



**Our tenants,
clients
above all**



Annual Report 2018



Michelle Laflamme

President and CEO, EMOVI

(Cover photo)

As a company operating in the specialized medical field, we have very specific needs in terms of space and amenities. When we spotted our current office premises in the heart of Montreal's Mile-Ex neighbourhood, the BTB team immediately made it clear they intended to be a partner for our solutions rather than a simple landlord.

Their attentive ear, their responsiveness in answering our questions, their tremendous flexibility and their painstaking thoroughness convinced us that we had found a long-term solution for making our business vision a reality.

Located at the corner of Mozart Street and Saint-Laurent Boulevard, the property was perfect for us. Every convenience was within walking distance, thus contributing to our employees' quality of life, and the surrounding area was home to a number of companies whose businesses were complementary to our own. All of the adjustments and details that BTB arranged for us in short order confirmed we were making the right choice.

With BTB, we feel like clients in every sense of the word instead of just tenants. It's so refreshing!



**We are redefining
the real estate
industry and
implementing
standards of
excellence that
ensure our clients
are treated with
the respect they
deserve.**

The background image shows an office environment. On the left, a woman with glasses and a striped shirt is smiling at a desk. In the center, there are cubicles with desks, a computer monitor, and various office supplies. On the right, a person is walking away from the camera, their figure blurred. The entire scene is overlaid with a semi-transparent orange filter.

Our greatest pride is the steadfast dedication of each of our employees and partners to the well-being of our clients and their ability to see them as drivers of growth.

67

Properties

Highlights

\$87.4^M

Rental income

\$855^M

Total assets

92.2%

Payout ratio on
distributable income⁽¹⁾

5.4^M

Number of square feet

91.0%

Occupancy rate

55.8%

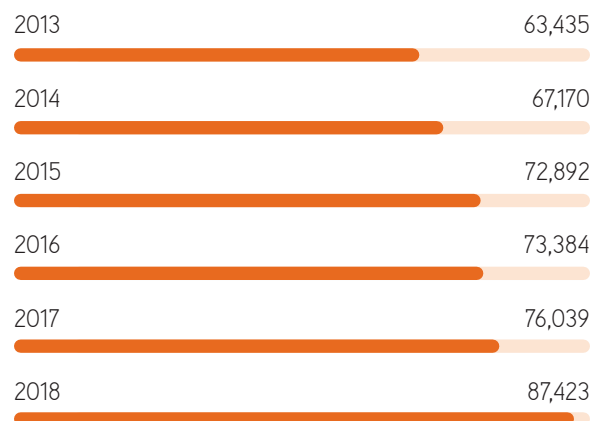
Mortgage debt ratio

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

Highlights

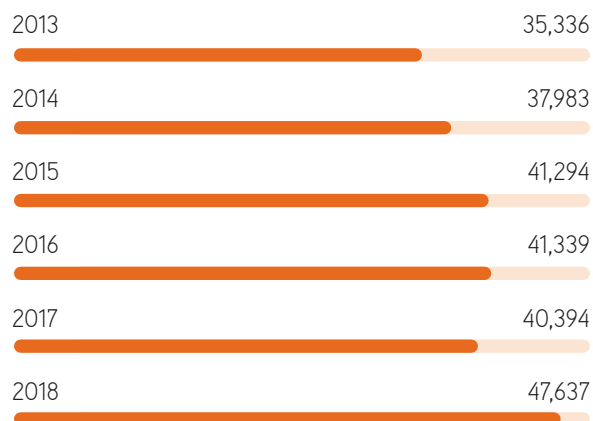
Evolution of rental Income*

(in thousands of dollars)



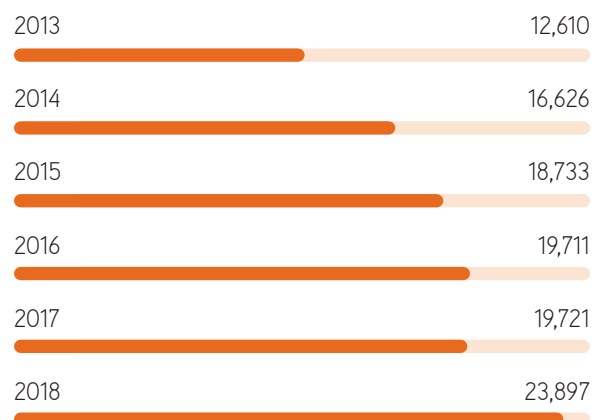
Evolution of net operating income*

(in thousands of dollars)



Evolution of distributable income*

(in thousands of dollars)



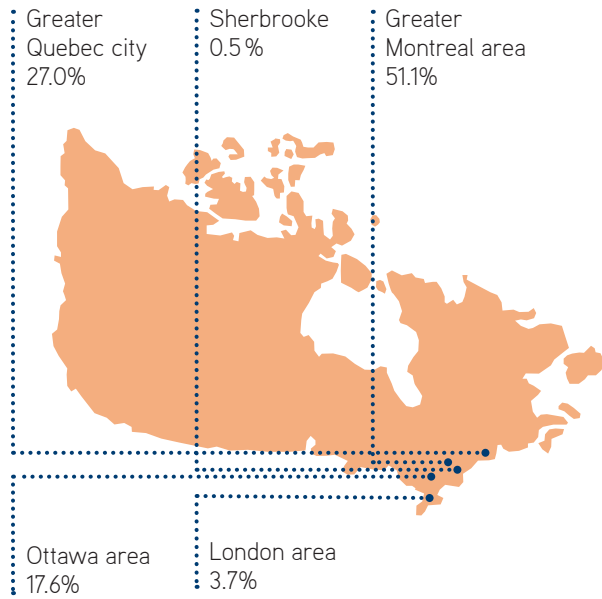
Evolution of total leasable area*

(in thousands of square feet)

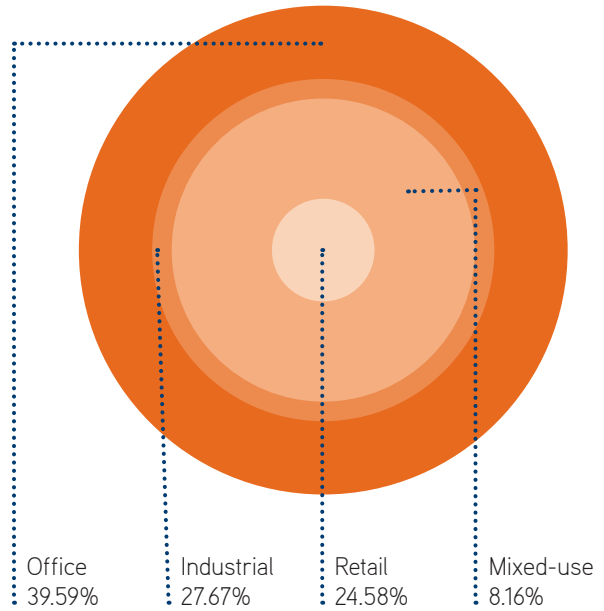


* For the years ending December 31st

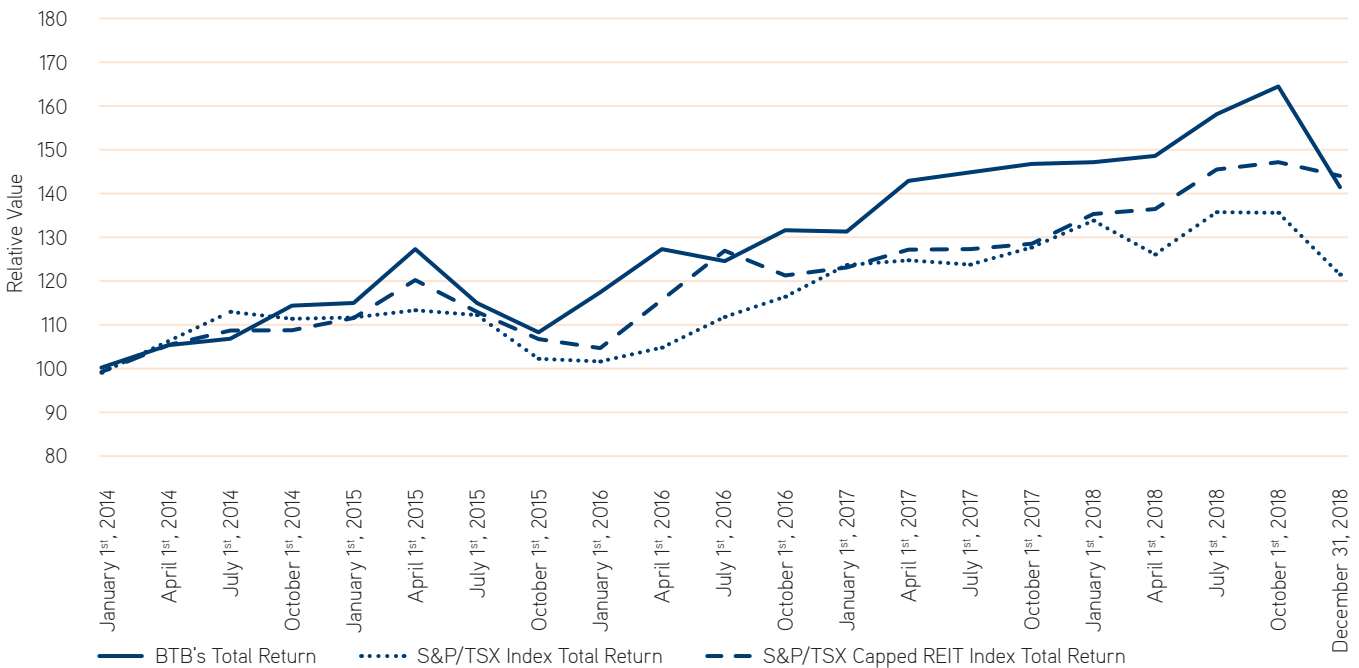
Breakdown of portfolio by geographical region
(per leasable area)



Breakdown by asset type
(per leasable area)



Performance on the markets



A photograph of two men in business suits shaking hands. The man on the left is older with white hair, wearing a dark suit, a light-colored shirt, and a striped tie. The man on the right is younger with dark hair, wearing a dark suit, a light-colored shirt, and a patterned tie. They are both smiling and looking at each other. The background is a solid orange color.

The true value
of our assets
is knowing
that our tenants
can find in
them a work
environment
that responds
to their needs
in every respect.

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

The true reward for our team is knowing that our clients can find a work environment that corresponds to their needs in every respect, both now and in the future.

The client-BTB relationship: our greatest asset

The best word to describe the past year at BTB would be "client-centric." Even though our core mission is to acquire, enhance and effectively manage office, commercial and industrial properties, the true value of our business lies in the relationships we cultivate with the clients who occupy our buildings.

In today's global economy, decisions about office, industrial and commercial spaces are constantly being redefined and the way we work is changing dramatically. In this context, we believe it is critical to remain ahead of the curve in fulfilling the needs and expectations of our clients. No matter the size of the space they lease, it is up to us to prove that, with BTB, they have found a business partner dedicated to supporting their growth and success. For instance, we signed deals to relocate tenants in one of our properties to another property in our portfolio. We also concluded agreements with tenants in several of our buildings to meet their expansion needs.

Our staff's dedication to attracting and, more importantly, retaining clients by offering spaces that better suit their requirements speaks volumes about the depth of our commitment. Our employees' contributions and our work environment led to BTB's recognition as a "Great Place to Work" in Canada in 2018.

Consolidating our assets

Our "client first" perspective has shaped our efforts to reposition approximately 20% of our portfolio by focusing on higher-quality properties to cater to the changing needs of our clients. Accordingly, we disposed of 11 properties, for a total of \$48.9 million. Some of the properties we sold generated a return on investment of more than 100%.

The sale of these assets allowed us to purchase six higher-quality properties with a stronger net operating income than that generated by the divested properties, for a total purchase price of \$101.6 million.

The following properties were acquired during the past year:

- 1327-1333 Sainte-Catherine Street West and 1405-1411 Crescent Street, Montreal, Quebec;
- 625-730 De la Concorde Street, Lévis, Quebec, also known as Méga-Centre Rive-Sud;
- 3111 and 3131 Saint-Martin Boulevard West, Laval, Quebec.

In the coming year, we will continue to strive to maximize the value of our assets to meet the evolving needs of clients to help drive our long-term success and add value to our portfolio.

Growing our leasing operations

During the year, our leasing operations yielded positive results, with more than 546,000 square feet leased to new clients and 455,000 square feet of lease renewals. We also succeeded in leasing out properties that had been suffering from chronic vacancy. For example, the public transit company EXO rented all of the vacant office space in our property in Sainte-Thérèse, while Johns Manville Canada (a Berkshire Hathaway company) leased 68,000 square feet of industrial space in Cornwall, thus filling a void left by an earlier-than-anticipated tenant departure.

Moreover, although our financial results were affected by the bankruptcy of Pharmetics, a major tenant, we managed to sign a long-term lease with Nuera Entreprises at the end of 2018 for the entire space formerly occupied by the pharmaceutical manufacturer.

We ended the year with a 91.0% occupancy rate for our 5.4-million-square-foot portfolio, which constitutes an increase from the 89.3% occupancy rate posted for the third quarter of 2018. For the first time in the past five quarters, the same-property net operating income (SPNOI) of the portfolio rose by 6.9% in 2018.

A business strategy that is paying off

Our strategy to acquire properties, attract new tenants and retain clients helped us obtain results that are commensurate with our expectations as well as those of our unitholders.

Rental income was up from \$76.0 million in 2017 to \$87.4 million in 2018, while net operating income was up more than \$7 million, growing from \$40.4 million to \$47.6 million. BTB's net income for 2018 shot up from \$28.2 million to \$41.3 million, generating an increase in distributable income from \$19.7 million to \$23.9 million.

The total value of BTB's assets also trended upward during the year, posting an increase of more than 12% (from \$762 million to \$855 million). In addition, strategic choices in terms of asset acquisitions and dispositions, paired with sound property management, allowed us to lower our debt ratio from 65.0% to 62.5%.

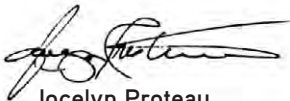
For everyone at BTB, these results confirm that, when we join forces to reach out to and retain a more discerning and sophisticated client base, we can improve the quality of our portfolio and continue to make our mark in a fiercely competitive industry.

We would like to take this opportunity to restate our appreciation for the passion and dedication that every single member of our team has shown in making BTB a "Great Place to Work" and an environment where effective management and growth go hand in hand. We would also like to highlight the dynamic ongoing efforts of our Board of Trustees. Their synergy is truly remarkable.

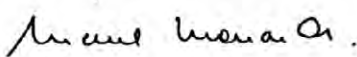
Although the results of 2018 point to a positive long-term outlook, we will persist in our efforts to reposition our portfolio and strive to attract and retain commercial clients who are poised to embrace the challenges of tomorrow. As we are fond of saying, we are committed to serving all of our clients, one client at a time.

Board of Trustees

Executive Team



Jocelyn Proteau
Président du conseil des fiduciaires



Michel Léonard
Président et chef de la direction



From left to right

Fernand Perreault
President of the Investment
Committee and trustee

Peter Polatos
Trustee

Lucie Ducharme
President of the Human
Resources and Governance
Committee and trustee

Jocelyn Proteau
Chairman of the Board of Trustees
and trustee

Jean-Pierre Janson
Vice President of the Board
of Trustees and trustee

Michel Léonard
President and Chief Executive
Officer and Trustee

Luc Lachapelle
Secretary of the Board of Trustees
and trustee

Sylvie Lachance
Trustee

Luc Martin
President of the Audit
Committee and trustee



From left to right

Sylvie Laporte
Vice President, Property Management

Michel Léonard
President and Chief Executive Officer

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

Paolo Valente
Vice President, Leasing



We focus on quality throughout our organization and continue to be one of the best-performing REITs on the market.

Jocelyn Proteau

Chairman of the Board
of Trustees

The highlight of 2018 was undoubtedly pursuing the repositioning of our portfolio: almost 20% of our assets were involved in the process. We undertook phase 2 of our portfolio improvement process, the aim of which is to better position the REIT in the market, a stronger enterprise both

financially and organisationally. Our clear objective is to solidify the delivery of an attractive return for our unitholders. Such evolution requires the commitment and an excellent capacity to adapt from all our internal resources and they have delivered.

We focus on the quality of our properties and their continuous improvement in order to maximize client retention.

Frédéric Deshaies

President,
Groupe Lionel/Hedhofis

Finding locations where we can set up co-working and collaborative spaces —our core mission at Groupe Lionel and Hedhofis — is no easy feat, especially since our clients are mostly small startups and self-employed workers with varied and constantly changing needs.

A little over two years ago, we came across a building in Old Longueuil that was ideal for our expansion in Montreal's South Shore market. The BTB team reacted immediately, taking the time to learn about what we did, what kind of clients we served and the particular requirements we had.

Their flexibility in terms of developing spaces in line with our very precise specifications and their speed in making things happen convinced us that we had found a true business partner. We really feel that the BTB team cares about our success, both now and in the future.

For an entrepreneur like me, this is priceless. I know that, whatever happens, I can count on BTB 24/7 to help us move forward and address our concerns, no matter how big or small.





We focus on quality by meeting our tenants' requirements.

Frédéric Paquette

President,
Nuera Air

Our acquisition of the U.S.-based company BEAM transformed Nuera Air into the global leader in the central vacuum system industry. When we went searching for a new location for our plant, showroom and head office, we had some stringent criteria in mind to meet our specific needs.

As soon as we received a lease proposal from BTB, we realized that we were dealing with people who put themselves in their clients' shoes in order to fully

grasp their current and future requirements. Our lawyer even went so far as to say that our negotiations were the most pleasant he had ever encountered in 50 years of practice.

The magnitude of the work involved in setting everything up was colossal. Our BTB contact always seemed to be one step ahead of our needs at every juncture. Today, we consider BTB to be much more than a landlord: it is first and foremost a business

We focus on quality by embracing a commitment to our clients' satisfaction.

Michael Weider

Chief Executive Officer,
SHOEBOX Inc.

SHOEBOX specializes in the cutting-edge research and development of hearing testing technology. The company was founded 10 years ago in Ottawa by Dr. Matthew Bromwich. We were looking for flexible, state-of-the-art spaces that would be able to fulfill the needs and expectations of our staff, most of whom were young software developers.

The site at 80 Aberdeen Street met our criteria to a T. It was close to a lively neighbourhood, restaurants, shops and a bicycle path. And as a former industrial plant, it boasted a 21st-century look that wasn't overly corporate in tone.

From our very first meeting with the BTB team, we felt that they genuinely cared about our well-being and long-term success — and that the transaction wasn't simply a matter of square footage to them. They understood the renovations and leasehold improvements we envisioned and they guided us through every stage of the process. We could tell that their ultimate goal was for us to be right at home. They forged a connection with us that made us feel like clients, not tenants. This spirit of partnership and dialogue made all the difference between renting office space and creating a home for our business.



2018 Meritas Award winners

The quality of our employees is the key to the quality of our services

The Meritas Award program is the only initiative of its kind in the industry, where employees vote for their co-workers who have shown outstanding effort, attitude, dedication and achievement throughout the year.

This year's five winners embody the vitality and commitment to excellence that drive every single person in our organization.

Congratulations to them and to all our employees for making BTB a certified "Great Place to Work" in Canada.



Ève Charbonneau
Lease Manager and Lawyer

I've been with BTB for a year now. My job is to bring the company's values to life, to make sure the wording in our leases complies with all legal requirements and to see to it that each client's specific needs are met.

Everyone at BTB is unique, easy to get along with and very creative in their approach to their work. I think that's the reason we've developed a real family spirit and a truly cohesive team. This feeling of community makes coming to work every day a genuine pleasure and never a chore.



Mathieu Dallaire
Technical Supervisor

I've been working at BTB for almost four years. I'm in charge of the various mechanical aspects of our properties. Ventilation, electricity, plumbing, heating and air-conditioning are what I'm passionate about. I'm on the road a lot of the time, and I'm also involved in handling service calls and providing technical support for properties across our portfolio.

What makes BTB different is the family feeling that runs throughout the entire organization. We know our work is valued and we're encouraged to go above and beyond. The unconditional support we get from upper management provides us with a sense of structure, where there's plenty of room for our ideas and our expertise.

Michel Goineau

Senior Maintenance Technician

With 12 years of service under my belt, I'm a bit of an old-timer here at BTB. Not only do I take care of service calls for our clients, I regularly do the rounds at our various properties to make sure everything is running smoothly. An ounce of prevention...

What I really appreciate is feeling like I'm part of a family here, instead of just a group of people working together. There's an indescribable quality that comes with working at BTB – a human touch that's hard to define but that's there at every level, be it the technical or administrative staff or upper management. It pushes us to give the best of ourselves.



Patrick Beausoleil

Property Manager

It's my job to make sure the clients in my portfolio are happy. That means taking care of tenant services and all the operational and administrative aspects that come with property management.

I came on board last year and I have to say the team has been absolutely fantastic. In all my dealings, be it with management or the people I work with every day, I've felt like BTB is one great big family. We support one another, we encourage one another to go the extra mile and we give the best of ourselves – and all in an environment rooted in the pride and satisfaction of a job well done.



Karin Waldhart

Administrative Assistant, Client Services

What I enjoy the most about my work is doing everything I can to keep things upbeat and positive. I have to communicate with our clients about many different things, from sending out memos, to answering their questions, to providing them with lease information and managing their account status. That's where my naturally good-natured attitude comes in handy.

Over the past 12 months at BTB, what has struck me the most has been the feeling of inclusiveness and community we all share. No matter your background or what job you do, everyone works together as a well-oiled team. I always know someone's got my back. It truly is a family.



Our Tenants.

We focus on the quality of our clients and strive to build and maintain an exceptional roster of tenants.



Below is a list of some of our achievements in terms of lease signings and renewals in 2018.

- BluArc Communications Inc.
 - Canadian Tire
 - Matrix College
- Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST)
 - Creations Cindy Ann
 - Développement économique Longueuil
- Dollarama
 - EXO
- À chacun son histoire (Daycare)
 - Canam Group Inc.
- International Datacasting Corporation
- Johns Manville Canada
- Liquor Control Board of Ontario (LCBO)
- Morbern Inc.
 - Nuera Air
- PwC Management Services
 - Otsuka
 - Loblaws
- Canada Post Corporation
 - TÜV SÜD Canada Inc.
 - Ville de Québec

Our Recent Acquisitions.

**We focus on
the quality of
our assets through
acquisitions and
strategic growth.**





1327-1333 Ste-Catherine Street West and 1405-1411 Crescent Street, Montréal



3131 Saint-Martin Blvd West, Laval



3111 Saint-Martin Blvd West, Laval



815 Lebourgneuf Blvd, Québec (remaining 25%)



625-675, De la Concorde Street, Lévis



505 Des Forges Street and 1500 Royale Street, Trois-Rivières



3695 Des Laurentides (Highway-15), Laval



7150 Alexander-Fleming Street, St-Laurent



7001 St-Laurent Blvd, Montréal



50 Saint-Charles Street West, Longueuil



6700 Pierre-Bertrand Blvd, Québec



815 - 825, Lebourgneuf Blvd, Québec



1327-1333 Ste-Catherine Street West and 1405-1411 Crescent Street, Montréal

Our Properties

Montréal

1400-1440 Antonio-Barbeau Street, Montréal
 1327-1333 Ste-Catherine Street West and 1405-1411 Crescent Street, Montréal
 5810 Sherbrooke Street East, Montréal
 5878-5882 Sherbrooke Street East, Montréal
 7001-7035 St-Laurent Blvd and 25 Mozart, Avenue Montréal
 1001 Sherbrooke Street East, Montréal
 2101 Sainte-Catherine Street West, Montréal
 550-560 Henri-Bourassa Blvd West, Montréal
 3761-3781 Des Sources Blvd, Dollard-des-Ormeaux
 11590-11800 de Salaberry Blvd, Dollard-des-Ormeaux
 1325 Hymus Blvd, Dorval
 5600 Côte-de-Liesse, Mount-Royal
 4105 Sartelon Street, St-Laurent
 208-244 Migneron Street and 3400-3410 Griffith Street, St-Laurent
 7777 Transcanada Highway, St-Laurent
 2250 Alfred-Nobel Blvd, St-Laurent
 7150 Alexander-Fleming Street, St-Laurent
 2665-2673 and 2681, Côte Saint-Charles, St-Lazare

North Shore of Montréal

2900 Jacques-Bureau Street, Laval
 4535 Louis B. Mayer Street, Laval
 3695 Des Laurentides (Highway-15), Laval
 3111 Saint-Martin Blvd West, Laval
 3131 Saint-Martin Blvd West, 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 Montréal

4890-4898 Taschereau Blvd, Brossard
 2340 Lapinière Blvd, Brossard
 204 De Montarville Blvd, Boucherville
 32 Saint-Charles Street West, Longueuil
 50 Saint-Charles Street West, Longueuil
 85 Saint-Charles Street West, Longueuil
 2111 Fernand-Lafontaine Blvd, Longueuil
 2350 Chemin du Lac, Longueuil
 1939-1979 F.-X. Sabourin Street, St-Hubert
 145 Saint-Joseph Blvd, St-Jean-sur-Richelieu
 315-325 MacDonald Street, St-Jean-sur-Richelieu
 1000 Du Séminaire Blvd North, St-Jean-sur-Richelieu
 37 Georges-Gagné Blvd South, Delson

Quebec City

6655 Pierre-Bertrand Blvd, Québec
 6700 Pierre-Bertrand Blvd, Québec
 909-915 Pierre-Bertrand Blvd, Québec
 825 Lebourgneuf Blvd, Québec
 815 Lebourgneuf Blvd, Québec
 1170 Lebourgneuf Blvd, Québec
 625-675 De la Concorde Street, Lévis
 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

Sherbrooke

2059, rue René-Patenaude, 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 Street, Ottawa
 2204 Walkley Street, 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 31, 2018

15,19,21,31,35 and 41 Georges-Gagné Blvd South, Delson

* Properties in redéveloppement

** Considered as two properties

Management Discussion and Analysis

Year ended December 31, 2018

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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, 2018, 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, 2019 should be read together with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2018 and 2017. 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, 2018 and 2017. Additional information about the Trust, including the 2018 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," "funds from operations" ("FFO"), "adjusted funds from operations" ("AFFO"), "adjusted net income and comprehensive income" and "net property income" and per unit information, if applicable, are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. These measures are used by BTB to improve the investing public's understanding of operating results and the Trust's performance. IFRS are International Financial Reporting Standards defined and issued by the IASB, in effect as at the date of this MD&A.

These measures cannot be compared to similar measures used by other issuers. However, BTB presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations, as revised in February 2019. The FFO calculations for the cumulative period and last year period have been corrected to conform to the White Paper.

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.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which introduces a single model that applies to contracts with customers and came into effect on January 1, 2018 with retroactive application.

The adoption of the new standard did not 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.

The presentation on a gross basis instead of on a net basis results in the recognition of an additional amount in property tax recoveries in revenue, offset by an increase in property tax expenses of the same amount, thereby generating no incremental net operating income. Accordingly, rental income from properties and operating expenses for the fourth quarter and fiscal 2017 were adjusted by \$680 and \$2,721, respectively, to align the presentation with the application of IFRS 15.

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 as at December 31, 2018, it owns 67 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 65 of the Trust's 67 properties held as at December 31, 2018 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, 2018⁽¹⁾	67	5,431,863	839,015

(1) These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb 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 Fourth Quarter Ended December 31, 2018

- Increase of 8.2% in rental income to \$22.1 million;
- Increase of 11.1% in net operating income⁽¹⁾ to \$11.6 million;
- Increase of 6.9% in net property income from the same-property portfolio;
- Decline in certain key performance indicators departure of two tenants, whose spaces were re-leased.

Highlights of the Year Ended December 31, 2018

- Increase of 15.0% in rental income to \$87.4 million;
- Increase of 17.9% in net operating income⁽¹⁾ to \$47.6 million;
- Strong leasing activities: renewal of 455,000 square feet of leasable area and the leasing of close to 546,000 square feet of leasable area to new tenants;
- Occupancy rate steady at 91%, taking into account the bankruptcy of a major tenant;
- Reduction of total debt ratio from 65% to 62.5%;
- Increase in recurring FFO from \$19,262 million to \$23,598 million;
- Increase of 12.2% in total asset value from \$762 million to \$855 million;

Property purchase and sale

- On January 19, 2018, the Trust disposed of the property located at "1863-1865 Autoroute Transcanadienne" in Dorval for \$5.650 million.
- On February 6, 2018, the Trust disposed of the property located at "2905 Marleau" in Cornwall for \$0.49 million.
- On February 19 2018, the Trust acquired a retail property located in the city of Delson, Québec, for a consideration of \$1.865 million.
- On February 26, 2018, the Trust disposed of the property located at "1100 and 1108-1136 St-Joseph Blvd" in Drummondville for \$3.075 million.
- On May 30, 2018, the Trust acquired a 25% residual interest in the "Complexe Lebourgneuf – Phase II" located in Québec City, for \$7.5 million.
- On July 11, 2018, the Trust acquired a mixed-use property totalling approximately 31,000 square feet, located at "1327 1333 Ste-Catherine Street West and 1411 Crescent Street" in downtown Montreal, for \$25.2 million. In the fall, BTB moved its head office to this property, and now occupies an area of approximately 8,000 square feet.
- On July 20, 2018, the Trust disposed of a retail property under redevelopment located in Thetford Mines, Québec. The property, known as "Promenade St-Noël" was fully vacant and was sold for \$0.475 million.
- On July 31, 2018, the Trust acquired a shopping centre in Lévis, Québec for \$42.6 million. Walmart is the anchor tenant of this 205,000-square-foot shopping centre located near Carrefour Saint-Romuald, a property recently owned by BTB.
- On August 16, 2018, the Trust disposed of the property located at "3036-3094 Chemin Chambly" in Longueuil, Québec, for \$5.6 million.
- On October 18, 2018, the Trust sold six properties located in Sherbrooke, Québec, for total sales proceeds of \$30.5 million.
- On December 28, 2018, the Trust purchased two office properties totalling approximately 152,000 square feet located at "3111 and 3131 Saint-Martin Boulevard West," Laval, for \$24.5 million.

Financing activities

- On June 19, 2018, the Trust completed an issue of 6,250,250 units, including the exercised overallotment option, at a price of \$4.60 per unit, for proceeds of approximately \$27.2 million net of issuance costs.

Subsequent event

- On January 31, 2019, the Trust disposed of a property located at "15-41 boulevard Georges-Gagné Sud," in Delson, Québec, for \$22.5 million.

Summary of significant items as at December 31, 2018

- 67 properties
- Approximately 5.4 million square feet
- \$855 million total asset value
- \$240 million market capitalization

(1) Non-IFRS financial measures.

Selected Financial Information

The following table presents highlights and selected financial information for the quarters and years ended December 31, 2018 and 2017:

Periods ended December 31 (in thousands of dollars, except for ratios and per unit data)		Quarter		Year	
		2018	2017	2018	2017
Reference (page)		\$	\$	\$	\$
Financial information					
Rental income	41	22,082	20,413 ⁽²⁾	87,423	76,039 ⁽²⁾
Net operating income ⁽¹⁾	42	11,624	10,460	47,637	40,394
Net income and comprehensive income	46	24,396	15,498	41,337	28,171
Net property income from the same-property portfolio ⁽¹⁾	47	5,562	5,205	22,233	22,377
Cash flows from operating activities	49	15,695	14,122	44,724	38,449
Distributable income ⁽¹⁾	48	5,212	4,916	23,897	19,721
Distributions	48	5,859	5,079	22,154	18,486
Recurring funds from operations (FFO) ⁽¹⁾	50	5,063	4,865	23,598	19,262
Recurring adjusted funds from operations (AFFO) ⁽¹⁾	51	4,576	4,370	21,584	17,599
Total assets	54			855,223	762,390
Investment properties	54			839,015	751,110
Mortgage loans payable	58			471,162	428,382
Convertible debentures	59			48,716	48,183
Mortgage debt ratio	60			55.8%	56.5%
Debt-equity ratio – convertible debentures	60			5.9%	6.5%
Debt-equity ratio – acquisition line of credit	60			1.8%	2.2%
Total debt ratio	60			62.5%	65.0%
Weighted average interest rate on mortgage debt	58			3.99%	3.72%
Unitholders' equity	62			298,377	248,947
Market capitalization				240,633	222,262
Financial information per unit					
Units outstanding (000)	62			55,318	48,423
Class B LP units outstanding (000)	61			532	—
Weighted average number of units outstanding (000)	62	55,240	47,023	52,121	43,671
Weighted average number of units and Class B LP units outstanding (000)	62	55,773	47,023	52,539	43,671
Net income and comprehensive income	46	43.7 ¢	33.0 ¢	78.7 ¢	64.5 ¢
Distributable income ⁽¹⁾	48	9.3 ¢	10.5 ¢	45.6 ¢	45.2 ¢
Distributions	48	10.5 ¢	10.5 ¢	42.0 ¢	42.0 ¢
Payout ratio on distributable income ⁽¹⁾	48	112.4%	103.3%	92.2%	93.7%
Recurring FFO ⁽¹⁾	50	9.1 ¢	10.3 ¢	45.0 ¢	45.3 ¢
Payout ratio on recurring FFO ⁽¹⁾	50	115.7%	101.9%	93.5%	92.7%
Recurring AFFO ⁽¹⁾	52	8.2 ¢	9.3 ¢	41.2 ¢	40.3 ¢
Payout ratio on recurring AFFO ⁽¹⁾	52	128.0%	112.9%	102.0%	104.2%
Unitholders' equity	62			5.34	5.14
Market price				4.35	4.59

Tax on distributions

Revenue	65		0.0 %	0.0 %	
Tax deferral	65		100 %	100 %	
Operational information					
Number of properties	36		67	73	
Leasable area (thousands of sq. ft.)	36		5,432	5,435	
Occupancy rates	38		91.0 %	91.4 %	
Increase in average lease renewal rate	38	3.3 %	(0.4) %	2.7 %	5.6 %

(1) Non-IFRS financial measures. See appropriate sections for reconciliation to the closest IFRS measure and definition in Appendix 2.

(2) Adjusted to take account of the retroactive implementation of IFRS 15. See page 30.

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)	2018	2017	2016
	\$	\$	\$
Rental income	87,423	76,039	73,384 ⁽¹⁾
Net operating income ⁽²⁾⁽⁶⁾	47,637	40,394	41,339
Fair value adjustment on investment properties	22,142	10,855	6,200
Net income	41,337	28,171	22,085
Net cash from operating activities	44,724	38,449	39,850
Distributable income ⁽⁶⁾	23,897	19,721	19,711
Recurring FFO ⁽³⁾⁽⁶⁾	23,598	19,262	17,710
Recurring AFFO ⁽⁴⁾⁽⁶⁾	21,584	17,599	17,391
Distributions	22,154	18,486	16,443
Total assets	855,223	762,390	658,462
Long-term debt	519,878	476,565	432,042
Financial information per unit			
Net income	78.7 ¢	64.5 ¢	57.3 ¢
Distributable income ⁽⁶⁾	45.6 ¢	45.2 ¢	51.1 ¢
Recurring FFO ⁽³⁾⁽⁶⁾	45.0 ¢	45.3 ¢	45.9 ¢
Recurring AFFO ⁽⁴⁾⁽⁶⁾	41.2 ¢	40.3 ¢	45.1 ¢
Distributions	42.0 ¢	42.0 ¢	42.0 ¢
Payout ratio on distributable income ⁽⁵⁾⁽⁶⁾	92.2 %	93.7 %	83.4 %

(1) Not adjusted to take into account IFRS 15. See page 30.

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

(3) See "Funds from operations" on page 50 for reconciliation to net income.

(4) See "Funds from operations" on page 51 for reconciliation to FFO and net income.

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

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

Selected Quarterly Information

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

(in thousands of dollars except for per unit data)	2018 Q-4	2018 Q-3	2018 Q-2	2018 Q-1	2017 Q-4	2017 Q-3	2017 Q-2	2017 Q-1
	\$	\$	\$	\$	\$	\$	\$	\$
Rental income	22,082	23,098 ⁽³⁾	20,803	21,440	20,413	18,187	18,392	19,046
Net operating income ⁽¹⁾	11,624	13,330 ⁽³⁾	11,225	11,858	10,460	10,044	10,042	9,848
Net income and comprehensive income	24,396	5,793	4,593	6,555	15,498	4,327	4,362	3,984
Net income and comprehensive income per unit	43.7¢	10.4¢	9.2¢	13.5¢	33.0¢	10.1¢	10.3¢	9.4¢
Net cash from operating activities	15,695	12,484	7,778	8,767	14,122	10,161	8,749	5,417
Distributable income ⁽¹⁾	5,212	7,479	5,521	5,686	4,916	4,883	4,979	4,943
Distributable income per unit ⁽¹⁾	9.3¢	13.3¢	11.1¢	11.7¢	10.5¢	11.4¢	11.7¢	11.7¢
Recurring funds from operations (FFO) ⁽¹⁾	5,063	6,996	5,279	5,736	4,865	4,902	4,884	4,611
Recurring FFO per unit ⁽¹⁾	9.1¢	12.4¢	10.6¢	11.8¢	10.3¢	11.5¢	11.5¢	10.9¢
Recurring adjusted funds from operations (AFFO) ⁽¹⁾	4,576	6,257	4,936	5,222	4,370	4,326	4,463	4,250
Recurring AFFO per unit ⁽¹⁾	8.2¢	11.2¢	9.3¢	10.8¢	9.3¢	10.1¢	10.5¢	10.0¢
Distributions ⁽³⁾	5,829	5,843	5,353	5,099	5,079	4,483	4,469	4,456
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.

(2) Includes distributions on Class B LP units.

(3) Includes \$1,477 as an early departure penalty.

Performance Indicators

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

Real Estate Portfolio

BTB owns 67 quality properties which have a fair value of \$839 million, generating approximately \$87 million in annual income and representing a total leasable area of approximately 5.4 million square feet. A concise description of the properties owned as at December 31, 2018, can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of investment properties as at December 31, 2018

Operating segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	28	2,120,680	85.4
Retail	14	1,316,414	96.6
Industrial	18	1,482,278	93.6
Mixed use	6	437,151	93.1
Subtotal	66	5,356,523	91.0
Properties under redevelopment	1	75,340	
Total	67	5,431,863	

Strategic deliberations

a) Sale of investment properties

Following strategic evaluation of its portfolio, the Trust has elected to sell certain properties when circumstances are right. The proceeds of disposition from the sale of these assets is used to repay related mortgages and any remaining proceeds is redeployed to acquire properties in line with its investment criteria. During the year ended December 31, 2018, the Trust completed the following dispositions:

On January 19, 2018, the Trust disposed of the property located at "1863-1865 Autoroute Transcanadienne" in Dorval for \$5.650 million. This property had been acquired in 2007 at a cost of \$2.575 million, including acquisition costs.

On February 6, 2018, the Trust disposed of the property located at "2905 Marleau" in Cornwall for \$0.49 million. This property had been acquired in 2007 for approximately \$0.20 million, including acquisition costs.

On February 26, 2018, the Trust disposed of the property located at "1100 and 1108-1136 St-Joseph Blvd" in Drummondville for \$3.075 million. This property had been acquired in 2008 at a cost of \$3.398 million, including acquisition costs.

On July 20, 2018, the Trust disposed of a retail property under development located in Thetford Mines, Québec. The property, known as "Promenade St-Noël" was fully vacant and was sold for \$0.475 million.

On August 16, 2018, the Trust disposed of the property located at "3036-3094 Chemin Chambly" in Longueuil, Québec, for \$5.6 million. This property had been purchased in 2008 for \$4.8 million, including acquisition costs.

On October 18, 2018, the Trust sold six properties located in Sherbrooke, Québec, for total sale proceeds of \$30.5 million. These properties had been acquired at a cost of \$31.0 million, including acquisition costs.

b) Property acquisitions

In February 2018, the Trust acquired a retail property adjacent to a property owned by the Trust located in the city of Delson, Québec, for a consideration of \$1,865.

On May 30, 2018, the Trust acquired a 25% residual interest in the "Complexe Lebourgneuf - Phase II" located at 815 Lebourgneuf Blvd., Québec City, for \$7.5 million. The Trust already owned a 75% interest. The net consideration of \$2.49 million, after assumption of a \$5.01 million mortgage, was paid through the issuance of 532,265 Class B LP units priced at \$4.68.

On July 11, 2018, the Trust acquired a mixed-use property totalling approximately 31,000 square feet, located at "1327 1333 Ste-Catherine Street West and 1411 Crescent Street" in downtown Montreal, for \$25.2 million. In October 2018, BTB moved its head office to this property, and now occupies an area of approximately 8,000 square feet.

On July 31, 2018, the Trust acquired a shopping centre in Lévis, Québec for \$42.6 million. Walmart is the anchor tenant of the 205,000-square-foot shopping centre located near Carrefour Saint-Romuald, which was acquired in November 2017 by the Trust.

On December 28, 2018, the Trust purchased two office properties totalling approximately 152,000 square feet located at "3111 and 3131 Saint-Martin Boulevard West," Laval, Québec, for \$24.5 million.

c) Transactions subsequent to the reporting date

On January 31, 2019, the Trust disposed of a property located at "15-41 boulevard Georges-Gagné Sud," in Delson, Quebec, for \$22.5 million.

Real Estate Operations

Leasing activities

The following table summarizes changes in available leasable area during the quarters and years ended December 31, 2018 and 2017.

Periods ended December 31 (in square feet)	Quarter		Year	
	2018	2017	2018	2017
Available leasable area at beginning of period	548,184	500,712	453,360	472,105
Available leasable area purchased (sold)	5,028	2,180	25,360	(7,414)
Area put back on rental market (put into redevelopment)	132,665	42,310	—	42,310
Leasable area of expired leases	140,859	170,935	586,610	905,227
Leasable area of leases terminated before term	77,156	75,011	420,356⁽¹⁾	151,534
Leasable area of renewed leases	(132,193)	(111,573)	(454,878)	(590,956)
Leasable area of new leases signed	(295,001)	(233,419)	(546,206)	(525,894)
Other	2,722	7,204	(5,182)	6,448
Available leasable area at end of period	479,420	453,360	479,420	453,360

(1) (a) The discontinuance and bankruptcy of Pharmetics and the early buyout of a remaining lease term explains the early expiry of 168,000 square feet during the year; and (b) a tenant of an industrial property in the Cornwall area occupying an area of 91,000 square feet decided to exercise an early lease termination clause on February 28, 2018

Fourth quarter of 2018

At the beginning of the quarter, more than 548,000 square feet were vacant. The leasable area of the property "3695 Autoroute des Laurentides" in Laval (133,000 square feet), formerly occupied by Pharmetics, also became available. In January 2019, the Trust announced the signing of an agreement to lease the entire space to Nuera Entreprises.

Since then, approximately 218,000 of leased square feet have expired at the end of leases or before term. More than 132,000 square feet of this space have been renewed with existing tenants.

Lastly, including the space leased to Nuera Entreprises, contracts for more than 295,000 square feet were signed with new tenants, leaving approximately 479,000 square feet of leasable area available at the end of the quarter, resulting in a 0.7% decrease in the vacancy rate for the quarter and an occupancy rate of 91.0%.

Fiscal 2018

As at January 1, 2018, more than 453,000 square feet of leasable area, or 10.3% of total leasable area, was available, including more than 25,000 square feet which became available subsequent to the net effect of purchase/sale of investment properties during the year.

More than 586,000 square feet of leasable area became available at the end of leases and approximately 420,000 square feet of leasable area expired before term, including 133,000 square feet due to the bankruptcy of Pharmetics in the property "3696 Autoroute des Laurentides" in Laval, Québec, 35,000 square feet due to the early buyout of company Shire's lease in the "2250 Alfred Nobel" property in the St-Laurent, Québec, Technoparc, and 91,000 square feet due to the exercise of an early lease termination clause for an industrial space in Cornwall, Ontario.

This availability allowed for the signing of new leases, for a total of approximately 546,000 square feet, including 133,000 square feet to Nuera Entreprises, in Laval, 68,000 square feet to Johns Manville Canada Inc., in Cornwall, and a 9,000-square-foot enlargement for an existing tenant from the space bought back from the company Shire in the property "2250 Alfred Nobel," in Montréal.

Lastly, close to 455,000 square feet were renewed with occupying tenants during the year.

Following these transactions, 479,000 square feet remain vacant, for a 9.0% vacancy rate.

The average rental rate of expired and renewed leases during the fourth quarter increased 3.3% (0.4% decrease in 2017). The mixed use segment increased 10.5% and the retail segment, 7.5%. For the year, the average rate increased 2.7% (2017: 5.6%).

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 243,000 square feet of space is currently subject to firm lease agreements for occupancy over the next few months.

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	%	%	%	%	%
Operating segment					
Office	85.4	84.4	85.8	84.9	85.2
Retail	96.6	96.1	95.7	95.2	96.3
Industrial	93.6	89.7	89.7	89.0	94.9
Mixed use	93.1	92.6	95.6	94.3	94.0
Total portfolio	91.0	89.7	90.1	89.3	91.4

The office segment's rate (85.4%) was below the portfolio average (91.0%). The properties "Complexe de Léry" in Trois-Rivières, Québec (59%), "Brewer Hunt Way" in Ottawa, Ontario (63%) and "1001 Sherbrooke East" in Montréal, Québec (73%) materially reduced the segment's rate.

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	%	%	%	%	%
Geographic sector					
Laval and North Shore	95.9	98.6	99.0	97.7	97.7
Island of Montréal	90.1	89.4	92.7	91.0	91.5
Montréal South Shore	93.7	94.2	94.7	94.6	95.1
Québec City and surrounding area	89.9	89.1	88.0	86.5	85.7
Québec City and surrounding area	86.9	81.1	80.9	80.7	92.6
Sherbrooke and surrounding area	50.1	85.9	81.4	81.5	81.9
Central Ontario	100.0	100.0	100.0	100.0	100.0
	91.0	89.7	90.1	89.3	91.4

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	%	%	%	%	%
By province					
Québec	91.7	91.3	91.9	91.0	90.9
Ontario	88.5	83.3	83.1	83.0	93.5
Total portfolio	91.0	89.7	90.1	89.3	91.4

The overall occupancy rate is up by 1.3% since September 30, 2018 and down 0.4% since December 31, 2017. It stood at 91.0% at the end of the fourth quarter of 2018.

The effective occupancy rate as at December 31, 2018, without the effect of the firm lease agreements, is 86.4% (2017: 88.0%). Vacant space totalling approximately 243,000 square feet as at December 31, 2018 is subject to firm lease agreements and will generate additional income in the next few months.

The following firm agreements will take effect in the next few months.

Properties	Square feet	Tenants
3695 Des Laurentides, Laval, Québec	133,000	Nuera Entreprises
725 Boundary, Cornwall, Ontario	68,000	Johns Manville Canada Inc.
81-83 Turgeon, Ste-Thérèse, Québec	11,000	Exo

Lease maturity

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

	2019	2020	2021	2022	2023
Office					
Leasable area (sq. ft.)	322,466	145,139	275,376	261,306	288,162
Average lease rate/square foot (\$)	13.80 \$	14.10 \$	12.61 \$	14.51 \$	13.92 \$
% of office portfolio	14.3 %	6.8 %	13.0 %	12.3 %	13.6 %
Retail					
Leasable area (sq. ft.)	203,701	54,682	138,981	113,250	187,473
Average lease rate/square foot (\$)	12.65 \$	14.17 \$	15.02 \$	14.77 \$	10.60 \$
% of retail portfolio	15.5 %	4.2 %	10.6 %	8.6 %	14.2 %
Industrial					
Leasable area (sq. ft.)	157,726	234,017	408,824	249,933	41,596
Average lease rate/square foot (\$)	4.75 \$	5.12 \$	6.96 \$	5.17 \$	5.36 \$
% of industrial portfolio	10.6 %	15.8 %	27.6 %	16.9 %	2.8 %
Mixed use					
Leasable area (sq. ft.)	46,927	86,326	113,035	41,751	46,123
Average lease rate/square foot (\$)	13.60 \$	13.34 \$	11.95 \$	13.68 \$	12.65 \$
% of mixed use portfolio	10.7 %	19.8 %	25.9 %	9.6 %	10.6 %
Total portfolio					
Leasable area (sq. ft.)	730,820	520,164	936,216	666,240	563,354
Average lease rate/square foot (\$)	12.18 \$	9.94 \$	10.42 \$	11.00 \$	12.08 \$
% of total portfolio	13.6 %	9.7 %	17.5 %	12.4 %	10.5 %

Top 10 tenants

As at December 31, 2018, BTB managed more than 650 leases, with an average area of approximately 8,000 square feet. The three largest tenants of the Trust are Public Works Canada, West Safety Services Canada and Provigo Distribution Inc., accounting respectively for 6.2%, 2.1% and 1.9% of revenues, generated by a number of leases whose maturities are spread over time. More than 31% of the Trust's total revenues are generated by leases entered into with government agencies (federal, provincial and municipal) and public companies, thus 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 revenue as at December 31, 2018. This contribution accounts for 20.6% of rental income for the year and 19.8% of leased area.

Client	% of revenue	% of leased area	Leased area (square feet)
Public Works Canada	6.2	3.8	201,520
West Safety Canada Inc.	2.1	1.2	61,845
Provigo Distribution Inc. (Loblaws)	1.9	2.0	107,642
Atis Portes et Fenêtres Corp.	1.7	4.7	251,878
Shoppers Realty Inc.	1.6	1.2	64,304
Société québécoise des infrastructures (SQI)	1.5	1.4	76,003
Strongco	1.5	1.5	81,442
Sail Plein Air	1.4	0.8	45,496
CISSS Montérégie-Centre	1.4	1.3	70,242
Germain Larivière	1.3	1.9	101,194
	20.6	19.8	1,061,566

Operating Results

General comments – Fourth Quarter of 2018

The strategic portfolio repositioning begun in 2017 brought on the disposal of regional properties as well as the redeployment of capital towards the acquisition of higher quality properties. However, the gap between the loss of revenue due to the disposals and the financial impact from the acquisitions had a negative effect on the results of the fourth quarter.

In that respect, the quarterly shortfall, net of financing costs, as a result of the sale of investment properties during the year, totalled approximately \$426, or 0.8¢ per unit.

The fourth quarter results were improved by the contribution of acquisitions for the year. However, these acquisitions were completed through the issuance of 6.3 million units in June 2018. The temporary difference between the issuance of units immediately subject to monthly distributions of 3.5¢ per unit and the contribution of accretive acquisitions generated a cash deficit of approximately \$450, or 0.8¢ per issued unit.

Lastly, the Pharmetics bankruptcy deprived the Trust of rental income and it incurred additional operating expenses for a total impact of more than \$500, or approximately 1.0¢ per issued unit.

In the previous sections, we present leasing activity which includes firm commitments for approximately 243,000 square feet, which will contribute to an increase in income in the next few quarters.

The following table summarizes financial results for the quarters and years ended December 31, 2018 and 2017. The table should be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31 (in thousands of dollars)	Reference (page)	Quarter		Year	
		2018	2017	2018	2017
		\$	\$	\$	\$
Rental income	41	22,082	20,413 ⁽²⁾	87,423	76,039 ⁽²⁾
Operating expenses	41	10,458	9,953 ⁽²⁾	39,786	35,645 ⁽²⁾
Net operating income ⁽¹⁾	42	11,624	10,460	47,637	40,394
Net financial expenses	43	7,447	4,718	22,791	18,678
Trust administration expenses	44	1,222	1,074	4,906	4,317
Gain on disposal of an item of property and equipment	45	(7)	—	(1,192)	—
Gain on write-off of debt	45	—	—	(133)	—
Fair value adjustment on investment properties	44	(22,639)	(10,855)	(22,142)	(10,855)
Transaction costs	46	1,205	25	2,070	83
Net income and comprehensive income	46	24,396	15,498	41,337	28,171

(1) Non-IFRS financial measure.

(2) Adjusted to reflect the retroactive implementation of IFRS 15. See page 30.

Rental income

BTB disposed of 11 investment properties during the year, in addition to the "2153-2155 Crescent" property which housed its head office. However, the contribution of recent acquisitions led to an increase of \$1,669, or 8.2% for the fourth quarter.

In the fourth quarter of 2018, adjustments to rent payable of \$93 (2017: \$182) were recorded on a straight-line basis.

BTB also recorded amortization of \$608 (2017: \$636) as a reduction in rental income, which represents amortization of lease incentives granted to tenants.

Acquisitions in 2018 generated additional income of \$3.3 million for fiscal 2018, while disposals generated an estimated \$1.9 million shortfall since the beginning of the year. Income for fiscal 2018 also increased by \$1.5 million due to an early lease termination and the full annual contribution of fiscal 2017 acquisitions which then had only a partial contribution.

For fiscal 2018, rent payable adjustments of \$525 (2017: \$443) were recorded on a straight-line basis and amortization of \$3,223 (2017: \$2,449) from lease incentives afforded to lessees was recorded as a reduction in rental income.

Operating expenses

BTB recorded an increase in operating expenses of \$505, or 5.1%, between the fourth quarter of 2018 and the fourth quarter of 2017. The increase resulted from acquisitions completed during 2018.

The following table shows the breakdown of operating expenses for the quarters and years ended December 31, 2018 and 2017.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating expenses				
Maintenance, repairs and other operating costs	3,586	3,574	13,140	12,209
Property taxes and public utilities	6,872	6,379 ⁽¹⁾	26,646	23,436 ⁽¹⁾
Total operating expenses	10,458	9,953	39,786	35,645
% of rental income	47.4	48.8	45.5	46.9

(1) Adjusted to reflect the retroactive implementation of IFRS 15 – see page 30.

For the entire year, recent acquisitions contributed to an increase of \$1.6 million in operating expenses, while the year's disposals reduced operating expenses by \$0.9 million. Annual operating expenses also increased by approximately \$4.1 million or 11.6% compared to last year.

As a percentage of rental income, operating expenses in the fourth quarter of 2018 decreased by 1.4% to 47.4%, and by 1.4% to 45.5% for the year.

Net operating income

Net operating income for the quarter increased by \$1.2 million because of the year's acquisitions, while management estimates at approximately \$586 the net shortfall after disposals.

Had it not been for the effect of these transactions, net operating income would have been much the same as at the end of the fourth quarter of 2017.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net operating income ⁽¹⁾	11,624	10,460	47,637	40,934
% of rental income	52.6	51.2	54.5	53.1

(1) Non-IFRS financial measure.

On an annual basis, net operating income was up \$7,243, or 17.9%, due to the effect of acquisitions during the year that contributed to a \$2.1 million increase, while management estimates the shortfall after disposals at approximately \$0.9 million.

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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net operating income	11,624	10,460	47,637	40,394
Straight-line rental income adjustments	(93)	(182)	(525)	(443)
Amortization of lease incentives	608	636	3,223	2,449
Net operating income before rental income adjustments⁽¹⁾	12,139	10,914	50,335	42,400
% of rental income on the basis of in-place leases	53.7	52.3	55.9	54.3

(1) Non-IFRS financial measure.

Financial expenses

The following table shows the breakdown of financial expenses for the quarters and years ended December 31, 2018 and 2017:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Interest on mortgage loans payable	4,649	3,984	17,512	14,871
Interest on convertible debentures	874	874	3,496	3,496
Interest on bank loans	267	205	889	351
Other interest expense	26	30	156	117
Financial revenues	(13)	(50)	(76)	(83)
Net interest expenses	5,803	5,043	21,977	18,752
Distributions on Class B units	56	—	131	—
Financial expenses before non-monetary items	5,859	5,043	22,108	18,752
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	259	254	1,039	1,008
Accretion of non-derivative liability component of convertible debentures	13	12	49	45
Net financial expenses before following item:	6,131	5,309	23,196	19,805
Net fair value adjustment on derivative financial instruments	1,561	(591)	(229)	(1,127)
Fair value adjustment on Class B units	(245)	—	(176)	—
Net financial expenses	7,447	4,718	22,791	18,678

Net interest expenses increased by \$760 during the fourth quarter of 2018 compared to the same period of 2017 and \$3,225 for the year, mainly due to the financing of recent acquisitions which contributed to a \$668 increase (\$3,550 for the year) in interest expense on mortgage loans payable. In addition to net interest expenses, distributions on Class B units amounted to \$56 for the quarter and \$131 for the entire year. Under IFRS, the Class B units are considered a financial instrument classified as liabilities and the related distributions must be recognized as an expense.

Net financial expenses can be allocated among net interest expenses plus distributions on Class B units amounting to \$5,859 for the quarter (2017: \$5,043) and \$22,108 for the year (2017: \$18,752) 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 a decrease in the value of derivative financial instruments of \$2,877 (2017: \$591 increase) for the quarter and \$405 (2017: \$1,127) for the year. The fourth-quarter decrease, which generated the equivalent in expenses recorded as an increase of financial expenses, was due to lower interest rates in Canadian markets in December 2018 and the decline in value of Class B units as at December 31, 2018.

As at December 31, 2018, the average weighted contractual rate of interest on mortgage loans payable was 3.99%, 27 basis points higher than the rate in effect as at December 31, 2017. Interest rates on first-ranking mortgage financings ranged from 2.77% to 6.80% as at December 31, 2018. The weighted average term of financing in place as at December 31, 2018 was 5.6 years (6.4 years as at December 31, 2017).

Trust administration expenses

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Administrative expenses	1,150	952	4,546	3,940
Amortization	—	15	5	58
Unit-based compensation	72	107	355	319
Trust administration expenses	1,222	1,074	4,906	4,317

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 valuers and independent experts. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization and discount rates within ranges provided by external valuers. To the extent that the externally provided capitalization rate ranges change from one reporting 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 valuers 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, 2018, 65.4% (2017: 71.6%) of the fair value of the real estate portfolio was subject to an external independent appraisal and 34.6% (2017: 28.4%) was internally appraised by the Trust's personnel.

Following these appraisals, the Trust recorded an increase in value of \$22.2 million on its real estate portfolio.

The change in fair value is broken down by segment as follows:

	\$	%
Office	8 934	40,3
Retail	1,722	7,8
Industrial	12,962	58,5
Mixed use	(1,476)	(6,6)
	22,142	100

Industrial properties account for almost 60% of the portfolio's increase in value, mainly due to lower capitalization rates in this segment.

The office segment was up \$8.9 million, accounting for more than 40% of the portfolio increase. The increase mainly reflects an improved occupancy rate for certain portfolio properties.

Lastly, the mixed use segment was down \$1.5 million due to an increase in the capitalization rate used on a major property in this segment.

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, 2018				
Capitalization rate	6.25 % – 7.75 %	6.00 % – 8.50 %	5.75 % – 8.50 %	5.00 % – 7.25 %
Terminal capitalization rate	6.25 % – 7.75 %	6.50 % – 7.50 %	6.25 % – 8.25 %	5.25 % – 7.50 %
Discount rate	7.25 % – 8.50 %	7.00 % – 8.00 %	6.75 % – 9.00 %	6.25 % – 8.25 %
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 %

The weighted average capitalization rate for the entire portfolio as at December 31, 2018 was 6.8% (December 31, 2017: 7.0%), down 20 basis points since December 31, 2017.

As at December 31, 2018, 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 \$30.5 million.

Gain on disposal of an item of property and equipment

On February 1, 2018, the Trust disposed of the property located at "2153-2155 Crescent Street" in Montreal for \$3,150. As the Trust's head office was located in this property, the sale was classified as an item of property and equipment rather than as an investment property. It was recorded in assets at its original cost and amortized over its estimated useful life of 40 years. The Trust realized a net gain of \$1,192 on disposal of this property.

Gain on write-off of debt

Following the sale of two investment properties in 2015, the Trust committed to the purchaser to pay the rents on vacant spaces for several years and had accordingly recorded a liability. In March 2018, the parties agreed to terminate the Trust's commitment. The Trust wrote off the residual debt and realized a \$133 gain.

Transaction costs

Property disposals during the year and the purchase of the 25% residual interest in "Complexe Lebourgneuf – Phase II" gave rise to the following costs, which were expensed during the year.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Brokerage commissions	775	25	1,212	83
Penalties on termination of mortgage loans	286	—	587	—
Legal fees and other	144	—	271	—
	1,205	25	2,070	83

Net income and comprehensive income

BTB generated net income of \$24.4 million for the fourth quarter of 2018, up \$8.9 million from \$15.5 million in the fourth quarter of 2017. Net income stood at \$41.3 million for the year, up \$13.2 million compared to 2017.

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net income	24,396	15,498	41,337	28,171
Per unit	43.7¢	33.0¢	78.7¢	64.5¢

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		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net income and comprehensive income	24,396	15,498	41,337	28,171
Volatile non-monetary items				
± Fair value adjustment on derivative financial instruments	1,561	(591)	(229)	(1,127)
+ Fair value adjustment on investment properties	(22,639)	(10,855)	(22,142)	(10,855)
Adjusted net income and comprehensive income⁽¹⁾	3,318	4,052	18,966	16,189
Per unit	5.9¢	8.6¢	36.1¢	37.1¢

(1) Non-IFRS financial measure.

This table shows a decrease of 18.1% in adjusted net income for the quarter and an increase of 17.2% for the year, before the non-monetary items mentioned above. Quarterly adjusted net income per unit decreased 31.4% (2.7% increase for the year).

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2017 and still owned as at December 31, 2018, but does not include the financial spin-offs of acquisitions and developments completed in 2017 and 2018, nor the results of properties subsequently sold during the same period.

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

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2018	2017	Δ	2018	2017	Δ
	\$	\$	%	\$	\$	%
Rental income	16,783	16,072	4.4	66,594	63,342	5.1
Operating expenses	8,034	7,655	5.0	31,552	28,123	12.2
Net operating income ⁽¹⁾	8,749	8,417	3.9	35,042	35,219	(0.5)
Interest expense on mortgage loans payable	3,187	3,212	(0.8)	12,809	12,842	(0.3)
Net property income⁽¹⁾	5,562	5,205		22,233	22,377	
Increase (decrease) in net property income from the same-property portfolio			6.9%			(0.6)%

(1) Non-IFRS financial measure.

Rental income of the same-property portfolio was up by 4.4%, while net operating income and net property income were up by 3.9% and 6.9%, respectively, for the fourth quarter of 2018 compared to the same period of 2017.

For the entire year, the same-property portfolio posted a 5.1% increase in rental income and a slight decrease in net operating income and net property income of 0.5% and 0.6%, respectively. Approximately 228,000 square feet of currently vacant space is subject to firm lease agreements and will partially generate income for the same-property portfolio in the next few months.

Distributable Income and Distributions

The following table shows the calculation of distributable income.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net income (loss) and comprehensive income (IFRS)	24,396	15,498	41,337	28,171
- Fair value adjustment on investment properties	(22,639)	(10,855)	(22,142)	(10,855)
+ Amortization of property and equipment	26	37	90	154
- Gain on disposal of land and an owner-occupied property	(7)	—	(1,192)	—
- Gain on write-off of debt	—	—	(133)	—
+ Unit-based compensation expense	72	107	355	319
+ Accretion of the liability component of convertible debentures	13	12	49	45
± Fair value adjustment on derivative financial instruments	1,561	(591)	(229)	(1,127)
+ Fair value adjustment on Class B LP units	(245)	—	(176)	—
+ Amortization of lease incentives	608	636	3,223	2,449
- Straight-line rental income adjustment	(93)	(182)	(525)	(443)
+ Accretion of effective interest	259	254	1,039	1,008
+ Transaction costs	1,205	—	2,070	—
+ Distributions - Class B LP units	56	—	131	—
Distributable income⁽¹⁾	5,212	4,916	23,897	19,721

(1) Non-IFRS financial measure.

Distributions and per unit data

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Distributions				
Cash distributions	5,107	4,423	19,305	16,199
Cash distributions - Class B LP units	56	—	131	—
Distributions reinvested under the distribution reinvestment plan	696	656	2,718	2,287
Total distributions to unitholders	5,859	5,079	22,154	18,486
Percentage of reinvested distributions	11.9%	12.9%	12.3%	12.4%
Per unit data⁽¹⁾				
Distributable income	9.3¢	10.5¢	45.6¢	45.2¢
Distributions	10.5¢	10.5¢	42.0¢	42.0¢
Payout ratio ⁽²⁾	112.4%	103.3%	92.2%	93.7%
Cash payout ratio ⁽³⁾	99.1%	90.0%	81.3%	82.1%

(1) Including Class B LP units.

(2) The payout ratio corresponds to distributions per unit divided by distributable income per unit.

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

Distributable income for the fourth quarter increased by \$296, from \$4,916 to \$5,212, between 2017 and 2018. Distributable income per unit for the fourth quarter of 2018 was 9.3¢, down 11.4% from 10.5¢ in 2017. For the year, distributable income was up \$4,176 or 21.2%. Annual distributable income increase by 0.3¢ to 45.5¢ per unit.

Distributions to unitholders totalled 10.5¢ per issued unit for each quarter of 2018 and 2017 and 42.0¢ for the year.

The payout ratio for distributable income was 112.4% in the fourth quarter of 2018 compared to 103.3% in the fourth quarter of 2017, and 92.3% for the year compared to 93.7% in 2017.

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net cash flows from operating activities (IFRS)	15,695	14,122	44,724	38,449
± Net gain on disposal of a property	(4,533)	(4,138)	1,150	107
- Net interest expense	(5,803)	(5,043)	(21,977)	(18,752)
+ Other items	(147)	(25)	—	(83)
Distributable income	5,212	4,916	23,897	19,721

The following table enables readers to assess the performance of distributed funds and reconcile them with net cash flows and net income.

12-month periods ended December 31 (in thousands of dollars)	2018 (12 months)	2017 (12 months)	2016 (12 months)
	\$	\$	\$
Net cash flows from operating activities (IFRS)	44,724	38,449	39,850
- Interest paid	(22,791)	(18,678)	(20,630)
Net cash flows from operating activities	21,933	19,771	19,220
Net income	41,337	28,171	22,085
Total distributions	22,154	18,486	16,443
Surplus (deficit) of net cash flows from operating activities compared to total distributions	(221)	1,285	2,777
Surplus of net income over total distributions	19,183	9,685	5,642

The Trust presented distributions in excess of net cash flows from operating activities (IFRS) of \$221, net of interest paid for the year ended December 31, 2018, while in 2017 and 2016, the Trust presented a surplus of net cash flow over total distributions of \$1,285 and \$2,777, respectively.

The Trust uses authorized lines of credit totalling \$22 million to finance these surplus distributions. The Trust believes that the deficit at the end of fiscal 2019 is not materially significant and therefore intends to maintain the current level of distributions.

Distribution reinvestment plan

In the fourth quarter of 2018, 11.9% of distributions (2017: 12.9%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. Approximately \$2.7 million (2017: \$2.3 million) of the Trust's cash has thereby been preserved through unit conversions since the beginning of the year.

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, 2018 and 2017:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2018	2017 ⁽⁵⁾	2018	2017 ⁽⁵⁾
	\$	\$	\$	\$
Net income and comprehensive income (IFRS)	24,396	15,498	41,337	28,171
+ Fair value adjustment on investment properties	(22,639)	(10,855)	(22,142)	(10,855)
+ Fair value adjustment on Class B LP units	(245)	—	(176)	—
- Gains on disposal of property and equipment	(7)	—	(1,192)	—
+ Amortization of a property recognized at cost	—	8	3	30
+ Amortization of lease incentives	608	636	3,223	2,449
± Fair value adjustment on derivative financial instruments	1,561	(591)	(229)	(1,127)
+ Leasing payroll expenses	128	144	573	511
+ Distributions -Class B LP units	56	—	131	—
FFO⁽¹⁾	3,858	4,840	21,528	19,179
Non-recurring items				
Transaction costs on purchase and sale of investment properties	1,205	25	2,070	83
Recurring FFO⁽¹⁾	5,063	4,865	23,598	19,262
FFO per unit⁽²⁾	6.9 ¢	10.3 ¢	41.1 ¢	45.1 ¢
Recurring FFO per unit⁽²⁾	9.1 ¢	10.3 ¢	45.0 ¢	45.3 ¢
FFO payout ratio ⁽³⁾	151.8 %	101.9 %	102.3 %	93.1 %
Recurring FFO payout ratio ⁽³⁾	115.7 %	101.9 %	93.5 %	92.7 %
FFO cash payout ratio ⁽⁴⁾	133.8 %	90.9 %	90.3 %	84.5 %
Recurring FFO cash payout ratio	101.9 %	90.9 %	82.4 %	84.1 %

(1) Non-IFRS financial measures.

(2) Including Class B LP units.

(3) The FFO payout ratio corresponds to distributions per unit divided by FFO per unit.

(4) The FFO cash payout ratio corresponds to cash distributions divided by FFO.

(5) Restated to reflect the White Paper recommendations.

For the fourth quarter of 2018, the Trust presented recurring FFO per unit of \$5,063 for the quarter, up \$198 from 2017. The Trust agreed to present as an increase in FFO the \$1.2 million non-recurring expense reflecting costs generated by the sale of investment properties during the quarter. Recurring FFO per unit stood at 9.1¢ compared to 10.3¢ in 2017. The decrease reflects the shortfall on properties sold during the year and the consequences of the temporary decline in the effective occupancy rate, which will be cancelled out on the realization of firm leasing agreements. These items are discussed in more detail on page 40 – GENERAL COMMENTS of this MD&A.

At the end of fiscal 2018, recurring FFO were up by \$4.3 million to \$23.6 million. Recurring FFO per unit fell from 45.3¢ to 44.9¢, due to the results of the fourth quarter of 2018, explained in more detail above.

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash flows from operating activities (IFRS)	15,695	14,122	44,724	38,449
+ Straight-line rental income adjustment	93	182	525	443
+ Amortization of a property recognized at cost	—	8	3	30
+ Leasing payroll expenses	128	144	573	511
+ Gain on write-off of debt	—	—	133	—
± Net change in non-cash operating items	(4,533)	(4,138)	1,150	107
- Unit-based compensation expenses	(72)	(107)	(355)	(319)
- Net interest expense	(5,803)	(5,043)	(21,977)	(18,752)
- Accretion of the liability component of convertible debentures	(13)	(12)	(49)	(45)
- Accretion of effective interest	(259)	(254)	(1,039)	(1,008)
- Amortization of other property and equipment	(26)	(37)	(90)	(154)
± Other items	(147)	—	—	(58)
Recurring FFO⁽¹⁾	5,063	4,865	23,598	19,262

(1) Non-IFRS financial measure.

Adjusted Funds from Operations (AFFO)

The following table provides a reconciliation of FFO and AFFO for the periods ended December 31, 2018 and 2017:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
FPE	3,858	4,840	21,528	19,179
± Straight-line rental income adjustment	(93)	(182)	(525)	(443)
+ Accretion of effective interest	259	254	1,039	1,008
+ Accretion of the liability component of convertible debentures	13	12	49	45
+ Amortization of other property and equipment	26	29	87	124
+ Unit-based compensation expenses	72	107	355	319
- Provision for non-recoverable maintenance expenditures	(439)	(395)	(1,719)	(1,467)
- Provision for unrecovered rental fees	(325)	(320)	(1,300)	(1,249)
AFFO⁽¹⁾	3,371	4,345	19,793	17,516
Non-recurring items				
Transaction costs on purchase and sale of investment properties	1,205	25	2,070	83
Recurring AFFO⁽¹⁾	4,576	4,370	21,584	17,599

AFFO per unit⁽¹⁾	6.0 ¢	9.2 ¢	37.2 ¢	40.2 ¢
Recurring AFFO per unit⁽¹⁾	8.2 ¢	9.3 ¢	41.2 ¢	40.3 ¢
AFFO payout ratio ⁽³⁾	173.7 %	114.1 %	112.9 %	104.5 %
Recurring AFFO payout ratio ⁽³⁾	128.0 %	112.9 %	102.0 %	104.2 %
AFFO cash payout ratio ⁽⁴⁾	153.2 %	101.2 %	99.6 %	92.5 %
Recurring AFFO cash payout ratio	128.3 %	101.2 %	90.0 %	92.0 %

(1) Non-IFRS financial measures.

(2) Including Class B LP units.

(3) The AFFO payout ratio corresponds to distributions per unit divided by AFFO per unit.

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

For the fourth quarter of 2018, the Trust presented recurring AFFO of \$4,576, up \$206 from 2017. The Trust agreed to present as an increase in AFFO the \$1.2 million non-recurring expense reflecting costs generated by the sale of investment properties during the quarter. Recurring AFFO per unit stood at 8.2¢ compared to 9.3¢ in 2017. The decrease reflected the shortfall on properties sold during the year and the consequences of the temporary decline in the effective occupancy rate, which will be cancelled out on the realization of firm leasing agreements. These items are discussed in more detail on page 40 – GENERAL COMMENTS of this MD&A.

At the end of fiscal 2018, the Trust recorded recurring AFFO of \$21.6 million, a \$4.0 million increase. Recurring AFFO per unit decreased from 41.4¢ to 41.1¢, due to the results of the fourth quarter of 2018, explained in more detail above.

In calculating AFFO, the Trust deducts a provision for non-recoverable maintenance expenditures to take account of capital expenditures required to keep properties in good condition and total rental income, based on a review of industry practices and our expenditure forecasts for the next few years.

The following table compares the amount of the provision for non-recoverable maintenance expenditures to expenditures actually incurred during the current comparative period and in the last few years.

Years ended (in thousands of dollars)	December 31, 2018	December 31, 2017	December 31, 2016
	\$	\$	\$
Provision for non-recoverable maintenance expenditures	1,719	1,467	1,462
Non-recoverable maintenance expenditures	1,871	2,876	1,942

The Trust intends to achieve a balance between actual spending and the calculated provisions over the long term. Management suggests changes to the provision calculation bases, as required.

For fiscal 2018, the provision for non-recoverable maintenance expenditures was slightly below actual expenditures. However, for fiscal 2017, actual expenditures were substantially higher than the provision as significant amounts were spent on preparing tenant fit-outs following a decline in the occupancy rate.

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

Years ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net cash flows from operating activities (IFRS)	15,695	14,122	44,724	38,449
+ Leasing payroll expenses	128	144	573	511
+ Gain on write-off of debt	—	—	133	—
± Net change in non-cash operating items	(4,533)	(4,138)	1,150	107
- Net interest expense	(439)	(5,043)	(21,977)	(18,752)
- Provision for maintenance expenditures	(439)	(395)	(1,719)	(1,467)
- Provision for rental fees	(325)	(320)	(1,300)	(1,467)
- Other items	(147)	—	—	—
Recurring AFFO⁽¹⁾	4,576	4,370	21,584	17,599

(1) Non-IFRS financial measure.

Segmented Information

The Trust's operations are derived from four categories of properties located in Québec and Ontario. The following tables present each category's contribution to revenues and net operating income for the quarters and years ended December 31, 2018 and 2017.

Quarter ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Mixed use		Total
	\$	%	\$	%	\$	%	\$	%	
	Quarter ended December 31, 2018								
Investment properties	249,370	29.7	372,190	44.4	130,305	15.5	87,150	10.4	839,015
Rental income from properties	6,928	31.4	10,180	46.1	2,306	10.4	2,668	12.1	22,082
Net operating income ⁽¹⁾	4,193	36.1	4,590	39.5	1,543	13.3	1,298	11.2	11,624
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	5,968	29.2	9,618	47.1	2,910	14.3	1,917	9.4	20,413
Net operating income ⁽¹⁾	3,385	32.4	4,334	41.4	1,779	17.0	962	9.2	10,460

(1) Non-IFRS financial measure.

Years ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Mixed use		Total
	\$	%	\$	%	\$	%	\$	%	
	Year ended December 31, 2018								
Rental income from properties	26,266	30.0	42,507	48.6	9,785	11.2	8,865	10.1	87,423
Net operating income ⁽¹⁾	15,925	33.4	20,005	42.0	7,226	15.2	4,481	9.4	47,637
Year ended December 31, 2017									
Rental income from properties	21,084	27.7	34,980	46.0	12,083	15.9	7,892	10.4	76,039
Net operating income ⁽¹⁾	12,417	30.8	15,885	39.3	8,005	19.8	4,087	10.1	40,394

(1) Non-IFRS financial measure.

Financial Position

The following table presents a summary of the Trust's balance sheet as at December 31, 2018 and December 31, 2017. It should be read in conjunction with the Trust's consolidated financial statements and the notes thereto.

(in thousands of dollars)		December 31, 2018	December 31, 2017
	Reference (page)	\$	\$
Assets			
Investment properties	54	839,015	751,110
Amounts receivable from tenants and other receivables	57	3,246	4,212
Other assets	57	4,138	5,150
Cash and cash equivalents	57	8,824	1,918
Total assets		855,223	762,390
Liabilities			
Mortgage loans payable	58	471,162	428,382
Convertible debentures	59	48,716	48,183
Bank loans	60	15,000	18,130
Class B LP units	61	2,315	—
Accounts payable and other liabilities	61	19,653	18,748
Total liabilities		556,846	513,443
Equity			
Unitholders' equity	62	298,377	248,947
Total liabilities and equity		855,223	762,390

The main changes in the balance sheet as at December 31, 2018 compared to the balance sheet as at December 31, 2017 reflect the acquisition of investment properties 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 \$839 million as at December 31, 2018 compared to \$751 million as at December 31, 2017.

Acquisitions

In February 2018, BTB purchased a retail property located in the city of Delson, Québec, for a consideration of \$1.9 million.

In May 2018, the Trust acquired a 25% residual interest in the "Complexe Lebourgneuf Phase II" property, located in Québec City, for \$7.5 million. The net consideration after assumption of the mortgage debt was paid through the issuance of 532,265 Class B LP units priced at \$4.68 per unit.

In July 2018, the Trust purchased a mixed-use property in downtown Montréal for \$25.2 million. The Trust moved its head office to this property in October 2018.

In July 2018, the Trust purchased a shopping centre located in Lévis, Québec, for \$42.6 million.

In December 2018, the Trust purchased two office properties located in Laval, Québec, for \$24.5 million.

Disposals

In January 2018, the Trust sold the property located at "1863-1865 Autoroute Transcanadienne" in Dorval, Québec, for sale proceeds totalling \$5.6 million.

In February 2018, the Trust sold the following properties:

- "2153-2155 Crescent Street" in Montreal, Quebec, for sale proceeds totalling \$3.2 million. Until October 2018, this property housed the Trust's head office;
- "1100 and 1108-1136 Saint-Joseph Blvd." in Drummondville, Quebec, for sale proceeds totalling \$3.1 million; and
- "2905 Marleau in Cornwall," Ontario, for sale proceeds totalling \$490. z

In July 2018, the Trust disposed of a retail property under redevelopment located in Thetford Mines, Québec. The property, known as "Promenade St-Noël" was fully vacant and was sold for \$475.

In August 2018, the Trust sold a property located at "3036-3094 Chemin Chambly" in Longueuil, Québec, for sale proceeds totalling \$5.6 million.

On October 18, 2018, the Trust disposed of the following six properties located in Sherbrooke, Québec, for \$30.5 million. The Trust thereby disposed of virtually all of its properties in the Sherbrooke area.

- "2865-2885 de Portland Boulevard";
- "1635-1645 King Street East and 150-170 Chemin Duplessis";
- "1640-1650 King Street West";
- "747-805 King Street East";
- "30-66 Jacques-Cartier Boulevard North"; and
- "3705 Industriel Boulevard."

Summary by operating segment

As at December 31	2018			2017		
	Number of properties	Leasable area (sq. ft.)	%	Number of properties	Leasable area (sq. ft.)	%
Office	28	2,120,680	39.6	29	2,050,462	38.6
Retail	14	1,316,414	24.6	18	1,304,773	24.6
Industrial	18	1,482,278	27.7	20	1,542,093	29.1
Mixed use	6	437,151	8.1	4	406,650	7.7
Subtotal	66	5,356,523	100.0	71	5,303,978	100.0
Properties under redevelopment	1	75,340		2	131,354	
Total	67	5,431,863		73	5,435,332	

Subsequent disposal

On January 31, 2019, the Trust disposed of the property located at "15-41 boulevard Georges-Gagné Sud," in Delson, Quebec, for \$22.5 million.

Investments in investment properties held

BTB invests in 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 quality of space available for rental. In some cases, capital expenditures may be recovered from rent.

Capital expenditures for the quarter ended December 31, 2018 totalled \$1,504, compared to \$1,494 for the same quarter of 2017, of which \$754 was recoverable (2017: \$849). For the entire year, capital expenditures totalled \$4,342 (2017: \$4,327), of which \$2,471 was recoverable (2017: \$1,451). 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 \$1,282 for the fourth quarter and \$5,250 for the year ended December 31, 2018, compared to \$2,818 and \$7,360 for the same periods of 2017. 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 quarters and years ended December 31, 2018 and 2017.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Recoverable maintenance capital expenditures	750	848	2,471	1,451
Non-recoverable maintenance capital expenditures	754	646	1,871	2,876
Total maintenance capital expenditures	1,504	1,494	4,342	4,327
Leasing fees and leasehold improvements	1,282	2,818	5,250	7,360
Total	2,786	4,312	9,592	11,687

The following table shows changes in the fair value of investment properties during the quarters and years ended December 31, 2018 and 2017.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Balance, beginning of period	819,375	663,933	751,110	645,485
Additions:				
Acquisitions	25,179	72,464	104,613	96,057
Dispositions	(30,450)	—	(45,744)	(11,450)
Capital expenditures	1,504	1,494	4,342	4,327
Leasing fees and capitalized lease incentives	1,282	2,818	5,250	7,360
Net change in fair value of investment properties	22,640	10,855	22,142	11,337
Other non-monetary changes	(515)	(454)	(2,698)	(2,006)
Balance, end of period	839,015	751,110	839,015	751,110

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables decreased from \$4,212 as at December 31, 2017 to \$3,246 as at December 31, 2018. These amounts are summarized below

(in thousands of dollars)	December 31, 2018	December 31, 2017
	\$	\$
Rent receivable	2,556	2,721
Allowance for doubtful accounts	(567)	(460)
	1,989	2,261
Unbilled recoveries	430	457
Other receivables	827	894
Balance of sale receivable	—	600
Amounts receivable from tenants and other receivables	3,246	4,212

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, 2018	December 31, 2017
	\$	\$
Property and equipment	1,027	3,335
Accumulated depreciation	(698)	(1,235)
	329	2,100
Prepaid expenses	1,366	1,175
Derivative financial instruments	1,599	1,370
Deposits	844	505
Other assets	4,138	5,150

The decline in value of property and equipment is due to the sale of the building housing the Trust's head office.

Cash and cash equivalents

(in thousands of dollars)	December 31, 2018	December 31, 2017
	\$	\$
Free cash flow	8,824	1,918
Restricted cash	—	—
	8,824	1,918

Capital Resources

Long-term debt

The following table shows the balances of BTB's indebtedness as at December 31, 2018, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

As at December 31, 2018 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	\$	\$	%
Year of maturity			
2019	—	58,933	4.38
2020	49,700	45,984	5.73
2021	—	62,749	3.51
2022	—	33,856	3.44
2023	—	13,610	4.35
2024 and thereafter	—	258,073	3.87
Total	49,700	473,205	4.20

Weighted average contractual interest rate

As at December 31, 2018, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.20%, i.e. 3.99% for mortgages payable and 7.03% for convertible debentures.

Mortgage loans payable

As at December 31, 2018, the Trust's mortgage loans payable amounted to \$473 million compared to \$431 million as at December 31, 2017, before deferred financing costs and valuation adjustments, a net increase of \$42 million following the financing of acquisitions completed in 2018, certain refinancings and principal repayments on monthly payments and disposals.

The following table summarizes changes in mortgage loans payable during the periods ended December 31, 2018:

Periods ended December 31, 2018 (in thousands of dollars)	Quarter	Year
	\$	\$
Balance at beginning of the period	470,286	430,603
Mortgage loans contracted	40,735	108,892
Balance repaid at maturity or upon disposal	(34,456)	(53,552)
Monthly principal repayments	(3,360)	(12,738)
Balance as at December 31, 2018	473,205	473,205

Note: avant les frais de financement non amortis et les écarts d'évaluation.

As at December 31, 2018, the weighted average interest rate was 3.99% compared to 3.72% for mortgage loans on the books as at December 31, 2017, an increase of 27 basis points. As at December 31, 2018, except for four loans with a cumulative balance of \$39.0 million, all mortgages payable bear interest at fixed rates (\$371 million) or are coupled with an interest rate swap (\$63 million).

The weighted average term of existing mortgage financings was 5.6 years as at December 31, 2018. It was 6.4 years as at December 31, 2017, a decrease of 0.8 (10 months) in one year. The decrease was primarily due to the assumption of a significant loan with a three-year term at the time of purchase and the financing of the property "1327-1333 Ste-Catherine West and 1411 Crescent Street" for a 22-year term.

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 three properties partially securing the acquisition and operating lines of credit as at December 31, 2018, all of the Trust's other properties were subject to mortgages as at December 31, 2018. Unamortized loan financing costs totalled \$2,882 and are amortized under the effective interest method over the term of the loans.

The following table, as at December 31, 2018, shows future mortgage loan repayments for the next few years:

As at December 31, 2018 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	\$	\$	\$	%
Maturity				
2019	12,078	58,008	70,086	14.8
2020	12,291	44,313	56,604	12.0
2021	11,566	57,384	68,950	14.6
2022	10,002	27,878	37,880	8.0
2023	8,785	12,465	21,250	4.5
2024 and thereafter	31,984	186,451	218,435	46.1
Total	86,706	386,499	473,205	100.0
+ Valuation adjustments on assumed loans			839	
- Unamortized financing costs			(2,882)	
Balance as at December 31, 2018			471,162	

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, 2018	22,661	26,055	48,716

(1) Redeemable by the Trust, under certain conditions, 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 facility bears interest at a rate of 0.75% above the bank prime rate. As at December 31, 2018, the operating credit facility was unused.

Bank loans – acquisition credit facility

BTB has an acquisition credit facility of \$19 million with a Canadian chartered bank. The credit facility is partially secured by a first ranking collateral mortgage on three properties, a second-ranking collateral mortgage on three properties, and a third-ranking mortgage on one property. The facility bears interest at a rate of 3.25% above the bank prime rate. As at December 31, 2018, \$15.0 million of the acquisition credit facility had been used.

These credit facilities are secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on six properties.

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, 2018 and 2017.

(in thousands of dollars)	December 31, 2018	December 31, 2017
	\$	\$
Free cash flow	(8,824)	(1,918)
Mortgage loans payable ⁽¹⁾	473,205	430,603
Convertible debentures ⁽¹⁾	49,700	49,700
Acquisition credit facility	15,000	16,650
Total long-term debt less free cash flow	529,081	495,035
Gross book value of the Trust less free cash flow	847,097	761,707
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	55.8%	56.5%
Debt-equity ratio – convertible debentures	5.9%	6.5%
Debt-equity ratio – acquisition line of credit	1.8%	2.2%
Total debt ratio	62.5%	65.0%

(1) Gross amounts.

According to the table above, the mortgage debt ratio, excluding the convertible debentures and acquisition credit facility as at December 31, 2018, amounted to 55.8%, down 0.7% from December 31, 2017. Including the convertible debentures and the acquisition credit facility, the overall debt ratio stood at 62.5%, down 2.5% from December 31, 2017.

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, 2018, the interest coverage ratio stood at 2.00, up 7 basis points from the fourth quarter of 2017. For the year, the ratio stood at 2.17, up 2 basis points from 2017.

Periods ended December 31 (in thousands of dollars, except for the ratios)	Quarter		Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net operating income	11,624	10,460	47,637	40,394
Interest expense, net of interest income ⁽¹⁾	5,803	5,043	21,977	18,752
Interest coverage ratio	2.00	2.07	2.17	2.15

(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.

Class B LP units

Periods ended December 31 2018	Quarter		Year	
	Units	\$	Units	\$
Class B LP units outstanding, beginning of period	532,265	2,560	—	—
Class B LP units issued	—	—	532,265	2,491
Fair value adjustment	—	(245)	—	(176)
Class B LP units outstanding, end of period	532,265	2,315	532,265	2,315

The Class B LP units are exchangeable at any time, at the option of the holder, for an equal number of units of BTB. They are entitled to distributions equal to distributions declared on the units. Distributions paid on Class B LP units are recorded in operating income when declared. Distributions declared are adjusted in calculating distributable income, FFO and AFFO.

The Class B LP units were issued on May 30, 2018 in payment for the acquisition of the net amount of the residual portion of "Complexe Lebourgneuf – Phase II" in Québec City. The holders of these units were entitled to a \$56 distribution during the quarter and \$131 for the cumulative period.

Accounts payable and other liabilities

(in thousands of dollars)	December 31, 2018	December 31, 2017
	\$	\$
Trade and other payables	17,048	16,034
Distributions payable to unitholders	1,936	1,695
Unit-based compensation	669	498
Operating expenses to be reimbursed	—	521
Accounts payable and other liabilities	19,653	18,748

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	December 31, 2018	December 31, 2017
	\$	\$
Trust units	274,231	244,115
Cumulative comprehensive income	133,825	92,488
Cumulative distributions	(109,679)	(87,656)
Unitholders' equity	298,377	248,947

Distribution reinvestment plan

The Trust has 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, 155,871 units were issued during the fourth quarter of 2018 (2017: 137,668 units) and 603,951 units were issued during the year (2017: 496,248 units).

Units outstanding

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

Periods ended December 31 (in number of units)	Quarter		Year	
	2018	2017	2018	2017
Units outstanding, beginning of quarter	55,161,852	42,724,050	48,423,118	42,342,373
Units issued				
Initial public offering	—	5,561,400	6,250,250	5,561,400
Distribution reinvestment plan	155,871	137,668	603,951	496,248
Awards - employee unit purchase plan	—	—	9,691	9,062
Awards - restricted unit compensation plan	—	—	30,713	14,035
Units outstanding, end of quarter	55,317,723	48,423,118	55,317,723	48,423,118
Weighted average number of units outstanding	55,240,257	47,023,012	52,120,760	43,670,943
Weighted average number of Class B LP units and units outstanding	55,772,522		52,435,744	

Unit options

The Trust may grant options to its trustees, senior officers, investor relations consultants and technical consultants. The maximum number of units that can be issued 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 an option is granted under the plan, which exercise price shall not be less than the discounted quoted market price of the units, as determined under Toronto Stock Exchange policies at the grant date. The options have a minimum term of five years from the date of grant and vest over a maximum of 18 months. 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. There were no unit options outstanding as at December 31, 2018.

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, 2018 and 2017.

Periods ended December 31 (in number of units)	Quarter		Year	
	2018	2017	2018	2017
Deferred units outstanding, beginning of period	34,143	10,190	12,330	4,233
Deferred units issued	2,912	2,140	24,725	8,097
Deferred units outstanding, end of period	37,055	12,330	37,055	12,330

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, 2018 and 2017.

Periods ended December 31 (in number of units)	Quarter		Year	
	2018	2017	2018	2017
Restricted units outstanding, beginning of period	138,919	115,628	115,628	77,673
Restricted units issued	—	—	72,819	51,990
Restricted units cancelled	—	—	(18,815)	—
Restricted units settled	—	—	(30,713)	(14,035)
Restricted units outstanding, end of period	138,919	115,628	138,919	115,628

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 service with the Trust. For each two units purchased by an employee, the Trust issues one unit from treasury. During the quarter ended December 31, 2018, no units were issued (2017: nil). During fiscal 2018, 9,691 units were issued.

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.

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, 2018, 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 2019 or any other subsequent year.

Taxation of Unitholders

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

Periods ended December 31	2018	2017
	%	%
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

The accounting policies set out below have been applied consistently to all periods presented in this financial report.

(a) New accounting standards adopted

On January 1, 2018, the Trust adopted IFRS 9 *Financial Instruments* ("IFRS 9"), IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") and amendment to IAS 40 *Investment Property* ("IAS 40"). The impacts are described below.

(i) IFRS 9

The Trust adopted all of the requirements of IFRS 9 with a date of initial application of January 1, 2018. See note 3 (d)(i) for a discussion of the impact of the adoption and the change in significant accounting policy.

(ii) IFRS 15

The Trust adopted all of the requirements of IFRS 15 with a date of initial application of January 1, 2018. See note 3 (i)(i) for a discussion of the impact of the adoption and the change in significant accounting policy.

(iii) 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 were effective for annual periods beginning on or after January 1, 2018. The Trust adopted the amendments to IAS 40 in its current financial statements. The adoption of the amendments did not have an impact on the financial statements.

(b) 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, 2018, and have not been applied in preparing these consolidated financial statements, the principal one being:

(i) IFRS 16, *Leases* («IFRS 16»)

The Trust is required to adopt IFRS 16 *Leases* as of January 1st, 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Trust has assessed the estimated impact that the initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on January 1st, 2019 may change because the new accounting policies are subject to change until the Trust presents its first financial statements that include the date of initial application.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Leases in which the Trust is a lessee

The Trust will recognize right-of-use assets, classified as investment properties under IAS 40, and lease obligation liabilities for its emphyteutic leases of land. The nature of expenses related to those leases will change because the Trust will recognize a change in fair value for the right-of-use assets and interest expense on the lease liabilities. Previously, the Trust recognized operating lease expense on a straight-line basis over the term of the lease. Previously, the Trust recognized operating lease expense on a straight-line basis over the term of the lease. Based on the information currently available, the Trust estimates that it will recognize additional investment properties and lease liabilities of \$3,900 as at January 1st, 2019.

No significant impact is expected for the Trust's finance leases, since the leases were previously accounted using the fair value model in IAS 40.

Leases in which the Trust is a lessor

No significant impact is expected for other leases in which the Trust is a lessor.

Transition

The Trust plans to apply IFRS 16 initially on January 1st, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1st, 2019, with no restatement of comparative information.

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 2018 Annual Information Form for the year ended December 31, 2018, 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, 2018, 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, 2018, 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 the fiscal 2018, 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 income 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

Class B LP Units

Class B LP units means the Class B LP limited partnership units of BTB LP, which are exchangeable for units, on a one for one basis.

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 \$473 million as at December 31, 2018, compared to \$431 million as at December 31, 2017.
- 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 valuers and independent experts. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization and discount rates within ranges provided by external valuers. To the extent that the externally-provided capitalization rate ranges change from one reporting quarter to the next, or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2017 and still owned as at December 31, 2018, but does not include the financial impacts from disposals, acquisitions and developments completed in 2017 and 2018, as well as the results of subsequently sold properties.

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.

Furthermore, the Trust deducts a provision for non-recoverable maintenance expenditures 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 maintenance expenditures 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¢ 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 not recovered directly in establishing the rent that the Trust will undertake. These disbursements consist of inducements paid or granted when leases are signed that are generally amortized over the term of the lease and are subject to an equivalent increase in rent per square foot, and of brokerage commissions and leasing payroll expenses.

Audited Consolidated Financial Statements

Year ended December 31, 2018

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Management's responsibility for Financial Reporting

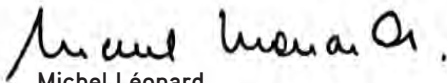
The accompanying consolidated financial statements of BTB Real Estate Investment Trust ("BTB") were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated 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, 2018, 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, 2018 and 2017 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 8, 2019



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Independent Auditor's Report

To the Unitholders of BTB Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of BTB Real Estate Investment Trust (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is **Philippe Grubert**.

Montréal, Canada
March 8, 2019

* CPA auditor, CA, public accountancy permit No. A120220

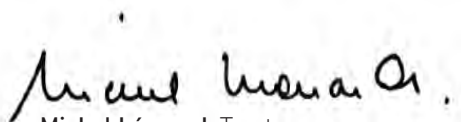
Consolidated Statements of Financial Position

As at December 31, 2018 and 2017
(in thousands of CAD dollars)

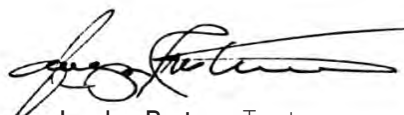
	Notes	2018	2017
		\$	\$
Assets			
Investment properties	4	839,015	751,110
Property and equipment	5	329	2,100
Derivative financial instruments	12	1,599	1,370
Other assets	6	2,210	1,680
Receivables	7	3,246	4,212
Cash and cash equivalents		8,824	1,918
Total assets		855,223	762,390
Liabilities and unitholders' equity			
Mortgage loans payable	8	471,162	428,382
Convertible debentures	9	48,716	48,183
Bank loans	10	15,000	18,130
Class B LP Units	11	2,315	—
Unit-based compensation	13	669	498
Trade and other payables		17,048	16,555
Distributions payable to unitholders		1,936	1,695
Total liabilities		556,846	513,443
Unitholders' equity		298,377	248,947
		855,223	762,390

See accompanying notes to consolidated financial statements.

Approved by the Board on March 8, 2019.



Michel Léonard, Trustee



Jocelyn Proteau, Trustee

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017
(in thousands of CAD dollars)

	Notes	2018 \$	2017 (restated-see note 3 (a) and (i)) \$
Operating revenues			
Rental revenues from properties	15	87,423	76,039
Operating expenses			
Public utilities and other operating costs		19,666	18,376
Property taxes and insurance costs		20,120	17,269
		39,786	35,645
Net operating income		47,637	40,394
Expenses			
Finance costs		23,065	19,805
Distributions – Class B LP Units		131	—
Fair value adjustment – Class B LP Units		(176)	—
Net adjustment to fair value of derivative financial instruments		(229)	(1,127)
	16	22,791	18,678
Trust administration expenses		(4,906)	4,317
Gain on disposal of Owner-occupied land and Building	5	1,192	—
Gain on debt extinguishment		133	—
Net changes in fair value of investment properties	17	22,142	11,337
Transaction costs	17	(2,070)	(565)
Net income being total comprehensive income for the year		41,337	28,171

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2018 and 2017
(in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distributions	Cumulative comprehensive income	Total
Balance at January 1, 2018		244,115	(87,656)	92,488	248,947
Issuance of units	14	30,116			30,116
Distributions to unitholders	14		(22,023)		(22,023)
		274,231	(109,679)	92,488	257,040
Comprehensive income				41,337	41,337
Balance as at December 31, 2018		274,231	(109,679)	133,825	298,377
Balance at January 1, 2017		217,816	(69,170)	64,317	212,963
Issuance of units	14	26,299	—	—	26,299
Distributions to unitholders	14	—	(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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017 (in thousands of CAD dollars)

	Notes	2018	2017
		\$	\$
Operating activities			
Net income for the year		41,337	28,171
Adjustment for:			
Net changes in fair value of investment properties and disposal transaction costs	17	(20,072)	(10,772)
Gain on debt extinguishment		(133)	—
Gain on disposal of Owner-occupied land and building	5	(1,192)	—
Depreciation of property and equipment	5	90	154
Unit-based compensation	13	355	319
Straight-line lease adjustment	15	(525)	(443)
Lease incentive amortization	15	3,223	2,449
Net financing costs	16	22,791	18,678
		45,874	38,556
Net change in non-cash operating items		(1,150)	(107)
Net cash from operating activities		44,724	38,449
Investing activities			
Additions to investment properties	4	(104,262)	(104,791)
Acquisition of a business	4	(43)	—
Net proceeds from disposal of investment properties	4	43,690	10,690
Additions to property and equipment	5	(214)	(76)
Disposition of Owner-occupied land and building	5	3,082	—
Net cash used in investing activities		(57,747)	(94,177)
Financing activities			
Mortgage loans, net of financing costs	23	103,180	107,036
Repayment of mortgage loans	23	(66,292)	(63,566)
Bank loans, net of financing costs		16,580	18,130
Repayment of bank loans		(19,710)	—
Repayment of convertible debentures		—	—
Net proceeds from issue of units		27,239	23,963
Net distributions to unitholders		(19,086)	(16,041)
Net distributions – Class B LP Units		(131)	—
Reduction to restricted cash		—	50
Interest paid		(21,851)	(18,593)
Net cash from financing activities		19,929	50,979
Net increase (decrease) in cash and cash equivalents		6,906	(4,749)
Cash and cash equivalents, beginning of year		1,918	6,667
Cash and cash equivalents, end of year		8,824	1,918

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017 (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 1411, Crescent street, suite 300, Montreal, Quebec, Canada. The consolidated financial statements of BTB for the years ended December 31, 2018 and 2017 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This is the first set of the Trust's annual financial statements in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 3 (a), (d) and (i).

These consolidated financial statements were approved by the Board of Trustees on March 8, 2019.

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 which are measured at fair value:

- Investment properties;
- Derivative financial instruments;
- Unit-based compensation;
- Class B LP Units.

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 in which case, 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.

Mixed-used property

The Trust owns a property which is partially owner-occupied with the rest being held for rental income and capital appreciation. The Trust has determined that only an insignificant portion is owner-occupied and therefore the entire property has been accounted for as an investment property. In determining whether the portion is insignificant the Trust used a 10% threshold on the fair value of the property.

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 the Discounted Cash Flow Method and the Direct Capitalization method and in some cases, the Comparable method.

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 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 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 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 and if the entire contract is not measured at fair value with changes in fair value recognized in profit and loss.

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 fair value based measurement, which is calculated using the Black-Scholes options pricing 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) New accounting standards adopted

On January 1, 2018, the Trust adopted IFRS 9 *Financial Instruments* ("IFRS 9"), IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") and amendment to IAS 40 *Investment Property* ("IAS 40"). The impacts are described below.

i) IFRS 9

The Trust adopted all of the requirements of IFRS 9 with a date of initial application of January 1, 2018. See note 3 (d)(i) for a discussion of the impact of the adoption and the change in significant accounting policy.

ii) IFRS 15

The Trust adopted all of the requirements of IFRS 15 with a date of initial application of January 1, 2018. See note 3 (i)(i) for a discussion of the impact of the adoption and the change in significant accounting policy.

iii) 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 were effective for annual periods beginning on or after January 1, 2018. The Trust adopted the amendments to IAS 40 in its current financial statements. The adoption of the amendments did not have an impact on the financial statements.

b) 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, 2018, and have not been applied in preparing these consolidated financial statements, the principal one being:

i) IFRS 16, Leases ("IFRS 16")

The Trust is required to adopt IFRS 16 *Leases* as of January 1st, 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Trust has assessed the estimated impact that the initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on January 1st, 2019 may change because the new accounting policies are subject to change until the Trust presents its first financial statements that include the date of initial application.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Leases in which the Trust is a lessee

The Trust will recognise right-of-use assets, classified as investment properties under IAS 40, and lease obligation liabilities for its emphyteutic leases of land. The nature of expenses related to those leases will change because the Trust will recognise a change in fair value for the right-of-use assets and interest expense on the lease liabilities. Previously, the Trust recognised operating lease expense on a straight-line basis over the term of the lease. Based on the information currently available, the Trust estimates that it will recognise additional investment properties and lease liabilities of \$3,900 as at January 1st, 2019.

No significant impact is expected for the Trust's finance leases, since the leases were previously accounted using the fair value model in IAS 40.

Leases in which the Trust is a lessor

No significant impact is expected for other leases in which the Trust is a lessor.

Transition

The Trust plans to apply IFRS 16 initially on January 1st, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at January 1st, 2019, with no restatement of comparative information.

c) 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 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 identifiable assets acquired and liabilities assumed, generally at fair value, 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.

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. Subsidiaries are consolidated 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.

d) Financial instruments

i) Adoption of new accounting standards:

On January 1, 2018, the Trust adopted IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets, including impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

Classification and Measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Mortgage loans payable	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Bank loans	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Distribution payable to unitholders	Other financial liabilities	Amortized cost
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss
Class B LP Units	N/A – Class B LP Units issued in 2018	Fair value through profit and loss

Impairment

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each reporting date, to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments.

The Trust adopted the practical expedient to determine ECL on receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL model applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and ECL models applied did not have a material impact on receivables of the Trust.

ii) Recognition and initial measurement

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. If a financial asset or liability is not subsequently measured at FVTPL, the initial measurement includes transaction costs that are directly attributable to its acquisition or issue.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

iii) Classification and subsequent measurement

The Trust classifies its financial assets and financial liabilities in the following measurement categories:

- those to be measured subsequently at FVTPL; and
- those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows, and on the Trust's designation of such instruments. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL.

Financial instruments are not reclassified subsequent to their initial recognition, unless the Trust identifies changes in its business model in managing financial assets and would reassess the classification of financial instruments.

The Trust's business model objective is to collect contractual cash flows and the contractual cash flows are solely payments of principal and/or interest, and as such financial assets are generally subsequently measured at amortized cost using the effective interest method net of any impairment loss. All other financial assets, including derivatives, are subsequently measured at FVTPL.

Financial assets measured at amortized cost comprise cash and cash equivalents, restricted cash, receivables and deposits.

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.

Financial liabilities are generally subsequently measured at amortized cost using the effective interest method unless they are held for trading, they are derivatives or they have been designated as those to be measured subsequently at FVTPL.

Financial liabilities measured at amortized cost 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.

Derivative financial instruments are subsequently measured at fair value, and changes therein are recognized immediately in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest. Embedded derivatives in financial liabilities are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in net income (loss).

iv) Impairment

The Trust uses the ECL model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated statement of financial position if they relate to a financial asset measured at amortized cost. For trade receivables, the Trust applies the simplified approach as permitted by IFRS 9 which requires lifetime expected credit losses be recognized from initial recognition of receivables. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

Impairment losses are recorded in the Trust administration expenses in the consolidated statement of comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

v) Trust units

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

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

vi) 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. As the conversion and redemption options are not considered closely related to the debt contract host, the non-derivative and derivative components of the convertible debentures are separated upon initial recognition using the residual fair value approach. Subsequently, the non-derivative liability component is measured at amortized cost.

vii) Class B LP Units

The Class B LP Units issued by one of the limited partnerships that the Trust controls, are classified as "financial liabilities", as they are exchangeable into Units of the Trust on a one-for-one basis at any time at the option of the holder. The Class B LP Units are measured at fair value and presented as part of the liabilities in the statement of financial position, with changes in fair value recorded in the statement of comprehensive income. The fair value of the Class B LP Units is determined with reference to the market price of the Units of the Trust on the date of measurement. Distributions on the Class B LP Units are recognized in the statement of comprehensive income when declared.

e) Investment properties

Investment properties are 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 properties are 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 properties 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 properties 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 properties.

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 properties and then considered in the fair value adjustment of the investment properties 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.

f) Property and equipment

i) Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

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

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:

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.

g) 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 expenses on a straight-line basis over the term of the lease.

h) 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.

i) Revenue recognition

i) Adoption of new accounting standards:

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 recognizing 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 was effective for the Trust's annual period beginning on January 1, 2018. The adoption of the new standard did not 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, 2018, the presentation on a gross basis instead of on a net basis results in an additional amount of \$2,689 (for the year ended December 31, 2017 - \$2,721) in property tax recoveries presented as revenues, offset by an increase in property tax expenses of the same amount thereby generating no incremental net operating income.

Rental revenue from property includes rents from tenants under leases, property taxes and operating cost recoveries, lease cancellation fees and incidental income. The Trust's most material revenue stream is base rental revenue which, along with the property tax and insurance recoveries, are outside the scope of IFRS 15 and are accounted for in accordance with IAS 17 *Leases* ("lease components"). The recovery of costs related to the provision of services, including common area maintenance, is considered within the scope of IFRS 15 ("non-lease components") and the Trust has concluded that the pattern of revenue recognition remains unchanged. IFRS 15 required the Trust to disclose revenue recognized from contracts with customers separately from other sources of revenue, including those included within gross leases (see additional disclosures in note 15).

ii) Rental revenue – lease components

Rental revenue for lease components is recognized when service has been rendered and the amount of expected consideration can be reliably estimated, which is over the term of the related lease.

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. 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 are received and when the Trust no longer has any performance obligations under the related lease.

iii) Rental revenue – non-lease components

Leases generally provide for the tenants' payment of maintenance expenses of common elements and other operating costs. These services are considered to be a single performance obligation rendered to tenants over time. These recoveries are accounted for as variable consideration and are recognized as operating revenues in the periods in which the services are provided.

j) 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.

k) 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.

l) 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, distribution and fair value adjustment on Class B LP Units and changes in the fair value of derivative financial instruments.

m) 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.

n) 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.

o) 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.

p) 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.

4. Investment Properties

For the years ended December 31	2018	2017
	\$	\$
Balance beginning of year	751,110	645,485
Acquisitions of investment properties (note 4(i))	97,114	96,057
Business combination (note 4(ii))	7,500	—
Disposals of investment properties (note 4(iii))	(45,744)	(11,450)
Capital expenditures	4,341	4,327
Capitalized leasing fees	1,636	1,119
Capitalized lease incentives	3,614	6,241
Lease incentives amortization (note 15)	(3,223)	(2,449)
Straight-line lease adjustment (note 15)	525	443
Net changes in fair value of investment properties (note 17)	(22,142)	11,337
Balance end of year	839,015	751,110

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, 2018 external appraisals were obtained for investment properties with an aggregate fair value of \$548,940 (December 31, 2017 - \$536,158) and management's internal valuations were used for investment properties with an aggregate fair value of \$290,075 (December 31, 2017 - \$214,952).

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, 2018				
Capitalization rate	6.25 % – 7.75 %	6.00 % – 8.50 %	5.75 % – 8.50 %	5.00 % – 7.25 %
Terminal capitalization rate	6.25 % – 7.75 %	6.50 % – 7.50 %	6.25 % – 8.25 %	5.25 % – 7.50 %
Discount rate	7.25 % – 8.50 %	7.00 % – 8.00 %	6.75 % – 9.00 %	6.25 % – 8.25 %
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 %

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	Fair Value	Change in fair value
Increase (decrease)	\$	\$
(0.50) %	905,890	66,225
(0.25) %	871,248	31,582
Base rate	839,015	—
0.25 %	810,270	(29,395)
0.50 %	783,078	(56,587)

i) Acquisitions of Investment Properties

a) 2018 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, 2018 were as follows:

Acquisition date	Property type	Location	Interest acquired	Investment properties, including transaction costs	Fair value recognized on acquisition		
					Mortgage loans payable	Assets / (Trade and other payables), including transaction costs	Total cash consideration paid
			%	\$	\$	\$	\$
February 2018	Retail	Delson, QC	100	1,865	(1,399) ⁽¹⁾	—	466
July 2018	Mixed	Montréal, QC	100	25,200	—	(121)	25,079
July 2018	Retail	Lévis, QC	100	42,600	—	349	42,949
December 2018	Office	Laval, QC	100	24,478	—	(201)	24,277
Transaction costs				2,971	—	(2,971)	—
Total				97,114	(1,399)	(2,944)	92,771

(1) The Balance of purchase price was comprised of one mortgage loan payable bearing interest at an interest rate of 4.00%, payable monthly, and has been fully repaid in December 2018.

b) 2017 Acquisitions

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

Acquisition date	Property type	Location	Interest acquired	Investment properties, including transaction costs	Fair value recognized on acquisition		
					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	Lévis, QC	100	23,200	—	(457)	35,443
November 2017	Office	Montréal, QC	100	19,278	—	(127)	19,151
November 2017	Office	Montréal, QC	100	15,772	—	(6)	15,766
Transaction costs				1,907	—	(1,907)	—
Total				96,057	—	(2,390)	93,667

ii) 2018 Business combination

On May 30, 2018, the Trust acquired the 25% interest in the Complexe Lebourgneuf-Phase II joint operation that it did not already hold. As a result, the Trust's interest in Complexe Lebourgneuf-Phase II increased from 75% to 100% and the Trust obtained control of Complexe Lebourgneuf-Phase II.

The following table summarizes, at the date of acquisition, the recognized amounts of assets acquired and liabilities assumed pertaining to the 25% acquired and the fair value of each major class of consideration transferred. The carrying amount of the previously held interests in the joint operation of 75% approximated their fair value at the date of acquisition and as a result no other information on the previously held interest is presented below.

Identifiable assets acquired and liabilities assumed	\$
Assets	
Investments properties	7,500
Other assets	213
	7,713
Liabilities	
Assumed mortgages	(5,009)
Accounts payables and other liabilities	(170)
	(5,179)
Net asset acquired	2,534
Consideration transferred by the Trust	
Class B LP Units issued (note 11)	2,491
Cash	43
Total consideration transferred	2,534

The fair value of the Class B LP Units issued was determined with reference to the market price of Units of the Trust at the date of the acquisition.

The Trust incurred acquisition-related costs of \$57 for legal fees. These costs have been included in Transaction costs (see note 17).

For the year ended December 31, 2018, the additional 25% of Complexe Lebourgneuf-Phase II contributed to the Trust's operating revenues and net income for \$394 and \$63 respectively. If the acquisition had occurred on January 1st, 2018, management estimates that operating revenue and net income would have been higher by \$325 and \$72 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1st, 2018.

iii) Disposals of Investment Properties

a) 2018 Disposals

The following table presents relevant information on disposals recognized in the consolidated financial statements during the year ended December 31, 2018:

Disposal date	Property type	Location	Gross proceeds	Receivable / (Trade and other payables), including transaction costs	Net proceeds
			\$	\$	\$
January 2018	Industriel	Dorval, QC	5,650	(1)	5,649
February 2018	Industriel	Cornwall, ON	490	(6)	484
February 2018	Commercial	Drummondville, QC	3,075	(31)	3,044
July 2018	Commercial	Thetford Mines, QC	475	—	475
August 2018	Commercial	Longueuil, QC	5,604	32	5,636
October 2018	Polyvalent	Sherbrooke, QC	30,450	(35)	30,415
Transaction costs*			—	(2,013)	(2,013)
Total			45,744	(2,054)	43,690

* Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs (see note 17).

The October 2018 disposition relates to the sale of six properties located in Sherbrooke, consisting of two office buildings, three commercial buildings and one industrial building.

b) 2017 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	Polyvalent	Dollard-des-Ormeaux, QC	7,000	—	(37)	6,963
September 2017	Commercial	Trois-Rivières, QC	1,825	(50)	(82)	1,693
September 2017	Commercial	Laval, QC	2,625	—	(26)	2,599
Transaction costs			—	—	(565)	(565)
Total			11,450	(50)	(710)	10,690

5. Property and Equipment

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
	\$	\$	\$	\$	\$
Cost					
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
Additions	—	—	214	—	214
Disposals	(494)	(1,968)	(29)	(31)	(2,522)
Balance at December 31, 2018	—	—	881	146	1,027
Accumulated Depreciation					
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
Depreciation for the year	—	5	56	29	90
Disposals	—	(572)	(26)	(29)	(627)
Balance at December 31, 2018	—	—	590	108	698
Net carrying amount					
Balance at December 31, 2017	494	1,401	136	69	2,100
Balance at December 31, 2018	—	—	291	38	329

The Owner-occupied land and building was sold for gross proceeds of \$3,150. The net gain resulting from the sale (after transaction costs of \$68) amounted to \$1,192.

6. Other Assets

As at December 31	2018	2017
	\$	\$
Prepaid expenses	1,366	1,175
Deposits	844	505
Total	2,210	1,680

7. Receivables

As at December 31	2018	2017
	\$	\$
Rents receivable	2,556	2,721
Provision for doubtful accounts	(567)	(460)
Net rents receivable	1,989	2,261
Unbilled recoveries	430	457
Other receivables	827	894
Balance of sale ⁽¹⁾	—	600
Total	3,246	4,212

(1) Balance of sale was 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 was related to the disposal of an investment property that occurred in November 2015.

8. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately \$822,945 as at December 31, 2018 (December 31, 2017 – \$738,360).

As at December 31	2018	2017
	\$	\$
Fixed rate mortgage loans payable	370,988	344,313
Floating rate mortgage loans payable	102,217	86,290
Unamortized fair value assumption adjustments	839	710
Unamortized financing costs	(2,882)	(2,931)
Mortgage loans payable	471,162	428,382
Weighted average interest rate	3.99%	3.72%
Weighted average term to maturity (years)	5.56	6.36
Range of annual rates	2.77% – 6.80%	2.00% – 6.80%

As at December 31, 2018, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	\$	\$	\$
2019	12,078	58,008	70,086
2020	12,291	44,313	56,604
2021	11,566	57,384	68,950
2022	10,002	27,878	37,880
2023	8,785	12,465	21,250
Thereafter	31,984	186,451	218,435
	86,706	386,499	473,205
Unamortized fair value assumption adjustments			839
Unamortized financing costs			(2,882)
			471,162

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 12). 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 notional amount	
					As at December 31, 2018	As at December 31, 2017
	\$	%			\$	\$
March 2013	7,150	4.52	Monthly	April 2023	5,684	5,963
June 2016	13,000	3.45	Quarterly	June 2026	12,020	12,412
November 2017	23,200	3.8825	Monthly	November 2027	23,200	23,200
November 2017	23,075	3.905	Monthly	December 2027	22,524	23,075
Total	66,425				63,428	64,650

9. Convertible Debentures

As at December 31, 2018, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

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

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

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

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

	Series E	Series F	Total
	\$	\$	\$
As at December 31, 2018			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component (note 16)	244	—	244
	22,934	26,700	49,634
Unamortized financing costs	(273)	(645)	(918)
Non-derivative liability component	22,661	26,055	48,716
Conversion and redemption options (asset) liability component at fair value	(48)	3	(45)
As at December 31, 2017			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component (note 16)	195	—	195
	22,885	26,700	49,585
Unamortized financing costs	(473)	(929)	(1,402)
Non-derivative liability component			48,183
Conversion and redemption options liability component at fair value	(4)	5	1

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 were 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") was 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 were 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.

10. 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 bank prime rate (as at December 31, 2018 and 2017, the bank prime rate was 3.95% and 3.20% respectively). As at December 31, 2018, \$15,000 was due under the acquisition line of credit (December 31, 2017 – \$16,650).

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 bank prime rate. As at December 31, 2018, no amount was due under the operating credit facility (December 31, 2017 – \$1,480).

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on two properties having a value of \$5,200 and by an immoveable second rank hypothec on four properties having a value of \$126,625.

11. Class B LP Units

	Year ended December 31, 2018		Year ended December 31, 2017	
	Units	\$	Units	\$
Units outstanding, beginning of period	—	—	—	—
Issuance of Class B LP Units - Acquisitions	532,265	2,491	—	—
Fair value adjustment	—	(176)	—	—
Units outstanding, end of period	532,265	2,315	—	—

The Class B LP Units are exchangeable into Units of the Trust on a one-for-one basis at any time at the option of the holder. During the year ended December 31, 2018, no Class B LP Units were exchanged into Trust Units.

The Class B LP Units are entitled to distributions equal to distributions declared on Units, on a one-to-one basis. Distributions on Class B LP Units are recognized in the statement of comprehensive income when declared. Monthly distributions of \$0.035 per Class B LP Unit were declared during the period from the issuance of the Class B LP Units on May 30, 2018 to December 31, 2018 (no amount for the year ended December 31, 2017).

12. 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, 2018 and December 31, 2017 because of their short-term maturity.

As at December 31, 2018	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 9)	45	—	—	45
Interest rate swaps	1,554	—	1,554	—
For which fair values are disclosed				
Mortgage loans payable (note 8)	471,162	—	459,633	—
Convertible debentures, including their conversion and redemption features (note 9)	48,671	49,946	—	—
Bank loans (note 10)	15,000	—	15,000	—
Class B LP Units (note 11)	2,315	2,315	—	—
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 9)	1	—	—	1
Interest rate swaps	(1,371)	—	(1,371)	—
For which fair values are disclosed				
Mortgage loans payable (note 8)	428,382	—	423,677	—
Convertible debentures, including their conversion and redemption features (note 9)	48,184	50,988	—	—
Bank loans (note 10)	18,130	—	18,130	—

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

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

The fair value of the Class B LP Units is determined with reference to the market price of the Trust Units as at December 31, 2018.

The fair values of derivative financial instruments, which comprise the conversion and redemption options of convertible debentures and interest rate swaps, 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.

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, 2018	
Balance beginning of year	1
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	(46)
Balance end of year	(45)

	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

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, 2018:

	Conversion and redemption options of convertible debentures	Volatility
	\$	%
Volatility sensitivity		
Increase (decrease)		
(0.50) %	(34)	16.33 %
December 31, 2018	(45)	16.83 %
0.50 %	29	17.33 %

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.

13. 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.

No options were outstanding as at December 31, 2018 and December 31, 2017.

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	2018	2017
Outstanding, beginning of year	12,330	4,233
Trustees' compensation	22,173	7,442
Distributions paid in units	2,552	655
Outstanding, end of year	37,055	12,330

As at December 31, 2018, the liability related to the plan was \$153 (December 31, 2017 - \$57). The related expense recorded in profit and loss amounted to \$97 for the year ended December 31, 2018 (for the year ended December 31, 2017 - \$38).

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, up to a maximum of 3% to 7% of their base salary depending on 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, 2018, the liability related to the plan was \$41 representing a total of 9,253 units to issue (December 31, 2017 - \$44, representing a total of 9,691 units to issue). The related expense recorded in profit and loss amounted to \$40 for the year ended December 31, 2018 (for the year ended December 31, 2017 - \$45). The 9,253 units related to 2018 purchases were issued in February 2019 (9,691 units related to 2017 purchases issued in February 2018).

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	2018	2017
Outstanding, beginning of year	115,628	77,673
Granted	72,819	51,990
Cancelled	(18,815)	—
Settled	(30,713)	(14,035)
Outstanding, end of year	138,919	115,628

As at December 31, 2018, the liability related to the plan was \$475 (December 31, 2017 - \$397). The related expense recorded in profit and loss amounted to \$218 for the year ended December 31, 2018 (for the year ended December 31, 2017 - \$236). As part of settlement, the Trust issued 30,713 units under this plan for the year ended December 31, 2018 (14,035 units for the year ended December 31, 2017).

14. Trust Units Issued and Outstanding

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

In June 2018, the Trust completed a public issue of 6,250,250 units, including the over-allotment option, for total net proceeds of \$27,239.

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	2018		2017	
	Units	\$	Units	\$
Units outstanding, beginning of year	48,423,118	244,115	42,342,373	217,816
Issue pursuant to a public issue	6,250,250	28,751	5,561,400	25,304
Unit issue costs	—	(1,512)	—	(1,341)
	54,673,368	271,354	47,903,773	241,779
Issue pursuant to the distribution reinvestment plan (a)	603,951	2,691	496,248	2,231
Issue pursuant to the employee unit purchase plan (note 13 (c))	9,691	44	9,062	42
Issue pursuant to the restricted unit compensation plan (note 13 (d))	30,713	142	14,035	63
Units outstanding, end of year	55,317,723	274,231	48,423,118	244,115

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	2018	2017
	\$	\$
Distributions to unitholders	22,023	18,486
Distributions per unit	0.42	0.42

15. Rental Revenues from Properties

For the years ended December 31	2018	2017 (restated – see note 3 a) et ii)
	\$	\$
Base rent and other lease generated revenues	53,384	46,548
Lease cancellation fees	1,482	—
Property tax and insurance recoveries	17,200	15,553
	72,066	62,101
Operating costs recoveries and other revenues	18,055	15,944
Lease incentive amortization	(3,223)	(2,449)
Straight-line lease adjustment	525	443
	87,423	76,039

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, 2018 are as follows:

	2018
	\$
Within one year	54,650
Beyond one year but within five years	165,282
Beyond five years	175,323
	395,255

16. Net Financing Costs

For the years ended December 31	2018	2017
	\$	\$
Financial income	(76)	(83)
Interest on mortgage loans payable	17,512	14,871
Interest on convertible debentures	3,496	3,496
Interest on bank loans	929	382
Other interest expense	116	86
Accretion of non-derivative liability component of convertible debentures	49	45
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	1,039	1,008
Distributions – Class B LP Units	131	—
Fair value adjustment – Class B LP Units	(176)	—
Net adjustment to fair value of derivative financial instruments	(229)	(1,127)
	22,791	18,678

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

For the years ended December 31	2018	2017
	\$	\$
Net changes in fair value of investment properties (note 4)	22,142	11,337
Business acquisition transaction costs (note 4 (ii))	(57)	—
Disposals transaction costs (note 4 (iii))	(2,013)	(565)
	20,072	10,772

The disposals transaction costs include mainly commissions and debt prepayment penalties on mortgage loans related to disposed properties.

18. Expenses by Nature

For the years ended December 31	2018	2017
	\$	\$
Depreciation	90	154
Employee benefits expense	6,527	5,940

19. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32 (see note 14), the Trust is not required to report a profit or loss per unit figure on its consolidated statements of comprehensive income. However, for disclosure purposes only, the Trust has determined basic earnings per unit using the same basis that would apply in accordance with IAS 33 *Earnings per Share*.

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

For the years ended December 31	2018	2017
	\$	\$
Net income	41,337	28,171
Weighted average number of units outstanding – basic	52,120,760	43,670,943
Earnings per unit – basic	0.79	0.65

20. Capital and Financial Risk Management

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

a) Capital Management

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

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

The Trust's capital is as follows:

As at December 31	2018	2017
	\$	\$
Cash and cash equivalents	(8,824)	(1,918)
Mortgage loans payable ⁽¹⁾	473,205	430,603
Convertible debentures ⁽¹⁾	49,700	49,700
Acquisition line of credit	15,000	16,650
Mortgage loans payable, Convertible debentures and Acquisition line of credit adjusted for Cash and cash equivalents	529,081	495,035
Total assets	855,223	762,390
Accumulated depreciation on Property and equipment	698	1,235
Cash and cash equivalents	(8,824)	(1,918)
Totals assets adjusted for accumulated depreciation and cash and cash equivalents	847,097	761,707

(1) Excluding issue costs

As at December 31	2018	2017
	%	%
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	62.5	65.0
Mortgage loans payable/total assets adjusted for accumulated depreciation and cash and cash equivalents ratio	55.9	56.5

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 12)

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 establishes a provision for doubtful accounts that represents its estimate of lifetime expected credit losses to be incurred in respect of its trade receivables. As at December 31, 2018, overdue rent receivable amounted to \$1,794 (December 31, 2017 - \$1,851), for which a provision for doubtful accounts of \$567 (December 31, 2017 - \$460) 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 equivalents with Canadian financial institutions with high credit ratings. Credit ratings are actively monitored and these financial institutions are expected to meet their obligations.

The Trust is also exposed to credit risk with respect to derivative financial instruments that are in an unrealized gain position, for which the credit exposure is equal to the positive fair value of the outstanding contracts. The Trust only enters into derivative financial instruments with Canadian financial institutions with high credit ratings.

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 four mortgage loans outstanding of \$38,789 as at December 31, 2018, all other mortgage loans payable and convertible debentures bear interest at fixed rates or are covered by an floating-to-fixed 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 \$208 on the Trust's comprehensive income for the year ended December 31, 2018.

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;
- 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, 2018, the Trust was in compliance with all the covenants to which it was subject.

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

As at December 31, 2018			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2019	2020	2021	2022	2023	2024 and thereafter
	\$	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	17,048	17,140	16,385	256	168	124	124	83
Distributions payable to unitholders	1,936	1,936	1,936	—	—	—	—	—
Bank loans	15,000	15,000	15,000	—	—	—	—	—
Mortgage loans payable and convertible debentures	519,878	614,913	90,723	123,444	81,762	48,349	30,234	240,401
	553,862	648,989	124,044	123,700	81,930	48,473	30,358	240,484

As at December 31, 2017			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2018	2019	2020	2021	2022	2024 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

21. 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, SECC	Limited Partnership	70.4% owned by BTB A&ET 29.5% owned by PAL II
Complexe Lebourgneuf Phase II (as of May 30, 2018)	Corporation	100% owned by Société Immobilière Cagim, SEC

b) Partenariats

Le Fonds détient des participations dans des partenariats aux termes desquels les parties qui exercent un contrôle conjoint sur les entreprises ont des droits sur les actifs, et des obligations au titre des passifs, relatifs à ces entreprises. Par conséquent, les partenariats sont classés en tant qu'entreprises communes. Les entreprises communes incluses dans les états financiers consolidés du Fonds sont les suivantes :

As at December 31	2018	2017
	%	%
Property*		
Immeuble BTB/Laplaine	50	50
Huntington/BTB Montclair	50	50
Complexe Lebourgneuf Phase II** (note 4 (ii))	na	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 joint arrangements. Summarised financial information is as follows:

As at and for the years ended December 31	2018	2017
	\$	\$
Assets	19,917	49,374
Liabilities	10,523	29,943
Revenues	605	5,648
Expenses	110	2,832

22. 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 the four following operating segments:

- Retail
- Office
- Industrial
- Mixed use

	Retail	Office	Industrial	Mixed use	Total
	\$	\$	\$	\$	\$
Year ended December 31, 2018					
Investment properties	249,370	372,190	130,305	87,150	839,015
Rental revenue from properties	26,266	42,507	9,785	8,865	87,423
Net operating income	15,925	20,005	7,226	4,481	47,637
Year ended December 31, 2017					
Investment properties	230,570	335,463	123,540	61,537	751,110
Rental revenue from properties (restated – see note 3 (a) and (i))	21,084	34,980	12,083	7,892	76,039
Net operating income	12,417	15,885	8,005	4,087	40,394

23. 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, 2018		
Balance beginning of year	48,183	428,382
Mortgage loans, net of financing costs	—	103,180
Repayment of mortgage loans	—	(66,292)
Mortgage assumption	—	5,009
Fair value assumption adjustments and financing costs amortization	484	883
Accretion of non-derivative liability component	49	—
Balance end of year	48,716	471,162

24. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the years ended December 31	2018	2017
	\$	\$
Salaries and short-term benefits	2,142	1,934
Unit-based compensation	333	287
Total	2,475	2,221

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

25. Commitments and Contingencies

a) Operating leases as lessee

The annual future payments required under operating leases expiring between 2019 and 2070 are as follows:

	Total
	\$
Within one year	248
Beyond one year but within five years	670
Beyond five years	14,094
	15,012

The related expense recorded in profit and loss amounted to \$490 for the year ended December 31, 2018 (for the year ended December 31, 2017 - \$234).

b) Finance lease as lessee

The annual future payments required under finance leases expiring between 2019 and 2025 are as follows:

As at December 31	2018			2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Future minimum lease payments
	\$	\$	\$	\$	\$	\$
Within one year	124	33	91	143	39	104
Beyond one year but within five years	496	72	424	496	97	399
Beyond five years	83	2	81	206	10	196
	703	107	596	845	146	699

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

c) Litigation

The Trust is involved in litigation and claims which arise from time to time in the normal course of business. These litigation 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.

26. Subsequent Events

On February 4th, 2019, the Trust announced the sale of one property located at 15-Georges-Gagné Blvd. South in Delson in the province of Québec, for total proceeds of \$22.5 million.

27. Comparatives Figures

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

BTB's new offices, located in the heart of this renovated architectural gem, embody our pledge to acquire properties in line with the needs of tomorrow's businesses.



Corporate Information

Board of Trustees

Jocelyn Proteau⁽²⁾
Chairman of the Board of Trustees and trustee

Michel Léonard
President and Chief Executive Officer and Trustee

Jean-Pierre Janson⁽²⁾
Vice President of the Board of Trustees and trustee

Luc Martin⁽¹⁾
President of the Audit Committee and trustee

Fernand Perreault⁽³⁾
President of the Investment Committee and trustee

Lucie Ducharme⁽¹⁾⁽²⁾
President of the Human Resources and Governance Committee and trustee

Luc Lachapelle⁽¹⁾
Secretary of the Board of Trustees and trustee

Sylvie Lachance⁽³⁾
Trustee

Peter Polatos⁽³⁾
Trustee

Executive Team

Michel Léonard
President and Chief Executive Officer and trustee

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

Paolo Valente
Vice President, Leasing

Sylvie Laporte
Vice President, Property Management

(1) Member of the Audit Committee

(2) Member of the Human Resources and Governance Committee

(3) Member of the Investment Committee



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DE L'ACTION



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Paris Crêpe

Paris Crêpe

Unitholders Information

Head office

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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

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service@computershare.com

Taxability of distributions

In 2018, for all Canadian unitholders, the distributions were fiscally treated as follow:

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

Auditors

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

Legal counsel

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

Annual Meeting of Unitholders

June 11, 2019
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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