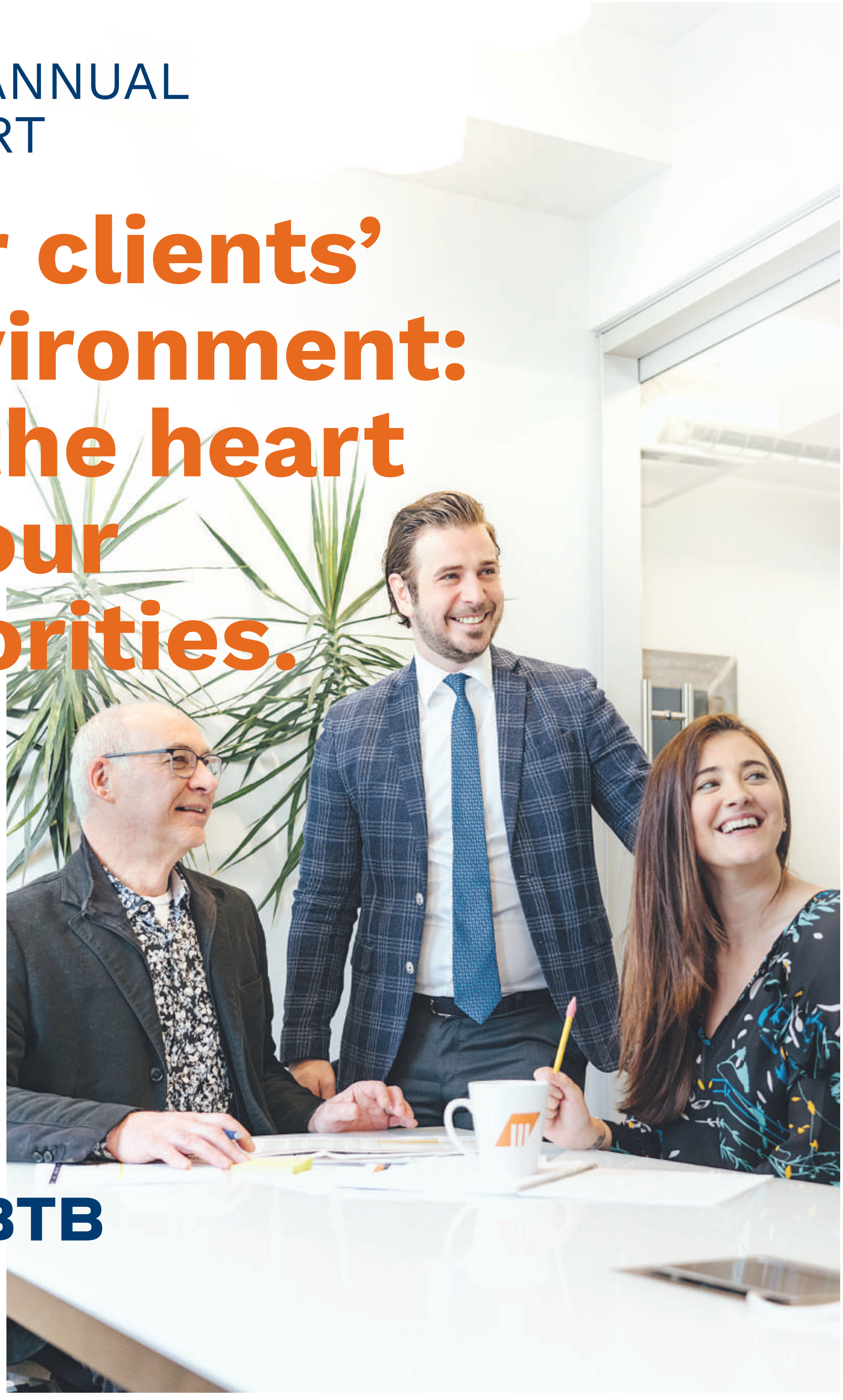
2019 ANNUAL REPORT

Our clients' environment: at the heart of our priorities.



BTB

The 14 beehives located on the rooftops of some of our properties produce more than 1,400 jars of honey a year, thus helping pollination efforts in the surrounding area.

OUR MISSION

To provide our clients with high-quality, environmentally friendly spaces.

Highlights

66

Properties

$93.6M

Rental income

99.8%

Payout ratio on distributable income[1]

93.2%

Occupancy rate

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

In keeping with our commitment to creating workplaces that enhance our clients' quality of life, we try and provide a maximum of green space at each of our properties.

$939M

Total assets

5.7M

Number of square feet

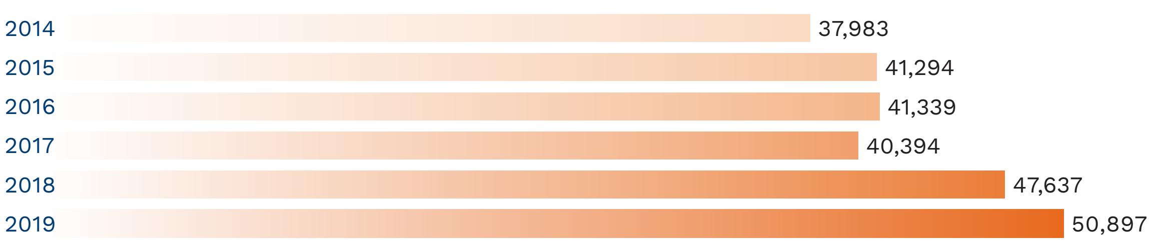
52.8%

Mortgage debt ratio

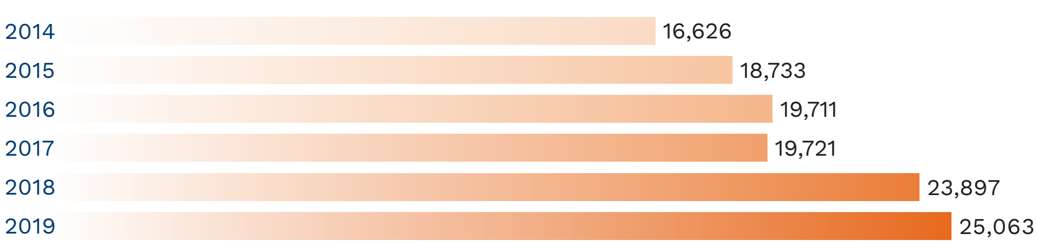
Highlights

Evolution of the rental Income* (in thousands of dollars)

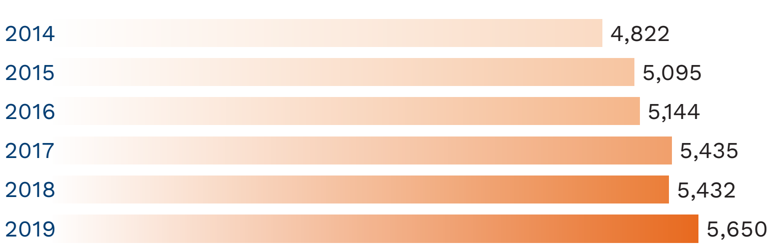
Evolution of the net operating income* (in thousands of dollars)



Evolution of the distributable income* (in thousands of dollars)



Evolution of the total leasable area* (in thousands of square feet)

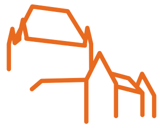


* For the years ending December 31st

Breakdown of portfolio by geographical region (per leasable area)

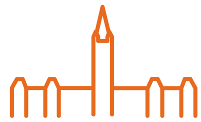
Greater
Montreal area

54.8%



Greater
Quebec city

24.7%



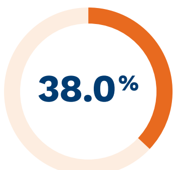
Ottawa
area

16.9%

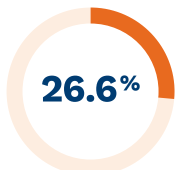
London
area

3.6%

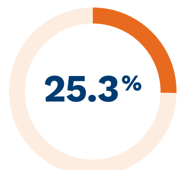
Breakdown by asset type (per leasable area)



Office



Industrial



Retail

Mixed-use

Environmental Actions

Rooftop
beehives

14

BOMA Certified
buildings

24

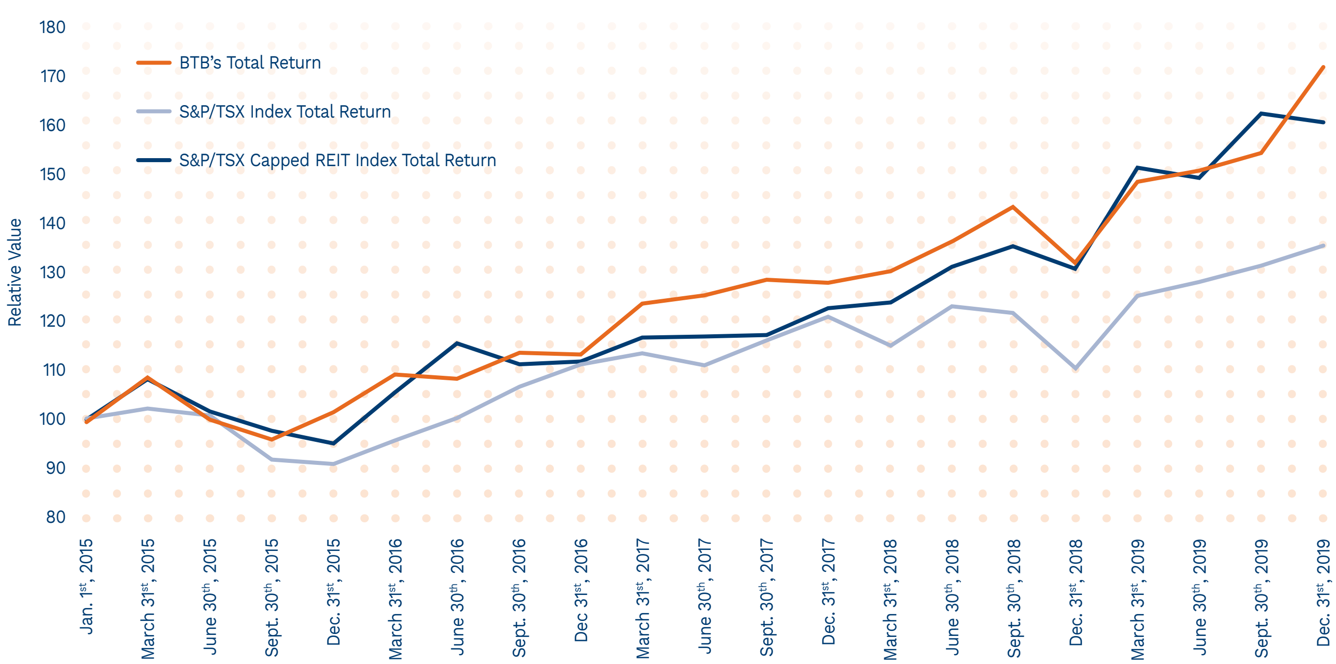
Bicycle parking
structures

77

R-410A norm HVAC
installations

750

Performance on the markets



We strive to continuously improve our environmental performance without ever compromising the efficiency and quality of the services offered to our clients.

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

Globally, 2019 was a year of great awareness regarding the impact we are all having on our environment. Many advocacy groups increased their efforts to emphasize the urgency of taking action, thus fuelling the momentum of companies around the world to reduce their carbon footprint. At BTB, we have, for some time now, been emphasizing to our employees and clients the necessity of embracing this business responsibility.

With this in mind, we deemed it sensible and responsible to be even more proactive in this regard during the year, in line with our clients' expectations and their environmental aspirations.

Historic highs for BTB

The portfolio repositioning strategy we launched in 2018 is paying off not only impacting our revenues positively, but it brought our market capitalization to over $300 million and making us one of the top real estate owners in Canada. Also we closed the year with the fair value of assets north of $900M, also a first, namely at $940 million, closing in on our $1-billion target. These new milestones brings us unparalleled visibility and makes us even more appealing to the market's leading players and investors.

Our growth strategy, which is rooted in acquiring well positioned properties in primary markets, allows us not only to attract national tenants, but also we generate more revenue from recently acquired properties in comparison to those that we disposed of.

The following are some of our acquisitions concluded during 2019:

- 2425 Pitfield Boulevard, Saint-Laurent, Québec
- 375, 340-360, 370-380 and 377-383 Sir-Wilfred-Laurier Boulevard, Mont-Saint-Hilaire, Québec
- 1011-1191 and 1465-1495 Saint-Bruno Boulevard, Saint-Bruno-de-Montarville, Québec
- 800 De l'Étang Street, Saint-Bruno-de-Montarville, Province of Québec

After the end of our fiscal year, we purchased a property located at 2611 Queenview Drive, Ottawa, Ontario.

During the year we sold the following four properties:

- 15-41 Georges-Gagné Boulevard South, Delson, Québec
- 37 Georges-Gagné Boulevard South, Delson, Québec
- 1400-1440 Antonio-Barbeau Street, Montréal, Québec
- 3885 Harvey Boulevard, Saguenay, Québec.

We will continue to maximize the value of our assets during the coming year by maintaining and improving our properties in order to draw in a class of clients that will ensure our long-term success and enable us to incorporate value-added properties into our portfolio.

Dynamic growth in our leasing operations

Our employees and collaborators invested a lot of time and effort in securing new clients and renewing leases coming to maturity. Thanks to their combined efforts, our clients can enjoy the best possible environment, and we are proud to state that.

Our occupancy rate rose to a record high for BTB, closing the year at 93.2%. Our retention strategy has enabled us renew 75.6% of our leases where more than 692,000 square feet were renewed during the year, up significantly from 54.2% and 455,000 square feet in 2018.

Among these lease renewals, the leases for three government agency tenants located in Ottawa were renewed for an approximate area of 200,000 square feet, as well as the lease for BTB's first acquisition in 2006, the Germain Larivière store in Laval with a leasable area of more than 100,000 square feet.

We closed for the year with a total portfolio occupancy rate of 93.2% (5.65 million square feet), an increase of 2.2 % compared with the 91% posted in the fourth quarter of 2018.

Environmental stewardship: a key factor of our business strategy

At BTB, we are proud of our commitment to the environment, which is helping to position our company more favourably in the eyes of clients and financial markets alike. We all share the conviction that our growth and our long-term viability depend on being environmentally responsible.

Initiatives in this realm include the installation of beehives on the roof of certain office properties, namely in Quebec City, Ottawa and Montréal, abiding by stricter energy-efficiency standards when replacing and installing new heating and air-conditioning equipment, efforts to reuse and recycle construction materials when constructing tenant leasehold improvements and the creation of green spaces and the installation of electric vehicle charging stations. Everyone at BTB, from senior management through to front-line staff, is behind our pledge to minimize our carbon footprint, while making sure our tenants enjoy the best possible workplace environment.

This approach applies both to our acquisition strategy, which prioritizes properties that meet leading environmental standards (such as BOMA and LEED standards), and to the ongoing upgrades we make to our properties.

A strategy focusing on continuous growth and value creation

Our strategies when acquiring new properties and our ability to retain our current clients are contributing factors that allow us to exceed our performance expectations and those of our unitholders.

The different strategies that we have implemented over the course of the year regarding our acquisition strategy, leasing strategy and client retention strategy have allowed us to meet and exceed our yearly goals and exceed our unitholders expectations.

Rental income increased from $87.4 million in 2018 to $93.6 million in 2019, while net operating income was up more than $3.3 million, growing from $47.6 million to $50.9 million. Also, BTB's net income for 2019 rose from $41.3 million to $51.9 million. This translated to an increase in distributable income from $23.9 million to $25.1 million.

BTB's total asset value also posted an increase of more than 9%, climbing from $855 million to $939 million and allowing us to be a step closer to reach our goal of achieving a total asset value in excess of $1-billion. Our mortgage debt ratio continued to decline, driven by our strategic dispositions and acquisitions and the sound management of our assets, reaching 52.8% by year-end compared to 55.8% in 2018. As a result, our total debt ratio has dipped below 60%.

For everyone at BTB, these results confirm that, by working together in a strategic and synergistic manner, by remaining responsive to our tenants' needs no matter their demands and taking our commitment to the environment seriously, we will be able to attract a better clientele and improve the quality of our portfolio. This approach will continue to help us differentiate ourselves in this fiercely competitive sector and further strengthen our position in the industry.

We would like to thank our trustees and all of our employees for their passion, their drive and their dedication, all of which are helping BTB to become one of the pre-eminent players in our field.

We are determined to pursue our efforts to reposition our portfolio and enhance our offering in order to resonate with corporate clients poised to take on the challenges of tomorrow. And we will draw inspiration from the words of a young Swedish activist: "The moment we decide to fulfil something, we can do anything."

Jocelyn Proteau
Chairman of the Board of Trustees

Michel Léonard
President and Chief Executive Officer

Board of Trustees

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

Executive Team

From left to right

Benoit Cyr
Vice President and
Chief Financial Officer

Michel Léonard
President and
Chief Executive Officer

Paolo Valente
Vice President, Leasing

Sylvie Laporte
Vice President,
Property Management

We aim to strike a balance between financial performance and environmental responsibility when selecting assets.

Jocelyn Proteau

Chairman of the Board of Trustees

In 2019, we continued to execute our strategy to reposition our real estate portfolio, a shift that has been ongoing for the past two years. We chose to invest in future-oriented, high-density markets in urban and central business districts. As a result, we divested properties in several promising secondary markets that were no longer aligned with our new strategy. This approach has enabled us to keep up our growth trajectory and generate better results for our unitholders.

Our acquisition strategy, paired with our commitment to sustainable development — which applies not only to the new properties in our portfolio but also to our existing assets, is positioning our business favourably in the eyes of prospective tenants and addresses modern-day environmental concerns. We firmly believe in these priorities and in the importance ascribed to such issues by individual and institutional investors alike.

Throughout the year, our teams have demonstrated versatility, discipline and adaptability as they have helped to increase BTB's profile within the industry.

Integrity is a guiding principle in everything we undertake. The way we see it, this forms the foundation of trust we seek to build with both our tenants and our unitholders.

As BTB continues to grow, we will continue to deliver on our pledge to continuously improve our organization and increasingly make it a force to be reckoned with.

Aïda Maalouf
Chief Property Accountant,
Greater Quebec City
Award: Respect

I've been working for BTB for more than a decade. I have been recently promoted as the Chief Property Accountant for the Greater Quebec City market and my focus has been on integrating our Quebec City procedures with the head office procedures in Montréal.

The environment at BTB is stimulating for the people who work here. There's a nice sense of synergy within the various levels of the organization. The company is constantly growing and evolving at a brisk pace and I'm proud of what I've been able to contribute and accomplish over the past decade.

I'm thrilled to be the recipient of a Méritas Award. It always means a lot to know people appreciate what you do.

Nathalie Jacques
Chief Corporate Accountant
Award: Integrity

I've been working for BTB for about nine years. My job requires me to play an active role in every aspect of our month-end, quarter-end and year-end procedures. The wide range of duties I'm responsible for sometimes mean I have to put in long hours and absorb the pressure and stress of deadlines.

I'm proud to work for BTB and be a part of its success. It's a great company with a lot going for it, along with a few shortcomings for good measure. But there's a wonderful spirit of teamwork and collaboration shown by management and across the organization.

I'm grateful to my co-workers for recognizing my efforts and the way I approach my job.

Stéphanie Léonard
Director of Communications
and Lease Renewals
Award: Leadership

I've been working for BTB for five years and just a little over a year ago I was appointed as the Director of Communications and Lease Renewals. As part of my role, I promote BTB's image and portfolio, manage our relationships with our investors and negotiate the renewals with our existing clients.

The atmosphere at BTB is special. There's a real family feel, combined with the excitement and fast pace flow that comes with a publicly traded company. Creativity and diversity are part and parcel of our everyday operations, which gives us the agility to move quickly and the flexibility and autonomy we need to get things done.

I'm so grateful that my co-workers picked me for this award. I feel like I really belong here at BTB!

2019 Meritas Award Winners

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.

Étienne Charbonneau
Principal Controller
Award: Teamwork

I've been BTB's Controller for the past four years. My job mainly consist of ensuring that BTB has the best reporting and analytical tools to help improve the REIT's performance.

BTB understands the necessity of change. They give people room to grow and encourage them in their progress. I like the environment I work in and I have a great relationship with all my teammates. Entrepreneurship, energy and integrity are three values that are shared by the key teams within the organization. I firmly believe that these values have been responsible for BTB's success over the years.

I'm surprised and delighted to receive the Méritas Award for teamwork, something that means a great deal to me personally.

Lise Brind'Amour (missing)
Accounts Payable Clerk,
Quebec City
Award: Quality

I am very proud to have worked for BTB for close to 10 years now, responding to accounting-related requests from internal and external collaborators.

The trust BTB has shown us, the respect they have for their employees and the pleasant work environment we have are all great sources of motivation and important values for me. I learn something new every day, and I am very lucky to work with a talented, friendly and respectful group of people. Because BTB is growing, we as employees have the chance to grow with it. And I'm proud of my ability to face the daily challenges of my job and come out on top.

I'm very touched to have received the Méritas Award for quality this year.

Theodoros and Cleo Bertzeloto

YAOURTI

Yaourti's story began with our grandmother, who used to always say: "a yogurt a day keeps the doctor away." She firmly believed in the health benefits of rich and creamy Greek yogurt, the main ingredient in her tzatziki, her chocolate mousse and other desserts that were as delicious as they were satisfying.

Many years later, and a continent away, our story migrated to Montréal, where our dream of sharing these recipes came true with the genesis of Yaourti.

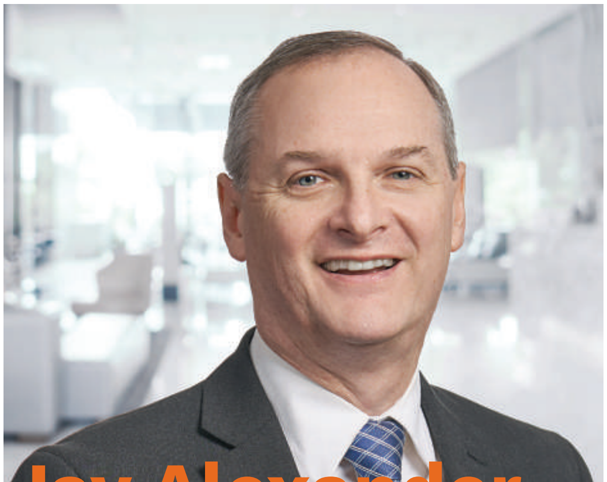
After months of looking for the perfect location, we visited 1407 Crescent Street, in the heart of downtown Montréal. We were impressed by the bright interior, the central location and the charm of this Art Deco building.

From day one, the BTB team was very open to our concept of healthy Mediterranean cuisine. They believed in us, and their support and advice have helped us develop something our grandmother would have been proud of.

When we found out that BTB had rooftop beehives at some of their properties, we knew we shared the same environmental priorities. For us, that means composting as much as we can to avoid waste wherever possible, including our utensils and takeout containers.

It's no wonder that we're quick to recommend BTB to anyone looking for office or commercial space. Their high-quality standards, their service, their commitment to making their clients happy and their human touch all make them an excellent business partner.

In an effort to encourage our clients reducing their greenhouse gas emissions, we are installing 77 electric vehicle charging stations at our properties.



Jay Alexander Glowa

GPL ASSURANCE

As a leading insurance brokerage firm, we want to make sure that our office space adds to the quality of life of our employees and all of our collaborators. Ever since we renewed the lease for our offices with the BTB team, they have been great at addressing our needs and helping us meet the challenges that have risen as we grow.

Day after day, their flexibility, expertise and responsiveness prove that we made the right decision in choosing this location.

From the get-go, BTB made things easy. Having a direct access to their service portal means that we receive quick callbacks, often within five minutes if the situation warrants it. This proactive approach is one of the reasons we have renewed our lease for the next 12 years.

Beyond the advantages we have experienced as a tenant, BTB's commitment to environmental sustainability is consistent with our core values. As a paperless office, we were happy to learn about BTB's actions to reduce their carbon footprint and are proud to follow their lead to keep doing more for the planet. We have eliminated drinking fountains and water bottles and installed a filtration system instead. Little steps towards a big difference.

Joanne Walker

SATCOM DIRECT AVIONICS

Satcom Direct Avionics is a leading manufacturer of cabin and flight deck systems for international business aviation and government customers. The decision to develop the purpose-built engineering and production facility was driven by a significant rise in global demand for SD's advanced connectivity hardware products.

Strategically located in Kanata, just outside Ottawa, our offices put us in close proximity to a full array of complementary resources. In addition to the layout that

BTB custom developed for us, we have appreciated their responsiveness on daily issues which makes them stand out from other landlords. For instance, the day we were moving in there was a huge snowstorm. Our property manager, Mitch Provost, got there before us and made sure the snow was cleared so the move was as hassle-free as possible.

BTB clearly cares about our needs and our work environment, as well as the environment in general. Between the rooftop beehives they have at some of their properties, the heat recovery systems they have put in place and much more, they are setting an example and encouraging us to do the same.

Our Tenants

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

50 Saint-Charles Street West, Longueuil

Below is a list of some of our achievements in terms of lease agreements and renewals in 2019.

- International Datacasting Corporation
- EXO (Réseau de transport métropolitain)
- John Mansville Canada Inc.
- Fieldless Farms Inc.
- FNX Innov Inc.
- AFS Interculture Canada
- Statcom Direct Avionics
- Telus Retail Limited
- Demers Beaulne Groupe Conseil Inc.
- Facturation.net
- Publicité Maca Inc.
- GBI Expert Conseils Inc.
- Germain Larivière Inc.
- Hydro Québec
- Plastifab Industries Inc.
- Groupe BBA Inc.
- Vallue Village Stores
- TORQ Le Groupe Inc.
- Société Québécoise des Infrastructures
- Otsuka Canada Pharmaceutical
- GPL Assurance Inc.
- Englobe Corporation
- Public Works and Government Services Canada
- Centre Financier SFL

This LEED Silver building is a striking example of BTB's pledge to being environmentally responsible.

Our Recent Acquisitions

2611 Queensview Drive, Ottawa (acquired after December 31st, 2019)

1011-1191 and 1465-1495 Saint-Bruno Blvd, Saint-Bruno-de-Montarville

2425 Pitfield Blvd, St-Laurent

We've introduced a policy on recycling construction materials to give a second life to items such as steel doors, glass partitions, etc.

375 Sir-Wilfrid-Laurier Blvd, Mont-Saint-Hilaire

377-383 Sir-Wilfrid-Laurier Blvd, Mont-Saint-Hilaire

800 de l’Étang Street, Saint-Bruno-de-Montarville

By hiring Shred-It to recycle our confidential records since 2012, we’ve saved the equivalent of 175 trees, or 2,290,000 sheets of paper.

340-360 Sir-Wilfrid-Laurier Blvd, Mont-Saint-Hilaire

370-380 Sir-Wilfrid-Laurier Blvd, Mont-Saint-Hilaire

Our Properties

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

2425 Pitfield Blvd, St-Laurent

2665-2673 et 2681, Côte Saint-Charles, Saint-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

340-360, 370-380, 375 and 377-383 Sir-Wilfrid-Laurier Blvd, Mont-Saint-Hilaire

1465-1495 and 1011-1191 Saint-Bruno Blvd and 800 de l'Étang Street, Saint-Bruno-de-Montarville

2059 René-Patenaude Street, Magog

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

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 in redevelopment
** Considered as two properties

Properties acquired after December 31st, 2019

2611 Queensview Drive, Ottawa

Properties sold after December 31st, 2019

311 Ingersoll Street, Ingersoll

5600 Côte-de-Liesse, Mount-Royal


BTB

Management Discussion and Analysis

Year ended December 31, 2019

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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, 2019 as well as its financial position on that date. The report also presents a summary of the Trust’s business strategies and the business risks it faces. This MD&A dated March 12, 2020 should be read together with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2019 and 2018. It discusses 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, 2019 and 2018. Additional information about the Trust, including the 2019 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 reviewed the contents of this Management Discussion and Analysis and the annual financial audited statements and the Trust’s Board of Trustees has approved them.

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, in other filings with Canadian regulators, in reports to unitholders and in other communications. These forward-looking statements may 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 forwardlooking 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, our ability to renew leases coming to 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.

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

The Trust

BTB is an unincorporated open-ended real estate trust formed and governed under the laws of the Province of Québec pursuant to a trust agreement. BTB began its real estate operations on October 3, 2006, and as of December 31, 2019, it owns 66 retail, office and industrial properties located in primary and secondary markets of the Provinces of Québec and Ontario. Since its inception, BTB has become an important property owner in the province of Québec and in Eastern Ontario. The units and Series F and G convertible debentures are traded on the Toronto Stock Exchange under the symbols "BTB.UN", "BTB.DB. F" and "BTB.DB. G", respectively.

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. Through this, 64 of the Trust's 66 properties held as at December 31, 2019 are managed by the Trust's employees. The two remaining properties are managed by third party managers dealing at arm's length with the Trust. Management's objective is, when favourable circumstances will prevail, to directly manage the Trust's remaining properties to possibly achieve savings in management and operating fees through centralized and improved property management operations.

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, 2019(1)	**66**	**5,650,130**	**924,320**

(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.

Objectives and Business Strategies

BTB's primary objective is to maximize total return to unitholders. Returns include cash distributions and long-term appreciation of the value of its 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 acquisitions 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 properties and therefore its units.

Strategically, BTB seeks to acquire properties with high occupancy rates, good tenant quality, superior locations or low potential lease turnover and properties that are well maintained and require fewer capital expenditures.

BTB's management regularly performs strategic portfolio assessments to determine whether it is financially advisable to retain certain of its investments. BTB may dispose of certain assets if their size, location and/or profitability do not meet the Trust's investment criteria.

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

Highlights of the Fourth Quarter Ended December 31, 2019 vs. the Fourth Quarter Ended December 31, 2018

- Increase of net income and comprehensive income from $24,396 to $41,552;
- Increase of 5.8% of the same-property portfolio NOI [1];
- Increase in the average lease renewal rate of 4.3%;
- Increase of $34 million of the fair value of the portfolio (2018: $21 million);
- Improvement in all other important key performance indicators.

(1) Non IFRS financial measures.

Highlights of the Year Ended December 31, 2019 vs. the Year Ended December 31, 2018

- Increase of net income and comprehensive income from $41,337 to $51,881;
- Increase of 3.9% of the same property portfolio NOI [1];
- Occupancy rate increased to 93.2% from 91.0%;
- Increase of the retention rate from 54.2% to 75.6% and increase of the average renewal rate by 5.5%;
- Reduction of the total debt ratio to 59.1% and reduction of the mortgage debt ratio to 52.8%.

(1) Non IFRS financial measures

Sale of properties

- In January 2019, the Trust disposed of a retail property located at 15–41 South Georges-Gagné Blvd. in Delson, Québec, for total proceeds of $22.5 million.
- In March 2019, the Trust disposed of a retail condominium located at 37 South Georges-Gagné Blvd. in Delson, Québec, for total proceeds of $1.95 million.
- In May 2019, the Trust disposed of a mixed-use property located at 1400–1440 Antonio-Barbeau Street in Montréal, Québec for total proceeds of $7.1 million.
- In August 2019, the Trust disposed of an office property located at 3885 Harvey Boulevard in Saguenay, Québec, for total proceeds of $4.4 million.

Property acquisitions

- In May 2019, the Trust acquired a 65,000-square-foot industrial property located at 2425 Pitfield Blvd. in Saint-Laurent, Québec, for total proceeds of $11.8 million.
- In June 2019, the Trust purchased two retail properties, Méga Centre Saint-Bruno and Développements Mont-Saint-Hilaire, respectively located in Saint-Bruno, Québec and Saint-Hilaire, Québec, for a total consideration of $62.2 million.

Financing activities

- On June 14, 2019, the Trust issued 6,157,100 units, including the overallotment option, at a price of $4.67 per unit, for approximately $27 million of proceeds, net of issue costs.
- On October 7, 2019 the Trust issued the Series G convertible debentures for total proceeds of $24 million at an interest rate of 6.00%. The net proceeds were mainly used to redeem the Series E convertible debentures in the amount of $23 million, bearing interest at a rate of 6.90%, the redemption taking effect on November 1, 2019.

Subsequent events

- In January 2020, the Trust disposed of an industrial property located at 311 Ingersoll St. South in Ingersoll, Ontario, for total proceeds of $13.3 million.
- In February 2020, the Trust acquired a 77,500-square-foot office property located at 2611 Queensview Drive in Ottawa, Ontario, for total proceeds of $21.8 million.
- In February 2020, the Trust disposed of an industrial property located at 5600, Côte-de-Liesse in Mount Royal, Québec, for total proceeds of $9.2 million.

Summary of significant items as at December 31, 2019

- Properties: 66
- Leasable area: approximately 5.7 million square feet
- Total asset value: $939 million
- Market capitalization: $321.8 million

Selected Financial Information

The following table presents highlights and selected financial information for the quarters and years ended December 31, 2019 and 2018:

Periods ended December 31 (in thousands of dollars, except for ratios and per unit data)		Quarter		Year	
		2019	2018	**2019**	2018
	Reference (page)	**$**	$	**$**	$
Financial information					
Rental income	39	**25,558**	22,082	**93,602**	87,423
Net operating income[1]	40	**14,174**	11,624	**50,897**	47,637
Net income and comprehensive income	43	**41,552**	24,396	**51,881**	41,337
Adjusted net income[1]	43	**6,445**	4,278	**20,518**	20,860
Net property income from the same-property portfolio[1]	43	**6,266**	5,702	**25,247**	23,665
Distributable income[1]	44	**7,466**	5,212	**25,063**	23,897
Distributions	45	**6,584**	5,859	**25,141**	22,154
Funds from operations (FFO)[1]	46	**7,421**	3,858	**23,313**	21,528
Adjusted funds from operations (AFFO)[1]	47	**6,795**	3,371	**21,409**	19,514
Cash flow from operating activities	48	**17,235**	15,695	**47,223**	44,724
Total assets	51			**939,130**	855,223
Investment properties	52			**924,320**	839,015
Mortgage loans	55			**493,152**	471,162
Convertible debentures	56			**49,096**	48,716
Mortgage debt ratio	57			**52.8%**	55.8%
Debt ratio – convertible debentures	57			**5.4%**	5.9%
Debt ratio – acquisition line of credit	57			**1.1%**	1.8%
Total debt ratio	57			**59.1%**	62.5%
Weighted average interest rate on mortgage debt	55			**3.92%**	3.99%
Unitholders' equity	58			**356,139**	298,377
Market capitalization				**321,843**	240,633
Financial information per unit					
Units outstanding (000)	59			**62,252**	55,318
Class B LP units outstanding (000)	58			**497**	532
Weighted average number of units outstanding (000)	59	**62,139**	55,240	**59,098**	52,121
Weighted average number of units and Class B LP units outstanding (000)	59	**62,661**	55,773	**59,628**	52,536
Net income and comprehensive income	43	**66.2¢**	43.7¢	**87.0¢**	78.8¢
Adjusted net income[1]	43	**10.3¢**	7.7¢	**34.4¢**	39.8¢
Distributable income[1]	44	**11.9¢**	9.3¢	**42.1¢**	45.6¢
Distributions	45	**10.5¢**	10.5¢	**42.0¢**	42.0¢
Payout ratio on distributable income[1]	45	**88.1%**	112.4%	**99.8%**	92.2%
FFO[1]	46	**11.8¢**	6.9¢	**39.1¢**	41.1¢
Payout ratio on FFO[1]	46	**88.7%**	151.8%	**107.4%**	102.3%
AFFO[1]	47	**10.8¢**	6.0¢	**35.9¢**	37.2¢
Payout ratio on AFFO[1]	47	**96.8%**	173.9%	**117.0%**	112.9%
Unitholders' equity	58			**5.72**	5.34
Market price				**5.17**	4.35
Tax on distributions					
Revenue	61			**0.0%**	0.0%
Tax deferral	62			**100%**	100%
Operational information					
Number of properties	34			**66**	67
Leasable area (thousands of sq. ft.)	34			**5,650**	5,432
Occupancy rate	36			**93.2%**	91.0%
Retention rate	36			**75.6%**	54.2%
Increase in average lease renewal rate	35	**4.3%**	3.3%	**5.5%**	2.7%

(1) Non-IFRS financial measures.

Summary of the Fourth Quarter 2019

Occupancy rate

In the fourth quarter of 2019, the committed occupancy rate increased by 2.2%, from 91.0% as at December 31, 2018, to 93.2% as at December 31, 2019. This ratio includes firm lease agreements committed as of the end of the quarter and these firm lease agreements may not yet generate revenues. More than 88,000 square feet were leased for occupancy scheduled over the next few months and will progressively generate additional income. Lastly, since the beginning of the year, more than 75% of leases expiring in 2019 were renewed.

Debt ratio

The total debt and mortgage debt ratios declined respectively from 62.5% to 59.1% and from 55.8% to 52.8% since December 31, 2018. These decreases are mostly explained by the increase in the fair value of our real estate portfolio.

Payout ratio and per unit ratio

As expected, the distributable income and FFO payout ratios were below 100%. After three consecutive quarters and at the end of the fiscal year 2018 and the beginning of 2019, with ratios higher than 100%, the cause of the higher payout ratio has now mostly been resolved.

The decline in per unit and payout ratios over the last three fiscal years are due to higher vacancy rates which have corrected a reduction in our total debt ratio.

Same-property portfolio

Mostly due to an increase in the occupancy rate from 91.0% on December 31, 2018 to 93.2% as at December 31, 2019, the same-property portfolio rose significantly resulting in an increase of 5.8% of the NOI in the fourth quarter of 2019 and 3.9% for the cumulative 12-month period.

Selected Annual Information

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

Years ended December 31 (in thousands of dollars, except for per unit data)	**2019**	**2018**	**2017**
	$	$	$
Rental income	**93,602**	87,423	76,039
Net operating income(1)(5)	**50,897**	47,637	40,394
Fair value adjustment on investment properties	**34,113**	22,142	10,855
Net income and comprehensive income	**51,881**	41,337	28,171
Net cash from operating activities	**47,223**	44,724	38,449
Distributable income(5)	**25,063**	23,897	19,721
FFO(2)(5)	**23,313**	21,528	19,179
AFFO(3)(5)	**21,409**	19,514	17,516
Distributions	**25,141**	22,154	18,486
Total assets	**939,130**	855,223	762,390
Long-term debt	**542,248**	519,878	476,565
Financial information per unit			
Net income and comprehensive income	**87.8¢**	78.7¢	64.5¢
Distributable income(5)	**42.1¢**	45.6¢	45.2¢
FFO(2)(5)	**39.1¢**	41.1¢	45.1¢
AFFO(3)(5)	**35.9¢**	37.2¢	40.2¢
Distributions	**42.0¢**	42.0¢	42.0¢
Payout ratio on distributable income(4)(5)	***99.8%***	***92.2%***	***93.7%***

(1) Defined as rental income from investment properties less operating expenses.
(2) See "Funds from operations" on page 46 for reconciliation to net income.
(3) See "Funds from operations" on page 47 for reconciliation to FFO and net income.
(4) Represents total distributions divided by distributable income.
(5) Non-IFRS financial measures. See appropriate sections for definition and reconciliation to the closest IFRS measure.

Selected Quarterly Information

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

(in thousands of dollars except for per unit data)	**2019 Q-4**	2019 Q-3	2019 Q-2	2019 Q-1	2018 Q-4	2018 Q-3	2018 Q-2	2018 Q-1
	$	$	$	$	$	$	$	$
Rental income	**25,558**	23,973	22,347	21,634	22,082	23,098	20,803	20,803
Net operating income[(1)]	**14,174**	13,476	12,196	11,051	11,624	13,330	11,225	11,225
Net income and comprehensive income	**41,552**	5,632	3,316	1,381	24,396	5,793	4,593	4,593
Net income and comprehensive income per unit	**66.2¢**	9.0¢	5.8¢	2.5¢	43.7¢	10.4¢	9.3¢	9.3¢
Adjusted net income	**6,445**	5,813	4,518	3,742	4,278	6,177	4,378	6,027
Adjusted net income per unit	**10.3¢**	9.3¢	7.9¢	6.7¢	7.7¢	11.1¢	8.8¢	8.8¢
Cash from operating activities	**17,235**	9,875	11,897	8,216	15,695	12,540	7,804	7,804
Distributable income[(1)]	**7,466**	6,780	5,550	5,268	5,212	7,478	5,521	5,521
Distributable income per unit[(1)]	**11.9¢**	10.9¢	9.7¢	9.4¢	9.3¢	13.4¢	11.1¢	11.1¢
Funds from operations (FFO)[(1)]	**7,421**	6,684	4,925	4,283	3,858	6,996	5,217	5,217
FFO per unit[(1)]	**11.8¢**	10.7¢	8.6¢	7.7¢	6.9¢	12.6¢	10.5¢	11.2¢
Adjusted funds from operations (AFFO)[(1)]	**6,795**	6,024	4,363	4,227	3,371	6,326	4,874	4,874
AFFO per unit[(1)]	**10.8¢**	9.6¢	7.6¢	7.6¢	6.0¢	11.4¢	9.8¢	9.8¢
Distributions[(2)]	**6,584**	6,563	6,113	5,881	5,859	5,843	5,353	5,353
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.

Performance Indicators

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

The Trust adopted IFRS 16, *Leases*, during the first quarter of 2019. Comparative balances have not been restated; however, the Trust considers the impact on its performance indicators to be minimal.

Real Estate Portfolio

BTB owns 66 quality properties which have a fair market value of $924 million, generating approximately $90 million in annual income and representing a total leasable area of approximately 5.7 million square feet. A description of the properties owned as at December 31, 2019 can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of investment properties as at December 31, 2019

Operating segment	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)
Office	28	2,118,025	*89.3*
Retail	12	1,409,564	*96.0*
Industrial	18	1,482,282	*96.4*
Mixed-use	7	564,919	*92.4*
Subtotal	65	5,574,790	***93.2***
Properties under redevelopment	1	75,340	
Total	**66**	**5,650,130**	

Sale of investment properties

Pursuant to the conclusions of the last strategic review of its portfolio, the Trust has elected to sell certain properties when circumstances are favorable. The proceeds of disposition from the sale of these assets are used to either repay related mortgages and any remaining proceeds may be used to repay lines of credit and/or to acquire accretive properties in line with its investment criteria.

In January 2019, the Trust disposed of the retail property located at 15–41 South Georges-Gagné Blvd. in Delson, Québec, for total proceeds of $22.5 million.

In March 2019, the Trust disposed of a retail condominium located at 37 South Georges-Gagné Blvd. in Delson, Québec, for total proceeds of $1.95 million.

In May 2019, the Trust disposed of a mixed-use property located at 1400-1440 Antonio-Barbeau Street in Montréal, Québec, for total proceeds of $7.1 million.

In August 2019, the Trust disposed of an office property located at 3885 Harvey Boulevard in Saguenay, Québec, for total proceeds of $4.4 million.

Property acquisitions

In May 2019, the Trust acquired a 65,000-square-foot industrial property located at 2425 Pitfield Blvd. in Saint-Laurent, Québec, for total proceeds of $11.8 million.

In June 2019, the Trust purchased two retail properties, Méga Centre Saint-Bruno and Développements Mont-Saint-Hilaire, respectively located in Saint-Bruno, Québec and Saint-Hilaire, Québec, for a total consideration of $62.2 million.

Real Estate Operations

Leasing activities

The following table summarizes the changes in available leasable area for the quarters and years ended December 31, 2019 and 2018.

Periods ended December 31 (in square feet)	Quarter		Year	
	2019	2018	**2019**	2018
Available leasable area at beginning of the period	**355,067**	548,184	**479,420**	453,360
Available leasable area purchased (sold)	**—**	5,028	**(37,204)**	25,360
Area under redevelopment	**—**	132,665	**—**	—
Leasable area of expired leases at term or before end of term	**401,640**	218,015	**915,652**	1,006,966
Leasable area of renewed leases	**(322,441)**	(132,193)	**(691,934)**	(454,878)
Leasable area of new leases signed	**(54,368)**	(295,001)	**(284,160)**	(546,206)
Other	**(2)**	2,722	**(1,878)**	(5,182)
Available leasable area at end of the period	**379,896**	479,420	**379,896**	479,420

Fourth quarter of 2019

At the beginning of the quarter, approximately 355,000 square feet were vacant.

Approximately 402,000 square feet have expired at the end of the term of leases or prior, including 35,000 square feet following the bankruptcy of the Ashley Furniture store in our F.X. Sabourin property on the South Shore of Montréal. More than 322,000 square feet have been renewed with our existing tenants.

Lastly, the Trust leased more than 54,000 square feet to new tenants, leaving approximately 380,000 square feet of leasable area available at the end of the quarter, resulting in a 0.4% increase in the vacancy rate for the quarter and an occupancy rate of 93.2% at the end of the quarter.

Fiscal year 2019

As at January 1, 2019, more than 479,000 square feet of leasable area, or 9.0% of total leasable area, was available for rent. More than 37,000 square feet have been removed from the vacant leasable area subsequent to the net effect of purchase and sale of investment properties during the year.

More than 915,000 square feet (2018: 1,007,000) of leasable area became available as a result of lease expirations.

This availability allowed the Trust to negotiate new leases, for a total of approximately 284,000 square feet (2018: 546,000).

Approximately 692,000 square feet (2018: 455,000) were renewed with our existing tenants during the year.

As a result of these transactions, 380,000 square feet remained vacant, which results in a 6.8% vacancy rate, a decrease of 2.2% for the year.

The average renewal rate

The following table shows a breakdown of the average rate of increase by operating segment:

	Quarter		Year	
Operating segment	**Square feet**	**(%)**	**Square feet**	**(%)**
Office	80,000	2.6	362,000	5.5
Retail	132,000	1.4	196,000	1.4
Industrial	83,000	21.6	88,000	21.7
Mixed-use	27,000	0.6	46,000	0.8
Total	**322,000**	**4.3**	**692,000**	**5.5**

The average rental rate of expired and renewed leases during the fourth quarter increased by 4.3% (3.3% increase in 2018). The industrial segment increased by 21.6% and the office segment increased by 2.7%. For the year, the average rate increased by 5.5% (2.7% increase in 2018).

Retention rate

Approximately 692,000 square feet of leases expiring in 2019 were renewed for a retention rate of 75.6% (2018: 54.2%).

Occupancy rates

The following tables detail the Trust's committed occupancy rates by operating segment and geographic sector, including firm lease agreements signed as at the date of this report.

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	%	%	%	%	%
Operating segment					
Office	**89.3**	88.4	88.0	85.5	85.4
Retail	**96.0**	98.0	98.2	97.9	96.6
Industrial	**96.4**	97.1	95.6	95.6	93.6
Mixed-use	**92.4**	93.1	93.2	92.1	93.1
Total portfolio	**93.2**	93.6	93.1	91.7	91.0

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	%	%	%	%	%
Geographic sector					
Laval and North Shore	**99.6**	98.4	98.1	96.1	95.9
Island of Montréal	**90.3**	89.3	90.5	90.1	90.1
Montréal South Shore	**93.0**	94.7	95.0	93.5	92.5
Québec City and surrounding area	**90.1**	90.3	90.9	89.5	89.9
Ottawa and surrounding area	**94.9**	96.8	91.1	90.2	86.9
Central Ontario	**100.0**	100.0	100.0	100.0	100.0
	93.2	93.6	93.1	91.7	91.0

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	%	%	%	%	%
By province					
Québec	**92.6**	92.8	93.3	91.8	91.7
Ontario	**95.5**	97.2	92.2	91.4	88.5
Total portfolio	**93.2**	93.6	93.1	91.7	91.0

The overall occupancy rate decreased by 0.4% since September 30, 2019 and increased by 2.2% since December 31, 2018. It stood at 93.2% at the end of the fourth quarter of 2019. The decrease in the occupancy rate since September 2019 is mainly due to the bankruptcy of the Ashley Furniture store in our F.X. Sabourin property which added 35,000 square feet of additional space available for lease.

The following table shows the in-place occupancy rate compared to the committed occupancy rate by operating segment as at December 31, 2019.

	Occupancy rate (%)		Square feet
	In-place	**Committed**	**Committed**
Operating segment			
Office	85.8	89.3	75,500
Retail	95.7	96.0	1,500
Industrial	95.8	96.4	8,200
Mixed-use	91.9	92.4	2,900
	91.6	**93.2**	**88,100**

The in-place occupancy rate as at December 31, 2019, without taking into account firm committed lease agreements for tenants that are not occupying their spaces, was 91.6% (2018: 86.4%), a 5.2% increase, representing more than 280,000 square feet that were leased in the last year and have generated rental income. Vacant spaces totalling approximately 88,100 square feet as at December 31, 2019 are subject to firm lease agreements and will generate additional income in the next few quarters.

The following are examples of firm lease agreements that will soon take effect.

Properties	Square feet	Tenants	Expected occupancy date
1-9 and 10 Brewer Hunt Way, Ottawa, Ontario	32,000	Satcom	March 2020
3131 Saint-Martin Blvd West, Laval, Québec	20,000	City of Laval	May 2020
208-244 Migneron Street, St-Laurent, Québec	8,200	Eventure Group	April 2020
315-325 MacDonald Street, St-Jean-sur-Richelieu, Québec	7,400	Government of Québec	April 2020

Lease maturities

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

	2020	**2021**	**2022**	**2023**	**2024**
Office					
Leasable area (sq. ft.)	**202,962**	232,497	250,717	252,019	195,842
Average lease rate/square foot ($)	**$14.16**	$12.88	$14.11	$14.26	$12.90
% of office portfolio	***8.6%***	*11.0%*	*11.8%*	*11.9%*	*9.3%*
Retail					
Leasable area (sq. ft.)	**108,401**	96,139	290,319	147,815	82,484
Average lease rate/square foot ($)	**$11.01**	$15.17	$11.24	$10.40	$15.71
% of retail portfolio	***6.4%***	*6.8%*	*20.6%*	*10.5%*	*5.9%*
Industrial					
Leasable area (sq. ft.)	**260,434**	342,664	251,122	45,483	88,393
Average lease rate/square foot ($)	**$5.30**	$7.40	$5.63	$5.83	$9.00
% of industrial portfolio	***16.0%***	*23.1%*	*17.0%*	*3.1%*	*6.0%*
Mixed-use					
Leasable area (sq. ft.)	**127,930**	124,466	98,148	50,116	12,966
Average lease rate/square foot ($)	**$13.42**	$11.86	$15.58	$12.99	$13.79
% of mixed-use portfolio	***17.7%***	*22.0%*	*17.4%*	*8.9%*	*2.3%*
Total portfolio					
Leasable area (sq. ft.)	**699,727**	795,766	890,305	495,432	379,685
Average lease rate/square foot ($)	**$10.13**	$10.64	$10.95	$12.21	$12.63
% of total portfolio	***12.6%***	*14.3%*	*16.0%*	*8.9%*	*6.8%*

Top 10 tenants

On December 31, 2019, BTB managed more than 620 leases, with an average leasable area of approximately 8,500 square feet. The three largest tenants of the Trust are Public Works Canada, West Safety Services Canada and Walmart Canada Inc., representing respectively 4.8%, 2.0% and 1.8% of revenues, generated by multiple leases whose maturities are spread over time. More than 27% of the Trust's total revenues are generated by leases signed with government agencies (federal, provincial and municipal) and public companies, thus generating stable and high-quality cash flows for the Trust's operating activities.

The following table shows the contribution of the Trust's top 10 tenants as a percentage of revenues as at December 31, 2019. This contribution accounts for 18.1% of annual rental income and 20.0% of leased area.

Client	% of revenue	% of leased area	Leased area (square feet)
Public Works Canada	4.8	3.7	207,202
West Safety Canada Inc.	2.0	1.1	61,845
Walmart Canada inc.	1.8	4.7	264,550
Atis Portes et Fenêtres Corp.	1.7	3.9	219,941
Strongco	1.5	1.5	81,442
Propriétés Shoppers Inc.	1.4	0.9	47,551
Sail Plein Air	1.3	0.8	45,496
Provigo Distribution Inc. (Loblaws)	1.3	0.6	34,446
CISSS Montérégie-Centre (Government of Québec)	1.2	1.3	70,242
Société québécoise des infrastructures (SQIGovernment of Québec)	1.1	1.5	82,196
	18.1	**20.0**	1,114,912

Operating results

The following table summarizes financial results for the quarters and years ended December 31, 2019 and 2018. The table should be read in conjunction with our consolidated financial statements and the accompanying notes.

Periods ended December 31 (in thousands of dollars)		Quarter		Year	
		2019	2018	**2019**	2018
	Reference (page)	**$**	$	**$**	$
Rental income	39	**25,558**	22,082	**93,602**	87,423
Operating expenses	39	**11,384**	10,458	**42,705**	39,786
Net operating income[(1)]	40	**14,174**	11,624	**50,897**	47,637
Net financial expenses	40	**5,564**	7,447	**26,634**	22,791
Administration expenses	41	**1,198**	1,222	**5,515**	4,906
Transaction costs and prepayment penalties		**—**	1,205	**980**	2,070
Gain on disposal of property and equipment		**—**	(7)	**—**	(1,192)
Gain on write-off of debt		**—**	—	**—**	(133)
Fair value adjustment on investment properties	41	**(34,140)**	(22,639)	**(34,113)**	(22,142)
Net income and comprehensive income	42	**41,552**	24,396	**51,881**	41,337

(1) Non-IFRS financial measure.

Rental income

BTB's rental income increased by $3.5 million in its fourth quarter compared to the same quarter last year.

During the year, the Trust acquired three properties. These acquisitions contributed to an increase in rental income of approximately $2.6 million for the quarter, while the Trust estimates the rental income associated with the disposal of properties during the same period at $1.3 million in the quarter.

During the quarter, the Trust agreed to cancel the lease agreement with Jensen Company in consideration of a cancellation payment of $1,062. In accordance with IFRS standards, this amount was fully recognized as rental income during the fourth quarter of 2019. This amount improved net profit and comprehensive income, distributable profit, the FFO and AFFO for the fourth quarter and for the fiscal year by approximately 1.7 ¢ per unit.

The Jensen space was immediately released on similar terms under a 10-year lease to an accounting firm. Accordingly, the Trust did not suffer any impact caused by the departure of the Jensen Company. However, the new tenant does benefit from a 6-month period of free rent. This free rent period is recognized as an ajustement to rental income over the life of the lease in accordance with the straight-line method.

In the fourth quarter of 2019, straight line adjustments to rent payable of $469 (2018: $93) were recorded.

BTB also recorded amortization of lease incentives granted to tenants of $756 (2018: $608) as a reduction of rental income.

For the fiscal year 2019, the Trust reported an increase of $6.2 million or 7.1% of its rental income. Acquisitions completed during the past four quarters contributed to an increase of approximately $5.2 million, while the Trust estimates the rental income associated with the disposed properties completed during the year at approximately $3.3 million.

For the fiscal year 2019, rent payable adjustments of $703 (2018: $525) were recorded on a straight-line basis and an amortization of $3,003 (2018: $3,223) of lease incentives granted to tenants was recorded as a reduction in rental income.

Operating expenses

BTB recorded an increase in operating expenses of $926, or 8.9%, between the fourth quarter of 2019 and the fourth quarter of 2018. The increase resulted mainly from the net effect of acquisitions vs. dispositions completed in 2019, which added 220,000 square feet of new rental space.

The following table shows the breakdown of operating expenses for the quarters and years ended December 31, 2019 and 2018.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	$	$
Operating expenses				
Maintenance, repairs and other operating costs	**3,874**	3,586	**14,330**	13,140
Property taxes, public utilities and insurance	**7,510**	6,872	**28,375**	26,646
Total operating expenses	**11,384**	10,458	**42,705**	39,786
% of rental income	***44.5***	*47.4*	***45.6***	*45.5*

For the fourth quarter, our recent acquisitions contributed to an increase of $1.7 million in operating expenses, while recent dispositions reduced operating expenses by $0.7 million, hence a net increase of $1 million.

As a percentage of rental income, operating expenses for the fourth quarter of 2019 decreased by 2.9% to 44.5% and increased by 0.1% to 45.6% for the entire fiscal year 2019.

Net operating income

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net operating income[1]	**14,174**	11,624	**50,897**	47,637
% of rental income	***55.5***	*52.6*	***54.4***	*54.5*

(1) Non-IFRS financial measure.

Total net operating income (NOI) increased by $2,550 or 21.9% between the fourth quarter of 2018 and the same quarter of 2019.

For the fiscal year 2019, the Trust reported an increase of $3.3 million or 6.8% of its NOI.

For the entire fiscal year 2019, the NOI includes the reception of a payment of $1,062 as a penalty in a lease cancellation in the fourth quarter while the fiscal year 2018 was enhanced by receiving a penalty of $1,477 in the third quarter.

Financial expenses

The following table shows the breakdown of financial expenses for the quarters and years ended December 31, 2019 and 2018:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Interest on mortgage loans	**4,928**	4,650	**18,941**	17,512
Interest on convertible debentures	**955**	874	**3,577**	3,496
Interest on bank loans	**164**	267	**915**	929
Other interest expenses	**137**	26	**444**	116
Interest income	**(120)**	(14)	**(475)**	(76)
Net interest expenses	**6,064**	5,803	**23,402**	21,977
Distributions on Class B LP units	**56**	56	**224**	131
Financial expenses before non-monetary items	**6,120**	5,859	**23,626**	22,108
Accretion of effective interest on mortgage loans, convertible debentures and bank loans	**384**	259	**1,172**	1,039
Accretion of non-derivative liability component of convertible debentures	**27**	13	**66**	49
Net financial expenses before the following items:	**6,531**	6,131	**24,864**	23,196
Net fair value adjustment on derivative financial instruments	**(1,184)**	1,561	**1,340**	(229)
Fair value adjustment on Class B LP units	**217**	(245)	**430**	(176)
Net financial expenses	**5,564**	7,447	**26,634**	22,791

Net interest expenses increased by $261 during the fourth quarter of 2019 compared to the same period of 2018 and by $1,425 for the year, due to the net effect of financing of acquisitions and concluding dispositions in recent quarters, as well as higher interest rates on mortgage refinancing completed during recent quarters. In addition to net interest expenses, distributions on Class B LP units amounted to $56 for the quarter and $224 for the year. Under IFRS, the Class B LP units are considered a financial instrument classified as a liability and therefore the related distributions must be recognized as an expense.

Financial income mainly consists of interest income generated from a balance of sale held by the Trust for the principal amount of $6 million pursuant to the sale in 2019 of a property located in Delson, Québec.

Net financial expenses include the net interest expenses plus distributions on Class B LP units, amounting to $6,120 for the quarter (2018: $5,859) and $23,626 for the year (2018: $22,108)non-monetary items. Non monetary items include the accretion of effective interest on mortgage loans and convertible debentures and fair value adjustments on financial instruments. BTB recognized an increase in the value of derivative financial instruments of $967 (2018: $1,316 decrease) for the quarter and a decrease of $1,770 (2018: $405 an increase) for the year.

The decrease in the value of financial instruments, which generated an equivalent expense recorded as an increase in non-monetary items, is due to lower interest rates in Canadian financial markets during the reporting period. Conversely, an increase in the value of financial instruments, which generated an equivalent income recorded as a decrease in non-monetary expenses, is due to higher interest rates in Canadian markets during the reporting period.

The fair value of Class B LP units is equal to the fair value of the Trust's units traded on Canadian stock markets. An increase in the value of Class B LP units generates an equivalent expense recorded as an increase of non-monetary financial expenses during the reporting period. Conversely, a decrease in the value of Class B LP units generates the equivalent in income recorded as a decrease in non-monetary financial expenses during the reporting period.

On December 31, 2019, the average weighted contractual rate of interest on mortgage loans outstanding was 3.92%, 7 basis points lower than the rate in effect as at December 31, 2018. Interest rates on first-ranking mortgage loans ranged from 2.77% to 6.80% as at December 31, 2019. The weighted average term of mortgage loans in place as at December 31, 2019 was 5.1 years (5.6 years as at December 31, 2018).

Administration expenses

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	$	$
Administration expenses	**1,034**	1,021	**4,346**	4,115
Doubtful accounts (recovery)	**(78)**	129	**493**	431
Amortization	**—**	—	**—**	5
Unit-based compensation	**242**	72	**676**	355
Trust administration expenses	**1,198**	1,222	**5,515**	4,906

Fair value adjustment of 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 Trust annually uses chartered appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the 10 largest properties and approximately a third of the remaining properties are independently appraised by independent appraisers. 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.

For its properties that were not subject to independent appraisals, management receives quarterly capitalization rate and discount rate data from external chartered appraisers 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 appraisers. 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.

As at December 31, 2019, 62.9% (2018: 65.4%) of the fair value of the real estate portfolio was externally independently appraised and 37.1% (2018: 34.6%) was internally appraised by the Trust's personnel. Following these appraisals, the Trust recorded an increase in value of $34.1 million (2018: $22.1 million) on its real estate portfolio.

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

	$	%
Office	22,741	*66.6*
Retail	3,061	*9.0*
Industrial	11,883	*34.8*
Mixed-use	(3,545)	*(10.4)*
Total change in fair value	**34,140**	*100%*

Office and industrial properties account for almost 100% of the portfolio's increase in value, mainly due to lower capitalization rates in these segments.

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, 2019				
Capitalization rate	6.00% – 7.75%	5.75% – 7.50%	5.75% – 8.50%	5.00% – 8.25%
Terminal capitalization rate	6.25% – 7.25%	6.25% – 7.50%	6.00% – 7.25%	5.25% – 7.25%
Discount rate	7.25% – 7.75%	6.75% – 8.00%	6.50% – 8.00%	6.25% – 8.00%
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%

The weighted average of the capitalization rate for the entire portfolio as at December 31, 2019 was 6.6% (December 31, 2018: 6.8%), 20 basis point lower than December 31, 2018.

As at December 31, 2019, BTB has estimated that a variation of 0.25% in the capitalization rate applied to the overall portfolio would increase/decrease the fair value of the investment properties by approximately $35 million.

Net income and comprehensive income

BTB generated net income of $41.6 million for the fourth quarter of 2019, compared to $24.4 million for the fourth quarter of 2018, an increase of $17.2 million. For the year, the net income stood at $51.9 million, an increase of $10.5 million from the same period in 2018.

Periods ended December 31 (in thousands of dollars, except for per unit data)	**Quarter**		**Year**	
	2019	2018	**2019**	2018
	$	$	$	$
Net income	**41,552**	24,396	**51,881**	41,337
Per unit	**66.2¢**	43.7¢	**87.0¢**	78.7¢

Adjusted net income

Net income and comprehensive income fluctuate from one quarter to the next based on non-recurring items and certain volatile non-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's units, the forward interest rate curve and the discount and capitalization rates of the real estate portfolio.

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

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net income and comprehensive income	**41,552**	24,396	**51,881**	41,337
Non-recurring items:				
+ Transaction costs	**—**	1,205	**980**	2,070
Volatile non-monetary items				
± Fair value adjustment on derivative financial instruments	**(1,184)**	1,561	**1,340**	(229)
- Fair value adjustment on investment properties	**(34,140)**	(22,639)	**(34,113)**	(22,142)
± Fair value adjustment on Class B LP units	**217**	(245)	**430**	(176)
Adjusted net income[(1)]	**6,445**	4,278	**20,518**	20,860
Per unit	**10.3¢**	7.7¢	**34.4¢**	39.8¢

(1) Non-IFRS financial measure.

This table shows an increase of 50.6% in adjusted net income for the quarter and a decrease of 0.2% for the year, before the items mentioned above. Quarterly adjusted net income per unit increased by 33.8% (13.6% decrease for the year).

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB on January 1, 2019 and that are still owned by BTB on December 31, 2019, but it does not include acquisitions and developments completed during 2018 and 2019, nor the results of properties sold during the same periods.

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

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2019	2018	Δ	**2019**	2018	Δ
	$	$	%	**$**	$	%
Rental income	**18,593**	17,802	4.4	**73,950**	71,516	3.4
Operating expenses	**8,668**	8,417	3.0	**34,052**	33,115	2.8
Net operating income[(1)]	**9,925**	9,385	5.8	**39,898**	38,401	3.9
Interest expense on mortgage loans payable	**3,659**	3,683	(0.7)	**14,651**	14,736	(0.6)
Net property income[(1)]	**6,266**	5,702		**25,247**	23,665	
Increase in net property income from the same-property portfolio		***9.9%***			***6.7%***	

(1) Non-IFRS financial measure.

Rental income, NOI and net property income of the same-property portfolio increased by 4.4%, 5.8% and 9.9% respectively, for the fourth quarter of 2019 compared to the same period of 2018.

The good results of the same-property portfolio in the third and fourth quarters of 2019 cancelled the negative first-quarter results, increasing rental income, NOI and net property income by 3.4%, 3.9% and 6.7%, respectively.

Distributable Income and Distributions

The following table shows the calculation of distributable income.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net income (loss) and comprehensive income (IFRS)	**41,552**	24,396	**51,881**	41,337
- Fair value adjustment on properties	**(34,140)**	(22,639)	**(34,113)**	(22,142)
+ Amortization of property and equipment	**25**	26	**107**	90
- Gain on disposition of the Trust owned and occupied land and building	**—**	(7)	**—**	(1,192)
+ Unit-based compensation expense	**242**	72	**676**	335
- Gain on disposal of property and equipment	**—**	—	**—**	(1,185)
+ Accretion of the non-derivative liability component of convertible debentures	**27**	13	**66**	49
± Fair value adjustment on derivative financial instruments	**(1,184)**	1,561	**1,340**	(229)
± Fair value adjustment on Class B LP units	**217**	(245)	**430**	(176)
+ Amortization of lease incentives	**756**	608	**3,003**	3,223
- Straight-line rental income adjustment	**(469)**	(93)	**(703)**	(525)
+ Accretion of effective interest	**384**	259	**1,172**	1,039
+ Transaction costs on acquisitions and dispositions of properties	**—**	1,205	**980**	2,070
+ Distributions -Class B LP units	**56**	56	**224**	131
Distributable income[(1)]	**7,466**	5,212	**25,063**	23,897

(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	
	2019	2018	**2019**	2018
	$	$	**$**	$
Distributions				
Cash distributions	**5,690**	5,107	**21,763**	19,305
Cash distributions – Class B LP units	**56**	56	**224**	131
Distributions reinvested under the distribution reinvestment plan	**838**	696	**3,154**	2,718
Total distributions to unitholders	**6,584**	5,859	**25,141**	22,154
Percentage of reinvested distributions	**12.7%**	11.9%	**12.5%**	12.3%
Per unit data(1)				
Distributable income	**11.9¢**	9.3¢	**42.1¢**	45.6¢
Distributions	**10.5¢**	10.5¢	**42.0¢**	42.0¢
Payout ratio on distributable income(2)	**88.1%**	112.4%	**99.8%**	92.2%
Cash payout ratio(3)	**77.0%**	99.1%	**87.7%**	81.3%

(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 $2,254 from $5,212 to $7,466 between 2018 and 2019. Distributable income per unit for the fourth quarter of 2019 was 11.9¢ compared to 9.3¢ in 2018, up by 28.0%.

Distributable income for the year increased by $1,166 or 4.9%. Per unit, the distributable income for the year is 42.1¢ (2018: 45.6¢). The annual decrease was mainly recorded during the first two quarters of the year and the events that led to the decrease were previously explained and are now mostly resolved.

Distributions to unitholders totalled 10.5¢ per issued unit for each quarter of 2019 and 2018, and 42.0¢ per issued unit for each fiscal year of 2019 and 2018.

The payout ratio for distributable income was 88.1% in the fourth quarter of 2019 compared to 112.4% in the fourth quarter of 2018, and 99.8% for the year compared to 92.2% in 2018.

Distribution reinvestment plan (DRIP)

In the fourth quarter of 2019, 12.7% of distributions (2018: 11.9%) were reinvested under the DRIP. Approximately $3.2 million (2018: $2.7 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 the reconciliation of net income and comprehensive income established according to IFRS and FFO for the quarters and years ended December 31, 2019 and 2018:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net income and comprehensive income (IFRS)	**41,552**	24,396	**51,881**	41,337
- Gains on disposition of property and equipment and other disposition costs	**—**	(7)	**—**	(1,192)
- Fair value adjustment on investment properties	**(34,140)**	(22,639)	**(34,113)**	(22,142)
± Fair value adjustment on Class B LP units	**217**	(245)	**430**	(176)
+ Amortization of a property recognized at cost	**—**	—	**—**	3
+ Amortization of lease incentives	**756**	608	**3,003**	3,223
± Fair value adjustment on derivative financial instruments	**(1,184)**	1,561	**1,340**	(229)
+ Leasing payroll expenses	**164**	128	**548**	573
+ Distributions -Class B LP units	**56**	56	**224**	131
FFO(1)	**7,421**	3,858	**23,313**	21,528
Non-recurring item				
Transaction cost on acquisitions and dispositions of investment properties	**—**	1,205	**980**	2,070
Recurring FFO(1)	**7,421**	5,063	**24,293**	23,598
FFO per unit(2)	**11.8¢**	6.9¢	**39.1¢**	41.1¢
Recurring FFO per unit(2)	**11.8¢**	9.1¢	**40.7¢**	45.0¢
FFO payout ratio(3)	***88.7%***	*151.8%*	***107.4%***	*102.3%*
Recurring FFO payout ratio(3)	***88.7%***	*115.7%*	***103.1%***	*93.3%*
FFO cash payout ratio(4)	***77.4%***	*133.8%*	***94.3%***	*90.3%*
Recurring FFO cash payout ratio	***77.4%***	*102.0%*	***90.5%***	*82.4%*

(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.

For the fourth quarter of 2019, FFO per unit was 11.8¢, compared to 6.9¢ in 2018, a 72% increase. After taking into account the transaction costs in the disposition of investment properties, recurring FFO was 11.8¢ per unit compared to 9.1¢ in 2018. The FFO payout ratio stood at 88.7% for the fourth quarter of 2019 compared to 151.8% for the same quarter of 2018, and the recurring FFO payout ratio stood at 88.7% compared to 115.7% in the same quarter of 2018.

For the entire fiscal year 2019, the Trust posted an FFO of $23.3 million, an increase of $1.8 million over 2018. Excluding the non-recurring item, the annual FFO increased by $0.7 million from 2018 to 2019.

Per unit, the annual FFO and recurring FFO show a decrease of 2.0¢ and 4.3¢ respectively. These decreases mainly occurred during the first two quarters of the year.

Adjusted Funds from Operations (AFFO)

The following table provides the reconciliation of FFO and AFFO for the quarters and years ended December 31, 2019 and 2018:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
FFO	**7,421**	3,858	**23,313**	21,528
- Straight-line rental income adjustment	**(469)**	(93)	**(703)**	(525)
+ Accretion of effective interest	**384**	259	**1,172**	1,039
+ Accretion of the liability component of convertible debentures	**27**	13	**66**	49
+ Amortization of other property and equipment	**25**	26	**107**	87
+ Unit-based compensation expenses	**242**	72	**676**	355
- Provision for non-recoverable capital expenditures	**(490)**	(439)	**(1,842)**	(1,719)
- Provision for unrecovered rental fees	**(345)**	(325)	**(1,380)**	(1,300)
AFFO(1)	**6,795**	3,371	**21,409**	19,514
Non-recurring item				
Transaction costs on purchase and sale of properties	**—**	1,205	**980**	2,070
Recurring AFFO(1)	**6,795**	4,576	**22,389**	21,584
AFFO per unit(2)	**10.8¢**	6.0¢	**35.9¢**	37.2¢
Recurring AFFO per unit(2)	**10.8¢**	8.2¢	**37.5¢**	41.2¢
AFFO payout ratio(3)	***96.8%***	*173.7%*	***117.0%***	*112.9%*
Recurring AFFO payout ratio(3)	***96.8%***	*128.0%*	***111.9%***	*102.0%*
AFFO cash payout ratio(3)	***84.6%***	*153.2%*	***102.7%***	*99.6%*
Recurring AFFO cash payout ratio(4)	***84.6%***	*112.8%*	***98.2%***	*90.0%*

(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.

AFFO per unit totalled 10.8¢ for the fourth quarter of 2019 compared to 6.0¢ for the fourth quarter of 2018, an 80% increase. Recurring AFFO per unit, after taking into account the transaction costs on the sale of investment properties in 2018, was 10.8¢ per unit for the quarter compared to 9.7¢ for the same quarter in 2018. The AFFO payout ratio stood at 96.8% for the fourth quarter of 2019 compared to 173.7% for the fourth quarter of 2018.

At the end of fiscal 2019, the Trust presented an AFFO of $22.4 million, a $0.8 million increase over the same quarter in 2018. AFFO per unit decreased from 37.2¢ to 35.9¢. Again, this annual decrease mainly occurred during the first two quarters of the year.

In calculating AFFO, the Trust deducts a provision for non-recoverable capital expenditures to take into account capital expenditures invested to maintain properties in good condition and to preserve rental income. This provision is based on our assessment of industry practices and our investment forecasts for the next few years.

The following table compares the amount of the provision for non-recoverable capital investments to the amount of investment actually made during the current comparative period and in the last few years.

Years ended December 31 (in thousands of dollars)	**December 31, 2019**	December 31, 2018	December 31, 2017
	$	$	$
Provision for non-recoverable capital expenditures	**1,851**	1,719	1,467
Non-recoverable capital expenditures	**2,603**	1,871	2,876

The Trust intends to achieve a balance between actual investment and the estimated provisions over the long term. Management may change the provision calculation, as required.

Cash Flows

Net cash flow from operating activities, funds available under the Trust's credit facilities and surplus cash are the main sources of cash to fund distributions, debt service, capital expenditures in investment properties, lease incentives and rental fees.

The Trust expects to be able to meet its commitments. Management expects to have sufficient liquidity generated from cash surpluses, net cash from operating activities and the Trust's ability to raise capital.

Periods ended December 31 (in thousands of dollars)	**Quarter**		**Year**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net cash from (used in):				
Operating activities	**17,235**	15,620	**47,223**	44,724
Investing activities	**(3,139)**	129	**(18,566)**	(57,747)
Financing activities	**(14,140)**	(9,061)	**(35,678)**	19,929
Net change in cash during the period	**(44)**	6,688	**(7,021)**	6,906
Cash and cash equivalents, beginning of period	**1,847**	2,136	**8,824**	1,918
Cash and cash equivalents, end of period	**1,803**	8,824	**1,803**	8,824

Cash from operating activities increased by $1.6 million to $17.2 million for the quarter and by $2.5 million to $47.2 million for the entire year.

The following table provides a reconciliation of distributable income (a 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	
	2019	2018	2019	**2018**
	$	$	$	**$**
Net cash flows from operating activities (IFRS)	**17,235**	15,620	**47,223**	44,724
± Net change in non-cash operating items	**(3,706)**	(4,533)	**1,065**	1,150
+ Debt prepayment penalty	**—**	—	**176**	—
- Net interest expense	**(6,063)**	(5,803)	**(23,401)**	(21,977)
- Other items	**—**	(72)	**—**	—
Distributable income	**7,466**	5,212	**25,063**	23,897

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

Years ended December 31 (in thousands of dollars)	**2019**	2018	2017
	$	$	$
Net cash from operating activities (IFRS)	**47,223**	44,724	38,449
- Interest paid	**(23,442)**	(21,851)	(18,593)
Net cash from operating activities	**23,781**	22,873	19,856
Net income	**51,881**	41,337	28,171
Total distributions	**25,141**	22,154	18,486
Surplus (deficit) of net cash from operating activities compared to total distributions	**(1,360)**	719	1,370
Surplus (deficit) of net income over total distributions	**26,740**	19,183	9,685

The Trust presented distributions in excess of net cash flows from operating activities (IFRS) of $1,360, net of interest paid during the quarter ended December 31, 2019. In 2018 and 2017, the Trust presented surplus distributions of $719 and $1,370.

The Trust may use authorized lines of credit totaling $22 million to finance surplus distributions. During the year ended December 31, 2019, the Trust presented a deficit of net cash flow from operating activities over total distributions of $1,360 (2018: surplus of $719). The Trust is confident that during the course of the fiscal year 2020 it will present adequate coverage of net cash flow over total distributions and intends to maintain the current level of its distributions.

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

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**17,235**	15,620	**47,223**	44,724
+ Leasing payroll expenses	**164**	128	**545**	573
+ Gain on debt extinguishment	**—**	—	**—**	133
- Transaction costs on purchase and sale of properties	**—**	(1,205)	**(980)**	(2,070)
+ Debt prepayment penalty	**—**	—	**176**	—
+ Net change in non-cash operating items	**(3,706)**	(4,533)	**1,065**	1,150
- Net interest expense	**(6,063)**	(5,803)	**(23,401)**	(21,977)
- Provision for non-recoverable capital expenditures	**(490)**	(439)	**(1,851)**	(1,719)
- Provision for non-recovered rental fees	**(345)**	(325)	**(1,380)**	(1,300)
+ Other items	**—**	(72)	**12**	—
AFFO[(1)]	**6,795**	3,371	**21,409**	19,514
+ Provision for non-recoverable capital expenditures	**490**	439	**1,851**	1,719
+ Provision for non-recovered rental fees	**345**	325	**1,380**	1,300
+ Straight-line rental income adjustment	**469**	93	**703**	525
- Unit-based compensation expenses	**(242)**	(72)	**(676)**	(355)
- Accretion of non-derivative liability component of convertible debentures	**(27)**	(13)	**(66)**	(49)
- Accretion of effective interest	**(384)**	(259)	**(1,172)**	(1,039)
- Amortization of property and equipment	**(25)**	(26)	**(107)**	(87)
- Other items	**—**	—	**(9)**	—
FFO[(1)]	**7,421**	3,858	**23,313**	21,528

(1) Non-IFRS financial measure.

Segmented Information

The Trust's operations are generated from four segments of properties located in the Provinces of Québec and of Ontario. The following tables present each segment's contribution to revenues and to net operating income for the quarters and years ended December 31, 2019 and 2018.

Quarters ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Mixed-use		Total
	$	%	$	%	$	%	$	%	$
Quarter ended December 31, 2019									
Investment properties	265,487	***28.7***	395,425	***42.8***	158,720	***17.2***	104,688	***11.3***	924,320
Rental income from properties	7,612	***29.8***	11,180	***43.7***	3,657	***14.3***	3,109	***12.2***	25,558
Net operating income[(1)]	4,677	***33.0***	5,509	***38.9***	2,311	***16.3***	1,677	***11.8***	14,174
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

(1) Non-IFRS financial measure.

Years ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Mixed-use		Total
	$	%	$	%	$	%	$	%	$
Year ended December 31, 2019									
Rental income from properties	26,935	***28.8***	43,206	***46.2***	12,852	***13.7***	10,609	***11.3***	93,602
Net operating income[1]	16,102	***31.6***	21,190	***41.6***	8,236	***16.2***	5,369	***10.6***	50,897
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

(1) Non-IFRS financial measure.

Financial Position

The following table presents a summary of the Trust's balance sheet as at December 31, 2019 and December 31, 2018. It should be read in conjunction with the Trust's consolidated financial statements and the accompanying notes.

(in thousands of dollars)	Reference (page)	December 31, 2019 $	December 31, 2018 $
Assets			
Investment properties	52	**924,320**	839,015
Balance of sale	54	**6,035**	—
Amounts receivable from tenants and other receivables	54	**3,809**	3,246
Other assets	54	**3,163**	4,138
Cash and cash equivalents	48	**1,803**	8,824
Total assets		**939,130**	855,223
Liabilities			
Mortgage loans payable	55	**493,152**	471,162
Convertible debentures	56	**49,096**	48,716
Lease liabilities		**4,454**	—
Bank loans	56	**12,460**	15,000
Class B LP units	58	**2,571**	2,315
Accounts payable and other liabilities	58	**21,258**	19,653
Total liabilities		**582,991**	556,846
Equity			
Unitholders' equity	58	**356,139**	298,377
Total liabilities and equity		**939,130**	855,223

The main changes in the balance sheet as at December 31, 2019, compared to the balance sheet as at December 31, 2018, reflect the purchase and sale of investment properties, adjustments of the fair market value of investment properties, mortgage loans and the repayment of mortgage loans related to these transactions.

Assets

Investment properties

Over the years, BTB has fuelled its growth through high-quality property acquisitions based on its 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 two jointly controlled investment properties.

The fair market value of its investment properties stood at $924 million as at December 31, 2019 compared to $839 million as at December 31, 2018.

Acquisitions

In May 2019, the Trust acquired a 65,000-square-foot industrial building in St-Laurent, Québec for $11.8 million.

In June 2019, the Trust purchased two retail properties, Méga Centre Saint-Bruno and Développements Mont Saint-Hilaire, respectively located in Saint-Bruno, Québec and Saint-Hilaire, Québec, for a total consideration of $62.2 million.

Dispositions

In January 2019, the Trust disposed of the retail property located at 15-41 South Georges-Gagné Blvd., in Delson, Québec, for total proceeds of $22.5 million.

In March 2019, the Trust disposed of a retail condominium located at 37 South Georges-Gagné Blvd., in Delson, Québec, for total proceeds of $1.95 million.

In May 2019, the Trust disposed of the mixed-use property located on Antonio-Barbeau Street in Montréal, Québec for total proceeds of $7.1 million.

In August 2019, the Trust disposed of the office property located at 3885 Harvey Boulevard in Saguenay, Québec, for total proceeds of $4.4 million.

Summary by operating segment

As at December 31	2019			2018		
	Number of properties	**Leasable area (sq. ft.)**	**%**	**Number of properties**	**Leasable area (sq. ft.)**	**%**
Office	28	2,118,025	***38.0***	28	2,120,680	*39.6*
Retail	12	1,409,564	***25.3***	14	1,316,414	*24.6*
Industrial	18	1,482,282	***26.6***	18	1,482,278	*27.7*
Mixed-use	7	564,919	***10.1***	6	437,151	*8.1*
Subtotal	65	5,574,790	***100.0***	66	5,356,523	*100.0*
Properties under redevelopment	1	75,340		1	75,340	
Total	**66**	**5,650,130**		67	5,431,863	

Improvements in investment properties

BTB invests capital to improve its properties to preserve the quality of their infrastructure and services provided to tenants. These disbursements include value-added maintenance investments corresponding to expenditures required to upkeep properties, 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 are amortized and may be recovered from rent.

Capital expenditures for the quarter ended December 31, 2019 totalled $2,625, compared to $1,504 for the same quarter of 2018, of which $1,278 was recoverable (2018: $754). Capital expenditures do not include repair and maintenance costs. Capital expenditures vary from one quarter to another depending on the investment required or planned for each property.

Upon the signing of several leases, the Trust may make disbursements for leasehold improvements and for lease incentives applicable to the leased areas to meet the specific needs of tenants, as well as leasing commissions that are paid to independent brokers. These disbursements totalled $1,214 for the fourth quarter 2019 and $4,394 for the year compared to $1,282 and $5,250 for the same periods of 2018. The leasing fees and the cost of leasehold improvements/incentives may apply to both new tenants and tenants whose leases were renewed in the Trust's properties. The amount of leasing fees and leasehold improvements/incentives varies depending on the lease renewal transaction concluded and tenancy profile.

The following table summarizes capital expenditures, incentives and leasing fees, for the quarters and years ended December 31, 2019 and 2018.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Recoverable capital expenditures	**1,278**	750	**2,888**	2,471
Non-recoverable capital expenditures	**1,347**	754	**2,603**	1,871
Total capital expenditures	**2,625**	1,504	**5,491**	4,342
Leasing fees and leasehold improvements	**1,214**	1,282	**4,394**	5,250
Total	**3,839**	2,786	**9,885**	9,592

The following table shows changes in the fair value of investment properties during the quarters and years ended December 31, 2019 and 2018.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Balance, beginning of the period	**886,648**	819,375	**839,015**	751,110
Additions:				
Initial recognition of right-of-use assets	**—**	—	**3,900**	—
Acquisitions	**(19)**	25,180	**75,658**	104,613
Dispositions	**—**	(30,450)	**(35,950)**	(45,744)
Capital expenditures	**2,625**	1,504	**5,491**	4,341
Leasing fees and capitalized lease incentives	**1,214**	1,282	**4,394**	5,250
Fair value adjustment on investment properties	**34,140**	22,639	**34,113**	22,142
Other non-monetary changes	**(288)**	(515)	**(2,301)**	(2,697)
Balance, end of the period	**924,320**	839,015	**924,320**	839,015

Balance of sale

In June 2019, the Trust granted a balance of sale when it disposed of its Delson property. The principal amount of the balance of sale is $6 million, bearing interest at 7% for the first 3 years, 7.5% for the 4th year and 8% for the 5th year. It will mature on or before February 1st, 2024.

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from $3,246 as at December 31, 2018 to $3,809 as at December 31, 2019. These amounts are summarized below:

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Rent receivable from tenants	**2,801**	2,556
Allowance for doubtful accounts	**(716)**	(567)
	2,085	1,989
Unbilled recoveries	**776**	430
Other receivables	**948**	827
Amounts receivable from tenants and other receivables	**3,809**	3,246

Other assets

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

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Property and equipment	**1,067**	1,027
Accumulated depreciation	**(804)**	(698)
	263	329
Prepaid expenses	**1,921**	1,366
Derivative financial instruments	**304**	1,599
Deposits	**675**	844
Other assets	**3,163**	4,138

Capital Ressources

Long-term debt

The following table shows the balances of BTB's indebtedness on December 31, 2019, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

Au December 31, 2019 (in thousands of dollars)	**Balance of convertible debentures**	**Balance of mortgages payable**	**Weighted average contractual interest rate**
	$	**$**	**%**
Year of maturity			
2020	26,700	74,320	5.39
2021	—	67,702	3.42
2022	—	32,353	3.51
2023		20,980	4.19
2024	24,000	88,764	4.57
2025 and thereafter	—	211,128	3.71
Total	**50,700**	**495,247**	**4.17**

Weighted average contractual interest rate

As at December 31, 2019, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.17%, i.e., 3.92% mortgage loans and 6.61% for convertible debentures.

Mortgage loans

As at December 31, 2019, the Trust's total mortgage loans amounted to $495 million compared to $473 million on December 31, 2018, before deferred financing expenses and valuation adjustments, an increase of $22 million following the financing of acquisitions completed in 2019, refinancing and principal repayments on monthly payments and dispositions.

The following table summarizes changes in mortgage loans payable during the quarters and years ended December 31, 2019:

Periods ended December 31 (in thousands of dollars)	Quarter	Year
	$	$
Balance at beginning of the period	**496,937**	473,205
Mortgage loans contracted	**2,000**	67,180
Balance repaid at maturity or upon disposal	**—**	(31,608)
Monthly principal repayments	**(3,679)**	(13,530)
Balance as at December 31, 2019	**495,247**	495,247

Note: Before unamortized financing expenses and valuation adjustments.

As at December 31, 2019, the weighted average interest rate was 3,92% compared to 3.99% on December 31, 2018, a decrease of 7 basis points. As at December 31, 2019, except for five loans with a cumulative balance of $46.2 million, all mortgages payable bear interest at fixed rates ($387.0 million) or are subject to an interest rate swap ($62.0 million).

The weighted average term of existing mortgage loans was 5.1 years as at December 31, 2019. It was 5.6 years as at December 31, 2018, a decrease of 0.5 years (or 6 months) in one year. The decrease is mainly due to the assumption of a mortgage loan with a remaining term of three years when the Trust purchased a property and the short-term financing of the property "1327-1333 Ste-Catherine Street West and 1411 Crescent Street" with a loan with a 2-year term until the leasing of this property is stabilized.

BTB attempts to spread the maturities of its mortgages over many years in order to mitigate the risk associated with renewing them.

Except for three properties, two of them partially securing the acquisition and operating lines of credit as at December 31, 2019 all of the Trust's other properties were subject to mortgages as at December 31, 2019. Unamortized loan financing expenses totalled $2,723 and are amortized under the effective interest method over the term of the loans.

The following table, as at December 31, 2019, shows future mortgage loan repayments for the next few years:

As at December 31, 2019 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2020	14,574	73,015	87,589	17.7
2021	13,369	63,846	77,215	15.6
2022	11,750	27,882	39,632	8.0
2023	10,311	18,697	29,008	5.9
2024	8,253	76,529	84,782	17.1
2025 and thereafter	36,582	140,439	177,021	35.7
Total	**94,839**	**400,408**	**495,247**	**100.0**
+ Valuation adjustments on assumed loans			628	
- Unamortized financing expenses			(2,723)	
Balance as at December 31, 2019			**493,152**	

As at December 31, 2019, the Trust was in compliance with all the covenants to which it was subject except for one mortgage loan's debt service coverage ratio. The mortgage loan is maturing in July 2020. The balance of the said mortgage loan as at December 31, 2019 was $18 million. The Trust has always met the other mortgage loan provisions and has never been late on a monthly payment. The Trust believes that the said mortgage loan will be refinanced at maturity for the entire amount outstanding.

Convertible debentures

(in thousands of dollars)	**Series F**(1)(3)	**Series G**(2)(3)	**Total**
Par value	26,700	24,000	
Contractual interest rate	7.15%	6.00%	
Effective interest rate	8.47%	7.30%	
Date of issuance	December 2015	October 2019	
Per-unit conversion price	$5.65	$5.42	
Date of interest payment	June 30 and December 31	April 30 and October 31	
Maturity date	December 2020	October 2024	
Balance as at December 31, 2019	**26,364**	**22,732**	**49,096**

(1) Redeemable by the Trust before December 31, 2020, at a redemption price equal to their principal amount plus accrued and unpaid interest.

(2) Redeemable by the Trust, under certain conditions, as of October 31, 2022, but before October 31, 2023, 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 G conversion price and, as of October 31, 2023, but before October 31, 2024, 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 F and G debentures by issuing freely tradable units to Series F and G 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 said bank's prime rate. As at December 31, 2019, $2,260 of the operating credit facility was used.

Bank loan – acquisition credit facility

BTB has an acquisition credit facility of $19 million with a Canadian chartered bank. The facility bears interest at a rate of 3.25% above the said bank's prime rate. As at December 31, 2019, $10.2 million of the acquisition credit facility was used.

These two 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 total value of the assets 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 failure to abide by this condition, the Trust has a 12-month delay from the date of knowledge to remedy the situation.

The following table presents the Trust's debt ratios as at December 31, 2019 and December 31, 2018.

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Free cash flow	**(1,803)**	(8,824)
Mortgage loans outsanding[(1)]	**495,247**	473,205
Convertible debentures[(1)]	**50,700**	49,700
Acquisition credit facility	**10,200**	15,000
Total long-term debt less free cash flow	**554,344**	529,081
Total value of the assets of the Trust less free cash flow	**938,131**	847,097
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	***52.8%***	*55.8%*
Debt ratio – convertible debentures	***5.4%***	*5.9%*
Debt ratio – acquisition line of credit	***1.1%***	*1.8%*
Total debt ratio	***59.1%***	*62.5%*

(1) Gross amounts.

According to the table above, the mortgage debt ratio, excluding the convertible debentures and acquisition credit facility as at December 31, 2019, amounted to 52.8%, down 3.0% from December 31, 2018. Including the convertible debentures and the acquisition credit facility, the total debt ratio stood at 59.1%, down 3.4% from December 31, 2018.

The Trust seeks to finance its acquisitions with a maximum mortgage debt ratio of 65% since the cost of financing is lower than the capital cost of the Trust's equity.

Interest coverage ratio

For the quarter ended December 31, 2019, the interest coverage ratio stood at 2.34, an increase of 34 basis points from the fourth quarter of 2018. For the year, the ratio stood at 2.18, a small increase of 1 basis points compared to 2018.

Periods ended December 31 (in thousands of dollars, except for the ratios)	**Quarter**		**Year**	
	2019	2018	**2019**	2018
	$	$	$	$
Net operating income	**14,174**	11,624	**50,897**	47,637
Net interest expense[(1)]	**6,064**	5,803	**23,402**	21,977
Interest coverage ratio	***2.34***	*2.00*	***2.18***	*2.17*

(1) Interest expense excludes accretion of effective interest, distribution on class B LP units, 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, 2019	Quarter		Year	
	Units	$	**Units**	$
Class B LP units outstanding, beginning of period	**532,265**	2,528	**532,265**	2,315
Exchange into Trust units	**(35,000)**	(174)	**(35,000)**	(174)
Fair value adjustment	**—**	217	**—**	430
Class B LP units outstanding, end of period	**497,265**	2,571	**497,265**	2,571

The Class B LP units are exchangeable at any time, at the option of the holder, for an equal number of units of BTB trading on the TSX. They are entitled to receive the same distributions as declared on the BTB units. Distributions paid on Class B LP units are recorded as financial expenses 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 consideration for the acquisition of the residual portion of "Complexe Lebourgneuf – Phase II" in Québec City (less the portion related to the mortgage loan assumption by BTB). The holders of these units were entitled to a $56 distribution during the fourth quarter of 2019 and $224 for the year.

Accounts payable and other liabilities

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Trade and other payables	**17,984**	17,048
Distributions payable to unitholders	**2,179**	1,936
Unit-based compensation	**1,050**	669
Derivative financial instruments	**45**	—
Accounts payable and other liabilities	**21,258**	19,653

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Trust units	**305,029**	274,231
Cumulative comprehensive income	**185,706**	133,825
Distributions	**(134,596)**	(109,679)
Unitholders' equity	**356,139**	298,377

Distribution reinvestment plan

A distribution reinvestment plan is in place under which unitholders may elect to receive payment of distributions in units, at a 3% discount on the market value of the units at the time of payment. Under the program, 178,531 units were issued during the fourth quarter of 2019 (2018: 155,871 units) and 677,771 units were issued in 2019 (2018: 603,951 units).

Units outstanding

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

Periods ended December 31 (in number of units)	Quarter		Year	
	2019	2018	**2019**	2018
Units outstanding, beginning of the period	**62,036,146**	55,161,852	**55,317,723**	48,423,118
Units issued				
Public offering	**—**	—	**6,157,100**	6,250,250
Distribution reinvestment plan	**178,531**	155,871	**677,771**	603,951
Awards - employee unit purchase plan	**—**	—	**9,253**	9,691
Awards - restricted unit compensation plan	**1,881**	—	**54,711**	30,713
Class B LP units exchange into Trust units	**35,000**	—	**35,000**	—
Units outstanding, end of the period	**62,251,558**	55,317,723	**62,251,558**	55,317,723
Weighted average number of units outstanding	**62,139,488**	55,240,257	**59,098,137**	52,120,760
Weighted average number of Class B LP units and units outstanding	**62,661,481**	55,772,522	**59,627,813**	52,435,744

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 quarters and years ended December 31, 2019 and 2018.

Periods ended December 31 (in number of units)	Quarter		Year	
	2019	2018	**2019**	2018
Deferred units outstanding, beginning of the period	**56,699**	34,143	**37,055**	12,330
Deferred units issued – Trustees' compensation	**1,707**	2,115	**18,071**	22,173
Distributions paid in units	**1,236**	797	**4,516**	2,552
Deferred units outstanding, end of the period	**59,642**	37,055	**59,642**	37,055

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 support the Trust's long-term growth objectives and align their interests with the interests of unitholders. The purpose of the plan is also an executive retention tool.

The following table summarizes restricted units outstanding during the quarters and years ended December 31, 2019 and 2018.

Periods ended December 31 (in number of units)	Quarter		Year	
	2019	2018	**2019**	2018
Restricted units outstanding, beginning of the period	**167,892**	138,919	**138,919**	115,628
Restricted units issued	**153**	—	**82,622**	72,819
Restricted units cancelled	**(1,152)**	—	**(1,818)**	(18,815)
Restricted units settled	**(1,881)**	—	**(54,711)**	(30,713)
Restricted units outstanding, end of the period	**165,012**	138,919	**165,012**	138,919

Employee unit purchase plan

The Trust offers its employees an optional unit purchase plan. Under this plan, the employees may contribute, each year, a maximum of 3% to 7% of their base salary depending on their years of tenure with the Trust. Subject to the plan's conditions, for each two units purchased by an employee, the Trust shall issue one unit from treasury. During the quarter ended December 31, 2019, no units were issued (2018: nil). During fiscal 2019, 11,194 units were issued. (2018: 9,253)

Off-balance sheet arrangements and contractual commitments

BTB does not have any other off-balance sheet arrangement or commitment 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, its properties are managed and operated to integrate sustainable development values into the Trust's activities, to promote the health and well-being of its employees and the communities where it operates, to manage its environmental footprint, and to demonstrate a commitment to transparency and continuous improvement of sustainability practices.

Ongoing improvement of properties through investment in environmental projects, amongst other things, is a top priority for BTB. The tangible results of BTB's responsible behaviour include BOMA BEST certification for 23 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 a 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, 23 properties in BTB's portfolio have received various levels of BOMA BEST certification, including Gold (2), Silver (3), Bronze (6) and Certified (12). This prestigious certification recognizing BTB's excellence in environmental property management was awarded by the Building Owners & Managers Association - BOMA Québec, a leader in the real estate industry since 1927.

In the future, BTB plans to continue to reduce 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 to upgrade buildings. BTB also expects to keep its BOMA BEST certifications and achieve the highest level of performance for certain of its properties.

Initiatives

BTB Bees – Alvéole: As an ecoresponsible landlord, BTB, in partnership with the firm Alvéole, has taken part in a unique initiative to help regenerate an endangered species by installing beehives on the roofs of 14 of its properties and this, since 2018. Alvéole's dedicated beekeepers tend to the hives and its bees on a bi-weekly basis and following the late summer harvest, BTB distributes the packaged honey to its clients and collaborators.

Ecosystem Protection - Grame: In early September 2019, BTB's team, in partnership with the non-profit organization Grame, took part in a tree-planting event, not only to beautify the playground of a primary and secondary school located in Montréal's West Island, but to also help purify and filter the ecosystem. More than forty-five of BTB's employees volunteered their time to help plant more than 60 trees.

Social Reintegration - Société de Développement Social de Montréal: Since 2016, BTB has entrusted the Société de Développement Social de Montréal ("SDS") with the cleaning of its indoor parking facilities. With their mission of fighting against homelessness and the social exclusion of its members, their program, Action Méditation, provides psychosocial assistance to people who are or are at risk of becoming homeless, whilst facilitating cohabitation and collaboration among various communities located in Montréal. The foundation is based on a principle of social solidarity and the pooling of human, technical and economic resources to address serious societalissues. SDSact as an intermediary between the business world and communities by transparently and impartially involving businesses in more practical and humanitarian projects.

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 "nonportfolio 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, 2019, 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 2020 or any other subsequent year.

Taxation of Unitholders

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

Periods ended December 31	**2019**	2018
	%	%
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

On January 1, 2019, the Trust implemented the following changes in accounting policies.

i) IFRS 16, *Leases*

The Trust has initially adopted IFRS 16, *Leases,* as at January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Trust, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Trust has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated.

ii) Amendments to IFRS 3, *Business combinations*

The Trust early adopted the amendments to IFRS 3, *Business combinations*, which clarified the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. These amendments also include an optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments were applied to transactions for which the acquisition date was on or after January 1, 2019.

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 2019 Annual Information Form for the year ended December 31, 2019, 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
- A possible economic recession

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, 2019, 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, 2019, 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 fourth quarter of 2019, 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 ratio**, which is used to assess BTB's financial stability 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 **committed occupancy rate**, which provides an indication of the optimization of rental space and the potential revenue gain from the Trust's property portfolio. This rate takes into account occupied leasable area and the leasable area of leases that have been signed as of the end of the year but not yet started;
- The **in-place occupancy rate**, which shows the percentage of total income-producing leasable area held at period end;
- 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 $495 million as at December 31, 2019, compared to $473 million as at December 31, 2018.
- Series F and G convertible debentures for a total par value of $50.7 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

Administration expenses include administrative costs such as payroll expenses and professional fees associated with executive and administrative staff of the Trust, 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. Administration expenses include amortization of the head office building and property and equipment, as well as unit-based compensation, a non-monetary item that affects the volatility of administrative expenses from quarter to quarter.

Fair value adjustment on investment properties

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

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

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

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2019 and still owned as at December 31, 2019, but does not include the financial impacts from disposals, acquisitions and developments completed in 2018 and 2019, 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 lease incentives;
- Fair value adjustment on derivative financial instruments;
- Leasing payroll expenses (starting in 2016);
- Distributions on Class B LP limited partnership units.

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 capital expenditures in calculating AFFO. The Trust allocates significant amounts to the regular maintenance of its properties to attempt to reduce capital expenses as much as possible. The allocation for non-recoverable capital 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, 2019

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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, 2019, 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 LLP, 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, 2019 and 2018 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 11, 2020

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INDEPENDENT AUDITORS' 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, 2019 and 2018
- 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, 2019 and 2018, 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

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 included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. 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 "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.

KPMG

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.

KPMG LLP*

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

Montréal, Canada

March 11, 2020

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

Consolidated Statements of Financial Position

As at December 31, 2019 and 2018 (in thousands of CAD dollars)

	Notes	2019	2018
		$	$
ASSETS			
Investment properties	4	924,320	839,015
Property and equipment		263	329
Derivative financial instruments	11	304	1,599
Other assets	5	2,596	2,210
Balance of sale	4	6,035	—
Receivables	6	3,809	3,246
Cash and cash equivalents		1,803	8,824
Total assets		**939,130**	**855,223**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	7	493,152	471,162
Convertible debentures	8	49,096	48,716
Bank loans	9	12,460	15,000
Lease liabilities	23	4,454	—
Class B LP Units	10	2,571	2,315
Unit-based compensation	12	1,050	669
Derivative financial instruments	11	45	—
Trade and other payables		17,984	17,048
Distributions payable to unitholders		2,179	1,936
Total liabilities		**582,991**	**556,846**
Unitholders' equity		**356,139**	**298,377**
		939,130	**855,223**

See accompanying notes to consolidated financial statements.

Approved by the Board on March 11, 2020.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018 (in thousands of CAD dollars)

	Notes	2019	2018
		$	$
Operating revenues			
Rental revenues	14	93,602	87,423
Operating expenses			
Public utilities and other operating expenses		20,558	19,666
Property taxes and insurance		22,147	20,120
		42,705	39,786
Net operating income		**50,897**	**47,637**
Financial income		475	76
Expenses			
Financial expenses		25,115	23,141
Distributions - Class B LP Units	10	224	131
Fair value adjustment – Class B LP Units	10	430	(176)
Net adjustment to fair value of derivative financial instruments		1,340	(229)
Net financial expenses	15	27,109	22,867
Administration expenses		5,515	4,906
Gain on disposition of property and equipment		—	(1,192)
Gain on debt extinguishment		—	(133)
Prepayment penalties		176	—
Net change in fair value of investment properties, net of disposition expenses	4	(33,309)	(20,072)
Net income being total comprehensive income for the year		**51,881**	**41,337**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2019 and 2018 (in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distributions	Cumulative comprehensive income	Total
Balance at January 1, 2019		**274,231**	**(109,679)**	**133,825**	**298,377**
Issuance of units, net of issuance costs	13	30,798	—	—	30,798
Distributions to unitholders	13	—	(24,917)	—	(24,917)
		305,029	(134,596)	133,825	304,258
Comprehensive income		—	—	51,881	51,881
Balance as at December 31, 2019		305,029	(134,596)	185,706	356,139
Balance at January 1, 2018		**244,115**	**(87,656)**	**92,488**	**248,947**
Issuance of units, net of issuance costs	13	30,116	—	—	30,116
Distributions to unitholders	13	—	(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**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018 (in thousands of CAD dollars)

	Notes	2019	2018
		$	$
Operating activities			
Net income for the year		51,881	41,337
Adjustment for:			
Net change in fair value of investment properties and disposition expenses	4	(33,309)	(20,072)
Gain on debt extinguishment		—	(133)
Gain on disposition of property and equipment		—	(1,192)
Depreciation of property and equipment		106	90
Unit-based compensation	12	676	355
Straight-line lease adjustment	14	(703)	(525)
Lease incentive amortization	14	3,003	3,223
Financial income		(475)	(76)
Net financial expenses	15	27,109	22,867
		48,288	45,874
Net change in non-cash operating items		(1,065)	(1,150)
Net cash from operating activities		**47,223**	**44,724**
Investing activities			
Increase in investment properties	4	(35,082)	(104,262)
Acquisition of a business	4	—	(43)
Net proceeds from disposition of investment properties	4	16,556	43,690
Additions to property and equipment		(40)	(214)
Disposition of Owner-occupied land and Building		—	3,082
Net cash used in investing activities		**(18,566)**	**(57,747)**
Financing activities			
Mortgage loans, net of financing expenses		17,841	103,180
Repayment of mortgage loans		(32,604)	(66,292)
Bank loans, net of financing expenses		14,560	16,580
Repayment of bank loans		(17,100)	(19,710)
Lease liability payments		(42)	—
Net proceeds from issuance of convertible debentures		22,678	—
Repayment of convertible debentures		(23,000)	—
Net proceeds from issuance of units	13	27,220	27,239
Net distributions to unitholders		(21,565)	(19,086)
Net distributions – Class B LP units	10	(224)	(131)
Interest paid		(23,442)	(21,851)
Net cash (used in) from financing activities		**(35,678)**	**19,929**
Net change in cash and cash equivalents		**(7,021)**	**6,906**
Cash and cash equivalents, beginning of year		**8,824**	**1,918**
Cash and cash equivalents, end of year		**1,803**	**8,824**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and 2018 (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, 2019 and 2018 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 16 *Leases* and Amendments to IFRS 3, *Business combinations* have been applied. Changes to significant accounting policies are described in Note 3 (a) i) and ii).

These consolidated financial statements were approved by the Board of Trustees on March 11, 2020.

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 (including right-of-use assets);
- 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 an acquired process (or group of processes) is considered substantive 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 and types of investment properties acquired.

In addition, the Trust can elect for each transaction or other event to apply the optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

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.

Partially owner-occupied 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 estimated fair value 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 normalized annual 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.

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, 2019, the Trust adopted IFRS 16 *Leases* ("IFRS 16") and amendments to IFRS 3 *Business combinations* ("IFRS 3"). The impacts are described below.

i) IFRS 16

The Trust adopted all of the requirements of IFRS 16 with a date of initial application of January 1, 2019. See note 3 (f) for a discussion of the impact of the adoption and the change in significant accounting policy.

ii) Amendments to IFRS 3, *Business combinations:*

On January 1, 2019, the Trust early adopted the amendments to IFRS 3, Business combinations, which clarified the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. These amendments also include an optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments were applied to transactions for which the acquisition date was on or after January 1st, 2019.

b) 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.

c) Financial instruments

i) 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 fair value through profit or loss (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.

ii) 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 profit or loss.

The following table summarizes the classification under IFRS 9:

Asset/Liability	**Classification under IFRS 9**
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Receivables	Amortized cost
Deposits	Amortized cost
Mortgage loans payable	Amortized cost
Convertible debentures	Amortized cost
Bank loans	Amortized cost
Trade and other payables	Amortized cost
Distribution payable to unitholders	Amortized cost
Derivative financial instruments	Fair value through profit and loss
Class B LP Units	Fair value through profit and loss

iii) Impairment

The Trust uses the expected credit loss (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.

iv) Trust units

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

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

v) Convertible debentures

The convertible debentures, which are considered financial liabilities, are convertible into Trust units. 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.

vi) 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 Trust units 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 Trust units on the date of measurement. Distributions on the Class B LP Units are recognized in the statement of comprehensive income when declared.

d) Investment properties

Investment properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the 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 the costs incurred to increase 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 an investment property change and be reclassified as property and equipment, its fair value at the date of reclassification would become its cost for subsequent accounting.

e) 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	3 - 10 years
Rolling stock	3 - 5 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.

f) Leases

The Trust has initially adopted IFRS 16 *Leases* as at January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Trust, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Trust has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

On transition to IFRS 16, the Trust elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

The Trust also applied the exemption not to recognize right-of-use assets and lease liabilities for leases previously classified as an operating lease applying IAS 17 where the lease term at the transition date is less than 12 months.

As a result of the adoption of IFRS 16, the Trust updated its accounting policy for leases as follows:

i) Significant accounting policies

At contract inception, the Trust now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration

At inception or on reassessment of a contract that contains a lease component, the Trust allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

ii) As a lessor

The Trust leases out its investment property, including right-of-use assets. The Trust has classified these leases as operating leases. The accounting policies applicable to the Trust as a lessor are not different from those under IAS 17. The Trust is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Trust has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

iii) As a lessee

Prior to the adoption of IFRS 16, leases of assets classified as finance leases were presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment was recognized over the term of the lease based on the effective interest rate method and was included in financing expense. Payments made under operating leases were recognized in expenses on a straight-line basis over the term of the lease.

Since the adoption of IFRS 16, the Trust recognizes a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets that meet the definition of investment property are presented within investment property. These right-of-use assets are initially measured at cost, and subsequently measured at fair value, in accordance with the Trust's accounting policies.

However, the Trust has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g. equipment). The Trust recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Trust's incremental borrowing rate for similar assets. Generally, the Trust uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

iv) Consequences of transition

Previously, the Trust classified its emphyteutic leases of land as operating leases under IAS 17 and included the related rent expense in operating costs. At transition, the related lease liabilities were measured at the present value of the remaining lease payments, discounted at the Trust's incremental borrowing rate as at January 1, 2019 for a similar term as that of the lease obligations being measured (the weighted-average rate applied is 5%), giving rise to an amount of $3,900. Right-of-use assets for these emphyteutic leases, which are classified as investment property, were measured at their fair value on transition, which amount approximated the amount of the lease liability.

The Trust also leases equipment that is included in one of its investment properties. This lease was classified as finance leases under IAS 17. For this finance lease, the carrying amount of the right-of-use asset and the lease liability as at January 1, 2019 were determined to be the carrying amount of the leased asset and lease liability under IAS 17 immediately before transition, i.e., an amount of $596.

The following table reconciles the operating lease commitments disclosed under IAS 17 as at December 31, 2018 and the lease liabilities recognized on January 1, 2019:

	January 1st, 2019
	$
Operating lease commitments as at December 31, 2018 as disclosed in the Trust's consolidated financial statements	15,012
Recognition exemption for short-term leases and leases of low-value items	(107)
Impact of discounting using the incremental borrowing rate as at January 1, 2019	(11,005)
Finance lease liabilities previously recognized as at December 31 2018 under IAS 17	596
Lease liabilities recognized as at January 1st, 2019	**4,496**

g) 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.

h) Revenue recognition

i) Rental revenue – lease components

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

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 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 and are recognized as adjustments to the carrying amount of investment properties. 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.

Cancellation fees or premiums received to terminate leases are recognized in profit and loss at the effective date of the lease termination and when the Trust no longer has any performance obligations under the related lease.

ii) 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.

i) 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.

j) 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 Trust units outstanding during the period.

k) Financial income and financial expenses

Financial income comprises interest income on funds invested and balance of sale. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise interest on mortgage loans payable, convertible debentures, bank loans, lease liabilities 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 and convertible debentures.

Net financial expenses comprise financial expenses, distributions to Class B LP unitholders, fair value adjustment on Class B LP Units and changes in the fair value of derivative financial instruments.

l) 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.

m) Unit-based compensation

i) 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 units, 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.

ii) 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 units, and are revalued at settlement date. Any changes in fair value are recognized as compensation expense in profit or loss.

iii) 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 units, 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.

n) 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.

o) Fair value measurement

The Trust measures financial instruments, such as derivatives, and non-financial assets, such as investment properties (including right-of-use assets), 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,	2019	2018
	$	$
Balance beginning of year	839,015	751,110
Initial recognition of right-of-use assets	3,900	—
Acquisitions of investment properties (note 4(a))	75,658	97,114
Business combination	—	7,500
Dispositions of investment properties (note 4(b))	(35,950)	(45,744)
Capital expenditures	5,491	4,341
Capitalized leasing fees	1,301	1,636
Capitalized lease incentives	3,093	3,614
Lease incentives amortization	(3,004)	(3,223)
Straight-line lease adjustment	703	525
Net changes in fair value of investment properties (note 4 (c))	34,113	22,142
Balance end of year	**924,320**	**839,015**

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, 2019, external appraisals were obtained for investment properties with an aggregate fair value of $581,420 (December 31, 2018 - $548,940) and management's internal valuations were used for investment properties with an aggregate fair value of $342,900 (December 31, 2018 - $290,075).

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, 2019				
Capitalization rate	6.00% - 7.75%	5.75% - 7.50%	5.75% - 8.50%	5.00% - 8.25%
Terminal capitalization rate	6.25% - 7.25%	6.25% - 7.50%	6.00% - 7.25%	5.25% - 7.25%
Discount rate	7.25% - 7.75%	6.75% - 8.00%	6.50% - 8.00%	6.25% - 8.00%
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%

Valuations determined by the Direct Capitalization method are most sensitive to a change in the capitalization rate. An increase in the capitalization rate, other things being equal, will result in a decrease in fair value of the investment properties and vice-versa. The following table summarizes the sensitivity of the fair value of investment properties to changes in capitalization rate:

Capitalization rate sensitivity Increase (decrease)	**Fair Value**	**Change in fair value**
	$	$
(0.50%)	1,001,900	77,580
(0.25%)	962,018	37,698
Base rate	924,320	—
0.25%	890,382	(33,938)
0.50%	858,558	(65,762)

a) Acquisitions

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

i) Asset Acquisitions in 2019

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Mortgage loan**	**Receivable / (Trade and other payables), including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
May 2019	Industrial	St-Laurent, QC	100	11,790	(8,050)	33	3,773
June 2019	Mixed-use	St-Hilaire, QC	100	19,238	(12,700)	301	6,839
June 2019	Retail	St-Bruno, QC	100	42,931	(28,000)	(32)	14,899
Transaction costs				1,699	—	(1,699)	—
Total				**75,658**	**(48,750)**	**(1,397)**	**25,511**

ii) Asset acquisitions in 2018

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Balance of purchase price**	**Receivable / (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-use	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 is comprised of one mortgage loan payable bearing interest at 4.00%, payable monthly, which matured in December 2018.

iii) 2018 Acquisition of a subsidiary accounted as a business combination

On May 30, 2018, the Trust acquired 25% of the interest in Complexe Lebourgneuf-Phase II joint operation. 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.

b) Dispositions

i) 2019 Asset dispositions

Disposition date	Property type	Location	Gross proceeds	Mortgage Assumption	Balance of sale	Receivable / (Trade and other payables), including transaction costs	Net proceeds
			$	$	$	$	$
February 2019	Retail	Delson, QC	22,500	(12,533)	(6,000)	(20)	3,947
March 2019	Retail	Delson, QC	1,950	—	—	(5)	1,945
May 2019	Retail	Montreal, QC	7,100	—	—	(31)	7,069
August 2019	Office	Saguenay, QC	4,400	—	—	(1)	4,399
Transaction costs [(note 4 (c)]				—	—	(804)	(804)
Total			**35,950**	**(12,533)**	**(6,000)**	**(861)**	**16,556**

The balance of sale consists of a loan, expiring on January 31, 2024, bearing interest at 7% for the first 3 years, at 7.50% for the 4th year, and at 8% for the 5th year. The balance of sale as at December 31, 2019 is $6,035 and includes $35 of accrued interest.

ii) 2018 Asset dispositions

Disposition date	Property type	Location	Gross proceeds	Receivable / (Trade and other payables), including transaction costs	Net proceeds
			$	$	$
January 2018	Industrial	Dorval, QC	5,650	(1)	5,649
February 2018	Industrial	Cornwall, ON	490	(6)	484
February 2018	Retail	Drummondville, QC	3,075	(31)	3,044
July 2018	Retail	Thetford Mines, QC	475	—	475
August 2018	Retail	Chambly, QC	5,604	32	5,636
October 2018	Mixed-use	Sherbrooke, QC	30,450	(35)	30,415
Transaction costs [(note 4 (c)]			—	(2,013)	(2,013)
Total			**45,744**	**(2,054)**	**43,690**

c) Net changes in fair value of investment properties, net of disposition expenses

Year ended December 31,	2019	2018
Net changes in fair value of investment properties (note 4)	34,113	22,142
Business combination expenses	—	(57)
Disposition expenses (note 4 (b))	(804)	(2,013)
	33,309	20,072

Net changes in fair value of investment properties includes the net changes in fair value of right-of-use assets related to the investment properties to which a lease is attached.

The disposition expenses include mainly commissions and debt prepayment penalties on mortgage loans related to disposed properties.

5. Other Assets

As at December 31,	2019	2018
	$	$
Prepaid expenses	1,921	1,366
Deposits	675	844
Total	**2,596**	**2,210**

6. Receivables

As at December 31,	2019	2018
	$	$
Rents receivable	2,801	2,556
Allowance for expected credit losses	(716)	(567)
Net rents receivable	2,085	1,989
Unbilled recoveries	776	430
Other receivables	948	827
Total	**3,809**	**3,246**

7. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $913,620 as at December 31, 2019 (December 31, 2018 – $822,945).

As at December 31,	2019	2018
	$	$
Fixed rate mortgage loans payable	387,029	370,988
Floating rate mortgage loans payable	108,218	102,217
Unamortized fair value assumption adjustments	628	839
Unamortized financing expenses	(2,723)	(2,882)
Mortgage loans payable	**493,152**	**471,162**
Short-term portion	87,589	70,086
Weighted average interest rate	3.92%	3.99%
Weighted average term to maturity (years)	5.12	5.56
Range of annual rates	2.77% - 6.80%	2.77% - 6.80%

As at December 31, 2019, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	$	$	$
2020	14,574	73,015	87,589
2021	13,369	63,846	77,215
2022	11,750	27,882	39,632
2023	10,311	18,697	29,008
2024	8,253	76,529	84,782
Thereafter	36,582	140,439	177,021
	94,839	**400,408**	**495,247**
Unamortized fair value assumption adjustments			628
Unamortized financing expenses			(2,723)
			493,152

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 11). The following table presents relevant information on interest rate swap agreements:

Transaction date	Original principal amount	Effective fixed interest rate	Settlement basis	Maturity date	Outstanding amount	
					As at December 31, **2019**	As at December 31, **2018**
	$	%			$	$
March 2013	7,150	4.12	Monthly	April 2023	5,391	5,684
June 2016	13,000	3.45	Quarterly	June 2026	11,628	12,020
November 2017	23,200	3.8825	Monthly	November 2027	23,098	23,200
November 2017	23,075	3.905	Monthly	December 2027	21,943	22,524
Total	**66,425**				**62,060**	**63,428**

8. Convertible Debentures

As at December 31, 2019, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	$		
Series F	26,700	7.15	8.47	5.65	Semi-annual	December 2020
Series G	24,000	6.00	7.30	5.42	Semi-annual	October 2024

For both the Series F and the Series G subordinated, convertible, redeemable debentures, the fair value of the conversion and redemption options liability component at initial issuance was determined to be nil.

The accretion of the non-derivative liability component of the subordinated convertible debentures, when applicable, 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 G	Total
	$	$	$
As at December 31, 2019			
Non-derivative liability component upon issuance	26,700	24,000	50,700
Unamortized financing expenses	(336)	(1,268)	(1,604)
Non-derivative liability component	**26,364**	**22,732**	**49,096**
Conversion and redemption options liability component at fair value	45	—	45

	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	244	—	244
	22,934	26,700	49,634
Unamortized financing expenses	(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)**

Series E

In February 2013, the Trust issued Series E subordinated convertible, redeemable, unsecured debentures bearing 6.90% interest payable semi-annually and initially maturing in March 2020, in the amount of $23,000. The debentures were redeemed for their nominal value on November 1, 2019. The excess of the redemption amount over the carrying amount, which totalled $117 and would have otherwise been amortized over time, was charged to net financial expenses on November 1, 2019 (see note 15).

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").

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.

Series G

In October 2019, the Trust issued Series G subordinated convertible, redeemable, unsecured debentures bearing 6.00% interest payable semi-annually and maturing in October 2024, in the amount of $24,000. The debentures are convertible at the holder's option at any time before October 2024, at a conversion price of $5.42 per unit ("Series G Conversion Price").

These debentures are not redeemable before October 31, 2024, except in the case of a change in control. As of October 31, 2022, but before October 31, 2023, 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 October 31, 2023, but before October 31, 2024, 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.

9. Bank Loans

The Trust has access to an acquisition line of credit in the amount of $19,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at December 31, 2019, $10,200 was due under the acquisition line of credit (December 31, 2018 – $15,000).

The Trust also has access to an operating credit facility for a maximum amount of $3,000. This facility bears interest at a rate of 0.75% above the prime rate. As at December 31, 2019, $2,260 was due under the operating credit facility (December 31, 2018 – nil).

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on two properties having a fair value of $6,375 and by an immoveable second rank hypothec on six properties having a fair value of $131,625.

10. Class B LP Units

	Year ended December 31, **2019**		Year ended December 31, **2018**	
	Units	$	Units	$
Units outstanding, beginning of year	532,265	2,315	—	—
Issuance of Class B LP units - Acquisitions	—	—	532,265	2,491
Exchange into Trust units	(35,000)	(174)	—	—
Fair value adjustment		430		(176)
Units outstanding, end of year	**497,265**	**2,571**	532,265	2,315

The Class B LP Units are exchangeable into Trust units on a one-for-one basis at any time at the option of the holder. During the year ended December 31, 2019, 35,000 Class B LP Units were exchanged into Trust units.

The Class B LP Units are entitled to distributions equal to distributions declared on Trust 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 for a total amount of $224 during the year ended December 31, 2019 ($131 for the year ended December 31, 2018).

11. 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, balance of sale, trade and other payables and distributions payable to unitholders, which approximated their carrying amount as at December 31, 2019 and December 31, 2018 because of their short-term maturity or because they bear interest at current market rates.

As at December 31, 2019	Carrying amount			Fair value
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 8)	45	—	—	45
Interest rate swap asset	(304)	—	(304)	—
Class B LP Units (note 10)	2,571	2,571	—	—
For which fair values are disclosed				
Mortgage loans payable (note 7)	493,152	—	506,430	—
Convertible debentures, including their conversion and redemption features (note 8)	49,141	52,827	—	—
Bank loans (note 9)	12,460	—	12,460	—

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 8)	(45)	—	—	(45)
Interest rate swap asset	(1,554)	—	(1,554)	—
Class B LP Units (note 10)	2,315	2,315	—	—
For which fair values are disclosed				
Mortgage loans payable (note 7)	471,162	—	459,633	—
Convertible debentures, including their conversion and redemption features (note 8)	48,671	49,946	—	—
Bank loans (note 9)	15,000	—	15,000	—

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 period end.

The fair values of derivative financial instruments, which comprise the conversion and redemption options of convertible debentures and an interest rate swap, are based respectively on the partial differential equation method and the discounted future cash flows method. The assumptions used in the partial differential equation method are estimated by reference to the market price of the Trust units 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, 2019	
Balance beginning of year	(45)
Change for the year recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	90
Balance end of year	**45**

	Conversion and redemption options of convertible debentures
	$
Year ended December 31,2018	
Balance beginning of year	1
Change for the year recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	(46)
Balance end of year	**(45)**

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, 2019:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity Increase (decrease)		
(0.50%)	(41)	10.02
December 31, 2019	45	10.52
0.50%	140	11.02

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.

12. Unit-based Compensation

a) 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,	**2019**	**2018**
	Deferred units	Deferred units
Outstanding, beginning of year	37,055	12,330
Trustees' compensation	18,071	22,173
Distributions paid in units	4,516	2,552
Outstanding, end of year	**59,642**	**37,055**

As at December 31, 2019, the liability related to the plan was $306 (December 31, 2018 - $153). The related expense recorded in profit or loss amounted to $153 for the year ended December 31, 2019 ($97 for the year ended December 31, 2018).

b) Employee unit purchase plan

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

As at December 31, 2019, the liability related to the plan was $58 representing a total of 11,194 units to issue (December 31, 2018 - $41, representing a total of 9,253 units to issue). The related expense recorded in profit and loss amounted to $61 for the year ended December 31, 2019 (for the year ended December 31, 2018 - $40). The 11,194 units related to 2019 purchases were issued in February 2020 (9,253 units related to 2018 purchases issued in February 2019).

c) 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 years ended December 31,	**2019**	**2018**
	Restricted units	Restricted units
Outstanding, beginning of year	138,919	115,628
Granted	82,622	72,819
Cancelled	(1,818)	(18,815)
Settled	(54,711)	(30,713)
Outstanding, end of year	**165,012**	**138,919**

As at December 31, 2019, the liability related to the plan was $686 (December 31, 2018 - $475). The related expense recorded in profit and loss amounted to $462 for the year ended December 31, 2019 (for the year ended December 31, 2018 - $218).

13. 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 trust units are redeemable at the option of the holder, however they are presented as equity in accordance with IAS 32.

In June 2019, the Trust completed a public issue of 6,157,100 trust units, including the over-allotment option, for total net proceeds of $27,220.

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

Trust units issued and outstanding are as follows:

For the years ended December 31,	2019		2018	
	Units	$	Units	$
Trust units outstanding, beginning of year	55,317,723	274,231	48,423,118	244,115
Issue pursuant to a public issue	6,157,100	28,754	6,250,250	28,751
Trust unit issuance costs	—	(1,534)	—	(1,512)
	61,474,823	301,451	54,673,368	271,354
Issue pursuant to the distribution reinvestment plan (a)	677,771	3,110	603,951	2,691
Issue pursuant to the employee unit purchase plan (note 12 (b))	9,253	43	9,691	44
Issue pursuant to the restricted unit compensation plan (note 12 (c))	54,711	251	30,713	142
Class B LP units exchange into Trust units	35,000	174	—	—
Trust units outstanding, end of year	**62,251,558**	**305,029**	**55,317,723**	**274,231**

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,	2019	2018
	$	$
Distributions to unitholders	24,917	22,023
Distributions per Trust unit	0.42	0.42

14. Rental Revenues

For the years ended December 31,	2019	2018
	$	$
Base rent and other lease generated revenues	56,844	53,384
Lease cancellation fees	1,062	1,482
Property tax and insurance recoveries	18,434	17,200
	76,340	72,066
Operating expenses recoveries and other revenues	19,562	18,055
Lease incentive amortization	(3,003)	(3,223)
Straight-line lease adjustment	703	525
	93,602	**87,423**

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. The Trust has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Future minimum base rentals receivable under non-cancellable operating leases as at December 31, 2019 are as follows:

	2019
	$
Within one year	57,272
Beyond one year but within two years	50,681
Beyond two year but within three years	42,623
Beyond three year but within four years	35,162
Beyond four year but within five years	30,050
Beyond five years	86,608
	302,396

15. Net Financial Expenses

For the years ended December 31,	**2019**	**2018**
	$	$
Interest on mortgage loans payable	18,941	17,512
Interest on convertible debentures	3,577	3,496
Interest on bank loans	915	929
Interest on lease liabilities (Note 23)	271	—
Other interest expense	173	116
Accretion of non-derivative liability component of convertible debentures	43	49
Accretion of effective interest on mortgage loans payable and convertible debentures	1,078	1,039
Distributions - Class B LP Units	224	131
Fair value adjustment – Class B LP Units	430	(176)
Impact of early redemption of convertible debenture series E (note 8)	117	—
Net adjustment to fair value of derivative financial instruments	1,340	(229)
	27,109	**22,867**

16. Expenses by Nature

For the years ended December 31,	**2019**	**2018**
	$	$
Depreciation	106	90
Employee compensation and benefits expense	7,367	6,527

17. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32, the Trust is not required to report a profit or loss per trust 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 lAS 33, *Earnings per Share.*

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

For the years ended December 31,	**2019**	**2018**
	$	$
Net income	51,881	41,337
Weighted average number of trust units outstanding – basic	59,098,137	52,120,760
Earnings per unit – basic	**0.88**	**0.79**

18. 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,	2019	2018
	$	$
Cash and cash equivalents	(1,803)	(8,824)
Mortgage loans payable[1]	495,247	473,205
Convertible debentures[1]	50,700	49,700
Acquisition line of credit	10,200	15,000
Mortgage loans payable, Convertible debentures and Acquisition line of credit adjusted for Cash and cash equivalents	**554,344**	**529,081**
Total assets	939,130	855,223
Accumulated depreciation on Property and equipment	804	698
Cash and cash equivalents	(1,803)	(8,824)
Totals assets adjusted for accumulated depreciation and cash and cash equivalents	**938,131**	**847,097**

(1) Excluding issue costs

As at December 31,	2019	2018
	%	%
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	59.1	62.5
Mortgage loans payable / total assets adjusted for accumulated depreciation and cash and cash equivalents ratio	52.8	55.9

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 11)

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 an allowance for expected credit losses that represents its estimate of lifetime expected credit losses to be incurred in respect of its trade receivables. As at December 31, 2019, overdue rent receivable amounted to $1,959 (December 31, 2018 - $1,794), for which an allowance for expected credit losses of $716 (December 31, 2018 - $567) 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 five mortgage loans outstanding of $46,158 as at December 31, 2019, all other mortgage loans payable and convertible debentures bear interest at fixed rates or are covered by a 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 $4,616 on the Trust's comprehensive income for the year ended December 31, 2019.

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, 2019, the Trust was in compliance with all the covenants to which it was subject except for one mortgage loan's debt service coverage ratio. The mortgage loan is maturing in July 2020 and is therefore already included in the 2020 scheduled repayments. The balance of the mortgage loan as at December 31, 2019 was $18,000. The Trust has always met the other mortgage loan provisions and has never been late on a monthly payment. The Trust believes that the mortgage loan will be refinanced at maturity for the entire amount outstanding.

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, 2019			Estimated payment schedule					
	Carrying amount	**Total contractual cash flows**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025 and thereafter**
	$	$	$	$	$	$	$	$
Trade and other payables	17,984	18,110	18,028	67	9	6	—	—
Distributions payable to unitholders	2,179	2,179	2,179	—	—	—	—	—
Lease liabilities	4,454	10,594	322	330	332	334	294	8,982
Bank loans	12,460	12,460	12,460	—	—	—	—	—
Mortgage loans payable and convertible debentures	542,248	637,567	135,746	93,462	53,371	41,021	117,764	196,203
	579,325	**680,910**	**168,735**	**93,859**	**53,712**	**41,361**	**118,058**	**205,185**

As at December 31, 2018			Estimated payment schedule					
	Carrying amount	**Total contractual cash flows**	**2019**	**2020**	**2021**	**2022**	**2023**	**2025 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**

19. Subsidiaries and Joint Arrangements

a) Subsidiaries

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

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

b) Joint arrangements

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

As at December 31,		2019	2018
Property	**Location**	%	%
Immeuble BTB/Laplaine	Terrebonne, QC	50	50
Huntington/BTB Montclair	Gatineau, QC	50	50

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,	2019	2018
	$	$
Assets	20,007	19,917
Liabilities	10,141	10,523
Revenues	2,372	605
Expenses	1,420	110

20. Operating Segments

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

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

- Retail
- Office
- Industrial
- Mixed-use

	Retail	Office	Industrial	Mixed-use	Total
	$	$	$	$	$
Year ended December 31, 2019					
Investment properties	265,487	395,425	158,720	104,688	**924,320**
Rental revenue from properties	26,935	43,206	12,852	10,609	**93,602**
Net operating income	16,102	21,190	8,236	5,369	**50,897**
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**

21. 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 31,2019	$	$
Balance beginning of year	48,716	471,162
Mortgage loans, net of financing costs	—	17,841
Repayment of mortgage loans	—	(32,604)
Asset acquisitions mortgage assumption	—	48,750
Asset dispositions mortgage assumption	—	(12,533)
Net proceeds from issuance of convertible debentures	22,678	—
Repayment of convertible debentures	(23,000)	—
Fair value assumption adjustments and financing costs amortization	542	536
Accretion of non-derivative liability component	43	—
Impact of early redemption of convertible debenture series E	117	—
Balance end of year	**49,096**	**493,152**

22. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the years ended December 31,	2019	2018
	$	$
Salaries and short-term benefits	2,191	2,142
Unit-based compensation	604	333
Total	**2,795**	**2,475**

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

23. Leases, Commitments and Contingencies

a) Leases

Lease liabilities

As at December 31,	2019
Maturity analysis – contractual undiscounted cash flows	$
Within one year	322
Beyond one year but within five years	1,290
Beyond five years	8,982
Total undiscounted lease liabilities	**10,594**
Lease liabilities included in the statement of financial position	4,454
Current	105
Non-current	4,349

Amounts recognised in profit and loss and statement of cash flow

As at December 31,	2019
Profit and loss	$
Interest on lease liabilities (Note 17)	271
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	105
Statement of cash flow	
Total cash outflow for leases	418

Finance lease as lessee – 2018

The annual future payments required under finance leases expiring between 2020 and 2025 are as follows:

As at December 31,			2018
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
	$	$	$
Within one year	124	33	91
Beyond one year but within five years	496	72	424
Beyond five years	83	2	81
	703	**107**	**596**

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

b) 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.

24. Subsequent Event

In January 2020, the Trust completed the sale of an industrial property in Ingersoll (Ontario) for $13,300. As part of the transaction, the buyer assumed a mortgage loan of $9,068 discharging the Trust from is obligation under the mortgage loan.

In February 2020, the Trust completed the purchase of an office property in Ottawa (Ontario) for $21,750. As part of the transaction, the Trust assumed a mortgage loan of $13,474.

In February 2020, the Trust completed the sale of an industrial property in Montreal (Quebec) for $9,250. The Trust used $6,100 from the proceeds to repay outstanding mortgage loan.

25. Comparatives Figures

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

Corporate Information

Board of Trustees

Executive Team

Luc Lachapelle[1]
Secretary of the Board of Trustees and trustee

Sylvie Lachance[3]
Trustee

Peter Polatos[3]
Trustee

Michel Léonard
President and Chief Executive Officer and trustee

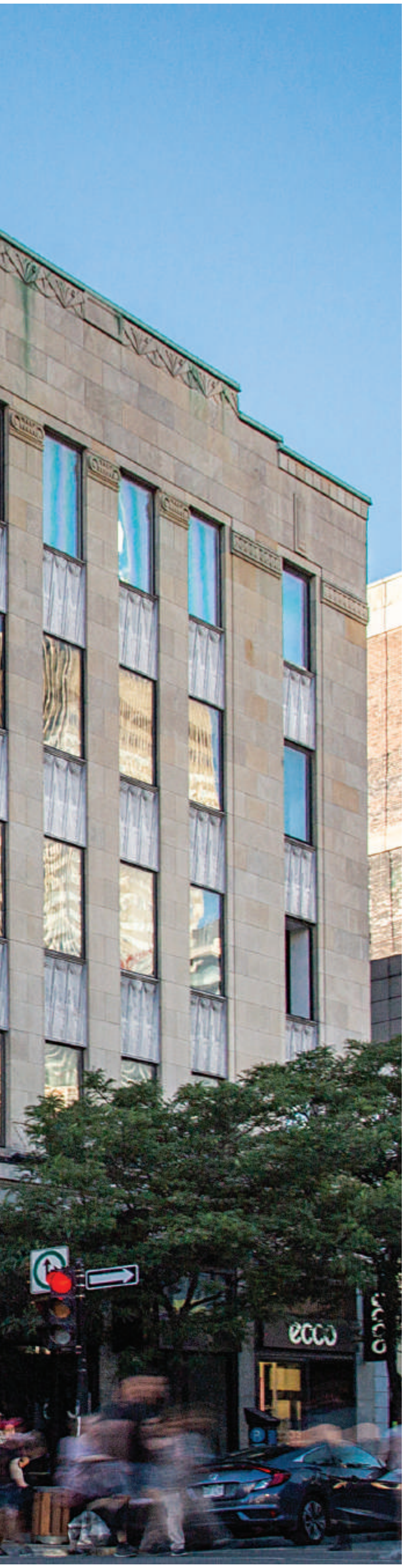
Benoit Cyr, CPA, CA, MBA
Vice-President and Chief Financial Officer

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

At BTB, we encourage all our staff and tenants to uphold the 3Rs: reduce, reuse, recycle.



Unitholders Information

Head office

BTB Real Estate Investment Trust
1411 Crescent, Suite 300
Montreal, Quebec, H3G 2B3
T 514 286 0188
www.btbreit.com

Listing

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

Transfer Agent

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

Taxability of distributions

In 2019, 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 8, 2020
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.

100%

POUR POSITION SEULEMENT

2019 ANNUAL REPORT

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