 31, 2016, 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.

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, 2017 and December 31, 2016, 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 9, 2018

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A105973

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2017 and 2016
(Audited - in thousands of CAD dollars)

	Notes	2017	2016
		$	$
ASSETS			
Investment properties	4, 5, 6	751,110	645,485
Property and equipment	7	2,100	2,178
Derivative financial instruments	13	1,370	242
Other assets	8	1,680	1,401
Receivables	9	4,212	2,743
Cash and cash equivalents		1,918	6,667
Total assets		**762,390**	**658,716**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	10	428,382	384,350
Convertible debentures	11	48,183	47,692
Bank loans	12	18,130	—
Unit-based compensation	14	498	284
Trade and other payables		16,555	11,945
Distributions payable to unitholders		1,695	1,482
Total liabilities		**513,443**	**445,753**
Unitholders' equity		**248,947**	**212,963**
		762,390	**658,716**

See accompanying notes to consolidated financial statements.

Approved by the Board on March 9, 2018.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016
(Audited - in thousands of CAD dollars)

	Notes	2017	2016
		$	$
Operating revenues			
Rental revenues from properties	16	73,317	73,384
Operating expenses			
Property taxes and public utilities		20,714	20,487
Other operating costs		12,209	11,558
		32,923	32,045
Net operating income		**40,394**	**41,339**
Other Revenue			
Dispute settlement		—	212
Expenses			
Finance costs		19,805	21,959
Net adjustment to fair value of derivative financial instruments		(1,127)	(623)
Net financing costs	17	18,678	21,336
Trust administration expenses		4,317	4,330
		17,399	**15,885**
Net changes in fair value of investment properties and disposals transaction costs	18	10,772	6,200
Net income being total comprehensive income for the year		**28,171**	**22,085**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

For the years ended December 31, 2017 and 2016
(Audited - in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distributions	Cumulative comprehensive income	Total
Balance at January 1, 2017		**217,816**	**(69,170)**	**64,317**	**212,963**
Issuance of units	15	26,299	—	—	26,299
Distributions to unitholders	15	—	(18,486)	—	(18,486)
		244,115	(87,656)	64,317	220,776
Comprehensive income		—	—	28,171	28,171
Balance as at December 31, 2017		**244,115**	**(87,656)**	**92,488**	**248,947**

Balance at January 1, 2016		**184,853**	**(52,726)**	**42,232**	**174,359**
Issuance of units	15	32,963	—	—	32,963
Distributions to unitholders	15	—	(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**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016
(Audited - in thousands of CAD dollars)

	Notes	2017	2016
		$	$
Operating activities			
Net income for the year		28,171	22,085
Adjustment for:			
Net changes in fair value of investment properties and disposals transaction costs	18	(10,772)	(6,200)
Depreciation of property and equipment	7	154	170
Unit-based compensation	14	319	206
Straight-line lease adjustment	16	(443)	(246)
Lease incentive amortization	16	2,449	2,177
Net financing costs	17	18,678	21,336
		38,556	39,528
Net change in non-cash operating items		(107)	322
Net cash from operating activities		**38,449**	**39,850**
Investing activities			
Additions to investment properties	4, 5	(104,791)	(17,813)
Net proceeds from disposal of investment properties	6	10,690	—
Additions to property and equipment	7	(76)	(56)
Net cash used in investing activities		**(94,177)**	**(17,869)**
Financing activities			
Mortgage loans, net of financing costs	25	107,036	86,822
Repayment of mortgage loans	25	(63,566)	(69,587)
Bank loans, net of financing costs		18,130	11,770
Repayment of bank loans		—	(21,570)
Repayment of convertible debentures		—	(23,000)
Net proceeds from issue of units		23,963	30,908
Net distributions to unitholders		(16,041)	(14,216)
Reduction to restricted cash		50	51
Interest paid		(18,593)	(20,630)
Net cash from (used in) financing activities		**50,979**	**(19,452)**
Net (decrease) increase in cash and cash equivalents		**(4,749)**	**2,529**
Cash and cash equivalents, beginning of year		**6,667**	**4,138**
Cash and cash equivalents, end of year		**1,918**	**6,667**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and 2016
(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, 2017 and 2016 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 9, 2018.

(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 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:

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 independent external appraisers 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 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.

(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.

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 lAS 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 lAS 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.

(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.

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.

(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.

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 January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 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. The Trust adopted the amendments to IAS 7 in its first quarter of 2017, resulting in an additional disclosure (see note 25).

(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, 2017, 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 intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018 and does not expect the new standard to have a material impact on the financial statements.

(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 beginning on January 1, 2018. The adoption of the new standard is not expected to have a material impact on the financial statements except for the presentation on a gross basis of property tax recoveries and property tax expenses related to certain single tenants who paid property taxes directly on behalf of the Trust. For the year ended December 31, 2017, the presentation on a gross basis instead of net basis would result in an additional amount in property tax recoveries to revenues, an amount that will equally offset by an increase to property tax expenses thereby generating no incremental net operating income. The Trust's most material revenue stream is base rental revenue, which is outside the scope of IFRS 15. The recovery of costs related to the provision of services is considered within the scope of IFRS 15 and the Trust has concluded that the pattern of revenue recognition will remain unchanged. On the adoption of IFRS 15, the Trust will be required to disclose revenue recognized from contracts with customers separately from other sources of revenue, including those included within gross leases.

(Audited - in thousands of CAD dollars, except per unit amounts)

(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) 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,	2017	2016
	$	$
Balance beginning of year	645,485	622,651
Acquisitions of investment properties (note 5)	96,057	11,795
Disposals of investment properties (note 6)	(11,450)	—
Capital expenditures	4,327	2,682
Capitalized leasing fees	1,119	875
Capitalized lease incentives	6,241	3,213
Lease incentives amortization	(2,449)	(2,177)
Straight-line lease adjustment	443	246
Net changes in fair value of investment properties (note 18)	11,337	6,200
Balance end of year	**751,110**	**645,485**

(Audited - in thousands of CAD dollars, except per unit amounts)

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 recognized valuation techniques, comprising the Discounted Cash Flow, the Direct Capitalization and Comparable methods. The selection of investment properties subject to independent 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, 2017 external appraisals were obtained for investment properties with an aggregate fair value of $536,158 (December 31, 2016 - $409,135) and management's internal valuations were used for investment properties with an aggregate fair value of $214,952 (December 31, 2016 - $236,350).

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:

	Retail	Office	Industrial	Mixed use
As at December 31, 2017				
Capitalization rate	6.25% - 10.00%	6.25% - 8.50%	6.50% - 9.75%	6.75% - 7.50%
Terminal capitalization rate	6.25% - 8.00%	6.50% - 7.75%	7.00% - 9.50%	6.75% - 7.50%
Discount rate	7.25% - 8.75%	7.00% - 8.75%	7.75% - 10.50%	7.50% - 8.50%
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%

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

Capitalization rate sensitivity **Increase (decrease)**	**Fair Value**	**Change in fair value**
	$	$
(0.50%)	807,373	56,263
(0.25%)	777,648	26,538
Base rate	751,110	—
0.25%	724,182	(26,928)
0.50%	699,997	(51,113)

For the years ended December 31, 2017 and 2016
(Audited - in thousands of CAD dollars, except per unit amounts)

5. Acquisitions

(a) 2017 Asset Acquisitions

The fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during the year ended December 31, 2017 were as follows:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Mortgage loans payable**	**Assets / (Trade and other payables), including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
August 2017	Retail	Longueuil, QC	100	23,200	—	107	23,307
November 2017	Retail	Levis, QC	100	35,900	—	(457)	35,443
November 2017	Office	Montreal, QC	100	19,278	—	(127)	19,151
November 2017	Office	Montreal, QC	100	15,772	—	(6)	15,766
Transaction costs				1,907	—	(1,907)	—
Total				**96,057**	**—**	**(2,390)**	**93,667**

(b) 2016 Asset Acquisitions

The 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:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**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.

6. Disposals

(a) 2017 Asset Disposals

The following table presents relevant information on disposals recognized in the consolidated financial statements during the year ended December 31, 2017:

Disposal date	**Property type**	**Location**	**Gross proceeds**	**Restricted Cash**	**Trade and other payables, including transaction costs**	**Net proceeds**
			$		$	$
March 2017	Mixed use	Dollard-des-Ormeaux, QC	7,000	—	(37)	6,963
September 2017	Retail	Trois-Rivieres, QC	1,825	(50)	(82)	1,693
September 2017	Retail	Laval, QC	2,625	—	(26)	2,599
Transaction costs*			—	—	(565)	(565)
Total			**11 450**	**(50)**	**(710)**	**10,690**

*Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs (see note 18).

(Audited - in thousands of CAD dollars, except per unit amounts)

(b) 2016 Asset Disposals

There was no asset disposal during 2016.

7. Property and Equipment

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
	$	$	$	$	$
Cost					
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**
Additions	—	13	56	7	**76**
Balance at December 31, 2017	494	1,968	696	177	**3,335**
Accumulated Depreciation					
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**
Depreciation for the year		58	68	28	**154**
Balance at December 31, 2017		567	560	108	**1,235**
Net carrying amount					
Balance at December 31, 2016	494	1,446	148	90	**2,178**
Balance at December 31, 2017	494	1,401	136	69	**2,100**

8. Other Assets

As at December 31,	2017	2016
	$	$
Prepaid expenses	1,175	983
Deposits	505	418
Total	**1,680**	**1,401**

For the years ended December 31, 2017 and 2016
(Audited - in thousands of CAD dollars, except per unit amounts)

9. Receivables

As at December 31,	2017	2016
	$	$
Rents receivable	2,721	1,619
Provision for doubtful accounts	(460)	(432)
Net rents receivable	2,261	1,187
Unbilled recoveries[1]	457	254
Other receivables	894	702
Balance of sale[2]	600	600
Total	**4,212**	**2,743**

[1] At December 31, 2017 unbilled credits amounting to $521 are included in Trade and other payables (December 31, 2016 – $560).

[2] 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. The balance of sale is related to the disposal of an investment property that occurred in November 2015.

10. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $738,360 as at December 31, 2017 (December 31, 2016 – $638,635).

As at December 31,	2017	2016
	$	$
Fixed rate mortgage loans payable	344,313	364,669
Floating rate mortgage loans payable	86,290	21,412
Unamortized fair value assumption adjustments	710	845
Unamortized financing costs	(2,931)	(2,576)
Mortgage loans payable	**428,382**	**384,350**
Weighted average interest rate	3.72%	3.79%
Weighted average term to maturity (years)	6.36	5.90
Range of annual rates	2.00% - 6.80%	2.77% - 6.80%

(Audited - in thousands of CAD dollars, except per unit amounts)

As at December 31, 2017, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	$	$	$
2018	11,560	55,307	66,867
2019	9,912	46,496	56,408
2020	9,856	21,849	31,705
2021	9,160	33,341	42,501
2022	8,372	33,097	41,469
Thereafter	45,545	146,108	191,653
	94,405	**336,198**	**430,603**
Unamortized fair value assumption adjustments			710
Unamortized financing costs			(2,931)
			428,382

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 13). 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, **2017**	As at December 31, **2016**
	$	%			$	$
March 2013	7,150	4.02	Monthly	April 2023	5,963	6,238
June 2016	13,000	3.45	Quarterly	June 2026	12,412	12,804
November 2017	23,200	3.8825	Monthly	November 2027	23,200	—
November 2017	23,075	3.905	Monthly	December 2027	23,075	—
Total	**66,425**				**64,650**	**19,042**

11. Convertible Debentures

As at December 31, 2017, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates Coupon	Interest rates Effective	Unit conversion price	Interest payments	Maturity
		%	%	$		
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

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**

(Audited - in thousands of CAD dollars, except per unit amounts)

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, 2017			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component	195	—	195
	22,885	26,700	49,585
Unamortized financing costs	(473)	(929)	(1,402)
Non-derivative liability component	**22,412**	**25,771**	**48,183**
Conversion and redemption options (asset) liability component at fair value	**(4)**	**5**	**1**

	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

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 on August 2, 2016 (see note 17).

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 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.

12. 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, 2017, $16,650 was due under the acquisition line of credit (December 31, 2016 – $nil).

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, 2017, $1,480 was due under the operating credit facility (December 31, 2016 – $nil).

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 $9,545 and by an immoveable second rank hypothec on four properties having a value of $87,175.

(Audited - in thousands of CAD dollars, except per unit amounts)

13. 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, receivables, deposits, trade and other payables and distributions payable to unitholders, which approximated their carrying amount as at December 31, 2017 and December 31, 2016 because of their short-term maturity.

As at December 31, 2017	Carrying amount			Fair value
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 11)	1	—	—	1
Interest rate swap	(1,371)	—	(1,371)	—
For which fair values are disclosed				
Mortgage loans payable (note 10)	428,382	—	423,677	—
Convertible debentures, including their conversion and redemption features (note 11)	48,184	50,988	—	—
Bank loans (note 12)	18,130	—	18,130	—

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 11)	7	—	—	7
Interest rate swap	(249)	—	(249)	—
For which fair values are disclosed				
Mortgage loans payable (note 10)	384,350	—	395,410	—
Convertible debentures, including their conversion and redemption features (note 11)	47,699	50,980	—	—

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 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.

(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, 2017	
Balance beginning of year	7
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	(6)
Balance end of year	**1**

	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**

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, 2017:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	(39)	13.33
December 31, 2017	1	13.83
0.50%	41	14.33

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.

14. 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 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.

(Audited - in thousands of CAD dollars, except per unit amounts)

No options were outstanding as at December 31, 2017 and December 31, 2016.

(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:

For the years ended December 31,	**2017**	**2016**
	Deferred units	Deferred units
Outstanding, beginning of year	4,233	—
Trustees' compensation	7,442	4,172
Distributions paid in units	655	61
Outstanding, end of year	**12,330**	**4,233**

As at December 31, 2017, the liability related to the plan was $57 (December 31, 2016 - $19). The related expense recorded in profit and loss amounted to $38 for the year ended December 31, 2017 (for the year ended December 31, 2016 - $19).

(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, 2017, the liability related to the plan was $44 representing a total of 9,691 units to issue (December 31, 2016 - $40, representing a total of 9,062 units to issue).). The related expense recorded in profit and loss amounted to $45 for the year ended December 31, 2017 (for the year ended December 31, 2016 - $39). The 9,691 units related to 2017 purchases were issued in February 2018 (9,062 units related to 2016 purchases - February 2017).

(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.

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

For the years ended December 31,	**2017**	**2016**
	Restricted units	Restricted units
Outstanding, beginning of year	77,673	51,083
Granted	51,990	42,919
Cancelled	—	(2,131)
Settled	(14,035)	(14,198)
Outstanding, end of year	**115,628**	**77,673**

As at December 31, 2017, the liability related to the plan was $397 (December 31, 2016 - $225). The related expense recorded in profit and loss amounted to $236 for the year ended December 31, 2017 (for the year ended December 31, 2016 - $148). As part of settlement, the Trust issued 14,035 units under this plan for the year ended December 31, 2017 (14,198 units for the year ended December 31, 2016).

(Audited - in thousands of CAD dollars, except per unit amounts)

15. 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 October 2017, the Trust completed a public issue of 5,561,400 units, including the over-allotment option, for total net proceeds of $23,963.

Trust units issued and outstanding are as follows:

For the years ended December 31,		**2017**		**2016**
	Units	$	Units	$
Units outstanding, beginning of year	42,342,373	217,816	34,705,151	184,853
Issue pursuant to a public issue	5,561,400	25,304	7,159,342	32,575
Unit issue costs	—	(1,341)	—	(1,667)
	47,903,773	241,779	41,864,493	215,761
Issue pursuant to the distribution reinvestment plan (a)	496,248	2,231	455,342	1,961
Issue pursuant to the employee unit purchase plan (note 14 (c))	9,062	42	8,340	35
Issue pursuant to the restricted unit compensation plan (note 14 (d))	14,035	63	14,198	59
Units outstanding, end of year	**48,423,118**	**244,115**	**42,342,373**	**217,816**

(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.

(b) Distributions

For the years ended December 31,	**2017**	**2016**
	$	$
Distributions to unitholders	18,486	16,444
Distributions per unit	0.42	0.42

16. Rental Revenues from Properties

For the years ended December 31,	**2017**	**2016**
	$	$
Rental income contractually due from tenants	75,323	75,315
Lease incentive amortization	(2,449)	(2,177)
Straight-line lease adjustment	443	246
	73,317	**73,384**

For the years ended December 31, 2017 and 2016
(Audited - in thousands of CAD dollars, except per unit amounts)

17. Net Financing Costs

For the years ended December 31,	2017	2016
	$	$
Financial income	(83)	(95)
Interest on mortgage loans payable	14,871	14,582
Interest on convertible debentures	3,496	4,471
Interest on bank loans	382	533
Other interest expense	86	114
Accretion of non-derivative liability component of convertible debentures	45	192
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	1,008	1,074
Impact of early redemption of convertible debenture series D (note 11)	—	1,088
Net adjustment to fair value of derivative financial instruments	(1,127)	(623)
	18,678	**21,336**

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

For the years ended December 31,	2017	2016
	$	$
Net changes in fair value of investment properties (note 4)	11,337	6,200
Disposals transaction costs (note 6)	(565)	—
	10,772	**6,200**

19. Expenses by Nature

For the years ended December 31,	2017	2016
	$	$
Depreciation	154	170
Employee benefits expense	5,940	5,726

20. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32 (see note 15), 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*.

(Audited - in thousands of CAD dollars, except per unit amounts)

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

For the years ended December 31,	2017	2016
	$	$
Net income	28,171	22,085
Weighted average number of units outstanding – basic	43,670,943	38,546,160
Earnings per unit – basic	**0.65**	**0.57**

21. 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, 2017 are as follows:

	2017
	$
Within one year	57,584
Beyond one year but within five years	182,505
Beyond five years	159,689
	399,778

22. 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.

(Audited - in thousands of CAD dollars, except per unit amounts)

The Trust's capital is as follows:

As at December 31,	2017	2016
	$	$
Cash and cash equivalents	(1,918)	(6,667)
Mortgage loans payable[1]	430,603	386,081
Convertible debentures[1]	49,700	49,700
Acquisition line of credit	16,650	—
Mortgage loans payable, Convertible debentures and Acquisition line of credit adjusted for Cash and cash equivalents	**495,035**	**429,114**
Total assets	762,390	658,716
Accumulated depreciation on Property and equipment	1,235	1,081
Cash and cash equivalents	(1,918)	(6,667)
Totals assets adjusted for accumulated depreciation and cash and cash equivalents	**761,707**	**653,130**

(1) Excluding issue costs

As at December 31,	2017	2016
	%	%
Mortgage loans payable, Convertible debentures and Acquisition line of credit adjusted for Cash and cash equivalents / total assets adjusted for accumulated depreciation and cash and cash equivalents ratio	65.0	65.7
Mortgage loans payable / total assets adjusted for accumulated depreciation and cash and cash equivalents ratio	56.5	59.1

(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 13)

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 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, 2017, overdue rent receivable amounted to $1,851 (December 31, 2016 - $1,166), of which a provision for doubtful account of $460 (December 31, 2016 - $432) 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 three mortgage loans outstanding of $21,640 as at December 31, 2017, 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 $216 on the Trust's comprehensive income for the year ended December 31, 2017.

(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, 2017, the Trust was in compliance with all the covenants to which it was subject.

(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, 2017

			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2018	2019	2020	2021	2022	2023 and thereafter
	$	$	$	$	$	$	$	$
Trade and other payables	16,555	16,733	15,688	277	269	168	124	207
Distributions payable to unitholders	1,695	1,695	1,695	—	—	—	—	—
Bank loans	18,130	18,130	18,130	—	—	—	—	—
Mortgage loans payable and convertible debentures	476,565	578,994	85,628	72,944	95,009	52,507	50,236	222,670
	512,945	**615,552**	**121,141**	**73,221**	**95,278**	**52,675**	**50,360**	**222,877**

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**

For the years ended December 31, 2017 and 2016
(Audited - in thousands of CAD dollars, except per unit amounts)

23. 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,	2017	2016
	%	%
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,	2017	2016
	$	$
Assets	49,374	48,319
Liabilities	29,943	30,647
Revenues	5,648	5,581
Expenses	2,832	3,266

(Audited - in thousands of CAD dollars, except per unit amounts)

24. Operating Segments

For investment properties, discrete financial information is provided to the 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 retail, office, industrial and mixed use segments.

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

- Retail
- Office
- Industrial
- Mixed use

	Retail	Office	Industrial	Mixed use	Total
	$	$	$	$	$
Year ended December 31, 2017					
Investment properties	230,570	335,463	123,540	61,537	**751,110**
Rental revenue from properties	21,084	34,397	9,944	7,892	**73,317**
Net operating income	12,417	15,885	8,005	4,087	**40,394**
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**

25. Supplemental Cash Flow Information

The following table provides a reconciliation of movements of liabilities to cash flows arising from financing activities

	Convertible debentures	Mortgage loans payable
Year ended December 31, 2017	$	$
Balance beginning of year	47,692	384,350
Mortgage loans, net of financing costs	—	107,036
Repayment of mortgage loans	—	(63,566)
Fair value assumption adjustments and financing costs amortization	446	562
Accretion of non-derivative liability component	45	—
Balance end of year	**48,183**	**428,382**

26. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the years ended December 31,	2017	2016
	$	$
Salaries and short-term benefits	1,934	1,969
Unit-based compensation	287	155
Total	**2,221**	**2,124**

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

(Audited - in thousands of CAD dollars, except per unit amounts)

27. Commitments and Contingencies

(a) Operating leases as lessee

The annual future payments required under operating leases expiring between 2018 and 2070 are as follows:

	Total
	$
Within one year	228
Beyond one year but within five years	864
Beyond five years	14,094
	15,186

The related expense recorded in profit and loss amounted to $234 for the year ended December 31, 2017 (for the year ended December 31, 2016 - $232).

(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,	2017			2016		
	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	39	104	143	45	98
Beyond one year but within five years	496	97	399	515	121	394
Beyond five years	206	10	196	331	25	306
	845	**146**	**699**	**989**	**191**	**798**

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.

28. Subsequent Events

In January 2018, the Trust concluded the sale of one investment property for a gross proceed of $5,650. An amount of $3,650 has been used to partially reimburse the acquisition line of credit.

In February 2018, the Trust concluded the sale of the owner-occupied land and building for a gross proceed of $3,150.

In February 2018, the Trust concluded the sale of one investment property for a gross proceed of $490. An amount of $458 has been used to partially reimburse a mortgage loan.

In February 2018, the Trust acquired a commercial building located in the city of Delson for a purchase price of $1,865. The transaction was partly financed by a balance of sale of $1,399 bearing interest at a rate of 4.00% maturing in December 2018.

In February 2018, the Trust concluded the sale of one investment property for a gross proceed of $3,075. An amount of $1,237 has been used to completely reimburse the mortgage loan.

29. Comparatives Figures

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

Corporate Information

Board of Trustees

Executive Team

Michel Leonard
President and Chief Executive Officer

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

Dominic Gilbert, B.B.A.
Vice President, Leasing

Sylvie Laporte
Vice President, Property Management

Unitholders Information

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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
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T 514 982 7555
T Toll free: 1 800 564 6253
F 514 982 7850
service@computershare.com

Taxability of distributions
In 2017, 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
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Legal counsel
De Grandpré Chait LLP.
1000 De la Gauchetière St. West
Suite 2900
Montreal, Quebec, H3B 4W5

Annual Meeting of Unitholders
June 12, 2018
11 : 00 a.m. (EDT)
Espace CDPQ
3 Place Ville-Marie
Montreal, Quebec, H3B 2E3

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.

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BTB