2020 Annual Report

BTB

Our values, *your added value.*

BTB's Values

Mission

Developing sustainable relationships for our clients' commercial real estate needs and investments.

At BTB, our two main clients are our investors and our tenants, who both have specific demands and requirements. On the investors side, they are looking to maximize their returns and by doing so, they entrust BTB to proactively ensure that through our management philosophy, we generate stable growth, expand our real estate assets and in turn, optimize their value, therefore maximizing the long-term value of our assets.

Employee kitchen space, Demers Beaulne Accounting Cabinet 3111 Saint-Martin Blvd, Laval

In terms of our tenants, BTB prides itself in ensuring a hands-on, tailored approach to respond to our clients' needs, and this in a timely manner. At the forefront, our clients expect quality customer service and impeccable building maintenance and to meet these needs, BTB's property management philosophy and customer-service on all levels of the organization is centered around the idea that at BTB, our tenants are not simply office or commercial occupants. They are clients, and our mission of client satisfaction rotates around the idea that our business is based on attracting and retaining our clients and this, on a long-term basis.

To ensure the achievement of our two-fold client mission, BTB relies on the implementation of the following core values:

Teamwork

People sharing ideas and fostering an environment of collectivity allows for quicker problem solving, better results and fostering an environment for innovative ideas.

Integrity

Our ethical principles of honesty are ingrained within our values. Without integrity and transparency, we would not be able to ensure an honest relationship with our clients.

Leadership

As we aim to be at the forefront of our industry, we invest in goal-oriented employees who are motivated and can take charge in innovative projects to meet our client's requirements.

Respect

We strive to always ensure a work environment that is positive regardless of age, race, sex, gender, religion, or sexual orientation. We believe that we are all capable of achieving our missions if we are all accepting of one another by showing compassion and consideration for others.

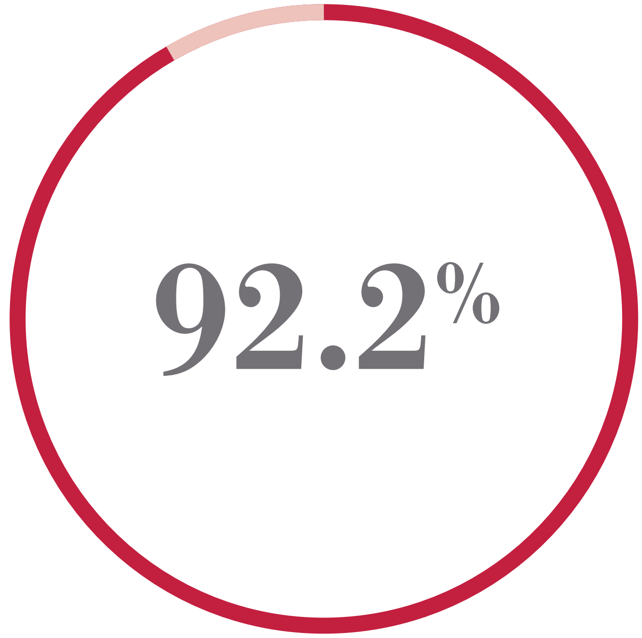
Highlights

It goes without saying that the past year demanded responsiveness, agility, and adaptation. As these three key elements were already part of BTB's DNA it allowed us, in addition to our strong corporate values, to adapt to our new normal within a quick time frame.

Throughout this year, our fellow collaborators demonstrated their comprehensiveness, conciliation, and accepted sacrifices. Our teamwork and collaboration with our suppliers greatly contributed to this years' success. As the saying goes: "It's when the tough times come that you know who your true friends and allies really are". This year enabled us to validate this saying on a company-wide scale. It also showed and reminded us of the importance to surround ourselves well and to wisely choose our collaborators.

Our results, for the fourth quarter of 2020 are solid and positive despite the first couple of months of the quarter and we are proud to report the following highlights.

Employee lounge space, BKOM Studios 815-825 Lebourgneuf Blvd, Quebec City



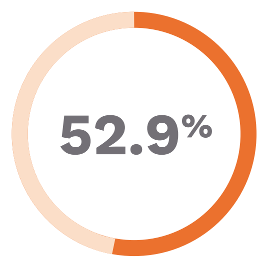
Occupancy rate

64

Properties

$92.9M

Rental income



Mortgage debt ratio

$927M

Total assets

24.2M

Recurring funds from operations (FFO)

22.1M

Recurring adjusted funds from operations (AFFO)

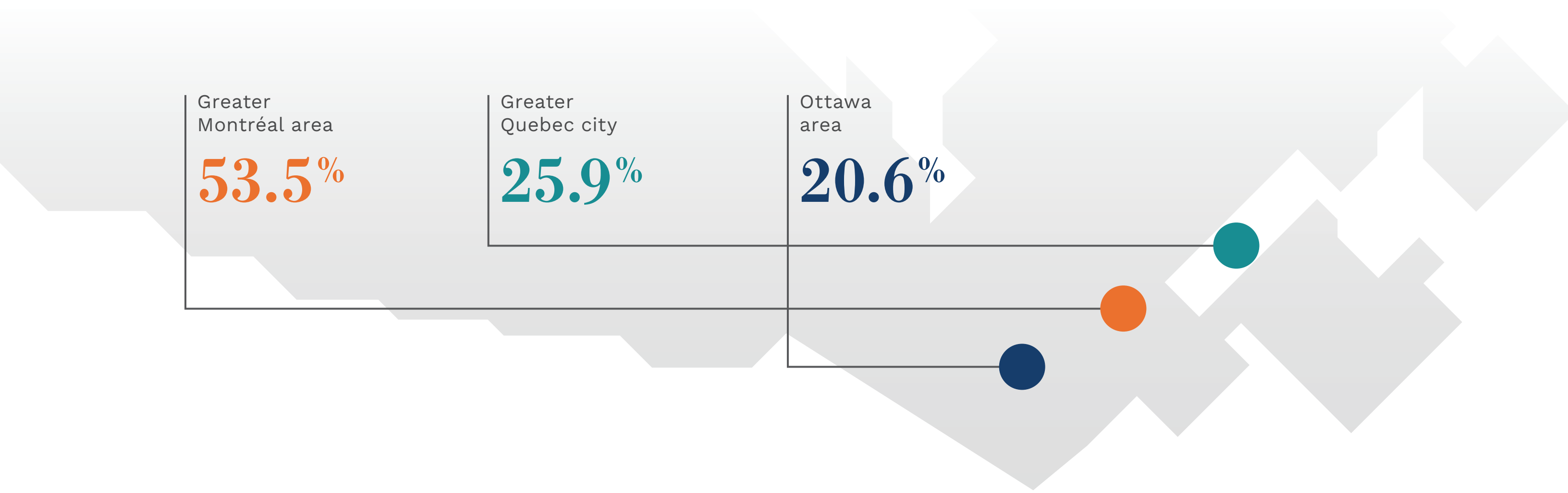
5.3M

Number of square feet

Geographic Locations

Our assets are located within the primary markets of the Greater Montréal Area, the Greater Quebec City Area as well as the Greater Ottawa Area.

BTB focuses on primary markets due to the centrality and strategic locations of the assets within established neighbourhoods and business hubs. By concentrating our geographic spread within these regions, BTB is able to offer to its client's various locations within 3 key areas in Eastern Canada, therefore offering various solutions to our clients.



Montréal

BTB is focused in the greater area of the island of Montréal, mainly concentrating our assets on the island. BTB's first acquisition in 2006 was a retail property in Laval, still owned by BTB today. BTB has properties in the following primary areas:

- Downtown Montréal
- Saint-Laurent
- Laval
- South Shore (Longueuil, Brossard, Saint-Bruno, Saint-Hilaire, Boucherville, St-Jean-sur-Richelieu).
- North Shore (Terrebonne & Ste-Thérèse)

Ontario

BTB pierced the Ontarian market in 2007 with its first acquisition in the industrial hub of Cornwall, Ontario. BTB later expanded into Ottawa with the acquisition of office properties, therefore solidifying an important presence in this office market with national tenants. BTB's Ontario locations are the following:

- Cornwall
- Ottawa
- Nepean
- Kanata
- Gatineau

Quebec city

As a complementary strategic location to the Island of Montréal, Quebec City is Québec's second most thriving cities. With many Quebec based and international tenants having dual businesses in both Montréal and Quebec City, BTB's expansion to the area was imminent. Having pierced the market in 2007, BTB has established a sound portfolio in Quebec City primarily composed of Retail and Office properties. BTB's properties are in the following neighbourhoods:

- Lebourgneuf
- Lévis
- St-Augustin de Desmaures
- Trois-Rivières

Breakdown by asset type

When searching for new assets, BTB favours those with long-term stability which follow the following criteria:

- Assets which house tenants with long-term leases.
- Assets with high occupancy rates.
- Assets which contain a tenant mix which is well established such as government institutions and national or international enterprises.

Our assets are broken down into three primary categories:

Office

A single or multiple storey property which primarily houses office tenants. These types of assets are usually leased to multiple tenants operating various businesses which do not serve a retail client base.*

* The mixed-use category found in previous annual reports has been removed from our asset type breakdown. Properties previously found in this segment have been reclassified under the “office” category.

48.8%

Retail

A single-story property which houses only retail tenants. Specific, to BTB’s portfolio, these include our Power Centers which are occupied by big-box tenants.

26.5%

Industrial

A single storey property which contains a large floorplate with an incredible ceiling height, higher than 18 feet. These properties allow for maximum vertical usage as the raw spaces are primarily used for stacking and warehousing solutions.

24.7%

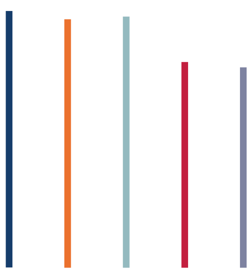
Evolution*

Rental Income

- 2020 92,969
- 2019 93,602
- 2018 87,423
- 2017 73,039
- 2016 73,384

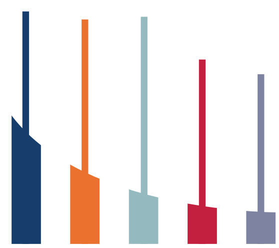
Net operating income

- 2020 51,260
- 2019 50,897
- 2018 47,637
- 2017 40,394
- 2016 41,339



Recurring adjusted funds from operations (AFFO)(1)

- 2020 22,145
- 2019 21,409
- 2018 21,584
- 2017 17,599
- 2016 17,391



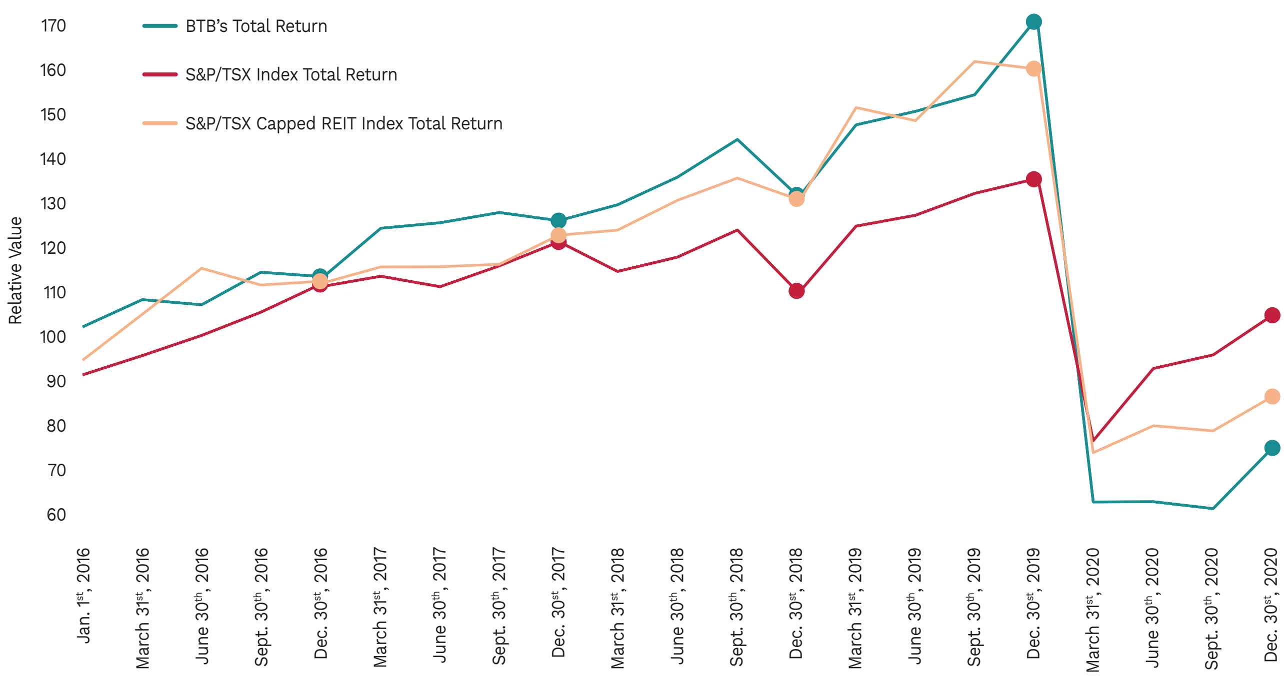
Recurring funds from operations (FFO)(1)

- 2020 24,229
- 2019 23,313
- 2018 23,598
- 2017 19,262
- 2016 17,710

* For the years ending December 31st (1) Non-IFRS financial measures

Performance on the markets

(The performance drop observed in this graphic is due to the COVID-19 pandemic)



Message

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

The year 2020 started off with a bang when BTB's stock price reached its peak at $5.49 per unit in February 2020, but no one anticipated the effect that Covid-19 would have on the economy, and this, on a worldwide scale. We then took the necessary steps to protect and ensure the perennity of the business and the safeguard of our cash flow.

Our tenants, our allies

We are very grateful for the support we received from our tenants during 2020. We achieved a rent collection rate of approximately 99% for the period ranging between March to December 2020, almost a record for Canadian real estate investment trusts. We also helped our tenants that were in need. We were proactive from the beginning of the pandemic. We were among the first building owners to learn about and internally implement the federal government's CECRA (Canada Emergency Commercial Rent Assistance) program. We made sure that our tenants who qualified for the program completed the required forms and received the required funds, so that we could do our part and give them the required credits. BTB, through its employees, was able to mitigate the risks associated with the pandemic by adopting a hands-on approach, managing tenant requests on a case-by-case personalized basis to respect BTB's core values. Tenants are a priority at BTB and we have sought to listen and help them.

Our greatest strength, our employees

As the saying goes "It's when the going get's tough that you know who your true friends and allies are". This year enabled us to validate this saying on a company-wide scale.

One of BTB's strengths is its employees. Over the past year, they have invested a lot of time, energy, and effort to help our tenants. Employees agreed to a salary freeze, trustees and senior executives reduced their pay. The Board of Trustees opted for an adjustment of the annual distribution from ¢42.0 to ¢30.0. Throughout this year when the challenges were numerous, our employees demonstrated comprehensiveness, conciliation, and accepted sacrifices. Our teamwork and the collaboration with our suppliers greatly contributed to this year's success. It also showed and reminded us of the importance to surround ourselves well and to wisely choose our business collaborators.

The entire BTB team has worked hard to overcome the tough challenges that 2020 had in store for us. Our results were affected by the economic conditions, especially in the second quarter of 2020, but the third and fourth quarter results were robust and positive despite the first months of the second quarter.

When we look at our performance against comparable groups, public companies in the same environment as us, we can see that we have done well and that our performance is better than that of others. I think that the Market saw it and that is one of the reasons why BTB, despite having fallen to $2.29 per unit in its low, still rose to $3.54 to close 2020 and is currently surpassing $4.00 per unit.

An overview of our results for the fourth quarter of 2020

As of March 12th, 2021, we have collected 100% of our fourth quarter invoiced rents, which is in line with our collection record through the months of March to December 2020. The efforts to collect rents have been maintained at high levels despite the events. We also report a significant reduction of the balance of receivables to a normalized level of $5.2 million compared to $8.6 million for the second quarter.

Our lease renewal activities remained strong during the quarter. Since the beginning of the year, 66% of the expiring leases have been renewed at an average rate of increase of 6.8%, a record rate since 2015. BTB renewed a total of 836,302 square feet of leasable area during the year 2020. During the quarter, we successfully leased a total of 56,589 square feet of leasable area to new tenants.

Our FFO payout ratio is 75.5% for the quarter and 88.7% for the year, while the AFFO payout ratio is 76.3% for the quarter and 97.1% for the year, a significant improvement in these ratios for a second consecutive quarter.

Our total debt ratio continues to demonstrate BTB's persistence in maintaining that ratio below 60%. At the end of Q4 2020, that ratio stood at 59.4%.

A portfolio repositioning strategy that is paying off

The strategic repositioning of our portfolio, which began over two years ago, has been proven to be very fruitful. The result of the repositioning, by disposing of less efficient buildings to purchase more efficient buildings, is showing its strength.

In line with the strategic repositioning of BTB's portfolio towards superior quality properties in the primary markets of Montréal, Ottawa and Quebec City, and following attractive offers that were received, we disposed of four properties for total proceeds of $48.5 million dollars.

BTB disposed of the following properties this year:

1. 311, Ingersoll Street South, Ingersoll (Ontario);
2. 5600, chemin de la Côte-de-Liesse, Montréal (Québec);
3. 1001, Sherbrooke Street East, Montréal (Québec);
4. 550-560, Henri-Bourassa Boulevard West, Montréal (Québec).

BTB acquired two properties for a total consideration of $29.85 million dollars. The following properties were acquired throughout the year:

1. 2611, Queensview Drive, Ottawa (Ontario);
2. 2005, Le Chatelier Street, Laval (Québec).

To complete the disposition strategy pursuant to the strategy review, to this date, only one property remains to be disposed to bring the strategy repositioning to a close.

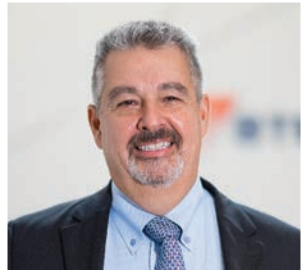
During 2020, we had the opportunity to test our foundations and validate their solidity since they have been tried enormously. The significant steps taken since 2017 to recalibrate BTB and ensure its long-term profitability have solidified BTB's foundation. We are flexible and agile. We have demonstrated our ability to question ourselves, including our work methods, to adapt and optimize processes according to the situations encountered. Our flexibility, our acceptance of change and our ability to confront reality have helped us to perform despite all the pitfalls encountered in 2020

Knowing with certainty that our foundation is solid; we can confidently continue to grow.

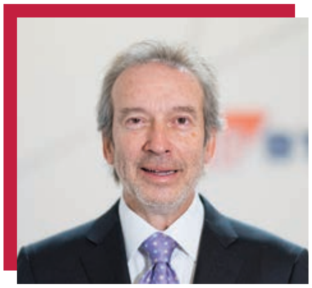
Jocelyn Proteau
Chairman of the Board of Trustees

Michel Léonard
President and Chief Executive Officer

Board of Trustees



Top row :

Fernand Perreault
President of the
Investment Committee
and trustee

Peter Polatos
Trustee

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

Middle row :

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

Bottom row :

Luc Lachapelle
Trustee

Sylvie Lachance
Trustee

Luc Martin
President of the
Audit Committee
and trustee

Executive Team


Mathieu Bolté
Vice President and
Chief Financial Officer

Michel Léonard
President and
Chief Executive Officer

Message

Message from *the Chairman of the Board of Trustees*

The past year has been marked by an unprecedented crisis that has disrupted the entire planet, its inhabitants, businesses, and our structures. No one has been spared from the effects of COVID-19. All businesses have faced unknown challenges until now and have been affected by the severity of this crisis.

I would say BTB has done extremely well and even better than most companies, thanks to the resilience of our entire organization and the quick and structured response from Management and the Board of Trustees. What made the difference for us was the unwavering commitment of each of our resources. All our past work methods were questioned, starting with the implementation of working from home, which was essential to protect our employees.

I must also pay tribute to our tenants for their collaboration and their ability to adjust to this unknown context. Some of our tenants have been able to depend on governmental support, which put in place special grant programs to help them.

Our financial results have obviously been affected and forced us, as did most of our peers, to adjust the amount of our distributions. In fact, some went as far as eliminating them. Despite this decision, our performance is even more attractive as an investment for our unitholders. We are committed to maintain our performance and improving it when conditions permit.

If I compare BTB's results in 2020 in this turbulent environment to those of previous years, I would say these are our most impressive results of the past four or five years.

With the rollout of the vaccination program, we will begin to see a return to a more normal life. One thing is certain though: when this crisis is over, nothing will be the same.

I remain convinced that BTB will emerge as more solid and agile and adjust to the economic situation, thanks to our resources, tenants, customers, but above all, thanks to our employees!

At the time of writing this message, it seems that under the government rules still in effect, our annual general meeting with our unitholders will be virtual once again this year. It is with regret because it is an important moment for management and trustees to meet investors. We must however follow the government guidelines.

This meeting will further mark the departure of two members of the Board of Trustees who have been occupying their positions since its inception of BTB in 2006. Mr. Peter Polatos and Mr. Luc Lachapelle will end their tenure as trustees on the Board of BTB. I want to pay tribute to them and thank them for their contribution in the development and success of BTB. Many thanks to both of you.

Meritas

Award – Teamwork

Karin Waldhart

Account Payables Supervisor

I started to work for BTB in October 2017 in an administration role for the operations department and won my first Méritas that year. At the beginning of 2020, I was offered the opportunity to start a new chapter in the accounting team as the Account Payables Supervisor. The core idea of my job is to get the bills paid on time, but what is not often realized about Accounts Payables is how the smallest delays, or that the way I choose to complete my tasks and manage my team can affect the whole company and the different departments, each with tremendous impacts.

When I first got here, I was really impressed by BTB's culture. The company really believes in the wellbeing of their employees. The saying: "work hard, play hard", applies here. Being at BTB, you like coming to work. From day one, I could feel the positive energy here. BTB has a set of values and you can feel and live them everyday. We feel valued and equal, we know there is a hierarchy, but we do not feel it. BTB has a strength in their workforce. The people I work with know what they are doing, and they are happy to be here.

What I like most about my job is the perfectionism, the structured and organized side of my work. My job is in the details, everything must be perfect and executed flawlessly. There is no gray area in what I do. People might think that what I do is repetitive, but I can guarantee you that it is never dull. I am someone who likes variety and what I do might be repetitive in its function, but definitely not in its form.

For instance, I work with BTB's entire portfolio and each building has its challenges and ways to operate, which means I get to work with different people every day and at the end, my decision in terms of Payables impacts all of the different teams here at BTB. Cue in all these factors and this brings the variety notion in what is typically thought as a totally stable and somewhat predictable job.

A month after I started in my new position, COVID-19 hit. The way I was taught to do things had to be changed and I had to step up and adapt to a new normal. We had to centralize and reorganize how the department works and how we think. Everything went through me since the accountants were working from home. It was an adaption process in a good way. I see this as a blessing in disguise. This pandemic gave us the chance to change the way we did things, to find a new and better way to work with everybody.

When thinking about Teamwork, I think about working together, not one for another, not less than someone, not more than someone else. Teamwork is making sure that we can all accomplish what we need to do by helping others achieve what they need to do, and not by doing it for them. In 2020, it was understood that we had to do adapt and, sometimes, we had to do a little more to help others to make sure that they made it through

2020 was one heck of a year and winning the Méritas for teamwork this year means a little more, than having won it in a "regular year", since the past year was a rollercoaster. You had to change, and you had to adapt, and I think this shows strength in company growth, but also, personal growth. So, the fact that it was recognized during this time makes it sweeter and means a lot to me.

Award – Integrity

Mitch Provost

Director, Property Management for Ottawa and Cornwall Regions

I have been working in real estate for over 35 years and with BTB since March 2018. I started as a Property Manager and was then promoted to Director, Property Management for the Ottawa and Cornwall regions as of 2020. I am responsible for managing all of our properties in our Ottawa portfolio as well as managing the leasing aspect for our vacant units, supervising construction and managing our regional office and team of 6. In addition to this, I'm also part of the special committee that is responsible for finding active solutions to better the company and the way we work. Working at BTB, I can really apply all my expertise and knowledge on a day-to-day basis and my experience brings a lot to the company. In the real estate world, there is never a dull moment.

I'm a person that finds satisfaction in results and one of my greatest achievements is having put BTB back on the map in Ottawa and making us a landlord of choice. When I started, we had high vacancies and no staff in Ottawa. I was basically a one man show and did everything, from changing light bulbs to service calls, leasing and construction. Today, we have an amazing team in place that sticks together and know where we are going. I am always one to evolve and grow and the team that I built and myself are ready for more properties. I'm always on the hunt for more space, more buildings in Ottawa to grow our portfolio. We are ready to grow!

When thinking about BTB, the words that come to mind are transparent, flexible, driven, and motivated. In turn, I also apply these words to everything I do. We are open and honest about everything we do and I share my experience and knowledge to help my colleagues. I am willing to share with anyone who wants to learn.

BTB has a CEO that has the drive to keep us moving forward. He communicates with his team and by team I mean the entire BTB team and not just upper management. He lets us know where we are, where we are heading, and nobody is left in the dark. Communication is very important especially when our portfolio is concentrated in different regions. Our CEO is open to criticism and I encourage employees to speak their mind. What they have to say might be something that might open our eyers or a whole new venue. There is a reason why BTB maintains its Great Place to Work as it recognizes its employees. When we do something, it is very satisfying to know that the work is recognized, and we can feel it.

I have zero tolerance for a negative work environment, and I maintain an open-door policy, much like the rest of upper management does. I encourage the team to go out to our different locations and make connections with our technicians and get to know our buildings. Now they are like a brotherhood sisterhood and get along extremely well. Since we spend more time at work than at home, we might as well make the best of it!

Despite the COVID-19 pandemic, 2020 was a great year for me. I was shocked to have won the Méritas for Integrity since it used to be always employees from the Montréal office that got these awards. I devote so much time and effort to the company. I am a firm believer of always acting as if somebody is watching and to maintain an honest spirit. I encourage my team to do so as well. Integrity comes from the top and if you show integrity and treat people with respect, it goes a long way.

Meritas

Award – Respect

Dalia Mizher

Corporate Accountant Technician

I have been working as a corporate accountant technician at BTB for the last two years. I arrived in Canada from the United Sates in 1999 not knowing a word of French. Learning to read and write French within 6 months was by far one of the hardest and most challenging things I have ever accomplished. It is also what I am the proudest of. I was the fastest student to complete and graduate from the intensive French Program in my teachers' 21 years of professional experience. As a corporate accounting technician, I work very closely with the Chief Corporate Accountant and we work on cashflow management, corporate administration and accounting, month-end, quarter-end, year-end activities, payroll and day-to-day exceptions. With all of these responsibilities and different aspects of our work, we never know what the day has in store for us! My role can de demanding at times, but I love the challenge and I can say I never get bored. I tend to be the quiet one around the office, however, I do get the chance to be in contact with colleagues from all departments which I love.

What I like the most about working at BTB is getting to work on a daily basis with an amazing group of people that I have the privilege of calling my colleagues. This group of people truly make the workdays that much more enjoyable as we collaborate so well as a team. I am very inspired by the healthy work relationship we build.

We are constantly developing and pushing to strive to better our ways. Many things make me proud to work at BTB, but their contribution to the bee population with their sustainable rooftop project is my top for 2020. I am very passionate about animals, so this project really means a lot to me.

If I had to describe BTB in four words, it would be motivating, progressive, respectful, and professional. The company has many core values, such as transparency, flexibility, and respect. BTB has created a friendly welcoming onboarding experience for all its new employees and it made me felt like I fit right in from day one. The work environment at BTB is fast paced, but also an exciting and wholesome place to work. BTB thrives on their Great Place to Work certification, that keeps up its name by the way management treats their employees, by being supportive and motivating. Upper management at BTB has always been professional and highly engaging, being always ready and available for their employees. BTB is constantly seeking the development and advancement of their employees, by pushing us to create challenging stretch goals. While they encourage us to take on responsibilities outside of our daily tasks, but also provides a healthy work-life balance, due to their flexibility.

Receiving the Méritas for Respect, I feel very honored and I am very thankful for everyone who voted for me. I do believe many people at BTB deserve this award as well! I am lucky to work in an environment where everyone around me is just as respectful as they believe I am. Everyone at BTB has always been respectful towards each other, which was a quality I noticed and appreciated since the first day I started.

Award – Quality

Katy Sedaghatian

Chief Property Accountant

I have more than 20 years of experience in real estate accounting and I have had the opportunity to work for real estate companies both in Québec and Ontario. I started my career as a junior accountant when I was 23 years old at a real estate company where I was the youngest out of more than 400 employees. This was my first exposure to real estate accounting and I just loved it.

February 2020 marked my 8-year anniversary at BTB. I started working here in February of 2013 as a property accountant and by late 2015 I took over the accounting for most of our Ontario properties which were externally managed in addition to my original portfolio. In December 2017, I was promoted to Chief Property Accountant and since, I have been involved in all the special projects as well as ensuring the day-to-day flow. I also started the social committee at BTB, which is now responsible for organizing all the company's social activities during the year. I love real estate accounting which is why I have always stayed in the field of real estate and at BTB, you are given the opportunity to do everything from A to Z of the financial aspect of a building, so you get to see the entire cycle firsthand. Reconciling items, whether it be for a variance analysis, budgets, or other items, once I get my head into solving a problem, I can lose all track of time and my days fly by.

BTB is a company that is constantly improving its technology, procedures and reports amongst other things and there is constant change which can be demanding on some employees, but in return when it is time to let loose, BTB really knows how to reward its employees to a fun and relaxed time. As certified year after year, BTB is a Great Place To Work and we really do deserve this certification. BTB encourages a very friendly and team spirited work environment by organising great teambuilding activities every year.

BTB's priority is its tenants and customer service and so in that regard, we make sure that the tenants' questions are answered in a very timely manner and that they have everything they need to run their business. This has left BTB with many content and devoted tenants year after year.

Winning the Méritas award for Quality is very humbling as you are chosen by your peers and it means the world to me to know that they acknowledge and appreciate my work and effort. I take great pride in my work and how it is done! I really love what I do at BTB and my great relationship with my immediate superior and all my coworkers in the different departments is very inspiring. The communication is great, and we work together to produce excellent quality of work. This makes me proud to be part of BTB.

Our Tenants

Main office hallway,
Intrado Life & Safety Canada
7150, Alexander-Fleming St.,
St-Laurent

Below is a list of some of our achievements in terms of lease agreements and renewals in 2020.

Renewals

- National Bank
- Cineplex Entertainement
- Desjardins
- E2IP Technologies Inc.
- FNX Innov
- Government of Québec
- Government of Canada (Public Works Canada)
- Immagix Immobilier
- Strongco
- Trévi

New Lease Agreements

- CMP Advanced Mechanicals
- Restaurant Vago
- Claigan Environmental Inc.
- Société Québécoise des Infrastructures
- Groupe BBA Inc.
- Canada Gap Program
- CISSS de la Montérégie Centre

Public Works and Government Services Canada

Our Recent Acquisitions

1 2005 Le Chatelier Street, Laval

November 16th, 2020
$8.1 million
34,200 square feet
Industrial

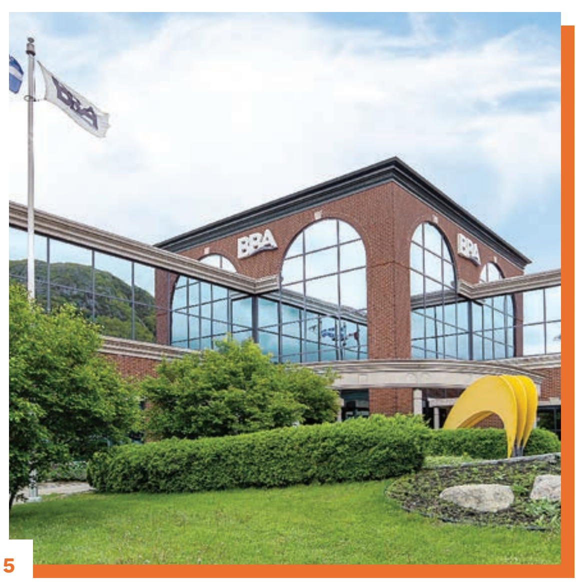
The property is entirely leased to Kolostat, an industry leader in the field of mechanical solutions for HVAC systems. With offices located in Montréal and Toronto, Kolostat has a multidisciplinary team composed of engineers, designers, draftsmen, control technicians and project managers in order to maintain global projects.

2

3

4A

4B



5

2 2611 Queensview Drive, Ottawa

February 3rd, 2020
$21.75 million
77,500 square feet
Office

This property is **LEED® Silver** and is fully leased to various tenants. The main tenant is the engineering consulting firm WSP, one of the world's largest environmental professional services firms that is also listed in the Toronto Stock Exchange. WSP has been occupying spaces in the property since its construction in 2012.

An excess of land was also part of this transaction, on which an additional 60,00 square feet of office space could be built. This land can be developed or sold by BTB.

3 2425 Pitfield Boulevard, Saint-Laurent

May 10th, 2019
$11.9 million
66,625 square feet
Office and industrial

4 1465-1495 and 1011-1191 Saint-Bruno Boulevard and 800 de l'Étang Street, Saint-Bruno-de-Montarville

June 20th, 2019
$43 million
366,490 square feet
Retail

5 340-360, 370-380, 375 and 377-383 Sir-Wilfrid-Laurier Boulevard, Mont-Saint-Hilaire

June 20th, 2019
$19.6 million
127,767 square feet
Office and retail

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
- 2101 Sainte-Catherine Street West, Montréal
- 3761-3781 des Sources Blvd, Dollard-des-Ormeaux
- 11590-11800 de Salaberry Blvd, Dollard-des-Ormeaux
- 1325 Hymus Blvd, Dorval
- 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

- 22900 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
- 2005 Le Chatelier Street, Laval

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

Quebec City Area

- 6655 Pierre-Bertrand Blvd, Quebec City
- 6700 Pierre-Bertrand Blvd, Quebec City
- 909-915 Pierre-Bertrand Blvd, Quebec City
- 825 Lebourgneuf Blvd, Quebec City
- 815 Lebourgneuf Blvd, Quebec City
- 1170 Lebourgneuf Blvd, Quebec City
- 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
- 2059 René-Patenaude Street, Magog

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
- 2611 Queensview Drive, Ottawa
- 7 and 9 Montclair Blvd, Gatineau
- 705 Boundary Road, Cornwall
- 725 Boundary Road, Cornwall
- 805 Boundary Road, Cornwall * 2901 Marleau Avenue, Cornwall

* Considered as two properties

Management Discussion and Analysis

Year ended December 31, 2020

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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, 2020 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, 2021 should be read together with the consolidated financial statements and accompanying notes for the year ended December 31, 2020. 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. Additional information about the Trust, including the 2020 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 quarterly financial 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 forward looking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate strategic acquisitions successfully, potential dilution, our ability to attract and retain key employees and executives, the financial position of lessees, our ability to refinance our debts upon maturity, 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.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The Federal and Provincial governments have taken many steps in their management of the health crisis, including the closure of all non-essential stores and services for a period and other restrictive measures were introduced by various levels of governments in Canada.

Since the beginning of the crisis, BTB has set up a COVID-19 task force to ensure full management of all collateral effects on our tenants, suppliers, creditors, as well as our employees. Several actions have been taken, including the review of rent agreements with tenants and the coordination with 80 tenants for the application of the federal grant under the CECRA program; the participation with our creditors to reduce our mortgage payments during this period; appropriate implementation of cost control and control of our investments; strengthening sanitation, health and safety measures in our properties and restricting access to our buildings. During this period, several companies announced bankruptcies and restructurings, mainly in the retail sector. To date, BTB's portfolio has been affected very little by this news.

BTB continues to closely monitor business operations and is aware that the impact of COVID-19 on the global economy and its duration remains uncertain. BTB may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, tenants, suppliers, or other stakeholders, as necessary. BTB will continue to work with the different tenants that are participating in the Canada Emergency Rent Subsidy ('CERS'), a program that is expected to continue through June 2021. The full extent and the financial impact of COVID-19 on communities and the economy remains uncertain. Therefore, BTB has taken the following proactive measures to provide greater financial strength and flexibility: 1) implementation of a cost reduction program to limit direct expenses and corporate expenses, 2) to review the current credit lines in place to ensure additional flexibility and cost reduction, and 3) to refinance properties to provide additional equity and to take advantage of a low-rate environment.

Non-IFRS Financial Measures

"Net operating income," "net operating income of the same-property portfolio", "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, 2020, it owns 64 retail, office and industrial properties located in primary 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 G and H convertible debentures are traded on the Toronto Stock Exchange under the symbols “BTB.UN”, “BTB.DB. G” and “BTB.DB. H”, 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, 62 of the Trust’s 64 properties held as at December 31, 2020 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, 2020[1]	**64**	**5,323,642**	**903,870**

(1) These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb and a 50% interest in one building totaling 74,940 sq. ft. 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 dispose of certain investments. BTB may dispose of certain assets if their size, location and/or profitability no longer meet the Trust’s investment criteria.

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

Highlights of the Fourth Quarter Ended December 31, 2020

- During the fourth quarter, BTB's portfolio continued to show its resilience and its limited exposure to bankruptcies. As reported in our Q2 2020 MD&A, only four tenants, representing roughly 2% of our tenant base on a per square foot basis, underwent corporate restructuring or filed for bankruptcy. At the end of Q4 2020, BTB has not received any additional bankruptcy or restructuring notices from its tenants.
- The Canada Emergency Commercial Rent Assistance (CECRA) program was enacted to provide rental support to tenants, which was available throughout the period ranging between April to September 2020. Throughout the year, we successfully filed applications for approximately 80 tenants, which represents roughly 15% of the leases managed by the Trust. All subsidies were received by the end of Q4 2020, and the program has now ended.
- After the end of the CECRA program, the Federal government announced the implementation of the CERS Program (Canada Emergency Rent Subsidy). This program is administered by the Federal Government and does not require landlords to grant rent abatements or concessions. Since landlords are no longer directly involved in the administration of the program, the Trust continues to guide its tenants to better understand the various programs offered by the federal government in order to further mitigate collection risks. At the end of the fourth quarter, only a handful of tenants expressed their intention to participate in the CERS program, which has not affected rent collection. In addition, at the end of Q4 2020, no additional rent deferral agreements were negotiated with tenants, further solidifying future revenues.
- COVID-19 has affected our results in the following fashion: ($1.3 million) for our NOI; $1.4 million in additional provisions for credit losses; therefore, a total of $2.7 million of negative impact on our FFO and AFFO results. As far as our fair value adjustment for our investment properties, the Trust has recorded a reduction in the fair value of its retail and office properties of $26.3 million and an increase in the fair value of its industrial properties of $17.9 million, thereby generating an adjustment to its total fair value of ($8.4 million) for the year 2020. 65% of our investment properties were externally appraised in 2020.
- Despite the challenges faced by the evolving events attributable to the pandemic, the Trust collected 100% of its fourth quarter invoiced rents, in line with its collection record through the months of March to December 2020. Rent collection continued to remain strong and we are reporting a significant reduction of the balance of receivables from $8.7 million at the end of Q2 2020 to a normalized level of $5.2 million for the quarter. The balance of receivables reported includes $0.8 million to be received after year-end under deferral agreements concluded with tenants during Q2 2020.
- Leasing activity remained strong during the quarter: 223,681 sq. ft. were renewed in anticipation with our existing tenants where their expirations were to take place in the years 2021 and after, therefore further solidifying the Trust's future revenues. During the quarter, the Trust leased 56,589 sq. ft. of leasable area to new tenants, thereby leaving 412,765 sq. ft. of leasable area available for occupancy at the end of the quarter. Since the beginning of the year, 66% of the leases expiring in 2020 were renewed (over 281,970 sq. ft. were renewed) at an average rate of increase of 6.8%.
- Since the beginning of the year, 281,970 sq. ft. was leased to new tenants. During the year 2020, the Trust managed to successfully renew leases expiring in the current year and expiring in coming years, for a total of 836,302 sq. ft. Therefore, the total leasing activity was approximately 1,1 million sq. ft.
- Net income and comprehensive income totalled $3.85 million compared to $41.55 million for the same period in 2019. The decrease was primarily attributed to (i) in 2019 the Trust recorded an increase in the fair value of investment properties of $34.1 million compared to an increase in the fair value of $2.3 million in 2020 and (ii) in 2019, the Trust recorded an increase to the fair value of derivative financial instruments of $1.2 million compared to a decrease of $2.9 million in 2020. Other than the fair value adjustment, we noted financial improvements on different fronts during the year: (i) an increase in our Net Operating Income margin to 55.1% compared to 54.4% in 2019 and (ii) a reduction of the net financial expenses attributable to the refinancing of mortgages concluded during the current year.

- The net property income from the same-property portfolio for the three-month period ended on December 31, 2020 increased by $0.1 million or 0.2% compared to the same period in 2019. For the year, the same property NOI increased by 0.1%. The impact of the CECRA program and the loss of income from the previously reported bankruptcies of four tenants in the second quarter of this year were compensated by the impressive leasing activity and from additional productivity. Our comparative results were affected by a non- recurring event in Q4 2019, specifically then recording an indemnity received from a tenant pursuant to a lease cancellation prior to the end of the term in the amount of $1.1 million.
- We are reporting a recurring FFO of $24.2 million for the year 2020, an increase of $0.9 million, or 3.9% compared to 2019. For the fourth quarter the FFO payout ratio stands at 75.5% and 88.7% for the year. For the fourth quarter the AFFO payout ratio stands at 76.3% and at 97.1% for the year.
- On September 29, 2020, BTB announced that it closed a public offering for the principal amount of $30 million, on a bought deal basis, issuing, in consideration therefore, Series H 7.00% Convertible Unsecured Subordinated Debentures to mature on October 31, 2025 (the “Series H Debentures”). On October 26, BTB used the net proceeds of this issue to fully redeem the $26.7 million Series F debenture due on December 31, 2020 and for general trust purposes. In the fourth quarter, approximately $0.6 million of the debenture was converted into units at a price of $3.64.
- BTB concluded the year on December 31, 2020 with a cash position of $9.1 million. The Trust has access to an operating credit facility with an authorized amount of $3 million and to an acquisition line of credit with an authorized amount of $19 million. As at December 31, 2020, the full amount of the operating credit facility was available to it and $3.7 million was available on the acquisition line of credit.
- Debt metrics continue to demonstrate the Trust’s commitment to maintain a total debt ratio below 60% and as of December 31, 2020, the total debt ratio stood at 59.4% compared to 59.1% on December 31, 2019.

Subsequent events

- No events to report.

Summary of significant items as at December 31, 2020

- Total number of properties: 64
- Total leasable area: approximately 5.3 million sq. ft.
- Total asset value: $927 million
- Market capitalization: $224 million

Selected Financial Information

The following table presents highlights and selected financial information for the quarters and years ended December 31, 2020 and 2019:

Periods ended December 31 (in thousands of dollars, except for ratios and per unit data)		Quarter		Year	
		2020	2019	**2020**	2019
	Reference (page)	**$**	$	**$**	$
Financial information					
Rental revenue	41	**22,455**	25,558	**92,969**	93,602
Net operating income[1]	42	**12,767**	14,174	**51,260**	50,897
Net income and comprehensive income	44	**3,850**	41,552	**2,919**	51,881
Adjusted net income[1]	45	**5,066**	6,445	**20,102**	20,518
Same-property portfolio[1]	45	**6,585**	6,447	**26,850**	26,836
Distributions	46	**4,778**	6,584	**21,513**	25,141
Recurring funds from operations (FFO)[1]	47	**6,322**	7,421	**24,229**	24,293
Recurring adjusted funds from operations (AFFO)[1]	48	**6,253**	6,795	**22,145**	22,389
Cash flow from operating activities	49	**15,954**	17,235	**45,145**	47,223
Total assets	34			**926,666**	939,130
Investment properties	52			**903,870**	924,320
Mortgage loans	54			**484,639**	493,152
Convertible debentures	56			**48,316**	49,096
Mortgage debt ratio	56			**52.9%**	52.8%
Total debt ratio	56			**59.4%**	59.1%
Weighted average contractual interest rate	54			**3.57%**	3.92%
Market capitalization				**223,941**	321,843
Financial information per unit					
Units outstanding (000)	58			**63,439**	62,252
Class B LP units outstanding (000)	57			**397**	497
Weighted average number of units outstanding (000)	58	**63,228**	62,139	**62,810**	59,098
Weighted average number of units and Class B LP units outstanding (000)	58	**63,625**	62,661	**63,241**	59,628
Net income and comprehensive income	44	**6.1¢**	66.2¢	**4.6¢**	87.0¢
Adjusted net income[1]	45	**8.0¢**	10.3¢	**31.8¢**	34.4¢
Distributions	46	**7.5¢**	10.5¢	**34.0¢**	42.0¢
Recurring FFO[1]	47	**9.9¢**	11.8¢	**38.3¢**	40.7¢
Payout ratio on recurring FFO[1]	47	**75.5%**	88.7%	**88.7%**	103.1%
Recurring AFFO[1]	48	**9.8¢**	10.8¢	**35.0¢**	37.5¢
Payout ratio on recurring AFFO[1]	48	**76.3%**	96.8%	**97.1%**	111.9%
Market price				**3.53**	5.17
Tax on distributions					
Revenue	60	**0.0%**	0.0%	**0.0%**	0.0%
Tax deferral	60	**100%**	100%	**100%**	100%
Operational information					
Number of properties	35			**64**	66
Leasable area (thousands of sq. ft.)	35			**5,323**	5,650
Occupancy rate	35			**92.2%**	93.2%
Increase in average lease renewal rate	37	**16.6%**	4.3%	**6.8%**	5.5%

(1) Non-IFRS financial measures.

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)	2020 $	2019 $	2018 $
Financial information			
Rental income	**92,969**	93,602	87,423
Net operating income[(1)(5)]	**51,260**	50,897	47,637
Fair value adjustment on investment properties	**(8,375)**	34,113	22,142
Net income (loss) and comprehensive income (loss)	**2,919**	51,881	41,337
Net cash from operating activities	**46,145**	47,223	44,724
Recurring FFO[(2)(5)]	**24,229**	24,293	23,598
Recurring AFFO[(3)(5)]	**22,145**	22,389	21,584
Distributions	**21,513**	25,141	22,154
Total assets	**926,666**	939,130	855,223
Long-term debt	**532,775**	542,248	519,878
Financial information per unit			
Net income and comprehensive income	**4.6¢**	87.8¢	78.7¢
Recurring FFO[(2)(5)]	**38.3¢**	40.7¢	45.0¢
Recurring AFFO[(3)(5)]	**35.0¢**	37.5¢	41.2¢
Distributions	**34.0¢**	42.0¢	42.0¢
Payout ratio on distributable income[(4)(5)]	**68.1%**	98.8%	92.2%

(1) Defined as rental income from investment properties less operating expenses.
(2) See "Funds from operations" on page 47 for reconciliation to net income.
(3) See "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)	2020 Q-4	2020 Q-3	2020 Q-2	2020 Q-1	2019 Q-4	2019 Q-3	2019 Q-2	2019 Q-1
	$	$	$	$	$	$	$	$
Rental revenue	**22,455**	23,583	23,063	23,868	25,558	23,973	22,347	21,634
Net operating income[(1)]	**12,767**	13,308	12,419	12,766	14,174	13,476	12,196	11,051
Net income and comprehensive income	**3,850**	5,757	(1,101)	(5,587)	41,552	5,632	3,316	1,381
Net income and comprehensive income per unit	**6.1¢**	9.1¢	(1.7)¢	(8.9)¢	66.2¢	9.0¢	5.8¢	2.5¢
Adjusted net income	**5,066**	5,963	3,757	5,316	6,445	5,813	4,518	3,742
Adjusted net income per unit	**8.0¢**	9.4¢	6.0¢	8.4¢	10.3¢	9.3¢	7.9¢	6.7¢
Cash from operating activities	**15,954**	8,983	10,534	10,674	17,235	9,875	11,897	8,216
Recurring funds from operations (FFO)[(1)]	**6,322**	6,920	4,710	6,277	7,421	6,747	5,446	4,679
Recurring FFO per unit[(1)]	**9.9¢**	10.9¢	7.5¢	10.0¢	11.8¢	10.8¢	9.5¢	8.4¢
Recurring adjusted funds from operations (AFFO)[(1)]	**6,253**	6,139	4,237	5,517	6,795	6,087	4,884	4,623
Recurring AFFO per unit[(1)]	**9.8¢**	9.7¢	6.7¢	8.8¢	10.8¢	9.7¢	8.5¢	8.3¢
Distributions[(2)]	**4,778**	4,752	5,375	6,618	6,584	6,563	6,113	5,881
Distributions per unit	**7.5¢**	7.5¢	8.5¢	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 performance indicators used to measure BTB's financial performance are presented and explained in Appendix 1.

Real Estate Portfolio

At the end of 2020, BTB owned 64 properties, totalling a fair value of $904 million. The properties generated approximately $93 million in annual income and represented a total leasable area of roughly 5.3 million square feet. A description of the properties owned by the Trust as at December 31, 2020 can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of investment properties held as at December 31, 2020

Operating segment	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)
Office(1)	34	2,597,827	89.9
Retail	12	1,409,565	93.3
Industrial	18	1,316,250	95.8
Total	**64**	**5,323,642**	**92.2**

(1) As of Q4 2020, 6 mixed-use properties have been re-classified as office properties.

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 favourable to concentrate its portfolio in the greater regions of Montréal, Québec City and Ottawa. The proceeds of disposition of these assets are primarily used to repay related mortgages, to repay lines of credit and to acquire accretive properties in line with the Trust's investment strategy. Pursuant to the Trust's repositioning of its portfolio, the Trust has concluded the following dispositions during 2020:

- In January 2020, the Trust disposed of an industrial property located at 311 Ingersoll Street South in Ingersoll, Ontario, for total proceeds of $13.3 million.
- In February 2020, the Trust disposed of an industrial property located at 5600, Côte-de-Liesse in Montréal, Québec, for total proceeds of $9.3 million.
- In June 2020, the Trust disposed of an office property located at 1001 Sherbrooke Street East in Montréal, Québec, for total proceeds of $22.1 million.
- In October 2020, the Trust disposed of an office property located at 550-560 Henri-Bourassa Boulevard West in Montréal, Québec, for total proceeds of $4.2 million.

Acquisition of investment properties

- In February 2020, the Trust acquired an office property located at 2611 Queensview Drive in Ottawa, Ontario, for a total consideration of $21.75 million, increasing BTB's total leasable area by approximately 77,500 sq. ft.
- In November 2020, the Trust acquired an industrial property located at 2005 Le Chatelier St. in Laval, Québec, for a total consideration of $8.1 million, increasing BTB's total leasable area by 34,200 sq. ft.

Real Estate Operations

Leasing activities

The following table summarizes the changes in available leasable area for the periods and years ended December 31, 2020 and 2019.

Periods ended December 31 (in sq. ft.)	Quarter		Year	
	2020	2019	**2020**	2019
Available leasable area at beginning of the period	**419,690**	355,067	**379,896**	479,420
Available leasable area purchased (sold)	**(16,753)**	—	**(53,843)**	(37,204)
Leasable area reclassified into operating	**—**	—	**75,340**	—
Leasable area of expired leases at term	**154,021**	233,244	**461,484**	597,218
Leasable area of expired leases before end of term	**238,358**	168,396	**668,125**	318,434
Leasable area of renewed leases at term	**(102,272)**	(148,363)	**(305,210)**	(421,250)
Leasable area of renewed leases before end of term	**(223,681)**	(174,078)	**(531,092)**	(270,684)
Leasable area of new signed leases	**(56,589)**	(54,368)	**(281,970)**	(284,160)
Other	**—**	(2)	**35**	(1,878)
Available leasable area at end of the period	**412,765**	379,896	**412,765**	379,896

Lease renewals

During the quarter, leases representing 154,021 sq. ft. of leasable area expired, of which 102,272 sq. ft. were renewed, representing a renewal rate of 66%.

Out of the total leasable area renewed during the quarter, 73,879 sq. ft. of renewals were concluded with office tenants, further confirming a strong desire for businesses to revert to an office setting.

A lease with a retail tenant occupying 30,452 sq. ft. on a short-term basis was maturing during the quarter. However, we were unable to conclude a lease renewal with the tenant as the tenant was not prepared to pay market rates, we therefore elected not to renew the lease. This non-renewal affects our renewal rate by 20%. Had this event not occurred, our renewal rate would have stood at 86%. In addition, it is important to note that we did not receive non-renewal notices during the quarter due to the COVID-19 pandemic.

During the year, the total area of leases expiring was 461,484 sq. ft. of which 305,210 sq. ft. were renewed, representing a renewal rate of 66%. As reported in our Q3 2020 MD&A, the shortfall of 156,274 sq. ft. was caused by (i) the eviction proceedings against an industrial tenant occupying 80,000 sq. ft. (which space was rapidly re-leased); (ii) the bankruptcy of a 23,000 sq. ft. retail tenant located in Gatineau, Québec; as well as (iii) the departure of the 30,452 sq. ft. tenant discussed above. Accounting for a total of 133,452 sq. ft., had these events not occurred, our renewal rate would have stood at 95%.

Anticipated renewals

As the Trust proactively manages its lease renewal strategy to retain a solid tenant base, during the quarter, leases representing 223,681 sq. ft. were renewed to existing tenants in anticipation of the expiry of their term in future years namely 2021 and after, therefore further solidifying the Trust's future revenues.

These anticipated renewals were primarily from the office and industrial segments of the portfolio, with leases representing approximately 163,000 sq. ft. of industrial space being renewed as well as roughly 60,000 sq. ft. being renewed to office users. This further solidifies the desire for office space users to occupy their spaces when safer to do so. Furthermore, one of our current Top 10 tenants was also active as Desjardins chose to renew, in anticipation, their 13,000 sq. ft. office/retail branch space located on the South Shore of Montréal and an office location in Québec City. Finally, in Québec City, we concluded a 33,000 sq. ft. lease renewal with the Government of Québec for a 5-year term.

As such, for the year ended December 31, 2020 the Trust concluded anticipated lease renewals totalling approximately 531,000 sq. ft., which reduces the Trust's risk linked to lease expiries for the years to come, showing a 96% increase in our early renewal strategy compared to the same period of 2019. Moreover, considering contractual and anticipated renewals, the Trust managed to successfully renew a total of 836,302 sq. ft. throughout 2020.

Average renewal rate

The following table shows a breakdown of the average increase of rental rates per operating segment:

Operating segment[1]	Quarter		Year	
	Sq. ft.	%	Sq. ft.	%
Office	136,066	20.5	371,268	7.3
Retail	6,633	0.9	154,560	2.2
Industrial	183,255	12.9	310,475	9.0
Total	**325,954**	**16.6**	**836,302**	**6.8**

(1) As of Q4 2020, 6 mixed-use properties have been re-classified as office properties.

The average rental rate of expired and renewed leases during the fourth quarter increased by 16.6%, compared to a 4.3% increase in 2019. For the year, the average rental rate increased by 6.8%, compared to 5.5% in 2019.

On a noteworthy basis, we must point out the 20.5 % increase in the office segment as well as a 12.9% average increase in our industrial segment. The 20.5% increase is primarily caused by a 10-year lease renewal that was concluded with a 47,000 sq. ft. office user located on the South Shore of Montréal. In addition, it is important to note that due to the consolidation of our formerly named “mixed-use” properties to the office segment, the 20.5% increase in rental rates can be attributed to certain retail tenants falling within this category.

In terms of the 12.9% increase emanating from our industrial segment, with the industrial market continuing to show its strength, the Trust was able to negotiate market rates from this segment as the effects of the pandemic on this segment continue to be minimal. Therefore, as long-term leases are usually signed within this segment, the Trust was able to capitalize on positive market trends to increase rent to market standards.

For the quarter, our retail segment continues to show identical trends as Q3 2020, where slight rent increases were reached as this segment was the most affected by the COVID-19 pandemic. On a quarterly basis, this segment saw a 0.9% increase and a 2.2% yearly increase in lease renewal rates, which was in-line with the Trust’s renewal strategy for this segment. As a reminder, to ensure occupancy within the portfolio during these turbulent times, the Trust found it advisable to be less demanding in proposing rent increases to its tenants operating in the retail sector to ensure favorable lease renewals and thereby insuring a stable occupancy rate.

On a yearly basis, our average renewal rate of expired and renewed leases increased by 6.8% (or 1.3% increase in respect to 2019), representing an all-time high in the average renewal rate increases since the fourth quarter of 2015.

Weighted Average Lease Term (WALT)

For the year ended December 31, 2020, the Trust was able to increase the average lease term of its leases to an average tenancy of 5.94 years, compared to a WALT of 5.55 years for the same period in 2019. In addition to securing future revenues for the Trust and solidifying its tenant base, the renewal strategy is also focused on ensuring longevity in the lease term when appropriate. These results further demonstrate the Trust’s efforts to secure its tenant base and revenues to come.

New lease transactions

During the quarter, the Trust leased 56,589 sq. ft. of leasable area to new tenants, leaving 412,765 sq. ft. of leasable area available at the end of the quarter. As announced in our Q2 2020 results, a 4,651 sq. ft. space was left vacant after a tenant filed for bankruptcy. We were able to re-lease this space, which will generate revenue in 2021. Moreover, we concluded a new 10-year lease for 7,000 square feet on the South Shore of Montréal with one of our Top 10 tenants, the Government of Québec.

Regarding our Ontario portfolio, an existing tenant expanded their office space located at 80 Aberdeen, leasing an additional 3,795 sq. ft. This expansion contributes to achieving a 100% occupancy rate for this property. Furthermore, as announced in our Q2 2020 results, a 9,913 sq. ft. space was leased in our Kanata property to a tenant operating in environmental compliance industry. This transaction began to generate income in the fourth quarter. Lastly, we concluded a lease in Cornwall, Ontario for an industrial space of 23,374 sq. ft. which began to generate income in the fourth quarter as well.

For the year, we concluded transactions with new tenants for a total of 281,970 square feet. Overall, we are continuing all our leasing efforts and receive good market traction. We note that businesses are more cautious when leasing space thus, taking more time to review legal documentation and confirming their commitment.

Occupancy rates

The following tables detail the Trust's committed occupancy rates by operational segment and geographic sector, including firm (committed) lease agreements.

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	%	%	%	%	%
Operating segment					
Office	**89.9**	89.5	91.1	90.2	90.0
Retail	**93.3**	95.3	95.6	95.6	96.0
Industrial	**95.8**	93.9	93.6	93.6	96.4
Total portfolio	**92.2**	92.1	92.9	92.4	93.2

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	%	%	%	%	%
Geographic sector					
Laval and North Shore	**99.9**	99.9	99.9	99.9	99.6
Island of Montréal	**93.3**	92.3	91.6	88.7	90.3
Montréal South Shore	**90.0**	92.0	92.8	93.0	93.0
Québec City and surrounding area	**89.1**	89.2	90.0	89.9	90.1
Ottawa and surrounding area	**93.3**	91.2	93.2	93.2	94.9
Central Ontario	**—**	—	—	—	100.0
	92.2	92.1	92.9	92.4	93.2

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	%	%	%	%	%
By province					
Québec	**91.5**	92.0	92.9	92.3	92.6
Ontario	**95.2**	92.8	92.6	92.6	95.5
Total portfolio	**92.2**	92.1	92.9	92.4	93.2

The occupancy rate at the end of the fourth quarter of 2020 stands at 92.2%, a 0.1% increase compared to our prior quarter or a 1.0 % decrease compared to the comparable period (Q4 2019). This result is mainly caused by a decrease of 2.7% in the occupancy rate of the retail sector for the comparable period. This reflects the departure of a 30,452 sq. ft. retail tenant as previously discussed as well as the effect of certain bankruptcies announced in our Q2 2020 MD&A for which we have not yet concluded firm lease agreements.

In respect to the geographic sectors, the stability of our Laval and North Shore sectors are showing strength, which, for the last four consecutive quarters are stable at a 99.9% occupancy rate or a 0.3% increase for the comparable period (Q4 2019). The properties located within these sectors are mainly office and industrial properties, therefore the results are in-line with the concluded lease renewals as previously discussed. In addition, the acquisition of the fully leased industrial property located at 2005 Le Chatelier Street in Laval, Québec further contributes to this sector's stable occupancy rate. The occupancy rate of our properties located in the Greater Montréal area is 94.4%, an all-time high since Q4 2017, demonstrating that our portfolio repositioning strategy is continuing to show its success.

The following table shows the in-place occupancy rate compared to the committed occupancy rate by operating segments as at December 31, 2020.

	Occupancy rate (%)		Sq. ft.
	In-place	**Committed**	**Committed**
Operating segment			
Office	89.7	89.9	5,656
Retail	93.3	93.3	—
Industrial	95.5	95.8	4,171
	92.1	**92.2**	**9,827**

The in-place occupancy rate as at December 31, 2020 (without taking into account firm committed lease agreements for tenants that are not yet occupying their spaces) stands at 92.1%, compared to 91.6% in 2019, resulting in a 0.5% increase. Spaces totalling 9,827 sq. ft. as at December 31, 2020 are subject to firm lease agreements and will, in the next few quarters, generate additional income.

The following table demonstrates the lease agreements that will soon take effect.

Properties	Sq. ft.	Tenants	Expected occupancy date
1327-1333 Ste-Catherine & 1411 Crescent, Montréal, Québec	2,896	Telus Retail Limited	January 2021
6655 Pierre-Bertrand Blvd, Québec, Québec	2,760	2164-3150 Québec Inc. (Services R. Baron Enr.)	March 2021
208-244 Migneron & 3400-3410 Griffith, St-Laurent, Québec	4,171	Eventure Group (expansion)	June 2021

Lease maturities

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

	2021	2022	2023	2024	2025
Office					
Leasable area (sq. ft.)	270,776	289,776	305,245	235,417	238,788
Average lease rate/square foot ($)	$13.22	$15.11	$14.56	$13.31	$14.31
% of office portfolio	10.4%	11.2%	11.8%	9.1%	9.2%
Retail					
Leasable area (sq. ft.)	124,370	296,744	182,180	82,887	233,227
Average lease rate/square foot ($)	$8.58	$11.58	$9.69	$15.69	$16.02
% of retail portfolio	8.8%	21.1%	12.9%	5.9%	16.6%
Industrial					
Leasable area (sq. ft.)	51,423	223,711	45,483	108,691	80,000
Average lease rate/square foot ($)	$7.03	$4.42	$5.58	$8.57	$7.50
% of industrial portfolio	3.9%	17.0%	3.5%	8.3%	6.1%
Total portfolio					
Leasable area (sq. ft.)	**446,570**	**810,230**	**533,908**	**426,996**	**552,015**
Average lease rate/square foot ($)	**$11.22**	**$10.87**	**$12.13**	**$12.57**	**$14.04**
% of total portfolio	**8.4%**	**15.2%**	**10.0%**	**8.0%**	**10.4%**

The Trust's efforts to conclude lease renewals in anticipation of their expirations allows it to stabilize the revenues of its portfolio and to reduce the risk of non-renewals for its upcoming lease expirations, thus further securing revenues and solidifying future occupancy.

Top 10 tenants

On December 31, 2020, BTB managed approximately 520 leases, which equates to an average leasable area of approximately 10,238 square feet per tenant. The Trust's three largest tenants are the Government of Québec, the Government of Canada, and Walmart Canada Inc., representing respectively 7.1%, 6.2% and 3.0% of rental revenue. These revenues are generated by multiple leases with these tenants whose maturities are spread over time. More than 37.6% of the Trust's total revenue is generated by leases signed with government agencies (federal, provincial, and municipal) and public companies, thus generating stable and high-quality cash flow for the Trust's operating activities.

The following table shows the contribution of the Trust's top 10 tenants as a percentage of revenue as at December 31, 2020. Their contribution accounts for 27.1% of annual rental revenue and 25.4% of leased area.

Client	% of revenue	% of leased area	Leased area (sq. ft.)
Government of Québec	7.1	5.6	297,758
Government of Canada	6.2	4.8	255,323
Walmart Canada inc.	3.0	5.0	264,550
Intrado Life & Safety Canada, Inc.	2.0	1.0	53,767
Mouvement Desjardins	1.8	1.2	62,585
WSP Canada Inc.	1.7	0.9	48,478
Groupe BBA Inc.	1.6	1.3	69,270
Strongco	1.5	1.5	81,442
Germain Larivière Laval Inc.	1.2	1.9	101,194
Lowe-Martin Company Inc.	1.1	2.2	116,415
	27.1	**25.4**	**1,350,782**

Operating Results

The following table summarizes the financial results for the quarters and years ended December 31, 2020 and 2019. 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	
		2020	2019	**2020**	2019
	Reference (page)	**$**	$	**$**	$
Rental revenue	41	**22,455**	25,558	**92,969**	93,602
Operating expenses	41	**9,688**	11,384	**41,709**	42,705
Net operating income(1)	42	**12,767**	14,174	**51,260**	50,897
Net financial expenses and financial income	41	**9,356**	5,564	**31,351**	26,634
Administration expenses	42	**1,537**	1,198	**6,750**	5,515
Transaction costs	44	**154**	—	**1,865**	980
Fair value adjustment on investment properties	52	**(2,130)**	(34,140)	**8,375**	(34,113)
Net income and comprehensive income		**3,850**	41,552	**2,919**	51,881

(1) Non-IFRS financial measure.

Rental revenue

In the fourth quarter of 2020, BTB's rental revenue decreased by $3.1 million or 12.1% compared to the same quarter last year. This offset the reduction in operating expenses during the same quarter. For the fiscal year 2020, the Trust reported a decrease in its revenue of $0.6 million or 0.1%. COVID-19 related impacts accounted for $1.7 million and were composed of four bankruptcies that took place in the second quarter, the CECRA program, and some rent abatements. Excluding those impacts, the Trust's revenues would have increased by 1.1%.

Operating expenses

BTB recorded a decrease in operating expenses of $1.7 million, or 14.9%, between the fourth quarter of 2020 and the fourth quarter of 2019, resulting from mainly from energy savings, reduction of property taxes and overall productivity considering the reduction of operation at the beginning of the pandemic and during the last week of December.

The following table shows the breakdown of operating expenses for the quarters and years ended December 31, 2020 and 2019.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	$	$
Operating expenses				
Maintenance, repairs and other operating costs	**3,184**	3,874	**13,913**	14,330
Energy	**1,229**	1,659	**5,531**	6,228
Property taxes and insurance	**5,275**	5,851	**22,265**	22,147
Total operating expenses	**9,688**	11,384	**41,709**	42,705
% of rental revenue	**43.1%**	44.5%	**44.9%**	45.6%

Net operating income

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net operating income(1)	**12,767**	14,174	**51,260**	50,897
% of rental revenue	**56.9%**	55.5%	**55.1%**	54.4%

(1) Non-IFRS financial measure.

Financial expenses and income

The following table shows the breakdown of financial expenses for the quarters and years ended December 31, 2020 and 2019:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	**$**	$
Financial income	**(208)**	(120)	**(564)**	(475)
Interest on mortgage loans	**4,578**	4,928	**18,786**	18,941
Interest on convertible debentures	**1,024**	955	**3,542**	3,577
Interest on bank loans	**224**	164	**836**	915
Other interest expense	**69**	137	**303**	444
Interest expense	**5,895**	6,184	**23,467**	23,877
Distributions on Class B LP units	**30**	56	**157**	224
Early repayment fees	**—**	—	**79**	—
Net financial expenses before non-monetary items	**5,925**	6,240	**23,703**	24,101
Accretion of effective interest on mortgage loans and convertible debentures	**343**	384	**1,244**	1,172
Accretion of non-derivative liability component of convertible debentures	**104**	27	**104**	66
Net financial expenses before the following items	**6,372**	6,651	**25,051**	25,339
Net adjustment to fair value of derivative financial instruments	**2,950**	(1,184)	**7,642**	1,340
Fair value adjustment on Class B LP units	**242**	217	**(778)**	430
Net financial expenses	**9,564**	5,684	**31,915**	27,109

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

Interest expense decreased by $289 during the fourth quarter of 2020 compared to the same period of 2019, and by $410 for the year, mainly due to the net effect of acquisitions, dispositions and decrease in the prime rate impacting floating interest rates of mortgages in recent quarters.

Distributions on Class B LP units amounted to $30 for the quarter and to $157 for the year. Under IFRS, although the Class B LP units can be exchanged at the option of holders for units that are traded on the public market, they are considered a financial instrument to be classified as a liability and therefore the related distributions are recognized as an expense.

Net financial expenses described above include non-monetary items. These non monetary items include the accretion of effective interest on mortgage loans and on convertible debentures, the accretion of non-derivative liability component of convertible debentures and fair value adjustments on derivative financial instruments and on Class B LP units. BTB recognized a fair value adjustment resulting in a non-monetary expense of $3,192 (2019: revenue of $967) for the quarter and a non-monetary expense of $6,864 for the cumulative period (2019: $1,770).

- The COVID-19 pandemic has created economic uncertainty and increased the volatility of the financial markets. The increase in the value of derivative financial instruments, which generated an equivalent expense recorded as an increase in non-monetary items, is caused by lower interest rates in Canadian financial markets during the reporting period and the increase in market value of BTB's unit since the issuance of Series H debentures.
- 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, 2020, the average weighted contractual rate of interest on mortgage loans outstanding was 3.57%, 35 basis points lower than the average rate posted as at December 31, 2019 (3.92%). Interest rates on first-ranking mortgage loans ranged from 2.37% to 6.80% as at December 31, 2020. The weighted average term of mortgage loans in place as at December 31, 2020 was 4.7 years (5.1 years as at December 31, 2019).

Administration expenses

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	$	$
Administration expenses	**1,653**	1,034	**5,152**	4,346
Expected credit losses	**(397)**	(78)	**1,417**	493
Unit-based compensation	**281**	242	**181**	676
Trust administration expenses	**1,537**	1,198	**6,750**	5,515

For the fiscal year 2020, the Trust reports an increase in administration expenses of $1.2 million. The COVID-19 related impacts accounted for $0.9 million in additional credit losses compared to previous year and $0.3 million of abandoned acquisition projects.

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 COVID-19 pandemic has created economic uncertainty and increased volatility in the financial markets. These factors have led us, at the end of the first quarter of 2020, to increase capitalization rates of properties considered to be more vulnerable to the effects of the pandemic, mostly in the Trust's retail segment, where tenants had to temporarily cease operations. At the end of the second quarter, the Trust recorded a decrease in the fair value of its investment properties, nevertheless without adjusting capitalization rates. This decrease of the fair value was specific to two properties. No fair value adjustment was made in the third quarter.

During the fourth quarter, the Trust retained the services of independent external appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the 10 most important properties and approximately a third of the remaining properties are annually appraised by independent external appraisers. In addition, as part of financing or refinancing and at the request of lenders, other properties are also independently appraised during the year.

For its properties that were not subject to independent appraisals, management receives quarterly capitalization rate and discount rate data reflecting real estate market conditions from independent external 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, 2020, 64.7% (2019: 62.9%) of the fair value of the real estate portfolio was externally independently appraised and 35.3% (2019: 37.1%) was internally appraised by the Trust's personnel. Following these appraisals, the Trust recorded an increase in value of $2.3 million (2019: $34.1 million) on its real estate portfolio.

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

Periods ended December 31 (in thousands of dollars)	Quarter 2020	Year 2020
	$	$
Office	(5,581)	(7,443)
Retail	(10,541)	(18,839)
Industrial	18,450	17,907
Total change in fair value	**2,328**	**(8,375)**

Office and retail properties have suffered the most from the impact of COVID-19. The decrease in value is mainly due to higher capitalization and discount rates in these segments and deterioration of other assumptions such as lag vacancy, normalized occupancy, and growth of market rent. However, industrial properties have benefited from the current environment and have seen major increase in value mostly explained by lower capitalization and discount rates combined with increase in market rent.

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

	Retail	Office	Industrial
As at December 31, 2020			
Capitalization rate	**5.25% – 8.00%**	**5.00% – 8.50%**	**5.00% – 8.50%**
Terminal capitalization rate	**5.50% – 8.00%**	**6.00% – 7.50%**	**5.50% – 7.00%**
Discount rate	**6.25% – 8.75%**	**6.75% – 8.25%**	**6.25% – 7.75%**
As at December 31, 2019			
Capitalization rate	6.00% – 7.75%	5.00% – 8.25%	5.75% – 8.50%
Terminal capitalization rate	6.25% – 7.25%	5.25% – 7.50%	6.00% – 7.25%
Discount rate	7.25% – 7.75%	6.25% – 8.00%	6.50% – 8.00%

The weighted average capitalization rate for the entire portfolio as at December 31, 2020 was 6.51% (December 31, 2019: 6.59%), 8 basis points lower since December 31, 2019.

As at December 31, 2020, BTB has estimated that if a variation of 0.25% in the capitalization rate was applied to the overall portfolio, this variation would change the fair value of the investment properties by approximately $35 million. The change of the capitalization rate is an appropriate proxy for the changes for the discount and terminal rates.

Net income and comprehensive income

BTB generated a net income of $3,850 for the fourth quarter of 2020, compared to a net income of $41,552 for the fourth quarter of 2019, a decrease of approximately $37,000. For the cumulative period, the net income stood at $2,919, compared to net income of $51,881 for the same period of 2019.

The change in cumulative net income is essentially attributable to the reduction in the fair value of investment properties of $8,375 recorded in 2020 compare to an increase in the fair value of $34,113 for 2019.

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	$	$
Net income	**3,850**	41,552	**2,919**	51,881
Per unit	**6.1¢**	66.2¢	**4.6¢**	87.0¢

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 investment properties fluctuate based on the stock market volatility of BTB's units, the forward interest rate curve and the discount and capitalization rates of its 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	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net income and comprehensive income	**3,850**	41,552	**2,919**	51,881
Non-recurring items:				
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	**154**	—	**1,944**	980
Volatile non-monetary items				
Fair value adjustment on investment properties	**(2,130)**	(34,140)	**8,375**	(34,113)
Fair value adjustment on derivative financial instruments	**2,950**	(1,184)	**7,642**	1,340
Fair value adjustment on Class B LP units	**242**	217	**(778)**	430
Adjusted net income(1)	**5,066**	6,445	**20,102**	20,518
Per unit	**8.0¢**	10.3¢	**31.8¢**	34.4¢

(1) Non-IFRS financial measure.

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, 2020, but it does not include the effect of acquisitions completed during 2019 and 2020, nor the disposition of properties 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		
	2020	2019	Δ	**2020**	2019	Δ
	$	$	%	**$**	$	%
Rental revenue	**19,744**	20,311	(2.8)	**80,289**	81,401	(1.4)
Operating expenses	**9,172**	9,610	(4.6)	**36,835**	37,588	(2.0)
Net operating income(1)	**10,572**	10,701	(1.2)	**43,454**	43,813	(0.1)
Interest expense on mortgage loans payable	**3,987**	4,254	(6.3)	**16,604**	16,977	(0.7)
Net property income(1)	**6,585**	6,447		**26,850**	26,836	
Increase (decrease) in net property income from the same-property portfolio	**0.2%**			**0.1%**		

(1) Non-IFRS financial measure.

Net property income for the fourth quarter of 2020 increased by 0.2% compared to the same quarter last year with a net operating income decrease of 1.2% and savings coming from mortgage refinancing over the last 12 months. Year-to-date, the decrease in rental revenue is attributable to the net impact of the CECRA program ($0.4 million) and the loss of income from bankruptcies or the temporary closure of tenants ($1.3 million). Operating expenses decreased by 2.0% due to savings resulting from the partial closure of some properties and additional productivity. The combination of these effects combined with the mortgage refinancing benefits resulted in an improvement of the net property income from the same-property portfolio of 0.1% for the cumulative period of twelve months.

Distributions

Distributions and per unit data

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	**$**	$
Distributions				
Cash distributions	**4,062**	5,690	**18,473**	21,763
Cash distributions – Class B LP units	**30**	56	**157**	224
Distributions reinvested under the distribution reinvestment plan	**686**	838	**2,883**	3,154
Total distributions to unitholders	**4,778**	6,584	**21,513**	25,141
Percentage of reinvested distributions	**14.4%**	12.7%	**13.4%**	12.5%
Per unit data[1]				
Distributions	**7.5¢**	10.5¢	**34.0¢**	42.0¢

(1) Including Class B LP units.

Monthly distributions to unitholders totalled 3.5¢ per issued unit until the month of April 2020, and 2.5¢ per issued unit beginning May 2020, for a total of 7.5¢ for the fourth quarter of 2020 and 10.5¢ for each quarter of 2019.

Distribution reinvestment plan (DRIP)

In the fourth quarter of 2020, 14.4% of total distributions (2019: 12.7%) were reinvested under the DRIP. An amount of $2,883 (2019: $3,154) of the Trust's cash has thereby been preserved through payment of distributions in units of the Trust since the beginning of the year.

Funds From Operations (FFO)

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO for the quarters and years ended December 31, 2020 and 2019:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net income and comprehensive income (IFRS)	**3,850**	41,552	**2,919**	51,881
Fair value adjustment on investment properties	**(2,130)**	(34,140)	**8,375**	(34,113)
Fair value adjustment on Class B LP units	**242**	217	**(778)**	430
Amortization of lease incentives	**794**	756	**3,068**	3,003
Fair value adjustment on derivative financial instruments	**2,950**	(1,184)	**7,642**	1,340
Leasing payroll expenses	**146**	164	**616**	548
Distributions - Class B LP units	**30**	56	**157**	224
FFO[1]	**5,882**	7,421	**21,999**	23,313
Non-recurring item				
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	**440**	—	**2,230**	980
Recurring FFO[1]	**6,322**	7,421	**24,229**	24,293
FFO per unit[2]	**9.2¢**	11.8¢	**34.8¢**	39.1¢
Recurring FFO per unit[2]	**9.9¢**	11.8¢	**38.3¢**	40.7¢
FFO payout ratio[3]	**81.1%**	88.7%	**97.7%**	107.4%
Recurring FFO payout ratio[3]	**75.5%**	88.7%	**88.7%**	103.1%

(1) Non-IFRS financial measures.
(2) Including Class B LP units.
(3) The FFO payout ratio corresponds to distributions per unit divided by FFO per unit.

For the fourth quarter of 2020, recurring FFO was at 9.9¢ per unit, compared to 11.8¢ per unit in 2019. The recurring FFO payout ratio for the fourth quarter of 2020 stood at 75.5% compared to 88.7% for the same quarter of 2019. The improvement compared to the prior quarters of this year is principally the result of normalized revenues, limited credit losses and the reduction of the distribution to unitholders announced in May 2020. COVID-19 related impacts for the year amount to 4.3¢ per unit (four bankruptcies, CECRA program, abatements and additional provisions for credit losses).

Adjusted Funds From Operations (AFFO)

The following table provides a reconciliation of FFO and AFFO for the quarters and years ended December 31, 2020 and 2019:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	**$**	$
FFO[1]	**5,882**	7,421	**21,999**	23,313
Straight-line rental revenue adjustment	**108**	(469)	**(249)**	(703)
Accretion of effective interest	**343**	384	**1,244**	1,172
Accretion of the liability component of convertible debentures	**—**	27	**—**	66
Amortization of other property and equipment	**23**	25	**100**	107
Unit-based compensation expenses	**281**	242	**181**	676
Provision for non-recoverable capital expenditures	**(449)**	(490)	**(1,859)**	(1,842)
Provision for unrecovered rental fees	**(375)**	(345)	**(1,500)**	(1,380)
AFFO[1]	**5,813**	6,795	**19,915**	21,409
Non-recurring item				
Transaction costs on purchase and disposition of investment properties and early repayment fees	**440**	—	**2,230**	980
Recurring AFFO[1]	**6,253**	6,795	**22,145**	22,389
AFFO per unit[2]	**9.1¢**	10.8¢	**31.5¢**	35.9¢
Recurring AFFO per unit[2]	**9.8¢**	10.8¢	**35.0¢**	37.5¢
AFFO payout ratio[3]	**82.1%**	96.8%	**108.0%**	117.0%
Recurring AFFO payout ratio[3]	**76.3%**	96.8%	**97.1%**	111.9%

(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.

For the fourth quarter of 2020, recurring AFFO was 9.8¢ per unit, compared to 10.8¢ per unit in 2019. The recurring AFFO payout ratio for the fourth quarter of 2020 stood at 76.3% compared to 96.8% for the same quarter of 2019. The improvement compared to the prior quarters of this year is principally the result of normalized revenues, limited credit losses and the reduction of the distribution to unitholders announced in May 2020. COVID-19 related impacts for the year amount to 4.3¢ per unit (four bankruptcies, CECRA program, abatements, and additional provisions for credit losses).

In calculating AFFO, the Trust deducts a provision for non-recoverable capital expenditures to consider capital expenditures invested to maintain the condition of its properties and to preserve rental revenue. This provision is based on management's assessment of industry practices and its investment forecasts for the coming years.

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

Years ended December 31 (in thousands of dollars)	**December 31, 2020**	31 décembre 2019	31 décembre 2018
	$	$	$
Provision for non-recoverable capital expenditures	**1,859**	1,842	1,719
Non-recoverable capital expenditures	**2,055**	2,603	1,871

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

Cash Flows

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

Periods ended December 31 (in thousands of dollars)	**Quarter**		**Year**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net cash from (used in):				
Operating activities	**15,954**	17,235	**46,145**	47,223
Investing activities	**(7,217)**	(3,139)	**12,130**	(18,566)
Financing activities	**(32,795)**	(14,140)	**(51,016)**	(35,678)
Net change in cash during the periods	**(24,058)**	(44)	**7,259**	(7,021)
Cash and cash equivalents, beginning of period	**33,120**	1,847	**1,803**	8,824
Cash and cash equivalents, end of period	**9,062**	**1,803**	**9,062**	**1,803**

Cash from operating activities decreased by $1,281 from $17,235 to $15,954 for the fourth quarter of 2020, mainly due to the decrease in adjustments for changes in other working capital items, lower net operating income and increase in administration expenses.

Cash used in investing activities increased by $4,078 from $3,139 to $7,217 for the fourth quarter mainly due to the higher additions to investment properties partially offset by higher dispositions of investment properties.

Cash used in financing activities increased by $18,655 from $14,140 to $32,795 for the fourth quarter mainly due to the repayment of mortgages on sale of properties.

The following table enables 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)	2020	2019	2018
	$	$	$
Net cash flows from operating activities (IFRS)	**46,145**	47,223	44,724
Interest paid	**(21,787)**	(23,442)	(21,851)
Net cash flows from operating activities	**24,358**	23,781	22,873
Net income	**2,919**	51,881	41,337
Total distributions (including Class B LP units)	**21,513**	25,141	22,154
Surplus (deficit) of net cash flows from operating activities compared to total distributions	**2,845**	(1,360)	719
Surplus (deficit) of net income over total distributions	**(21,439)**	26,740	19,183

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 per unit data)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**15,954**	17,235	**46,145**	47,223
Leasing payroll expenses	**146**	164	**616**	545
Transaction costs on purchase and disposition of investment properties and early repayment fees	**—**	—	**(1,790)**	(804)
Adjustments for changes in other working capital items	**(3,518)**	(3,706)	**1,465**	1,065
Financial income	**208**	120	**564**	475
Interest expenses	**(5,895)**	(6,184)	**(23,467)**	(23,877)
Provision for non-recoverable capital expenditures	**(445)**	(490)	**(1,855)**	(1,842)
Provision for non-recovered rental fees	**(375)**	(345)	**(1,500)**	(1,380)
Other items	**(263)**	—	**(263)**	12
AFFO[(1)]	**5,813**	6,795	**19,915**	21,409
Provision for non-recoverable capital expenditures	**449**	490	**1,859**	1,842
Provision for non-recovered rental fees	**375**	345	**1,500**	1,380
Straight-line rental revenue adjustment	**(108)**	469	**249**	703
Unit-based compensation expenses	**(281)**	(242)	**(181)**	(676)
Accretion of non-derivative liability component of convertible debentures	**—**	(27)	**—**	(66)
Accretion of effective interest	**(343)**	(384)	**(1,244)**	(1,172)
Amortization of property and equipment	**(23)**	(25)	**(100)**	(107)
FFO[(1)]	**5,882**	7,421	**21,999**	23,313

(1) Non-IFRS financial measure.

Segmented Information

The Trust's operations are generated from three 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, 2020 and 2019.

Periods ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Total
	$	%	$	%	$	%	$
Quarter ended December 31, 2020							
Investment properties	246,415	**27.3**	493,800	**54.6**	163,655	**18.1**	**903,870**
Rental revenue from properties	7,230	**32.2**	12,465	**55.5**	2,760	**12.3**	**22,455**
Net operating income(1)	4,486	**35.1**	6,468	**50.7**	1,813	**14.2**	**12,767**
Quarter ended December 31, 2019							
Investment properties	265,487	28.7	500,113	54.1	158,720	17.2	924,320
Rental revenue from properties	7,612	29.8	14,289	55.9	3,657	14.3	25,558
Net operating income(1)	4,677	33.0	7,186	50.7	2,311	16.3	14,174

(1) Non-IFRS financial measure.

Years ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Total
	$	%	$	%	$	%	$
Year ended December 31, 2020							
Rental revenue from properties	27,476	**29.6**	54,018	**58.1**	11,475	**12.3**	**92,969**
Net operating income(1)	16,177	**31.6**	27,686	**54.0**	7,397	**14.4**	**51,260**
Year ended December 31, 2019							
Rental revenue from properties	26,935	28.8	53,815	57.5	12,852	13.7	93,602
Net operating income(1)	16,102	31.6	26,559	52.2	8,236	16.2	50,897

(1) Non-IFRS financial measure.

Retail performance

Although the effect of the pandemic and the resulting government mandated restrictions have certainly impacted the retail industry in general, BTB had limited exposure to bankruptcies. The Trust does not own enclosed malls and most of the properties are anchored with necessity goods tenants. The occupancy rate at the end of the fourth quarter of 2020 stood at 93.3%, a 2.7% decrease for the comparable period. This reflects the departure of a 30,452 sq. ft. retail tenant as previously discussed as well as the four bankruptcies announced in our Q2 2020 MD&A. The Trust was able to renew leases during the year for 154,560 sq. ft. at an average increase in the renewal rate of 2.2%. Considering the industry challenges during the year, the net operating income stayed flat compared to 2019 with a NOI % of 31.6%. The Trust implemented multiple measures to navigate the COVID-19 pandemic and to reduce its financial impacts: 1) partnered with tenants to file, on time, the CECRA requests for all 80 tenants that qualified; 2) put in place different productivity initiatives to reduce operating costs; 3) orchestrated a cross functional team to ensure adequate communication with its tenants to improve collection efforts; and 4) negotiated lease renewals in anticipation of their expiries.

Office performance

BTB owns suburban office properties and its portfolio excludes downtown high-rise towers that were the most impacted by the pandemic. Overall, the performance of the segment has been stable across the three regions (Montréal, Québec City, and Ottawa) and it has been supported by the quality of its tenants (the top two tenants are the Federal and Provincial government agencies). The occupancy rate of our office properties at the end of the fourth quarter of 2020 stood at 89.9%, a 0.1% decrease for the comparable period. The Trust was able to conclude lease renewals during the year for a total of 371,268 sq. ft. at an average renewal rate increase of 7.3%. The net operating income generated by the office sector improved compared to 2019 with a rate of 54.0%, up 1.8%. Throughout the year, BTB disposed of two underperforming properties in Montréal (1001 Sherbrooke Street East and 550-560 Henri-Bourassa Boulevard West) at favorable pricing. The Trust was able to invest the proceeds in the acquisition of a property located at 2611 Queensview Drive in Ottawa, which acquisition was accretive from a NOI standpoint.

Industrial performance

The industrial segment continues to show good traction and performance. The occupancy rate at the end of the fourth quarter of 2020 stood at 95.8%, a 0.6% decrease for the comparable period. The decrease in the occupancy rate stemmed from the sale of two industrial properties at the beginning of 2020 (311 Ingersoll St. South in Ingersoll, Ontario, and 5600 Côte-de-Liesse in Montréal) that were 100% leased. These dispositions also impacted the NOI margin down 1.8%, at 14.4%. In November 2020, the Trust acquired an industrial property located at 2005 Le Chatelier St. in Laval, Québec, and this acquisition is accretive from a NOI standpoint going forward. The Trust was able to renew industrial leases during the year totalling 310,475 sq. ft. at an average increase in the renewal rate of 9.0%.

Assets

Investment properties

BTB has grown through high-quality property acquisitions based on its selection criteria, while maintaining an appropriate allocation among three investment segments: office, retail and industrial 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 value of its investment properties stood at $904 million as at December 31, 2020 compared to $924 million as at December 31, 2019. Because of higher capitalization and discount rates and deterioration of other assumptions such as lag vacancy, normalized occupancy and growth of market rent, the Trust recorded a decrease in the value of its portfolio for the year ending December 31, 2020 of approximately $8.4 million. In addition, the net impact of the 2020 transactions explains most of the remaining difference.

Summary by operating segment

As at December 31	**2020**			**2019**		
	Number of properties	**Leasable area (sq. ft.)**	**%**	Number of properties	Leasable area (sq. ft.)	%
Office	34	2,597,827	**48.8**	35	2,682,944	47.5
Retail	12	1,409,565	**26.5**	12	1,409,564	25.0
Industrial	18	1,316,250	**24.7**	18	1,482,282	26.2
Subtotal	64	5,323,642	**100.0**	65	5,574,790	98.7
Properties under redevelopment	—	—	**—**	1	75,340	1.3
Total	**64**	**5,323,642**	**100.0**	66	5,650,130	100.0

Improvements in investment properties

BTB invests capital to improve its properties to preserve the quality of their infrastructure and services provided to tenants. These investments include value-added maintenance 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.

The following table summarizes capital expenditures, incentives, and leasing fees, for the quarters and years ended December 31, 2020 and 2019.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	**$**	$
Recoverable capital expenditures	**568**	1,278	**990**	2,888
Non-recoverable capital expenditures	**652**	1,347	**2,055**	2,603
Refund received	**—**	—	**(280)**	—
Total capital expenditures	**1,220**	2,625	**2,765**	5,491
Leasing fees and leasehold improvements	**1,532**	1,214	**5,893**	4,394
Total	**2,752**	3,839	**8,658**	9,885

The following table shows changes in the fair value of investment properties during the quarters and years ended December 31, 2020 and 2019.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	**$**	$
Balance, beginning of period	**895,420**	886,648	**924,320**	839,015
Additions:				
Initial recognition of right-of-use assets	**—**	—	**—**	3,900
Adjustments to right-of-use assets	**291**	—	**291**	—
Acquisitions	**8,312**	(19)	**30,560**	75,658
Dispositions	**(4,133)**	—	**(48,765)**	(35,950)
Capital expenditures	**1,220**	2,625	**2,765**	5,491
Leasing fees and capitalized lease incentives	**1,532**	1,214	**5,893**	4,394
Fair value adjustment on investment properties	**2,130**	34,140	**(8,375)**	34,113
Other non-monetary changes	**(902)**	(288)	**(2,819)**	(2,301)
Balance, end of period	**903,870**	924,320	**903,870**	924,320

Balance of sale

The Trust granted a balance of sale when it disposed in 2019 of a property located in Delson, Quebec. The principal amount of the balance of sale is $6,000, 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 1, 2024.

Receivables

Amounts receivable from tenants and other receivables increased from $3,809 as at December 31, 2019 to $5,212 as at December 31, 2020. These amounts are summarized below:

(in thousands of dollars)	**December 31, 2020**	December 31, 2019
	$	$
Rent receivable	**4,259**	2,801
Allowance for expected credit losses	**(1,132)**	(716)
Net rent receivable	**3,127**	2,085
Unbilled recoveries	**665**	776
Other receivables	**1,420**	948
Amounts receivable from tenants and other receivables	**5,212**	3,809

The amount of rent receivable includes $787 to be received under payment deferral agreements agreed upon with tenants.

Other assets, Derivative financial instruments and Property and equipment

The table below summarizes other assets, derivative financial instruments in debit position and property and equipment:

(in thousands of dollars)	December 31, 2020	December 31, 2019
	$	$
Property and equipment	**1,238**	1,067
Accumulated depreciation	**(904)**	(804)
	334	263
Prepaid expenses	**1,498**	1,921
Deposits	**656**	675
Derivative financial instruments	**—**	304
Other assets	**2,488**	3,163

Capital Resources

Long-term debt

The following table shows the balance of BTB's indebtedness on December 31, 2020, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

As at December 31, 2020 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2021	—	105,563	3.61
2022	—	36,108	3.86
2023	—	35,704	3.62
2024	24,000	83,107	4.63
2025	29,385	45,161	4.87
2026 and thereafter	—	180,599	3.19
Total	**53,385**	**486,242**	**3.86**

Weighted average contractual interest rate

As at December 31, 2020, the weighted average contractual interest rate of the Trust's long-term debt stood at 3.86% (3.57% for mortgage loans and 6.55% for convertible debentures).

Mortgage loans

As at December 31, 2020, the Trust's total mortgage loans amounted to $486,242 compared to $495,247 on December 31, 2019, before unamortized financing expenses and fair value assumption adjustments. Fluctuations result from the financing of acquisitions completed in 2020, refinancing and principal repayments on monthly payments and dispositions.

The following table summarizes changes in mortgage loans payable during the quarter and year ended December 31, 2020.

Periods ended December 31 (in thousands of dollars)	Quarter	Year
	$	$
Balance at beginning	**484,417**	495,247
Mortgage loans contracted or assumed	**5,900**	39,069
Balance repaid at maturity or upon disposition	**—**	(35,691)
Monthly principal repayments	**(4,075)**	(12,383)
Balance as at December 31, 2020	**486,242**	486,242

Note: Before unamortized financing expenses and fair value assumption adjustments.

As at December 31, 2020, the weighted average interest rate was 3.57% compared to 3.92% as at December 31, 2019, a decrease of 35 basis points. As at December 31, 2020, except for five loans with a cumulative balance of $43,967, all mortgages payable bear interest at fixed rates ($381,665) or are subject to an interest rate swap ($60,610).

The weighted average term of existing mortgage loans was 4.7 years as at December 31, 2020. It was 5.1 years as at December 31, 2019.

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

Except for four properties, two of them partially securing the acquisition and operating lines of credit as at December 31, 2020, all of the Trust's other properties were subject to mortgages as at December 31, 2020.

The following table, as at December 31, 2020, shows future mortgage loan repayments for the next few years:

As at December 31, 2020 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2021	15,597	103,655	119,252	24.5
2022	13,604	31,627	45,231	9.3
2023	11,166	32,624	43,790	9.0
2024	8,813	73,493	82,306	16.9
2025	7,537	37,655	45,192	9.3
2026 and thereafter	29,195	121,276	150,471	31.0
Total	**85,912**	**400,330**	**486,242**	**100.0**
Unamortized fair value assumption adjustments			576	
Unamortized financing expenses			(2,179)	
Balance as at December 31, 2020			**484,639**	

As at December 31, 2020, the Trust was in compliance with all the covenants to which it was subject.

Convertible debentures

(in thousands of dollars)	**Series G**(1)(3)	**Series H**(2)(3)	**Total**
Par value	24,000	29,385(4)	53,385
Contractual interest rate	6.00%	7.00%	
Effective interest rate	7.30%	8.28%	
Date of issuance	October 2019	September 2020	
Per-unit conversion price	$5.42	$3.64	
Date of interest payment	April 30 and October 31	April 30 and October 31	
Maturity date	October 2024	October 2025	
Balance as at December 31, 2020	**22,954**	**25,362**	**48,316**

(1) 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.

(2) Redeemable by the Trust, under certain conditions, as of October 31, 2023, but before October 31, 2024, 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 H conversion price and, as of October 31, 2024, but before October 31, 2025, 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 G and H debentures by issuing freely tradable units to Series G and H debenture holders.

(4) Conversion of $615 of the Series H debenture in the fourth quarter

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 mortgage 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, 2020 and 2019.

(in thousands of dollars)	**December 31, 2020**	December 31, 2019
	$	$
Cash and cash equivalent	**(9,062)**	(1,803)
Mortgage loans outstanding(1)	**486,242**	495,247
Convertible debentures(1)	**53,385**	50,700
Acquisition credit facility	**15,300**	10,200
Total long-term debt less free cash flow	**545,865**	554,344
Total gross value of the assets of the Trust less free cash flow	**918,508**	938,131
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	**52.9%**	52.8%
Debt ratio – convertible debentures	**5.8%**	5.4%
Debt ratio – acquisition line of credit	**1.7%**	1.1%
Total debt ratio	**59.4%**	59.1%

(1) Gross amounts.

According to the table above, the mortgage debt ratio, excluding the convertible debentures and acquisition credit facility as at December 31, 2020, amounted to 52.9%, up by 0.1% from December 31, 2019. Including the convertible debentures and the acquisition credit facility, the total debt ratio stood at 59.4%, up by 0.3% from December 31, 2019.

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.

Liquidity refers to the Trust having credit availability under committed credit facilities and/or generating sufficient amounts of cash and cash equivalents to fund the ongoing operational commitments including maintenance capital and development capital expenditures, distributions to Unitholders and planned growth in the business. BTB maintains an operating credit facility to provide financial liquidity which can be drawn or repaid on short notice, reducing the need to hold liquid resources in cash and deposits. Management continues to believe the Trust is well positioned to manage through the pandemic based on the improved balance sheet over the years (total debt ratio below 60%), a short term debt maturities that are under way to be refinanced, a pool of assets that can be used to structure new lines of credit, and the liquidity of the portfolio in the event of an opportunistic asset sale.

Interest coverage ratio

For the quarter ended December 31, 2020, the interest coverage ratio stood at 2.24, a decrease of 10 basis point from the fourth quarter of 2019. For the year, the ratio stood at 2.24, an increase of 6 basis points compared to 2019.

Periods ended December 31 (in thousands of dollars, except for the ratios)	Quarter		Year	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net operating income	**12,767**	14,174	**51,260**	50,897
Interest expenses net of financial income[(1)]	**5,687**	6,064	**22,903**	23,402
Interest coverage ratio	**2.24**	2.34	**2.24**	2.18

(1) Interest expenses excludes early repayment fees, 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 and Class B LP units.

Class B LP units

Periods ended December 31, 2020 (in number of units)	Quarter		Year	
	Units	$	**Units**	$
Class B LP units outstanding, beginning of period	**397,265**	1,160	**497,265**	2,571
Exchange into Trust units	**—**	—	**(100,000)**	(391)
Fair value adjustment	**—**	242	**—**	(778)
Class B LP units outstanding, end of period	**397,265**	1,402	**397,265**	1,402

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. In accordance with IFRS principles, distributions paid on Class B LP units are recorded as financial expenses when declared. Distributions declared are adjusted in calculating FFO and AFFO.

On May 4, 2020, at the request of the holders, 100,000 Class B LP units were exchanged for units of BTB.

The Class B LP units were issued on May 30, 2018 in payment for the acquisition of a residual portion of “Complexe Lebourgneuf – Phase II” in Québec City (less the portion related to the mortgage loan assumption by BTB). The holders of the Class B LP units were entitled to a $30 distribution during the fourth quarter of 2020, and a $157 distribution for the year.

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, 214,660 units were issued during the fourth quarter of 2020 (2019: 178,531 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	
	2020	2019	**2020**	2019
Units outstanding, beginning of the period	**63,047,077**	62,036,146	**62,251,558**	55,317,723
Units issued	**—**	—	**—**	6,157,100
Distribution reinvestment plan	**214,660**	178,531	**836,685**	677,771
Issued – deferred unit compensation plan	**—**	—	**2,973**	—
Issued – employee unit purchase plan	**—**	—	**11,194**	9,253
Issued – restricted unit compensation plan	**8,742**	1,881	**68,069**	54,711
Class B LP units exchanged into Trust units	**—**	35,000	**100,000**	35,000
Issued – conversion of convertible debentures	**168,956**	—	**168,956**	—
Units outstanding, end of the period	**63,439,435**	62,251,558	**63,439,435**	62,251,558
Weighted average number of units outstanding	**63,228,210**	62,139,488	**62,809,836**	59,098,137
Weighted average number of Class B LP units and units outstanding	**63,625,475**	62,661,481	**63,240,981**	59,627,813

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, 2020 and 2019.

Periods ended December 31 (in number of units)	Quarter		Year	
	2020	2019	**2020**	2019
Deferred units outstanding, beginning of the period	**83,466**	56,699	**59,642**	37,055
Trustees' compensation	**2,512**	1,707	**23,956**	18,071
Distributions paid in units	**1,942**	1,236	**7,295**	4,516
Settled	**—**	—	**(2,973)**	—
Deferred units outstanding, end of the period	**87,920**	59,642	**87,920**	59,642

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 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, 2020 and 2019.

Periods ended December 31, (in number of units)	Quarter		Year	
	2020	2019	**2020**	2019
Restricted units outstanding, beginning of the period	**143,951**	167,892	**165,012**	138,919
Granted	**11,656**	153	**60,893**	82,622
Cancelled	**(7,141)**	(1,152)	**(18,112)**	(1,818)
Settled	**(8,742)**	(1,881)	**(68,069)**	(54,711)
Restricted units outstanding, end of the period	**139,724**	165,012	**139,724**	165,012

Employee unit purchase plan

The Trust offers its employees an optional unit purchase plan. Under this plan, the employees may contribute, each year, from 3% to a maximum of 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 to the employee one unit from treasury.

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, among 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 lots clean-up, development of a client service and preventive maintenance software, and environmental risk management.

As mentioned above, BTB contributes to sustainable development and is committed to mobilize 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 implemented 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 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 school located in Montréal's West Island, but to also help purify and filter the ecosystem. More than forty-five 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. Their mission is to fight 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 societal issues. SDS acts 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 “non portfolio assets” held by the trust (ii) not less than 90% of its “gross REIT revenue” for the taxation year is from one or more of the following sources: rent from “real or immovable properties,” interest, dispositions of “real or immovable properties” that are capital properties, dividends, royalties and dispositions 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 dispositions 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,” the 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, 2020, 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, to the best of the Trust management’s knowledge, distributions are qualified as follows for taxation purposes:

Periods ended December 31	**2020**	2019
	%	%
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.

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 2020 Annual Information Form for the year ended December 31, 2020, 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

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

The President and Chief Executive Officer and the 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, 2020, 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, 2020, 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 2020, 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;
- **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 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 revenue;
- 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 quarter 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 revenue.

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 revenue

Rental revenue 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 revenue 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 revenue 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 $486 million as at December 31, 2020, compared to $495 million as at December 31, 2019.
- Series G and H convertible debentures for a total par value of $48.3 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 expected credit losses 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, 2020 and still owned as at December 31, 2020, but does not include the financial impacts from dispositions, acquisitions and developments completed in 2019 and 2020, 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 revenue from properties from the same-property portfolio, less operating expenses and interest on mortgage financing of the same portfolio.

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 consider other non-cash items that impact comprehensive income and do not enter into the calculation of FFO, including:

- Straight-line rental revenue 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.


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Audited Consolidated Financial Statements

Year ended December 31, 2020

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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, 2020, 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, 2020 and 2019 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

Mathieu Bolté
Vice President and Chief Financial Officer

Montréal, March 12, 2021

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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, 2020 and 2019
- 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, 2020 and 2019, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the fair value of investment properties

Description of the matter

We draw attention to Note 2 (e)(ii) and Note 4 to the financial statements. Investment properties are stated at fair value at each reporting date. The Entity has recorded investment properties at fair value for an amount of $903,870 thousand.

Fair value is determined by management using internally generated valuation models and by independent expert appraisers using recognized valuation techniques. The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets. The significant inputs used to determine the fair value of investment properties are capitalization rate, terminal capitalization rate and discount rate.

Why the matter is a key audit matter

We identified the evaluation of the fair value of investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of investment properties and the high degree of estimation uncertainty in determining the fair value of investment properties. In addition, significant auditor judgment and specialized skills and knowledge were required in performing, and evaluating the results of, our audit procedures due to the sensitivity to the Entity's determination fair value of investment properties to minor changes to significant inputs.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design and tested the operating effectiveness of certain controls over the Entity's process for determining the fair values of investment properties, including controls related to the development of the estimates of future cash flows from assets and significant inputs.

For a selection of investment properties, we compared the estimate of future cash flows from assets to the actual historical cash flows. We assessed the adjustments, or lack of adjustments, made in arriving at the estimate of future cash flows from assets by taking into account changes in conditions and events affecting the investment properties and the Entity.

For a selection of investment properties, we involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the capitalization rates, terminal capitalization rates and discount rates. These rates were evaluated by comparing them to published reports of real estate industry commentators and considering the features of the specific investment property.

We evaluated the competence, capabilities and objectivity of the independent expert appraisers by:

- Inspecting evidence that the appraisers are in good standing with the Appraisal Institute;
- Considering whether the appraisers have appropriate knowledge in relation to the specific type of investment properties; and
- Reading the reports of the external independent appraisers which refers to their independence

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.

KPMG

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

KPMG LLP*

Montréal, Canada
March 12, 2021

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

Consolidated Statements of Financial Position

As at December 31, 2020 and 2019 (in thousands of CAD dollars)

	Notes	2020	2019
		$	$
ASSETS			
Investment properties	4	903,870	924,320
Property and equipment		334	263
Derivative financial instruments	11	—	304
Other assets	5	2,154	2,596
Balance of sale	4	6,034	6,035
Receivables	6	5,212	3,809
Cash and cash equivalent		9,062	1,803
Total assets		**926,666**	**939,130**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	7	484,639	493,152
Convertible debentures	8	48,316	49,096
Bank loans	9	15,300	12,460
Lease liabilities	23	4,232	4,454
Class B LP Units	10	1,402	2,571
Unit-based compensation	12	810	1,050
Derivative financial instruments	11	10,017	45
Trade and other payables		18,297	17,984
Distribution payable to unitholders		1,586	2,179
Total liabilities		**584,599**	**582,991**
Unitholders' equity		**342,067**	**356,139**
		926,666	**939,130**

See accompanying notes to consolidated financial statements.

Approved by the Board on March 12, 2021.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019 (in thousands of CAD dollars)

	Notes	2020	2019
		$	$
Operating revenue			
Rental revenue	14	92,969	93,602
Operating expenses			
Public utilities and other operating expenses		19,444	20,558
Property taxes and insurance expenses		22,265	22,147
Total Operating expenses		41,709	42,705
Résultat d’exploitation net		**51,260**	**50,897**
Financial income		564	475
Expenses			
Financial expenses		24,894	25,115
Distribution - Class B LP Units	10	157	224
Fair value adjustment – Class B LP Units	10	(778)	430
Net adjustment to fair value of derivative financial instruments		7,642	1,340
Net financial expenses	15	31,915	27,109
Administration expenses		6,750	5,515
Prepayment penalties		—	176
Net change in fair value of investment properties and disposition expenses	4	10,240	(33,309)
Net income being total comprehensive income for the year		**2,919**	**51,881**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2020 and 2019 (in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distribution	Cumulative comprehensive income	Total
Balance as at January 1, 2020		**305,029**	**(134,596)**	**185,706**	**356,139**
Issuance of units, net of issuance expenses	13	4,365	—	—	4,365
Distribution to unitholders	13	—	(21,356)	—	(21,356)
		309,394	(155,952)	185,706	339,148
Comprehensive income		—	—	2,919	2,919
Balance as at December 31, 2020		**309,394**	**(155,952)**	**188,625**	**342,067**
Balance as at January 1, 2019		**274,231**	**(109,679)**	**133,825**	**298,377**
Issuance of units, net of issuance expenses	13	30,798	—	—	30,798
Distribution 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**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019 (in thousands of CAD dollars)

	Notes	2020	2019
		$	$
Operating activities			
Net income for the year		2,919	51,881
Adjustment for:			
Net change in fair value of investment properties and disposition expenses	4	10,240	(33,309)
Depreciation of property and equipment		100	106
Unit-based compensation	12	181	676
Straight-line lease adjustment	14	(249)	(703)
Lease incentive amortization	14	3,068	3,003
Financial income		(564)	(475)
Net financial expenses	15	31,915	27,109
		47,610	48,288
Adjustments for changes in other working capital items		(1,465)	(1,065)
Net cash from operating activities		**46,145**	**47,223**
Investing activities			
Additions to investment properties	4	(24,973)	(35,082)
Net proceeds from disposition of investment properties	4	37,274	16,556
Acquisition of property and equipment		(171)	(40)
Net cash from (used in) investing activities		**12,130**	**(18,566)**
Financing activities			
Mortgage loans, net of financing expenses		25,297	17,841
Repayment of mortgage loans		(39,846)	(32,604)
Bank loans		6,860	14,560
Repayment of bank loans		(4,020)	(17,100)
Lease liability payments		(56)	(42)
Net proceeds from convertible debentures issue		28,407	22,678
Repayment of convertible debentures		(26,700)	(23,000)
Net proceeds from unit issue		—	27,220
Net distribution to unitholders		(19,014)	(21,565)
Net distribution – Class B LP units	10	(157)	(224)
Interest paid		(21,787)	(23,442)
Net cash (used in) financing activities		**(51,016)**	**(35,678)**
Net change in cash and cash equivalent		**7,259**	**(7,021)**
Cash and cash equivalents, beginning of year		**1,803**	**8,824**
Cash and cash equivalents, end of year		**9,062**	**1,803**

See accompanying notes to consolidated financial statements.

Notes Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (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, Montréal, Quebec, Canada. The consolidated financial statements of BTB for the years ended December 31, 2020 and 2019 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”).

These consolidated financial statements were approved by the Board of Trustees on March 12, 2021.

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) Risks and uncertainties related to the coronavirus pandemic (COVID-19)

The COVID-19 pandemic has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods, restrictions on or closures of non-essential businesses and social distancing, have caused an economic slowdown and material disruption to businesses in Canada and globally. Given the continuously evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the nature, extent and duration of COVID-19, and the duration and intensity of resulting business disruptions and related financial, social and public health impacts. Such effects could be adverse and material, including their potential effects on the Trust’s business, operations and financial performance both in the short-term and long-term. Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 relate to the valuation of investment properties and the determination of expected credit losses on receivables (Note 4 and Note 6). The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. However, given the heightened level of uncertainty caused by COVID-19, these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

d) 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.

e) 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, and the differences may be material.

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 at acquisition date.

ii) Significant sources of estimation uncertainty

The following are significant 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 external appraisers 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 or stabilized net operating income) and discount, capitalization and terminal capitalization rates applicable to those cash flows. These estimates are based on local market conditions existing at the reporting date. The carrying value for the Trust's investment properties reflects its best estimate for the highest and best use as at December 31, 2020 taking into account the expected impact of COVID-19 at that date (see Note 4).

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 income 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 in the form of capitalization rates.

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.

Determination of expected credit losses on receivables

As a result of COVID-19, the Trust has received numerous requests from tenants asking for rental concessions or payment deferrals. The Trust has agreed to assist some of its tenants with rent deferrals, rent abatements and has participated in the Canada Emergency Commercial Rent Assistance (''CECRA'') Program. In determining its allowance for expected credit losses as at December 31, 2020, the Trust has considered the credit profile of its tenants, historical loss rates as well as the current economic environment.

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) 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 fairvalue, 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.

b) 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 *Financial Instruments* (''IFRS 9''):

Asset/Liability	**Classification under IFRS 9**
Cash and cash equivalents	Amortized cost
Receivables	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.

c) 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.

d) 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.

e) Leases

At contract inception, the Trust assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRS 16 *Leases* (''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.

i) As a lessor

The Trust leases out its investment properties, including right-of-use assets. The Trust has classified these leases as operating leases. The Trust has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

ii) As a lessee

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 properties. 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.

f) Provisions

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

g) Revenue recognition

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.

h) Government grants

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

i) Earnings per unit

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

j) 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.

k) Operating segment

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

l) Unit-based compensation

i) 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.

m) Income taxes

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

n) Fair value measurement

The Trust measures financial instruments, such as derivatives, and non-financial assets, such as investment properties (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 pay 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,	2020	2019
	$	$
Balance beginning of year	924,320	839,015
Initial recognition of right-of-use assets	—	3,900
Adjustments to right-of-use assets	291	—
Acquisitions of investment properties (note 4(a))	30,560	75,658
Dispositions of investment properties (note 4(b))	(48,765)	(35,950)
Capital expenditures	2,765	5,491
Capitalized leasing fees	1,280	1,301
Capitalized lease incentives	4,613	3,093
Lease incentives amortization	(3,068)	(3,004)
Straight-line lease adjustment	249	703
Net changes in fair value of investment properties (note 4 (c))	(8,375)	34,113
Balance end of year	**903,870**	**924,320**

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 appraisal 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 valuation models based on the Direct Capitalization method.

In determining the fair value of investment properties, the Trust has considered the effects of COVID-19 on assumptions such as rent growth, vacancy loss assumptions, credit loss assumptions, as well as valuation metrics. The Trust has adjusted cash flow assumptions for its estimate of near-term disruptions to cash flows to reflect collections, vacancy and assumptions on new leasing. The Trust undertook a process to assess the appropriateness of the rates considering changes to property level cash flows and any risk premium inherent in such cash flow changes. These considerations are reflected in the fair value adjustments of investment properties.

At December 31, 2020, independent external appraisals were obtained for investment properties with an aggregate fair value of $584,745 (December 31, 2019 - $581,420).

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

	Retail	Office	Industrial
As at December 31, 2020			
Capitalization rate	5.25% – 8.00%	5.00% – 8.50%	5.00% – 8.50%
Terminal capitalization rate	5.50% – 8.00%	6.00% – 7.50%	5.50% – 7.00%
Discount rate	6.25% – 8.75%	6.75% – 8.25%	6.25% – 7.75%
As at December 31, 2019			
Capitalization rate	6.00% – 7.75%	5.00% – 8.25%	5.75% – 8.50%
Terminal capitalization rate	6.25% – 7.25%	5.25% – 7.50%	6.00% – 7.25%
Discount rate	7.25% – 7.75%	6.25% – 8.00%	6.50% – 8.00%

During the fourth quarter of 2020, the six investment properties classified as Mixed use were designated by the management as Office. Consequently, the "mixed-use" category is no longer used by management. The comparative figures have been reclassified to conform to the current year's presentation.

The following table provides a sensitivity analysis of the fair value of investment properties for changes in the weighted average capitalization rate as at December 31, 2020, which is representative of the sensitivity to changes in the discount rate and terminal capitalization rate as at December 31, 2020.

Capitalization rate sensitivity Increase (decrease)	Fair Value	Change in fair value
	$	$
(0.50%)	980,565	76,695
(0.25%)	940,523	36,653
Base rate	903,870	—
0.25%	870,140	(33,730)
0.50%	838,378	(65,492)

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) Acquisitions in 2020

				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**
			%	$	$	$	$
February 2020	Office	Ottawa, ON	100	21,750	(13,684)	(587)	7,479
November 2020	Industrial	Laval, QC	100	8,100	—	(8)	8,092
Transaction costs				710		(710)	—
Total				**30,560**	**(13,684)**	**(1,305)**	**15,571**

ii) 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**

b) Dispositions

i) Dispositions in 2020

Disposal date	**Property type**	**Location**	**Gross proceeds**	**Purchaser's Mortgage assumption**	**Receivable / (Trade and other payables), including transaction costs**	**Net proceeds**
			$	$	$	$
January 2020	Industrial	Ingersoll, ON	13,300	(9,068)	(103)	4,129
February 2020	Industrial	Montréal, QC	9,250	—	(57)	9,193
June 2020	Office	Montréal, QC	22,082	—	(576)	21,506
October 2020	Office	Montréal, QC	4,133	—	178	4,311
Transaction costs (note 4(c))					(1,865)	(1,865)
Total			**48,765**	**(9,068)**	**(2,423)**	**37,274**

ii) Dispositions in 2019

Disposal date	Property type	Location	Gross proceeds	Purchaser's 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	Montréal, 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 receivable due 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, 2020 is $6,034 (December 31, 2019 - $6,035).

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

Year ended December 31,	2020	2019
	$	$
Net changes in fair value of investment properties (note 4)	8,375	(34,113)
Disposition expenses (note 4 (b))	1,865	804
	10,240	**(33,309)**

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,	2020	2019
	$	$
Prepaid expenses	1,498	1,921
Deposits	656	675
Total	**2,154**	**2,596**

6. Receivables

As at December 31,	2020	2019
	$	$
Rents receivable	4,259	2,801
Allowance for expected credit losses	(1,132)	(716)
Net rents receivable	3,127	2,085
Unbilled recoveries	665	776
Other receivables	1,420	948
Total	**5,212**	**3,809**

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. In assessing the adequacy of the allowance for expected credit losses on tenant receivables, management has considered the likelihood of collection of current receivables given the impact on tenant operations of COVID-19 restrictions imposed by various levels of government and the expected eligibility of those tenants to government programs.

The Trust's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

7. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $ 890,020 as at December 31, 2020 (December 31, 2019 – $913,620).

As at December 31,	**2020**	**2019**
	$	$
Fixed rate mortgage loans payable	381,665	387,029
Floating rate mortgage loans payable	104,577	108,218
Unamortized fair value assumption adjustments	576	628
Unamortized financing expenses	(2,179)	(2,723)
Mortgage loans payable	**484,639**	**493,152**
Short-term portion	119,252	87,589
Weighted average interest rate	3.57%	3.92%
Weighted average term to maturity (years)	4.69	5.12
Range of annual rates	2.37 % – 6.80%	2.77% – 6.80%

As at December 31, 2020, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	**Principal maturity**	**Total**
	$	$	$
2021	15,597	103,655	119,252
2022	13,604	31,627	45,231
2023	11,166	32,624	43,790
2024	8,813	73,493	82,306
2025	7,537	37,655	45,192
Thereafter	29,195	121,276	150,471
	85,912	**400,330**	**486,242**
Unamortized fair value assumption adjustments			576
Unamortized financing expenses			(2,179)
			484,639

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, **2020**	As at December 31, **2019**
	$	%			$	$
March 2013	7,150	4.12	Monthly	April 2023	5,162	5,391
June 2016	13,000	3.45	Quarterly	June 2026	11,433	11,628
November 2017	23,200	3.8825	Monthly	November 2027	22,673	23,098
November 2017	23,075	3.905	Monthly	December 2027	21,342	21,943
Total	**66,425**				**60,610**	**62,060**

8. Convertible Debentures

As at December 31, 2020, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	$		
Series G	24,000	6.00	7.30	5.42	Semi-annual	October 2024
Series H	29,385	7.00	8.28	3.64	Semi-annual	October 2025

	Series G	Series H	Total
	$	$	$
As at December 31, 2020			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	—	104	104
	24,000	27,413	51,413
Conversion options exercised by holders	—	(561)	(561)
	24,000	26,852	50,852
Unamortized financing expenses	(1,046)	(1,490)	(2,536)
Non-derivative liability component	**22,954**	**25,362**	**48,316**
Conversion and redemption options liability component at fair value	**12**	**6,474**	**6,486**

	Series F	Series G	Total
	$	$	$
As at December 31, 2019			
Non-derivative liability component upon issuance	26,700	24,000	50,700
Charges de financement non amorties	(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 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 were redeemed for their nominal value on October 26, 2020.

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.

Series H

In September 2020, the Trust issued Series H subordinated convertible, redeemable, unsecured debentures bearing 7.00% interest payable semi-annually and maturing on October 31, 2025, in the amount of $30,000. The debentures are convertible at the holder's option at any time before October 31, 2025, at a conversion price of $3.64 per unit ("Series H Conversion Price").

These debentures are not redeemable before October 31, 2023, except in the case of a change in control. As of October 31, 2023, but before October 31, 2024, 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, 2024, but before October 31, 2025, 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.

During the fourth quarter of 2020, conversion options have been exercised by holders on debentures representing a nominal amount of $618.

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, 2020, $15,300 was due under the acquisition line of credit (December 31, 2019 – $10,200).

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, 2020, no amount was due under the operating credit facility (December 31, 2019 – $2,260).

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 $5,700 and by an immoveable second rank hypothec on six properties having a fair value of $133,750.

10. Class B LP Units

	Year ended December 31, **2020**		Year ended December 31, **2019**	
	Units	$	Units	$
Units outstanding, beginning of year	497,265	2,571	532,265	2,315
Exchange into Trust units (note 13)	(100,000)	(391)	(35,000)	(174)
Fair value adjustment		(778)		430
Units outstanding, end of year	**397,265**	**1,402**	**497,265**	**2,571**

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.

The Class B LP Units are entitled to distribution equal to distribution declared on Trust units, on a one-to-one basis. Distribution on Class B LP Units are recognized in the statement of comprehensive income when declared.

	Year ended December 31,	
	2020	**2019**
	$	$
Distribution to Class B LP unitholders	157	224
Distribution per Class B LP unit	0.34	0.42

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 equivalent, restricted cash, receivables, balance of sale, trade and other payables and distribution payable to unitholders, which approximated their carrying amount as at December 31, 2020 and December 31, 2019 because of their short-term maturity or because they bear interest at current market rates.

As at December 31, 2020	**Carrying amount**			**Fair value**
		Level 1	**Level 2**	**Level 3**
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 8)	6,486	—	—	6,486
Interest rate swap liability	3,531	—	3,531	—
Class B LP Units (note 10)	1,402	1,402	—	—
For which fair values are disclosed				
Mortgage loans payable (note 7)	484,639	—	507,807	—
Convertible debentures, including their conversion and redemption features (note 8)	54,802	53,703	—	—
Bank loans (note 9)	15,300	—	15,300	—

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	—

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, 2020	
Balance beginning of year	45
Issue of Series H subordinated convertible redeemable debentures	2,691
Conversion options exercised by holders	(57)
Change for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	3,807
Balance end of year	**6,486**

	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**

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, 2020:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	6,422	28.59
December 31, 2020	6,486	29.09
0.50%	6,664	29.59

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,	**2020**	**2019**
	Deferred units	Deferred units
Outstanding, beginning of year	59,642	37,055
Trustees' compensation	23,956	18,071
Distribution paid in units	7,295	4,516
Settled	(2,973)	—
Outstanding, end of year	**87,920**	**59,642**

As at December 31, 2020, the liability related to the plan was $306 (December 31, 2019 - $306). The related expense recorded in profit or loss amounted to $16 for year ended December 31, 2020 ($153 for the year ended December 31, 2019).

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, 2020, the liability related to the plan was $47 representing a total of 14,351 units to issue (December 31, 2019 - $58, representing a total of 11,194 units to issue). The related expense recorded in profit and loss amounted to $49 for the year ended December 31, 2020 (for year ended December 31, 2019 - $61). The 14,351 units related to 2020 purchases were issued in February 2021 (11,194 units related to 2019 purchases - February 2020).

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 the years ended December 31,	2020	2019
	Restricted units	Restricted units
Outstanding, beginning of year	165,012	138,919
Granted	60,893	82,622
Cancelled	(18,112)	(1,818)
Settled	(68,069)	(54,711)
Outstanding, end of year	**139,724**	**165,012**

As at December 31, 2020, the liability related to the plan was $457 (December 31, 2019 - $686). The related expense recorded in profit and loss amounted to $116 for the year ended December 31, 2020 (for the year ended December 31, 2019 – $462).

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.

Trust units issued and outstanding are as follows:

For the years ended December 31,	2020		2019	
	Units	$	Units	$
Trust units outstanding, beginning of year	62,251,558	305,029	55,317,723	274,231
Issue pursuant to a public issue	—	—	6,157,100	28,754
Trust unit issuance costs	—	—	—	(1,534)
	62,251,558	305,029	61,474,823	301,451
Issue pursuant to the distribution reinvestment plan (a)	836,685	2,935	677,771	3,110
Issue pursuant to the deferred unit compensation plan (note 12 (a))	2,973	16	—	—
Issue pursuant to the employee unit purchase plan (note 12 (b))	11,194	60	9,253	43
Issue pursuant to the restricted unit compensation plan (note 12 (c))	68,069	345	54,711	251
Class B LP units exchange into Trust units	100,000	391	35,000	174
Issue pursuant to conversion of convertible debentures (note 8)	168,956	618		
Trust units outstanding, end of year	**63,439,435**	**309,394**	**62,251,558**	**305,029**

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 distribution 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) Distribution

For the years ended December 31,	2020	2019
	$	$
Distribution to unitholders	21,356	24,917
Distribution per Trust unit	0.34	0.42

14. Rental Revenues

For the years ended December 31,	2020	2019
	$	$
Base rent and other lease generated revenues	58,053	56,844
Lease cancellation fees	—	1,062
Property tax and insurance recoveries	19,218	18,434
	77,271	76,340
Operating expenses recoveries and other revenues	18,797	19,562
Government assistance programs related rent abatements	(2,122)	—
Government assistance programs	1,842	—
Lease incentive amortization	(3,068)	(3,003)
Straight-line lease adjustment	249	703
	92,969	**93,602**

On May 25, 2020, the Government of Canada announced the CECRA program which provides relief for eligible businesses experiencing financial hardship due to COVID-19. Under the CECRA program, the Trust abated 75% of gross rents due for April to September 2020 for CECRA-eligible tenants. In exchange of the abatements granted, the Trust was granted forgivable interest free loans from the Government of Canada amounting to 50% of gross rents due for April to September 2020, resulting in net abatements of 25%. In order to maximize the participation of commercial building owners in the CECRA program, the Government of Québec compensated 50% of the property owners' loss. These owners, who were to commit to absorb a 25% loss by enrolling in this program, were eligible to receive an amount equivalent to 12.5% of the total cost of rent thereby reducing their loss by half. As at December 31, 2020, the Trust has met all the criteria under the CECRA program for the loans to be forgiven.

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, 2020 are as follows:

	2020
	$
Within one year	57,833
Beyond one year but within two years	52,437
Beyond two year but within three years	44,532
Beyond three year but within four years	38,775
Beyond four year but within five years	33,484
Beyond five years	88,050
	315,111

15. Net Financial Expenses

For the years ended December 31,	2020	2019
	$	$
Interest on mortgage loans payable	18,786	18,941
Interest on convertible debentures	3,542	3,577
Interest on bank loans	836	915
Interest on lease liabilities (note 23)	216	271
Other interest expense	87	173
Accretion of non-derivative liability component of convertible debentures (note 8)	104	43
Accretion of effective interest on mortgage loans payable and convertible debentures	1,244	1,078
Distribution - Class B LP Units (note 10)	157	224
Fair value adjustment – Class B LP Units (note 10)	(778)	430
Impact of early redemption of convertible debenture series E	—	117
Early repayment fees of a mortgage loan	79	—
Net adjustment to fair value of derivative financial instruments	7,642	1,340
	31,915	**27,109**

16. Expenses by Nature

For the years ended December 31,	2020	2019
	$	$
Depreciation	100	106
Employee compensation and benefits expense	7,752	7,367

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,	2020	2019
	$	$
Net income	2,919	51,881
Weighted average number of trust units outstanding – basic	62,809,836	59,098,137
Earnings per unit – basic	**0.05**	**0.88**

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,	2020	2019
	$	$
Cash and cash equivalents	(9,062)	(1,803)
Mortgage loans payable(1)	486,242	495,247
Convertible debentures(1)	53,385	50,700
Acquisition line of credit	15,300	10,200
Mortgage loans payable, Convertible debentures and Acquisition line of credit adjusted for Cash and cash equivalents	**545,865**	**554,344**
Total assets	926,666	939,130
Accumulated depreciation on Property and equipment	904	804
Cash and cash equivalents	(9,062)	(1,803)
Totals assets adjusted for accumulated depreciation and cash and cash equivalents	**918,508**	**938,131**

(1) Excluding issue costs

As at December 31,	2020	2019
	%	%
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	59.4	59.1
Mortgage loans payable / total assets adjusted for accumulated depreciation and cash and cash equivalents ratio	52.9	52.8

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, 2020, overdue rent receivable amounted to $2,051 (December 31, 2019 - $1,959), for which an allowance for expected credit losses of $1,132 (December 31, 2019 - $716) 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 $43,967 as at December 31, 2020, 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 $4,397 on the Trust's comprehensive income for the year ended December 31, 2020.

iii) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they come due. 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, 2020, the Trust was in compliance with all the covenants to which it was subject.

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

As at December 31, 2020			**Estimated payment schedule**					
	Carrying amount	**Total contractual cash flows**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026 and thereafter**
	$	$	$	$	$	$	$	$
Trade and other payables	18,297	18,355	18,327	16	12	—	—	—
Distributions payable to unitholders	1,586	1,586	1,586	—	—	—	—	—
Lease liabilities	4,232	10,333	224	226	228	231	237	9,187
Bank loans	15,300	15,300	15,300	—	—	—	—	—
Mortgage loans payable and convertible debentures	532,955	640,965	139,003	62,138	58,579	117,805	83,596	179,844
	572,370	**686,539**	**174,440**	**62,380**	**58,819**	**118,036**	**83,833**	**189,031**

As at December 31, 2019			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2021	2022	2023	2024	2025	2026 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**

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
BTB Real Estate Limited Partnership	Limited Partnership	100% owned by BTB A&OT
Lombard	Limited Partnership	99.9% owned by BTB A&OT 0.1% owned by CREC
Place d'affaire Lebourgneuf Phase II ("PAL II")	General Partnership	99.9% owned by BTB A&OT 0.1% owned by CREC
Société immobilière Cagim	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,		2020	2019
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,	2020	2019
	$	$
Assets	19,157	20,007
Liabilities	9,941	10,141
Revenues	1,957	2,372
Expenses	(2,561)	1,420

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 and industrial segments.

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

- Retail
- Office
- Industrial

	Retail	Office	Industrial	Total
	$	$	$	$
Year ended December 31, 2020				
Investment properties	246,415	493,800	163,655	**903,870**
Rental revenue from properties	27,476	54,018	11,475	**92,969**
Net operating income	16,177	27,686	7,397	**51,260**
Year ended December 31, 2019				
Investment properties	265,487	500,113	158,720	**924,320**
Rental revenue from properties	26,935	53,815	12,852	**93,602**
Net operating income	16,102	26,559	8,236	**50,897**

During the fourth quarter of 2020, the six investment properties classified as Mixed use were designated by management as Office. Consequently, the "mixed-use" category is no longer used by management. The comparative figures have been reclassified to conform to the current year's presentation.

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	49,096	493,152
Mortgage loans, net of financing costs	—	25,297
Capitalized interest on mortgage loans	—	837
Repayment of mortgage loans	—	(39,846)
Asset acquisitions mortgage assumption	—	13,684
Asset dispositions mortgage assumption	—	(9,068)
Net proceeds from issuance of convertible debentures	28,407	—
Initial recognition of conversion and redemption options liability component	(2,691)	—
Repayment of convertible debentures	(26,700)	—
Conversion of convertible debentures	(561)	—
Fair value assumption adjustments and financing costs amortization	661	583
Accretion of non-derivative liability component	104	—
Balance end of year	**48,316**	**484,639**

22. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the years ended December 31,	2020	2019
	$	$
Salaries and short-term benefits	2,572	2,191
Unit-based compensation	103	604
Total	**2,675**	**2,795**

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

23. Leases, Commitments and Contingencies

a) Leases

Lease liabilities

As at December 31,	2020	2019
Maturity analysis – contractual undiscounted cash flows	$	$
Within one year	224	322
Beyond one year but within five years	922	1,290
Beyond five years	9,187	8,982
Total undiscounted lease liabilities	**10,333**	**10,594**
Lease liabilities included in the statement of financial position	4,232	4,454
Current	13	105
Non-current	4,219	4,349

Amounts recognised in profit and loss and statement of cash flow

As at December 31,	2020	2019
Profit and loss	$	
Interest on lease liabilities (Note 15)	216	271
Expenses relating to leases of low-value assets	108	105
Statement of cash flow		
Total cash outflow for leases	372	418

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. Comparatives Figures

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

Corporate Information

Board of Trustees

Executive Team

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

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

Luc Lachapelle(1)
Trustee

Sylvie Lachance(3)
Trustee

Peter Polatos
Trustee

Michel Léonard
President and Chief Executive Officer and Trustee

Mathieu Bolté
Vice-President and Chief Financial Officer

(1) Member of the Audit Committee
(2) Member of the Human Resources and Governance Committee
(3) Member of the investments Committee

Unitholders Information

Head office
BTB Real Estate Investment Trust
1411 Crescent, Suite 300
Montréal, Québec, 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.G
BTB.DB.H

Transfer Agent
Computershare Investor Services
1500 Robert-Bourassa Blvd
7th floor, Montréal, Québec, 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 2020, 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
Montréal, Québec, H3A 0A3

Legal counsel
De Grandpré Chait LLP.
800 Rene-Lévesque Boulevard West
Suite 2600
Montréal, Québec, H3B 1X9

Annual Meeting of Unitholders
June 15th 2021
10:00 a.m. (EDT)
Virtual Webinar
Montréal, Québec, 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.