BTB

Celebrating 15 Years of Milestones

2021 Annual Report

Our Rebranding

In 2021, we celebrated our 15th anniversary and we took the time to reflect on our achievements and establish our future objectives. We realized that the enterprise that we once were – young and cautious – morphed into a strong, aggressive, and disciplined organization.

A New Chapter

During the last year, we hit major milestones, such as surpassing $1B of total asset value, more than $100M of revenues and we expanded our reach into Western Canada. For the next five years, our goal is reaching or surpassing $2B in total asset value - an achievable objective, due to our current impetus.

Our opportunistic outlook needed a new image, one that was strong enough to support our vision. We are thrilled to present our new branding, including a new logo inspired by our limitless success and growth.

With this new identity, we are kicking off a new era for BTB, one that truly represents who we are and what we do.

Our rebranding is firmly grounded in our corporate mission: to bring the humanity back to the real estate industry. We believe that taking care of people isn't only the right thing to do; it's good business. After all, the spaces we provide our clients are nothing without the people who occupy them.

Approachable. Dynamic. Authentic. Open-Minded. Driven. These words define who we are, and the promise we make to our investors, to our clients, and to our employees.

We are a real estate investment trust that invests in industrial, suburban office and essential services retail properties for the benefit of our investors.

We see people and their stories as key to our success.

Our Rebranding

BTB

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Highlights

Our Year in Numbers

2021 was a year with important milestones. We celebrated our 15th anniversary, surpassed $1B in assets and $100M in revenues, expanded our reach in Western Canada, and launched our new brand image.

We are maintaining a strong organizational structure while introducing new processes to stay ahead of new technologies. Our team's hard work is undeniable and impressive, which is one of the keys to our successful business.

Throughout the fourth quarter, we stood strong and concentrated our energy on our transformation in order to be better than ever before. We are confident that 2022 will allow us to continue our expansion and grow our business into a premier Canadian REIT.

Our results for the fourth quarter of 2021 are a testimony of our hard work and are the basis upon which we strive to reach or surpass our goal of $2B of total assets in the next 5 years.

We are proud to conclude the year with the following highlights.

Highlights

$1.13B
of total assets

75
properties

$100.34M
of rental income

6.04M
square feet of space

$30.14M (1)
of recurring funds from operations (FFO)

42.1¢ (1)
of recurring funds from operations (FFO) per unit

93.4%
occupancy rate

77.9% (1)
recurring adjusted funds from operations (AFFO) payout ratio

(1) This is a non-IFRS financial measure, refer to page 41.

Geographic and Asset Breakdown

A Glimpse at our Portfolio

In 2021, our asset portfolio broadened, as we now own properties in Eastern and Western Canada in the regions of Montréal, Quebec City, Ottawa, Edmonton, and Saskatoon.

We have acquired 9 industrial properties and 1 office building in Alberta and Saskatchewan, as well as 2 Class A office buildings in the Montréal Technoparc, which are all fully leased to renowned national companies.

We have closed the year with a total of 75 properties and 6 million square feet of total leasable area in 5 key cities in Canada. Here is the breakdown by total leasable area of our asset portfolio by geographic location and by asset type.

Breakdown by asset type:

Retail: 23.06%
Industrial: 30.19%
Office: 46.76%

3.28%

Edmonton

6 properties ($53.1M)
198,111 sq.ft.
100% occupancy rate

3.70%

Saskatoon

4 properties ($41.1M)
223,472 sq.ft.
100% occupancy rate

Geographic and Asset Breakdown

22.86%
Quebec City

11 properties ($244.7M)
1,380,145 sq.ft.
88.9% occupancy rate

18.09%
Ottawa

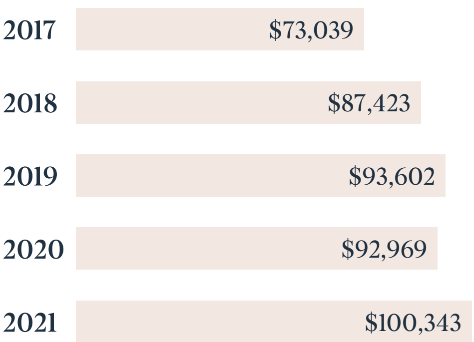
12 properties ($156.5M)
1,092,373 sq.ft.
93.7% occupancy rate

52.06%
Montréal

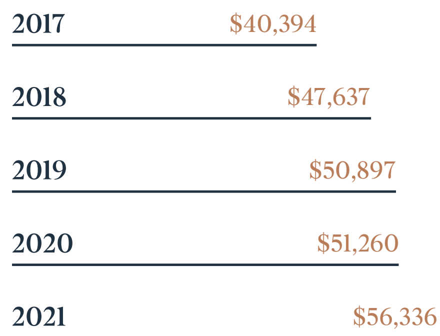
42 properties ($615.6M)
3,143,282 sq.ft.
95.4% occupancy rate

Key Metric Evolution*

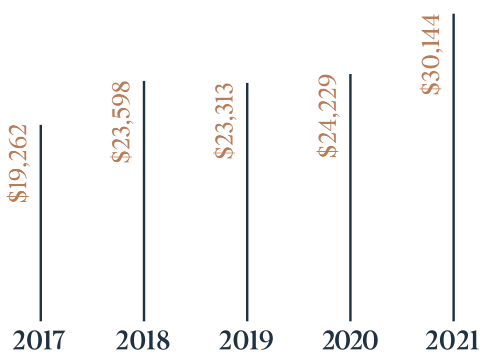
Rental revenue



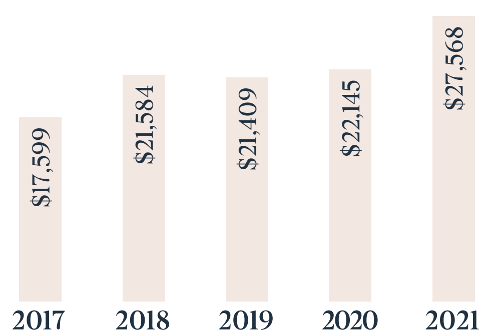
NOI



Recurring FFO [1]



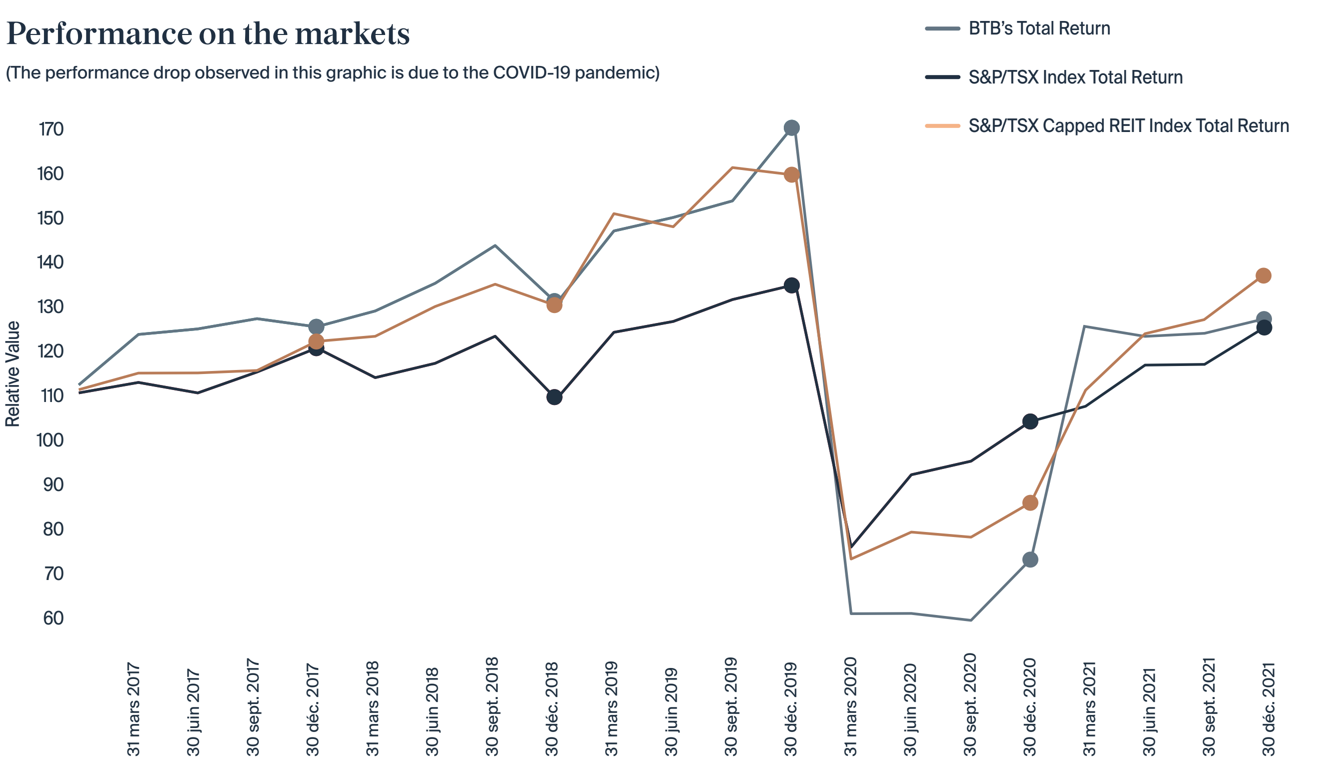
Recurring AFFO [1]



*For the years ending on December 31, in thousands of dollars (1) This is a non-IFRS financial measures, refer to page 41.

Performance on the markets

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



Approachable

We are ready to innovate, question and adapt to your needs.

We welcome your suggestions and listen to your requests with an open mind.

Our Mission

To provide work **environments** that meet our **clients' needs** and contribute to achieving **success.**

Our mission is simple: we are striving to reach the forefront of Canadian REITs by putting people first. At their essence, buildings are about people, community and the ideas that happen when minds come together. We know the impact that an environment can have on a business because we've seen and lived it.
Our goal is to provide businesses of all shapes and sizes the environment to flourish.

Our History

15 Years of Milestones

2005

September 8th, Michel Léonard, accompanied by Jocelyn Proteau, founds a capital pool corporation called Capital ABTB.

2006

January 26th, Capital ABTB transforms into a REIT and is officially listed on the Toronto Venture Exchange under BTB.P.

August 9th, Capital ABTB's name is modified to BTB to avoid the confusion with the region of Abitibi, but the acronym BTB remains for "Bought That Building".

October 3rd, BTB acquires its first property at 2900 Jacques-Bureau Street in Laval, Québec.

2007

Marks the first wave of acquisitions in Ontario and a first acquisition in Quebec City.

2006–2008

40 properties are acquired by the small team of 5 people within the first two years of inception. The properties are located in Montréal and secondary markets of the province of Québec.

2008

Recession hits, requiring a 2-year expansion hiatus, but BTB resists and stands strong.

2010

The acquisition of the public company CAGIM Immobilier based in Quebec City marks BTB's significant expansion to the city. A total of 6 properties representing 1.5 million square feet are acquired.

Our History

2017–2019

BTB repositions its portfolio by selling its assets located in secondary and tertiary markets.

2018

BTB acquires its first building in downtown Montréal for $35M. The building becomes BTB's Head Office, with spaces planned for company growth.

2012

BTB is listed on the Toronto Stock Exchange and acquires assets in Ottawa.

2021

BTB acquires 10 assets located in Western Canada for $94M marking the expansion into two new provinces. This acquisition also enables BTB to surpass the $1B asset mark.

2019

BTB makes its first $50M+ acquisition on the South Shore of Montréal.

Méritas Awards

Celebrating Excellence

Each year, BTB employees are awarded 5 Méritas Awards for their outstanding performance: Integrity, Leadership, Respect, Teamwork, and Quality. Every quarter this year, we will present Méritas award winners.

Integrity Award

Ève Charbonneau

Director of Legal Affairs

What is your definition of integrity?

A person of integrity is an honest and truthful person in all that they say and do, who continually delivers well-executed and compliant work, while having the approval of their peers.

In your years of experience with BTB, how have you been the emblem of integrity?

As Director of Legal Affairs and as a lawyer, I have an obligation of rigour, sincerity, and transparency. I value the approval of my colleagues so that I can carry out my duties properly. The opinions of others are important to»me. I cannot compromise my work because I am a member of the Barreau du Québec. Integrity and compliance with standards are at the heart of my daily life and who I am.

Is there a key time when you have demonstrated integrity in your work?

When I think about it, I don't think there's a key moment per se, but rather a series of cumulative events. The year 2021 brought its share of challenges and I am a sensitive person who is very close to her emotions. I am not embarrassed to say it and I fully accept it, so my colleagues always know what's up with me. One could even say that I am somewhat transparent! I believe that this is what allows me to develop working relationships based on trust and that makes me a person of integrity.

Méritas Awards

Leadership Award

Oscar Pardo

Systems, Data and Business Intelligence Manager

What is your definition of leadership?

I think leadership is taking on the role of cheerleader. It is not just about giving orders, but about motivating and inspiring others, showing what can be achieved and making sure that everyone works together for a common goal.

In your experience at BTB, how were you the symbol of leadership?

One of the goals of my role at BTB is to help the company with the digital transformation. After a few months of work, I had contacted more than 45 of my colleagues from all departments. They observed that we can achieve our goals when we have small victories.

I believe that my leadership is being put forward because I support all teams to enable them to facilitate and lighten their workload while being even more effective and efficient.

Is there a key moment when you have shown leadership in your work?

One of the challenges I had when I started with the company was to position myself and find my place within BTB. My role is to touch all aspects of the company and one of the first things was to work on producing financial statistics, which is important information to transmit. To be able to produce these statistics I had to work with several people in the company while implementing data automation to successfully improve our current methods.

A Strong Tenant Base

2200 Walkley St.
Ottawa
Government
of Canada

Top 10 Tenants

Below is a list of our top 10 tenants based on revenue and leased area. They make up 24.9% of our total revenue and are leaders in their respective fields.

Government of Québec

Government
Total leased area:
299,763 sq.ft.

Intrado

Telecommunications
Total leased area:
53,767 sq.ft.

Desjardins

Financial services
Total leased area:
61,575 sq.ft.

Satcom

Satellite communications
Total leased area:
32,000 sq.ft.

Government of Canada

Government
Total leased area:
255,323 sq.ft.

BBA

Engineering
Total leased area:
69,270 sq.ft.

WSP

Engineering
Total leased area:
48,478 sq.ft.

Germain Larivière

Furniture and appliances
Total leased area:
101,194 sq.ft.

Walmart

Department store
Total leased area:
264,550 sq.ft.

Strongco

Heavy machinery
Total leased area:
118,585 sq.ft.

Message from the CEO & the Chair of the Board

A Way Forward

A message from Michel Léonard, President, Chief Executive Officer & Trustee and Jocelyn Proteau, Chair of the Board & Trustee

Message from the CEO & the Chair of the Board

"We are proud to close this year with strong results that show our ambition and focus to continue our growth and increase our contribution to our investors, clients, and employees."

In 2021, BTB celebrated important milestones, such as our 15th anniversary, surpassing $1B in total asset value and $100M in revenue, expanding our portfolio to two provinces in Western Canada, creating sophisticated technological efficiencies for our management, welcoming two new trustees to our Board, and accomplishing our objectives for the year.

Celebrating our 15th anniversary

At our inception in 2006, we never imagined becoming what we are today: a sophisticated, driven, resilient and productive organization. To celebrate our achievements, we're proud to introduce our new corporate identity: a new brand that emphasises our ambitious goals. To reach our goals, we needed a new brand that was strong enough to support our vision.

As you were able to read in the first pages of this report, we're proud to launch our new image, identity, and voice. We are kicking off this new era with true grit, dedication, and authenticity with a logo inspired by our ambitions.

$183M in acquisitions

Our investment and due diligence teams were hard at work concluding $183M of acquisitions, including an expansion in Western Canada, namely in Alberta and in Saskatchewan.

We also purchased 2 suburban office properties located in Montréal, dedicated to life sciences totalling 237,000 sq.ft. We also must mention the acquisition of an industrial property located in Laval (a suburb of Montréal) of 99,000 sq.ft. We therefore acquired 10 industrial properties and 3 suburban office properties in 2021.*

Our 2021 acquisitions and the previous dispositions have resulted in a higher quality property portfolio which has proven its strength and resilience during the pandemic, evidenced by our high rent collection ratio. BTB purchases properties in the primary markets of Canada. We do not own enclosed malls where tenants were unfortunately hard hit by the pandemic and our office properties are located in the suburbs of major cities where the tenants were less impacted by COVID. So were our tenants of our industrial properties.

The Portfolio

Our acquisitions led us to celebrate another important milestone for BTB: surpassing $1B in total asset value. This achievement is an important moment in our story, and a springboard towards our next objective which is to surpass $2B in total asset value within the next five years. Another important milestone was surpassing $100M in total revenue.

We also presented to our Board of Trustees a strategic plan where we decided to reduce our retail holdings and increase the weight of industrial properties in our portfolio. Our goal is to balance

*See page 30 for a list of our recent acquisitons.

Message from the CEO & the Chair of the Board

the ownership of industrial properties and suburban office properties. The proceeds of disposition of our retail properties will be invested mostly in the industrial segment to increase its weight from 24% to at least 50%.

We have value creation opportunities in the portfolio. Certain retail assets present opportunities for redevelopment. These opportunities will be addressed in order to maximize its fair value.

An overview of our results for the fourth quarter of 2021

Our fourth quarter financial results continued to show significant improvement across all asset classes and geographical regions: our same-property portfolio NOI (1) increased by 6.9%, our rental revenue increased by 19.3%, for the quarter, reaching more than $100M on an annual basis, a first in BTB's history.

Our recurring FFO payout ratio (1) stood at 71.2% for the year, compared to 88.7% in 2020, and our recurring AFFO payout ratio (1) stood at 77.9% for the year, compared to 97.1% in 2020, showing significant improvement.

Our clients, our allies

Our clients continue to show their tremendous support and trust of BTB as we achieved a rent collection rate of 99.1% for the year. Also, we executed more than 800,000 square feet of new leases and lease renewals, another significant achievement for BTB.

As we do not own any enclosed malls, but rather retail locations that host essential service retailers, we are proud to report that all our large format retailers have renewed their leases on a long-term basis, thus securing their position with BTB. These transactions have generated strong leasing spreads, as both rental and occupancy rates increased. We concluded the year with an occupancy rate of 93.4%.

Our top ten tenants include The Government of Québec, the Canadian Government, Walmart and Desjardins, just to name a few. These tenants generate 25% of our revenues.

Environment, sustainability, and governance

Throughout the years, BTB has embarked on numerous projects with the goal of becoming more environmentally and socially responsible. We are proud to welcome 3 new LEED certified properties to our portfolio, bringing our total to 7, in addition to our 23 Boma BEST certified properties. We have also solidified our position in respect to environmental sustainability when conducting acquisitions. To this effect, properties certified by recognized environmental councils are favored to contribute to a sustainable future.

Board of Trustees

In 2021, we welcomed two new members to our Board of Trustees, Mr. Daniel Fournier and Mrs. Christine Marchildon, who both have a breadth of experience in their respective fields. Mrs. Marchildon is a member of our Human Resources and Governance committee and Mr. Fournier is a member of our investment committee.

We are proud to close this year with strong results that show our ambition and focus to continue our growth and increase our contribution to our investors, clients, and employees.

Jocelyn Proteau
Chairman of the Board of Trustees

Michel Léonard
President and Chief Executive Officer

(1) This is a non-IFRS financial measure, refer to page 41.

Who We Are

Authentic

We wear our hearts on our sleeves and lead with integrity and honesty.

We roll them up to find solutions that lead to results.

Tenant Testimonials

Let’s Hear from the BTB Community

At BTB, our tenants are more than tenants: they’re our clients. We are dedicated to providing them with the right space to fit their needs, as well as excellent service at all times. We asked them what it’s like to lease from BTB. Here are a few of their testimonials.

Tenant Testimonials

"BTB always offers us high-quality professional services that meet our expectations. We're very satisfied with the excellent management of their company. We are grateful for their availability to help us in any circumstances. It's always fun and enjoyable to work with them. It's a company with great human qualities!"

Sushi Kumi
825 Lebourgneuf Blvd,
Quebec City

"When I first met with the President about two years ago, I left the table with a pleasant feeling. I felt Mr. Léonard's respect, his availability, and his great listening. I would also like to emphasize the professionalism offered by Ms. Christine Breton. Her arrival was truly a breath of fresh air for us."

Éditions MR
825 Lebourgneuf Blvd,
Quebec City

"Our first experience with BTB was around the time we started renovating our offices. We needed to renovate the space and throughout the process, BTB was extremely accommodating and attentive to our needs. Everything was done on time and on budget, which you don't see very often! It was an incredible experience!"

SHOEBOX Inc.
80 Aberdeen St, Ottawa

"Leasing from BTB has been a hassle-free experience. BTB is an extremely professional organization with top notch staff assisting with all needs that arise. **We lease space across the globe, and I must say BTB is our top landlord."**

Kore Outdoor
6000 Kieran St, Montréal

"For the Caisse Desjardins des Grands boulevards de Laval, the business relationship with the BTB team is much more than simple and easy communication: it is a dynamic relationship, a collaboration for the benefit of a pleasant and comfortable environment at all times!

Desjardins, Caisse des Grands boulevards de Laval
3111 St-Martin W. Blvd,
Laval

"We have outstanding service due mainly to our on-site building supervisor Sylvain. He gives us excellent service and is always eager to support and help us no matter what the need. He always goes above and beyond to ensure we are happy with our space."

GPL Assurance Inc.
3131 St-Martin W. Blvd,
Laval

"BTB is a true partner in meeting Giatec's space needs. The team provides flexibility and expert advice to ensure that our space meets our needs and functions smoothly. Requests for support are always addressed promptly by the team. BTB also takes an interest in our future growth and provides advice to allow us to develop a space plan to meet our needs as we grow in a cost-effective manner."

Giatec Scientific Inc.
245 Menten Place,
Ottawa

Social and Environmental Sustainability

Working Towards a Sustainable Future

BTB has embarked on numerous projects with the goal of becoming more environmentally and socially responsible. We still have work to do, and it is imperative that individuals and organizations alike do their best to keep improving their consumer habits and reduce their environmental footprint. Below, you will find a glimpse of some of our current efforts, which increase every year.

Collaboration with Alvéole

Our partnership with Alvéole is at the heart of our environmental sustainability plan. Urban beekeeping is vital to the protection of bees as their worldwide food source has been in decline. They produce delicious honey distributed to our clients!

Recharging Stations

We are actively installing charging stations in our indoor and outdoor parking lots for our clients who own hybrid and electric vehicles.

Collaboration with BKIND

Every year during the holiday season, we take the time to thank our collaborators, clients, and employees for their trust and loyalty. In 2021, we partnered with the women-owned natural product line BKIND and collaborated with their team to create a unique gift that was 100% green.

BOMA & LEED Certifications

We are proud to have 23 properties in our portfolio which are certified BOMA BEST as well as 7 properties that are LEED certified. We are constantly working on improving the certification levels of our properties.

Print Relief & FSC Recycling

We recognise that recycling paper is one of the basic actions that a company can take to safeguard our environment. We have implemented policies in our three offices in Montréal, Quebec City and Ottawa to reduce our use of paper and to strictly use paper that is Forest Stewardship Council (FSC) certified when possible. In addition, when printing is necessary, BTB has subscribed to the Print Relief program, where trees are planted in accordance to the amount of paper used for printing.

Driven

We put all our energy in making sure we answer your needs.

You can feel the passion poured into everything we do.

A Strategic Portfolio

2600 Alfred-Nobel Blvd.
St-Laurent, Montréal

Our Properties

This year, we acquired 13 new properties, bringing our portfolio to a total of 75 across 5 canadian regions.

Montréal

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

5810 Sherbrooke Street East, Montréal (1)

5878-5882 Sherbrooke Street East, Montréal

7001-7035 St-Laurent Blvd and 25 Mozart Avenue, Montréal (1)

2101 Sainte-Catherine Street West, Montréal

3761-3781 des Sources Blvd, Dollard-des-Ormeaux

11590-11800 de Salaberry Blvd, Dollard-des-Ormeaux (1)

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

2600 Alfred-Nobel Blvd, St-Laurent (2)

2344 Alfred-Nobel Blvd, St-Laurent (2)

7150 Alexander-Fleming Street, St-Laurent

6000 Kieran Street, St-Laurent

2425 Pitfield Blvd, St-Laurent

2665-2673 and 2681, Côte Saint-Charles, Saint-Lazare

North Shore of Montréal

2900 Jacques-Bureau Street, Laval

4535 Louis B. Mayer Street, Laval

3695 Des Laurentides (Highway-15), Laval

3111 Saint-Martin Blvd West, Laval (2)

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 (2)

South Shore of Montréal

4890-4898 Taschereau Blvd, Brossard (1)

204 De Montarville Blvd, Boucherville (1)

32 Saint-Charles Street West, Longueuil (1)

50 Saint-Charles Street West, Longueuil

85 Saint-Charles Street West, Longueuil (1)

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 (1)

315-325 MacDonald Street, St-Jean-sur-Richelieu (1)

1000 Du Séminaire Blvd North, St-Jean-sur-Richelieu (1)

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 (1)

6700 Pierre-Bertrand Blvd, Quebec City (1)

909-915 Pierre-Bertrand Blvd, Quebec City

825 Lebourgneuf Blvd, Quebec City (1)

815 Lebourgneuf Blvd, Quebec City (1)

1170 Lebourgneuf Blvd, Quebec City (1)

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 (1)

2059 René-Patenaude Street, Magog

Ottawa Area

80 Aberdeen Street, Ottawa (1)

245 Menten Place, Ottawa (1)

1-9 and 10 Brewer Hunt Way and 1260-1280 Teron Rd, Ottawa (1)

400 Hunt Club Rd, Ottawa

2200 Walkley Street, Ottawa (1)

2204 Walkley Street, Ottawa (1)

2611 Queensview Drive, Ottawa (2)

7 and 9 Montclair Blvd, Gatineau (1)

705 Boundary Road, Cornwall

725 Boundary Road, Cornwall

805 Boundary Road, Cornwall

2901 Marleau Avenue, Cornwall

Edmonton

6909 - 42 Street, Leduc

1921 - 91 Street, Edmonton

18410 - 118A Avenue NW, Edmonton

18028 - 114 Avenue NW, Edmonton

28765 Acheson Road, Acheson

25616 - 117 Avenue NW, Acheson

Saskatoon

3542 Millar Avenue, Saskatoon

318 - 68th Street, Saskatoon

3911 Millar Avenue, Saskatoon

3927 and 3931 Wanuskewin Road, Saskatoon

(1) BOMA BEST certified property (2) LEED certified property

Our Recent Acquisitions

Expanding our Reach

2344 and 2600 Alfred-Nobel Blvd, St-Laurent, QC

On November 8, 2021, we finalized the acquisition of two class A life-science and technology suburban office buildings, located in the heart of the Montréal Technoparc. This acquisition increases our footprint within Montreal's Technoparc to a total of 371,406 square feet.

- Purchase price: $74M *
- Property types: office
- Total leasable area: 129,254 sq.ft. and 108,724 sq.ft. respectively
- Major tenants: Bristol-Myers Squibb, Hewlett Packard Enterprise, ICU Medical, Haivision Systems, Innomar Strategies, Lundbeck Canada, Beiersdorf

*Purchase price excluding transaction costs.

Our Recent Acquisitions

6909 – 42 St, Leduc, AB
1921 – 91 St, Edmonton, AB
18410 – 118A Ave NW, Edmonton, AB
18028 – 114 Ave NW, Edmonton, AB
28765 Acheson Rd, Acheson, AB
25616 – 117 Ave NW, Acheson, AB
3542 Millar Ave, Saskatoon, SK
318 – 68th St, Saskatoon, SK
3911 Millar Ave, Saskatoon, SK
3927 & 3931 Wanuskewin Rd, Saskatoon, SK

On December 24, 2021, we acquired our first portfolio located in Western Canada, expanding our reach to two new provinces. We acquired 9 high-quality industrial properties and 1 office property located in Edmonton, Alberta and in Saskatoon, Saskatchewan. These properties house national tenants in various industries such as agricultural machinery, automotive, dairy, energy, and industrial equipment. Our Western Canada portfolio is 100% occupied.

- Purchase price: $94M *
- Property types: 9 industrial, 1 office
- Total leasable area: 407,110 sq.ft. (industrial) and 14,475 sq.ft. (office)
- Reputable national tenants such as Ameco Services Inc., EPCOR Water Services Inc., Strongco LP3, National Tire Distributors Inc., Saputo Dairy Products Canada and more

*Purchase price excluding transaction costs.

Who We Are

Open-minded

We welcome your ideas whether conventional or unconventional, because all of them deserve to be heard.

We want to help you build your projects because we take your success at heart.

Board of Trustees & Executive Team

Luc Martin
President, Audit Committee
& Trustee (1)

Jocelyn Proteau
Chair of the Board
& Trustee (2)

Christine Marchildon
Trustee (2)

Lucie Ducharme
President, Human Resources and
Governance Committees & Trustee (1) (2)

Michel Léonard
President, Chief Executive Officer
& Trustee

Daniel Fournier
Trustee (3)

Jean-Pierre Janson
Vice-Chair of the Board
& Trustee (2)

Sylvie Lachance
Trustee (3)

Fernand Perreault
President, Investment
Committee & Trustee (3)

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

Michel Léonard
President, Chief Executive Officer
& Trustee

Mathieu Bolté
Vice President &
Chief Financial Officer

Interview

The Road to Excellence

An interview with Luc Martin,
President of the Audit Committee & Trustee




Interview

"Once we put the pandemic behind us, we're going to come out stronger. In my opinion, the next few years will allow us to focus on our geographic expansion and growth as a company."

What is your proudest achievement?

A defining moment in my professional career was during my last term at Deloitte. To accommodate new cohorts of accountants in spaces that reflect new work realities, we had to redesign and transform conservative-style offices that had become outdated. Piloting this major project with the team and our advisors was a challenge that I am still very proud of.

What are you passionate about?

Since the beginning of my retirement, I have been prioritizing the little pleasures of life. I regularly play golf and have discovered chess. It may sound funny, but I am passionate about these two because they share a similar goal, which is a final score. In golf, we have what is called a handicap while in chess the score depends on the number of victories and defeats. I have since joined online chess clubs and I play against teams from all over the world. I find it very entertaining and rewarding.

I initially discovered chess on a trip to the Eastern Townships. There was a chessboard at the hotel reception and my wife and I spontaneously started playing. It was an instant love affair! I must add that when I start something, I do everything possible to improve myself and become the best possible at it.

Thus, I started reading books about chess and learning about different tactics and strategies. Right now, I'm proud to say that I am able to play 10 games simultaneously.

If you were a quote, which one would you be?

I've given this a lot of thought. I remember that in my first work office, I had a frame from Vince Lombardi, the legendary American football coach, who wrote: "Perfection is not attainable, but if we chase perfection, we can catch excellence". This quote has always challenged me, because the quest for excellence and the surpassing of oneself are at the heart of my fundamental values.

Where do you see BTB in 1 year, 5 years or 10 years?

When I joined the Board of Trustees five years ago, the Trust was celebrating its 10th anniversary. Over the years, BTB has grown through the course of its acquisitions, in a less than ideally structured manner with some assets performing well and others less. Later, the Board unanimously decided to realign the property portfolio by changing the acquisition strategy and by disposing of certain properties. This allowed us to plan our acquisitions strategy instead of acquiring what was available. We have now reached our peak where we can organize and plan our strategies.

In terms of the future, I think that once we put the pandemic behind us, we're going to come out stronger. In my opinion, the next few years will allow us to focus on our geographic expansion and growth as a company. I'm sure we're going to be a major player in Canadian real estate and real estate investment funds.

What is your role as President of the Audit Committee and Trustee?

My primary responsibility is to ensure that the financial information we publish reflects the reality of the Trust. It is the foundation of any business and is vital and crucial in my role on the Board of Trustees. Moreover, I am in charge of ensuring the entire financial aspect of the Trust, such as making sure debt, distributions and budgets are transparent and in order. Finally, I make sure we have the financial capacity to achieve our objectives and our goals in the long term.

Interview

The Love to Make it Work

An interview with Lucie Ducharme, President of Human Resource and Governance Committees & Trustee




Interview

What is your proudest achievement?

In life, we all have great achievements. Be they small, large, personal, or professional, the important thing is to be proud of every one of them. From a personal point of view, I am proud to have grown up and moved through life respecting my core values of family, work, loyalty, and respect for people.

On the professional side, the transfer of knowledge is a very important value to me. More concretely, one of the accomplishments I am most proud of was when I joined a real estate group with an entrepreneurial profile. This group wanted to continue its growth, but the base was not strong enough to ensure its success. With the support of the existing team, we established a more robust organizational structure and introduced new processes. This hard work from the entire team allowed us to move forward and make it a very successful business. I am proud to have been able to contribute to their growth.

I cannot help but draw a parallel with BTB, as we're also transforming ourselves to better develop and secure our future.

What inspires you? What are you passionate about?

Life in general! The social, economic, and political aspects of life. It's so rich in information that if you pay attention and listen, read, and discuss, we can learn a lot.

If my professional passions are real estate and human resources, my life passions gravitate towards history, art in general, reading and opera. My tastes are eclectic in these areas. I can read a historical novel, a family saga, a thriller or a biography. I like every genre. I try to be open and receptive to what I see, and not put up barriers. I am very curious, so it gives me a lot of small passions!

If you were a quote, which one would you be?

Years ago, I was offered an art book entitled "La marche à l'amour" (The Walk of Love) by Gaston Miron and illustrated by Léon Bellefleur, both renowned Québec artists. There was a

"We're transforming ourselves to better develop and secure our future."

dedication at the beginning of the book which read: "To Lucie, who has the love to make it work." I thought about it for a long time and concluded that it befits me. I am a determined and willing woman in everything I do. When I believe in something, an idea or a project, I put everything in place to make it work. I made this dedication mine; I apply it regularly in my life and repeat it often. It helps me.

Where do you see BTB in 1 year, 5 years or 10 years?

Since my arrival, I have seen and experienced great changes. The fact that BTB is smaller helps in implementing changes. In the past year, following a technology diagnosis, BTB decided to upgrade its infrastructure and evolve the IT systems that support the business processes of the company. A big project with big challenges, but we have a great team, and we can count on their unfailing support to set up such projects.

While big projects mean change which can bring some frustrations, we adapted our work methods to this new reality. A year from now, I believe everything will be mostly complete, and we will see the benefits. We will be able to provide employees with new tools to facilitate their work and allow us to move forward and grow more easily.

With this technological infrastructure and fine-tuned business processes, I see no reason why BTB could not double the value of its assets within five years. To tell the truth, I'm convinced of it!

Without having a crystal ball, I believe BTB is engaged in a continuous improvement process that will continue. If we follow it well, we'll be more flexible and will be able to react more quickly to market opportunities. And who knows, maybe even triple our asset value?

Who We Are

Dynamic

We welcome change and are quick on our feet.

We are motivated to try new things to make your dreams a reality.

Management Discussion and Analysis

Exercice clos le 31 décembre 2021

Introduction

The purpose of this Management Discussion and Analysis ("MD&A") 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, 2021 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 February 23, 2022 should be read together with the consolidated financial statements and accompanying notes for the year ended December 31, 2021. 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 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 consolidated financial statements and the Trust's Board of Trustees has approved them.

Forward-Looking Statements – Caveat

From time to time, written or oral forward-looking statements are made within the meaning of applicable Canadian securities legislation. Forward-looking statements in this MD&A are made, in other filings with Canadian regulators, in reports to unitholders and in other communications. These forward-looking statements may include statements regarding the Trust's future objectives, strategies to achieve the Trust's objectives, as well as statements with respect to the Trust's 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. Readers must we warned not to place undue reliance on these statements as several important factors could cause the Trust's actual results to differ materially from the expectations expressed in such forwardlooking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of the Trust's strategy, the ability to complete and integrate strategic acquisitions successfully, potential dilution, the ability to attract and retain key employees and executives, the financial position of lessees, the ability to refinance our debts upon maturity, the ability to renew leases coming to maturity, and to lease vacant space, the ability to complete developments on plan and on schedule and to raise capital to finance the Trust's growth, as well as changes in interest rates. 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 the Trust, 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.

The Trust cannot assure investors that actual results will be consistent with any forward-looking statements and the Trust 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

The COVID-19 pandemic has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures have caused an economic slowdown and material disruption to businesses in Canada and globally since 2020. The nature and extent of these measures may change depending on the efficacy of the vaccination programs, the emergence of new variants of the COVID-19 virus, and any resurgence of COVID-19 positive cases. As a result of the continuously evolving circumstances surrounding COVID-19, uncertainty remains with respect to the Trust's revised internal forecast, the most significant being the fact that it cannot predict how consumers will respond as the restriction measures continue or change in Canada (return to the office policy, online vs. physical consumer habits, etc.). 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. The amounts recorded in the 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. The Trust continues to monitor its business operations and is aware of the impacts that the COVID-19 pandemic has on the global economy as its duration remains uncertain. The Trust may take further action in response to the directives of government and public health authorities or actions that are in the best interests of employees, tenants, suppliers, or other stakeholders, as necessary.

Non-IFRS Financial Measures

Certain terms and measures used in this MD&A are listed and defined in the table hereafter, including any per unit information if applicable, are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. Explanations on how these non-IFRS financial measures provide useful information to investors and the additional purposes, if any, for which the Trust uses these non-IFRS financial measures, are also included in the table thereafter. IFRS are International Financial Reporting Standards defined and issued by the IASB, in effect as at the date of this MD&A.

Securities regulations require that non-IFRS financial measures be clearly defined and that they not be assigned greater weight than IFRS measures. The referred non-IFRS financial measures, which are reconciled to the most similar IFRS measure in the table thereafter if applicable, do not have a standardized meaning prescribed by IFRS and these measures cannot be compared to similar measures used by other issuers.

Non-IFRS measure	Definition	Reconciliation
Adjusted net income	Adjusted net income is a non-IFRS financial measure that starts with net income and comprehensive income and removes the effects of: (i) fair value adjustment on investment properties; (ii) fair value adjustment on derivative financial instruments; (iii) fair value adjustment on Class B LP units; and (iv) transaction costs on acquisition and dispositions of investment properties and early repayment fees. The Trust considers this to be a useful measure of operating performance, as fair value adjustments can fluctuate widely with the market and transaction costs are non-recurring in nature.	**Operating results – Adjusted net income**
Same-property NOI	Same-property NOI is a non-IFRS financial measure defined as net operating income ("NOI") for the properties that the Trust owned and operated for the entire duration of both the current year and the previous year. The most directly comparable IFRS measure to same-property NOI is Operating Income. The Trust believes this is a useful measure as NOI growth can be assessed on its portfolio excluding the impact of property acquisitions and dispositions. The Trust uses same-property NOI to indicate the profitability of its existing portfolio operations and the Trust's ability to increase its revenues, reduce its operating costs and generate organic growth.	**Operating results – Same-property portfolio**
Funds from Operations ("FFO") and Recurring FFO	FFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its February 2019 White Paper ("White Paper"). FFO is defined as net income and comprehensive income less certain adjustments, on a proportionate basis, including: (i) fair value adjustments on investment properties, class B LP units and derivative financial instruments; (ii) amortization of lease incentives; (iii) incremental leasing costs; and (iv) distribution on class B LP units. FFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. FFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. Recurring FFO is also a non-IFRS financial measure that starts with FFO and remove the impact of non-recurring items such as transaction cost on acquisitions and dispositions of investment properties and early repayment fees. The Trust believes FFO and recurring FFO are key measures of operating performance and allow the investors to compare its historical performance.	**Funds from Operations (FFO); Cash Flows; Appendix 2; and Appendix 3**

Non-IFRS measure	Definition	Reconciliation
Adjusted Funds from Operations ("AFFO") and Recurring AFFO	AFFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its February 2019 White Paper ("White Paper"). AFFO is defined as FFO less: (i) straight-line rental revenue adjustment; (ii) accretion of effective interest; (iii) amortization of other property and equipment; (iv) unit-based compensation expenses; (v) provision for non-recoverable capital expenditures; and (vi) provision for unrecovered rental fees (related to regular leasing expenditures). AFFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. AFFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. Recurring AFFO is also a non-IFRS financial measure that starts with AFFO and remove the impact of non-recurring items such as transaction costs on acquisitions and dispositions of investment properties and early repayment fees. The Trust considers AFFO and recurring AFFO to be useful measures of recurring economic earnings and relevant in understanding its ability to service its debt, fund capital expenditures and provide distributions to unitholders.	**Adjusted Funds from Operations (AFFO); Cash Flows; Appendix 2; and Appendix 3**
FFO and AFFO payout ratios and Recurring FFO and recurring AFFO payout-ratios	FFO and AFFO payout ratios and recurring FFO and recurring AFFO payout ratios are non-IFRS financial measures. These payout ratios are calculated by dividing the actual distributions per unit by FFO, AFFO and recurring FFO and recurring AFFO per unit in each period. The Trust considers these metrics a useful way to evaluate its distribution paying capacity.	**Funds from Operations (FFO); Adjusted Funds from Operations (AFFO); Appendix 2; and Appendix 3**
Total debt ratio	Total debt ratio is a non-IFRS financial measure of the Trust financial leverage, which is calculated by taking the total long-term debt less cash divided by total gross value of the assets of the Trust less cash. The Trust considers this metric useful as it indicates its ability to meet its debt obligations and its capacity for future additional acquisitions.	**Capital Ressources – Debt ratio**
Interest Coverage Ratio	Interest coverage ratio is a non-IFRS financial measure which is calculated by taking the NOI divided by interest expenses net of financial income (interest expenses exclude 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). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	**Capital Ressources – Interest coverage ratio**

The Trust

The Trust is an unincorporated open-ended real estate trust formed under and governed by the laws of the province of Québec pursuant to a trust agreement (as further amended). The Trust began its real estate operations on October 3, 2006, and as of December 31, 2021, owned 75 retail, office and industrial properties located in primary markets of the provinces of Québec, Ontario, Alberta, and Saskatchewan. Since its inception, the Trust has become an important property owner in the province of Québec, in Eastern Ontario and since December 2021, in Western Canada. 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.

The Trust’s management is entirely internalized, and no service agreements or asset management agreements are in force between the Trust and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders. Only two 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, 2021[1]	75	6,037,386	1,110,971

(1) These figures include a 50% interest in a 17,114 sq.ft. building in a Montréal suburb and a 50% interest in a building totalling 74,940 sq.ft. in Gatineau, Québec.

Objectives and Business Strategies

The Trust’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:

1. Generate stable monthly cash distributions that are reliable and fiscally beneficial to unitholders.
2. Grow the Trust’s assets through internal growth and accretive acquisitions to fund distributions.
3. Optimize the value of its assets through dynamic management of its properties to maximize the long-term value of its properties.

Strategically, the Trust 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 less capital expenditures.

The Trust’s management regularly performs strategic portfolio reviews to determine whether it is financially advisable to dispose of certain investments. The Trust may dispose of certain assets if their size, location and/or profitability no longer meet the Trust’s investment criteria.

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

Highlights of the Fourth Quarter and Year Ended December 31, 2021

Collection rate: was 98.0% of invoiced rent during the quarter and 99.1% of invoiced rent on a cumulative basis for 2021, which shows the strong fundamentals of the suburban office, the food anchored retail and the industrial operating segments. The Trust's portfolio continued to show positive results through all asset classes and geographies.

Leasing activity for the quarter: 378,341 sq.ft. of leases renewed of which 41,799 sq.ft. were renewed before the end of their term and 336,542 sq.ft. were renewed in anticipation of the end of their term for the years 2022 and after. The Trust leased 77,049 sq.ft. to new tenants. Due to strong leasing activity, the occupancy rate was at 93.4% at the end of the quarter.

Leasing activity for the year: A total of 182,275 sq.ft. was leased to new tenants. During the year, the Trust managed to successfully renew leases expiring in the current year and expiring in coming years, for a total of 621,286 sq.ft. Therefore, the total leasing activity for the year was 803,561 sq.ft.

Acquisitions: On June 29, 2021, the Trust acquired an industrial property located at 6000 Kieran Street in Montréal (99,000 sq.ft.) and the revenue from this acquisition contributed to the third and fourth quarter financial results. On November 8, 2021, the Trust acquired two office properties located at 2344 and 2600 Alfred-Nobel Boulevard in Montréal (237,978 sq.ft.) and the revenue from this acquisition contributed to the fourth quarter financial results. Finally, on December 24, 2021, the Trust acquired a portfolio of 10 properties located in Edmonton and Saskatoon (421,293 sq.ft.). ("Western Portfolio") and the revenue from this acquisition had a slight contribution to the fourth quarter financial results. The acquisition of these high-quality assets added additional exposure to the Trust's industrial and office segments.

Rental revenue: Stood at $26.8 million and net operating income (NOI) was $14.8 million for the current quarter, which represent a respective increase of 19.3% and 15.7% compared to the same quarter of 2020. For the year 2021, the rental revenue totalled at $100.3 million and net operating income (NOI) was $56.3 million, which represent a respective increase of 7.9% and 9.9% compared to the same period in 2020.

Same-property NOI[(1)]: Increased by 6.9% for 2021 compared to the same period in 2020 mainly due to additional recovery efforts, lower pandemic-related charges and a combination of higher occupancy rate and an increase in the average lease renewal rates.

Net income and comprehensive income: Totalled $23.2 million for the quarter compared to $3.9 million for the same period in 2020, representing an increase of $19.3 million that can be attributed to (i) an increase in the fair value of investment properties of $19.6 million compared to an increase in the fair value of $2.1 million in 2020; (ii) an increase in NOI of approximately $2.0 million.

Recurring FFO[(1)]: Was 11.0¢ per unit for the quarter (42.1¢ per unit for the year 2021) compared to 9.9¢ per unit for the same period in 2020 (38.3¢ per unit for the year 2020). The FFO was positively impacted by increased recoveries, reduced provision for credit losses, improvement of occupancy rates across all business segments and increase in average renewal rates.

Recurring AFFO[(1)]: Was 9.4¢ per unit for the quarter (38.5¢ per unit for the year 2021) compared to 9.8¢ per unit for the same period in 2020 (35.0¢ per unit for the year 2020). The reduction for the quarter is mainly due to provisions of credit losses released in Q4 2020 with less COVID-19 impact than anticipated.

Recurring FFO payout ratio[(1)]: Was 68.0% for the quarter (71.2% for the year 2021) compared to 75.5% for the same period in 2020 (88.7% for the year 2020).

Recurring AFFO payout ratio[(1)]: Was 80.0% for the quarter (77.9% for the year 2021) compared to 76.3% for the same period in 2020 (97.1% for the year 2020).

Liquidity position: Was at $7.2 million of cash at the end of the year and $48 million of total availability between the two credit facilities[(2)].

(1) This is a non-IFRS financial measure, refer to page 41.
(2) Credit facilities is a term used that reconciles with the credit facilities as presented and defined in the Trust consolidated financial statements.

Debt metrics: The Trust concluded the year with a total debt ratio (1) of 60.5%, recording a temporary regression of 1.1% compared to the same quarter last year. The temporary regression is attributable to the acquisitions announced in the fourth quarter as they were financed through long-term debt, cash on hand and the use of credit facilities. The Trust will use the net proceeds of the disposition of the Cornwall properties (transaction concluded in Q1 2022) to pay down part of the outstanding amount on its credit facilities and therefore reduce the total debt ratio below its stated objective of 60%.

Subsequent events

On January 7, 2022, the Trust concluded the acquisition of two class A office properties located at 979 Bank Street and 1031 Bank Street in the Glebe borough of Ottawa, Ontario. Acquired for the aggregate purchase price of $38.1 million, excluding transaction costs. This acquisition was funded from the existing undrawn capacity on the Trust's bank loan and available liquidity. These two properties increased the total leasable area by 116,226 sq.ft.

On January 27, 2022, the Trust concluded the disposition of four industrial properties located at 705 Boundary Road, 725 Boundary Road, 805 Boundary Road and 2901 Marleau Avenue in Cornwall, Ontario. Disposed for the aggregate sale price of $26 million, excluding transaction costs and adjustments. Following the reimbursement of its mortgages on the properties, the Trust received net proceeds of approximately $19 million. The disposition of the four properties decreased the total number of properties owned by the Trust to 73, representing a total decrease of 450,776 sq.ft. The net proceeds were used to partially reduce the outstanding amount on the credit facility.

BTB has entered into a conditional agreement to develop a residential component on one of its retail sites where approximately 900 residential units could be built, thereby unlocking approximately $30M of proceeds. The conditional agreement is, inter alia, subject to a zoning change.

Summary of significant items as at December 31, 2021

- Total number of properties: 75
- Total leasable area: approximately 6.0 million sq.ft.
- Total asset value: $1,130 million
- Market capitalization: $302 million

(1) This is a non-IFRS financial measure, refer to page 41.

Selected Financial Information

The following table presents highlights and selected financial information for the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in thousands of dollars, except for ratios and per unit data)		Quarter		Year	
		2021	2020	**2021**	2020
	Reference	**$**	$	**$**	$
Financial information					
Rental revenue	Page 54	**26,789**	22,455	**100,343**	92,969
Net operating income (NOI)	Page 54	**14,776**	12,767	**56,336**	51,260
Net income and comprehensive income	Page 54	**23,219**	3,850	**41,568**	2,919
Adjusted net income (1)	Page 58	**7,075**	5,066	**25,771**	20,102
NOI from the same-property portfolio (1)	Page 59	**13,278**	12,667	**54,184**	50,679
Distributions	Page 60	**5,578**	4,778	**21,464**	21,513
Recurring funds from operations (FFO) (1)	Page 61	**8,194**	6,322	**30,144**	24,229
Recurring adjusted funds from operations (AFFO) (1)	Page 62	**6,962**	6,253	**27,568**	22,145
Cash flow from operating activities	Page 64	**25,137**	15,954	**56,538**	46,145
Total assets				**1,129,901**	926,666
Investment properties	Page 66			**1,110,971**	903,870
Mortgage loans	Page 68			**605,210**	484,639
Convertible debentures	Page 69			**42,819**	48,316
Mortgage debt ratio (2)	Page 70			**54.0%**	52.9%
Debt ratio – convertible debentures (3)	Page 70			**4.0%**	5.8%
Debt ratio – credit facilities (4)	Page 70			**3.2%**	1.7%
Total debt ratio (1)	Page 70			**60.5%**	59.4%
Weighted average contractual interest rate	Page 68			**3.70%**	3.86%
Market capitalization				**302,438**	223,941
Financial information per unit					
Units outstanding (000)	Page 72			**74,127**	63,439
Class B LP units outstanding (000)	Page 71			**347**	397
Weighted average number of units outstanding (000)	Page 72	**74,022**	63,228	**71,188**	62,810
Weighted average number of units and Class B LP units outstanding (000)	Page 72	**74,370**	63,625	**71,547**	63,241
Net income and comprehensive income	Page 54	**31.2¢**	6.1¢	**58.1¢**	4.6¢
Adjusted net income (1)	Page 58	**9.5¢**	8.0¢	**36.0¢**	31.8¢
Distributions	Page 60	**7.5¢**	7.5¢	**30.0¢**	34.0¢
Recurring FFO (1)	Page 61	**11.0¢**	9.9¢	**42.1¢**	38.3¢
Payout ratio on recurring FFO (1)	Page 61	**68.0%**	75.5%	**71.2%**	88.7%
Recurring AFFO (1)	Page 62	**9.4¢**	9.8¢	**38.5¢**	35.0¢
Payout ratio on recurring AFFO (1)	Page 62	**80.0%**	76.3%	**77.9%**	97.1%
Market price of units				**4.08**	3.53
Tax on distributions					
Tax deferral	Page 74	**100.0%**	100%	**100.0%**	100%
Operational information					
Number of properties	Page 50			**75**	64
Leasable area (thousands of sq.ft.)	Page 51			**6,037**	5,323
Occupancy rate	Page 52			**93.4%**	92.2%
Increase in average lease renewal rate	Page 52	**7.4%**	16.6%	**5.5%**	6.8%

(1) This is a non-IFRS financial measure, refer to page 41.
(2) This is a non-IFRS financial measure. Mortgage debt ratio is calculated by dividing the mortgage loans outstanding by the total gross value of the assets of the Trust less cash.
(3) This is a non-IFRS financial measure. Debt ratio – convertible debentures is calculated by dividing the convertible debentures by the total gross value of the assets of the Trust less cash.
(4) This is a non-IFRS financial measure. Debt ratio – credit facilities is calculated by dividing the credit facilities by the total gross value of the assets of the Trust less cash.

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)	2021	2020	2019
Financial information	$	$	$
Rental income	**100,343**	92,969	93,602
Net operating income (NOI)	**56,336**	51,260	50,897
Fair value adjustment on investment properties	**19,571**	(8,375)	34,113
Net income and comprehensive income	**41,568**	2,919	51,881
Net cash from operating activities	**56,538**	46,145	47,223
Recurring FFO(1)	**30,144**	24,229	24,293
Recurring AFFO(1)	**27,568**	22,145	22,389
Distributions	**21,465**	21,513	25,141
Total assets	**1,129,901**	926,666	939,130
Long-term debt	**648,029**	532,775	542,248
Financial information per unit			
Net income and comprehensive income	**58.1¢**	4.6¢	87.8¢
Recurring FFO (2)	**42.1¢**	38.3¢	40.7¢
Recurring AFFO (3)	**38.5¢**	35.0¢	37.5¢
Distributions	**30.0¢**	34.0¢	42.0¢

(1) This is a non-IFRS financial measure, refer to page 41.
(2) This is a non-IFRS financial measure. The recurring FFO per unit ratio is calculated by dividing the recurring FFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(3) This is a non-IFRS financial measure. The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

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)	2021 Q–4	2021 Q–3	2021 Q–2	2021 Q–1	2020 Q–4	2020 Q–3	2020 Q–2	2020 Q–1
	$	$	$	$	$	$	$	$
Rental revenue	**26,789**	23,988	26,034	23,532	22,455	23,583	23,063	23,868
Net operating income (NOI)	**14,776**	13,572	15,574	12,414	12,767	13,308	12,419	12,766
Net income and comprehensive income	**23,219**	8,678	7,161	2,510	3,850	5,757	(1,101)	(5,587)
Net income and comprehensive income per unit	**31.2¢**	11.7¢	9.8¢	3.9¢	6.1¢	9.1¢	(1.7)¢	(8.9)¢
Cash from operating activities	**25,137**	10,090	8,162	13,149	15,954	8,983	10,534	10,674
Recurring funds from operations (FFO) (1)	**8,194**	7,018	9,202	5,730	6,322	6,920	4,710	6,277
Recurring FFO per unit (2)	**11.0¢**	9.5¢	12.5¢	8.9¢	9.9¢	10.9¢	7.5¢	10.0¢
Recurring adjusted funds from operations (AFFO) (1)	**6,962**	6,453	8,647	5,506	6,253	6,139	4,237	5,517
Recurring AFFO per unit (3)	**9.4¢**	8.7¢	11.8¢	8.6¢	9.8¢	9.7¢	6.7¢	8.8¢
Distributions (4)	**5,578**	5,551	5,508	4,828	4,778	4,752	5,375	6,618
Distributions per unit (4)	**7.5¢**	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢	8.5¢	10.5¢

(1) This is a non-IFRS financial measure, refer to page 41.
(2) This is a non-IFRS financial measure. The recurring FFO per unit ratio is calculated by dividing the recurring FFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(3) This is a non-IFRS financial measure. The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) Includes distributions on Class B LP units.

Operating Performance Indicators

The performance indicators, used to measure the Trust's operating performance, are described hereafter.

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 considers occupied leasable area and the leasable area of leases that have been signed as of the end of the quarter but not yet started.

In-place occupancy rate: which shows the percentage of total income-producing leasable area held at period end.

Retention rate: which is used to assess the Trust's ability to renew leases and retain tenants.

Average rate of renewed leases: which measures organic growth and the Trust's ability to increase or decrease its rental revenue.

Real Estate Portfolio

At the end of 2021, the Trust owned 75 properties, totalling a fair value of $1,111 million. The properties generated approximately $26.8 million in rental revenue this quarter and represented a total leasable area of approximately 6.0 million sq.ft. A description of the properties owned by the Trust as at December 31, 2021 can be found in the Trust's Annual Information Form (see www.sedar.com).

Summary of investment properties held as at December 31, 2021

Operating segment	Number of properties	Leasable area (sq.ft.)	Committed occupancy rate (%)	In Place occupancy rate (%)
Office	37	2,822,820	90.3	88.8
Retail	11	1,392,175	95.1	89.6
Industrial	27	1,822,391	97.0	97.0
Total	**75**	**6,037,386**	**93.4**	**91.5**

Disposition of investment properties

On December 21, 2021, the Trust disposed of a retail property located at 2340 Lapinière in Brossard, Québec, for total proceeds of $4.5 million, excluding transaction costs and adjustments.

Acquisition of investment properties

On June 29, 2021, the Trust acquired an industrial property located at 6000 Kieran Street in Montréal, Québec, for a total consideration of $15.3 million, excluding transaction costs and adjustments. This property increases the Trust's total leasable area by 99,000 sq.ft. and it is 100% occupied.

On November 8, 2021, the Trust acquired two suburban class A office properties located at 2344 and 2600 Alfred-Nobel Boulevard in the Saint-Laurent borough of Montréal, Québec, for a total consideration of $73.6 million dollars, excluding transaction costs and adjustments. The two properties increase the Trust's total leasable area of respectively 129,254 sq ft. and of 108,724 sq.ft. and the properties are 100% occupied.

On December 24, 2021, the Trust acquired a portfolio of 10 properties, nine industrial properties and one office property, located in Edmonton and Saskatoon for a total consideration of $93.7 million, excluding transaction costs and adjustments. The nine industrial properties increase the Trust's total leasable area by 407,110 sq.ft. and the office property increase the Trust's total leasable area by 14,475 sq.ft. The 10 properties total 421,585 sq.ft. and are 100% occupied.

Industrial properties acquired:

- 6909 42nd Street in Leduc, Alberta (24,014 sq.ft.)
- 18410 118A Avenue NW in Edmonton, Alberta (30,297 sq.ft.)
- 18028 114 Avenue NW in Edmonton, Alberta (55,849 sq.ft.)
- 28765 Acheson Road in Acheson, Alberta (36,334 sq.ft.)
- 25616 117 Avenue NW in Acheson, Alberta (37,143 sq.ft.)
- 3542 Millar Avenue in Saskatoon, Saskatchewan (28,800 sq.ft.)
- 318 68th Street in Saskatoon, Saskatchewan (101,357 sq.ft.)
- 3911 Millar Avenue in Saskatoon, Saskatchewan (26,400 sq.ft.)
- 3927 & 3931 Wanuskewin Rd in Saskatoon, Saskatchewan (66,916 sq.ft.)

Office property acquired:

- 1921 91st Street SW in Edmonton, Alberta (14,475 sq.ft.)

Real Estate Operations

Portfolio occupancy

The following table summarizes the changes in occupied area for the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in sq.ft.)	Quarter		Year	
	2021	2020	2021	2020
Occupied area at the beginning of the period (1)	4,969,471	4,910,000	4,910,877	5,194,894
Purchased (sold) assets	648,914	10,704	747,914	(272,688)
Signed new leases	77,049	56,589	182,275	281,970
Tenant departures	(53,696)	(66,416)	(176,621)	(293,306)
Other (2)	(1,961)	–	(24,668)	7
Occupied leasable area at the end of the period (1)	5,639,777	4,910,877	5,639,777	4,910,877
Vacant leasable area at the end of the period	397,609	412,765	397,609	412,765
Total leasable area at the end of the period	6,037,386	5,323,642	6,037,386	5,323,642

(1) The occupied area includes in place and committed agreements.
(2) Other adjustments on the occupied area represent mainly area remeasurements.

Renewal activities

The following table summarizes the renewal rate for the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in sq.ft.)	Quarter		Year	
	2021	2020	2021	2020
Leases expired at term	74,094	154,021	297,664	461,494
Renewed leases at term	41,799	102.272	211,918	305,210
Renewal rate	56.4%	66.4%	71.2%	66.1%

The Trust renewed 56.4% or 41,799 sq.ft. out of the 74,094 sq.ft. expiring this quarter. However, the Trust was able to lease 53.2% of the remaining 32,295 sq.ft. expired before the end of the year. For the year, the Trust renewed 71.2% of the leases at term which left a remaining 85,746 sq.ft. that expired, and such vacancy is mainly explained by the bankruptcy of Sportium in Q1 2021 (excluding this bankruptcy, the renewal rate would have been 84.0%) as announced in 2020.

In addition to the renewed leases at term during the quarter, the Trust renewed 336,542 sq.ft. leased with existing tenants with lease terms ending in 2022 and later (a total of 409,368 sq.ft. for the year 2021). This activity has no impact on the occupied leasable area or renewal rate but demonstrates the Trust's strategy to proactively manage its lease renewals before term. These renewals allowed the Trust to secure long-term leases with essential service retailers and government such as Walmart (264,550 sq.ft.), Staples (46,000 sq.ft.), Rossy (26,000 sq.ft.) and City of Québec (13,000 sq.ft.).

Considering renewed leases at term and renewed leases with terms ending in 2022 and after, the Trust renewed a total of 378,341 sq.ft. during this quarter (and a total of 621,286 sq.ft. for the year 2021). Out of the total leasable area of renewed leases, 299,772 sq.ft. or 79% were concluded with retail tenants, confirming the strategy of tenants to operate physical retail locations.

Average lease renewal rate

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

	Quarter		Year	
Operating segment	Renewals (sq.ft.)	Increase (%)	Renewals (sq.ft.)	Increase (%)
Office	78,569	4.1	221,455	2.1
Retail	299,772	8.5	363,835	7.5
Industrial	–	–	35,996	14.6
Total	**378,341**	**7.4**	**621,286**	**5.5**

Since the beginning of the year, the Trust achieved a cumulative average increase in renewal rate of 5.5% across all business segments. The industrial operating segment showed an increase of 14.6%, which is essentially attributable to buoyant market conditions for this segment.

Signed new leases

During the quarter, the Trust leased 77,049 sq.ft. to new tenants, leaving 397,609 sq.ft. of leasable area available at the end of the quarter. Out of the 77,049 sq.ft., 75,948 sq.ft. are committed agreements and 1,101 sq.ft. are in occupancy. As the Trust's total industrial leasable area is almost fully occupied at 97.0%, 37,761 sq.ft. or 49.0% of the new leases were concluded with retail tenants and 39,288 sq.ft. or 51.0% were concluded with office tenants. For the year, the Trust concluded transactions with new tenants for a total of 182,275 sq.ft.

Occupancy rates

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

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Operating segment	**%**	%	%	%	%
Office	**90.3**	89.3	89.5	89.3	89.9
Retail	**95.1**	92.6	92.9	90.0	93.3
Industrial	**97.0**	96.5	96.5	95.6	95.8
Total portfolio	**93.4**	92.0	92.2	91.0	92.2

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Geographic sector	**%**	%	%	%	%
Montréal	**94.4**	92.8	93.1	91.3	93.3
City of Québec (1)	**88.9**	88.9	88.8	89.0	89.1
Ottawa	**93.7**	93.8	94.2	93.0	93.3
Edmonton	**100.0**	–	–	–	–
Saskatoon	**100.0**	–	–	–	–
	93.4	92.0	92.2	91.0	92.2

(1) Excluding the Trois-Rivières property, the occupancy rate of the city of Québec portfolio is 92.4% for the quarter.

The occupancy rate at the end of the fourth quarter of 2021 stood at 93.4%, a 1.4% increase compared to the prior quarter, or a 1.2% increase compared to the same period for 2020.

Lease maturities

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

	2022	2023	2024	2025	2026
Office					
Leasable area (sq.ft.)	363,019	316,159	272,604	248,294	430,293
Average lease rate/square foot ($) [1]	$13.35	$16.08	$13.95	$14.68	$14.07
% of office portfolio	12.86%	11.20%	9.66%	8.80%	15.24%
Retail					
Leasable area (sq.ft.)	103,582	169,452	81,392	123,398	109,515
Average lease rate/square foot ($) [1]	$13.21	$8.52	$15.78	$19.84	$16.49
% of retail portfolio	7.44%	12.17%	5.85%	8.86%	7.87%
Industrial					
Leasable area (sq.ft.)	331,166	122,964	108,691	166,748	150,179
Average lease rate/square foot ($) [1]	$6.59	$9.45	$8.57	$14.74	$11.55
% of industrial portfolio	18.17%	6.75%	5.96%	9.15%	8.24%
Total portfolio					
Leasable area (sq.ft.)	**797,767**	**608,575**	**462,687**	**538,440**	**689,987**
Average lease rate/square foot ($) [1]	**$10.53**	**$12.64**	**$13.01**	**$15.88**	**$13.90**
% of total portfolio	**13.21%**	**10.08%**	**7.66%**	**8.92%**	**11.43%**

(1) This is a non-IFRS financial measure. The average lease rate / square foot ($) ratio is calculated by dividing the annual rental revenues related to leases maturing within a specific year divided by the total leasable area (sq.ft.) of the leases maturing within a specific year.

Weighted average lease term (WALT)

For the year ended December 31, 2021, the Trust maintained a weighted average lease term of 5.9 years, compared to 5.9 years for the same period in 2020. In addition to securing future revenues for the Trust and solidifying its tenant base, the Trust's leasing renewal strategy is also focused on ensuring longevity in the lease term when appropriate. Despite the stability of the weighted average lease term, results demonstrate the Trust's efforts to secure its tenant base and revenues in the years to come.

Top 10 tenants

The Trust's three largest tenants are the Government of Québec, the Government of Canada, and Walmart Canada Inc., representing respectively 6.6%, 5.6% and 2.8% of rental revenue. As previously highlighted, Walmart renewed for a long term its lease with the Trust for a total of 264,550 sq.ft. These revenues are generated by multiple leases with these tenants whose maturities are spread over time. 34.7% 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, 2021. Their contribution accounts for 24.9% of annual rental revenue and 21.7% of leased area:

Client	% of revenue	% of leased area	Leased area (sq.ft.)
Government of Québec	6.6	5.0	299,763
Government of Canada	5.6	4.2	255,323
Walmart Canada inc.	2.8	4.4	264,550
WSP Canada Inc.	1.6	0.8	48,478
Mouvement Desjardins	1.6	1.0	61,576
Intrado Life & Safety Canada, Inc.	1.6	0.9	53,767
Groupe BBA Inc.	1.6	1.2	69,270
Strongco	1.4	2.0	118,585
Germain Larivière Laval Inc.	1.1	1.7	101,194
Satcom Direct Avionics	1.0	0.5	32,000
	24.9	**21.7**	**1,304,506**

Operating Results

The following table summarizes the financial results for the periods ended December 31, 2021 and 2020. The table should be read in conjunction with the interim condensed consolidated financial statements and the accompanying notes:

Periods ended December 31 (in thousands of dollars)		Quarter		Year	
		2021	2020	**2021**	2020
	Reference	**$**	$	**$**	$
Rental revenue	Page 54	**26,789**	22,455	**100,343**	92,969
Operating expenses	Page 55	**12,013**	9,688	**44,007**	41,709
Net operating income (NOI)	Page 54	**14,776**	12,767	**56,336**	51,260
% of rental revenue		**55.2%**	56.9%	**56.1%**	55.1%
Net financial expenses net of financial income	Page 56	**9,489**	9,356	**27,388**	31,351
Administration expenses	Page 57	**1,530**	1,537	**6,842**	6,750
Disposition expenses		**109**	154	**109**	1,865
Net changes in fair value of investment properties	Page 58	**(19,571)**	(2,130)	**(19,571)**	8,375
Net income and comprehensive income	Page 54	**23,219**	3,850	**41,568**	2,919
Net income and comprehensive income, per unit		**31.2¢**	6.1¢	**58.1¢**	4.6¢

Rental revenue

For the quarter, rental revenue increased by $4.3 million or 19.3% compared to the same period last year. The increase consists of the following: (i) $0.8 million in additional recoveries; (ii) $0.9 million of additional revenues; (iii) $1.9 million of additional revenue related to the following acquisitions:

- $0.4 million, 6000 Kieran (Montréal) in June 2021
- $1.3 million, 2344 & 2600 Alfred Nobel (Montréal) in November 2021
- $0.2 million, Western Portfolio in December 2021

For the year 2021, rental revenue increased by $7.3 million or 7.9%, which consists of the following: (i) a decrease of $0.6 million attributable to the CECRA program rent abatements and free rent granted in 2020; (ii) $2.0 million in recoveries related to prior years and $1.1 million for 2021; (iii) $0.9 million of additional revenues; (iv) $2.7 million in additional revenue related to the acquisitions of the following properties:

- $0.6 million, 2005 Chatelier (Montréal) in November 2020
- $0.6 million, 6000 Kieran (Montréal) in June 2021
- $1.3 million, 2344 & 2600 Alfred Nobel (Montréal) in November 2021
- $0.2 million, Western Portfolio in December 2021

Operating expenses

The following table summarizes the operating expenses for the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2021	2020	**2021**	2020
	$	$	**$**	$
Operating expenses				
Utilities, maintenance, and other operating costs	**6,041**	4,413	**21,421**	19,444
Property taxes and insurance	**5,972**	5,275	**22,586**	22,265
Total operating expenses	**12,013**	9,688	**44,007**	41,709
% of rental revenue	**44.8**	43.1	**43.9**	44.9

Operating expenses increased on a quarterly and cumulative basis mainly due to the new acquisitions. As well as the new acquisitions, utilities, maintenance, and other operating costs increased due to businesses returning to normal operations. In addition, property taxes remain stable even with the new acquisitions, the Trust having benefitted from a general reduction in school taxes in the province of Québec.

Financial expenses and income

The following table summarizes the financial expenses for the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2021	2020	**2021**	2020
	$	$	**$**	$
Financial income	**(158)**	(208)	**(739)**	(564)
Interest on mortgage loans	**4,881**	4,578	**18,742**	18,786
Interest on convertible debentures	**832**	1,024	**3,220**	3,542
Interest on credit facilities	**165**	224	**484**	836
Other interest expense	**62**	69	**247**	303
Interest expense net of financial income	**5,782**	5,687	**21,954**	22,903
Distributions on Class B LP units	**30**	30	**108**	157
Early repayment fees	**–**	–	**188**	79
Net financial expenses before non-monetary items	**5,812**	5,717	**22,250**	23,139
Accretion of effective interest on mortgage loans and convertible debentures	**275**	343	**1,301**	1,244
Accretion of non-derivative liability component of convertible debentures	**84**	104	**360**	104
Net financial expenses before the following items	**6,171**	6,164	**23,911**	24,487
Net adjustment to fair value of derivative financial instruments	**3,297**	2,950	**3,246**	7,642
Fair value adjustment on Class B LP units	**21**	242	**231**	(778)
Net financial expenses net of financial income	**9,489**	9,356	**27,388**	31,351

Financial income mainly consists of interest income generated from a balance of sale granted by the Trust in the original principal amount of $6.0 million pursuant to the sale in 2019 of a retail property located in Delson, Québec. The Trust received $3.0 million in December 2021 that reduced the balance of sale principal amount to an amount of $3.0 million at December 31, 2021.

Interest expense net of financial income increased by $0.1 million during the current quarter compared to the same period last year, mainly due to the mortgage loans contracted for the acquisitions of the two class A suburban office properties at the beginning of November 2021. On a cumulative basis, interest expense net of financial income decreased by $0.9 million mainly due to conversions of the Series H debentures, the repayment of credit facilities following the equity issuance in April 2021, and benefits from refinancing mortgage loans with lower average interest rate.

On December 31, 2021, the average weighted contractual rate of interest on mortgage loans outstanding was 3.49%, 8 basis points lower than the average rate as at December 31, 2020 (3.57%). Interest rates on first-ranking mortgage loans ranged from 2.37% to 6.80% as at December 31, 2021, same for the previous year. The weighted average term of mortgage loans in place as at December 31, 2021 was 4.7 years (4.6 years as at December 31, 2020).

Net financial expenses net of financial income described above include non-monetary items. These non-monetary items are the accretion of effective interest on mortgage loans and on convertible debentures, the accretion of non-derivative liability component of convertible debentures and the fair value adjustments on derivative financial instruments and on Class B LP units.

Administration expenses

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2021	2020	2021	2020
	$	$	$	$
Corporate expenses	1,352	1,653	5,545	5,152
Expected credit losses	12	(397)	231	1,417
Unit-based compensation	166	281	1,066	181
Trust administration expenses	1,530	1,537	6,842	6,750

Corporate expenses decreased by $0.3 million or 18% for the quarter compared to the same period last year. The Trust incurred additional costs related to its growth strategy (key employee additions, investments in technology, security, and marketing), which also explains the variance on a cumulative basis. For the year, the Trust managed to maintain a stable level of corporate expenses at 5.5% of rental revenue, due to continuous cost control efforts.

Expected credit losses increased by $0.4 million for the quarter compared to the same period last year. Overall, for 2020, a higher provision was recorded to address the uncertainty related to the COVID-19 pandemic and a portion of the provision was reversed in Q4 2020. For the year 2021, expected credit losses were reduced by $1.2 million or 84% compared to the same period last year and is explained by: (i) 99.1% collection rate for the year; (ii) limited number of tenants impacted by COVID-19 compared to 2020.

Unit-based compensation decreased by $0.1 million for the quarter compared to the same period last year, which is attributable to a lower unit price on amounts owing under the unit-based compensation plans. For the year 2021, unit-based compensation increased by $0.9 million compared to the same period last year and is explained by: (i) a higher unit price on amounts owing under the unit-based compensation plans ($4.08 at the end of the current year compared to $3.53 per unit at the end of the same quarter last year); (ii) the creation of a cash-settled share-based retirement compensation plan; (iii) the vesting of units under the restricted unit compensation plan.

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 period in which it arises.

On an annual basis, the Trust retains the services of independent external appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the Trust annually appraises approximately two thirds of its portfolio by independent external appraisers, including the 15 most valuable properties as of Q3 2021 ($672.1 million for the year 2021 compared to $584.7 million for the year 2020). In addition, as part of acquisitions, financing or refinancing transactions, or at the request of lenders, other properties are also independently appraised during the year.

For the properties not subject to independent appraisals, the Trust received quarterly capitalization rates and discount rates market 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.

The following tables summarize the net changes in fair value of investment properties by segment:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2021	2020	2021	2020
	$	$	$	$
Office	(1,894)	(5,581)	(1,894)	(7,443)
Retail	7,576	(10,541)	7,576	(18,839)
Industrial	13,889	18,450	13,889	17,907
Total net changes in fair value of investment properties	19,571	2,328	19,571	(8,375)

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

As at December 31, 2021	Retail	Office	Industrial
Capitalization rate	5.25% – 7.75%	5.25% – 8.50%	4.50% – 8.50%
Terminal capitalization rate	6.00% – 7.00%	5.50% – 7.50%	4.75% – 7.00%
Discount rate	6.50% – 7.50%	5.50% – 8.25%	5.75% – 7.50%
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%

The weighted average capitalization rate for the entire portfolio as at December 31, 2021 was 6.33% (6.51% as at December 31, 2020), 18 basis point lower than at December 31, 2020.

As at December 31, 2021, the Trust has estimated that if an increase / decrease of 0.25% in the capitalization rate was applied to the overall portfolio, this variation would affect the fair value of the investment properties respectively by, a reduction of $42.0 million or an increase of $45.5 million. The change of the capitalization rate is an appropriate proxy for the changes for the discount and terminal capitalization rates.

Adjusted net income (1)

Net income and comprehensive income fluctuate from one quarter to the next based on non-recurring items and certain volatile non-monetary items. The fair value of derivative financial instruments and the fair value of investment properties fluctuate based on the stock market volatility of the Trust's units, the forward interest rate curve and the discount and capitalization rates of its real estate portfolio.

(1) This is a non-IFRS financial measure, refer to page 41.

The following table summarizes the adjusted net income [1] before these non-recurring and volatile non-monetary items:

Periods ended December 31 (in thousands of dollars, except for per unit)	Quarter		Year	
	2021	2020	2021	2020
	$	$	$	$
Net income and comprehensive income	23,219	3,850	41,568	2,919
Non-recurring items:				
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	109	154	297	1,944
Volatile non-monetary items				
Fair value adjustment on investment properties	(19,571)	(2,130)	(19,571)	8,375
Fair value adjustment on derivative financial instruments	3,297	2,950	3,246	7,642
Fair value adjustment on Class B LP units	21	242	231	(778)
Adjusted net income [1]	7,075	5,066	25,771	20,102
Per unit [1]	9.5¢	8.0¢	36.0¢	31.8¢

(1) This is a non-IFRS financial measure, refer to page 41.

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by the Trust on January 1, 2020 and that are still owned by the Trust on December 31, 2021 but it does not include acquisitions completed during 2020 and 2021, 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		
	2021	2020	Δ	2021	2020	Δ
	$	$	%	$	$	%
Rental revenue	24,781	22,322	11.0	97,550	91,291	6.9
Operating expenses	11,503	9,655	19.1	43,366	40,612	6.8
Net operating income (NOI) [1]	13,278	12,667	4.8	54,184	50,679	6.9

(1) This is a non-IFRS financial measure, refer to page 41.

For the quarter, same-property rental revenue increased by $2.5 million or 11.0% compared to the same period last year, and net operating income (NOI) increased by $0.6 million or 4.8%. With the COVID-19 pandemic still affecting the communities in which we operate, the Trust has shown progression throughout this period in net operating income (NOI) as well as occupancy and collections. Operating expenses have been affected by the return to normal level of activities for the quarter compared to the same quarter last year. Overall, NOI showed an increase of 4.8% for the quarter compared to the same quarter last year.

Year-to-date, same-property rental revenue increased by $6.3 million or 6.9% compared to the same period last year, which is explained by the following: (i) a decrease of $0.6 million attributable to the CECRA program rent abatements and free rents granted in 2020; (ii) the Trust recovered $2.0 million in recoveries related to prior years and $1.1 million for 2021; (iii) $2.6 million of additional revenues attributable to a combination of a higher occupancy rate (+1.2% compared to the same period last year) and increase in average lease renewal rate of 5.5% for the year. Operating expenses have been affected by the return to normal level of activity for the year compared to the same period last year. Overall, NOI showed an increase of 6.9% for the year compared to the same period last year.

Distributions

Distributions and per unit

Periods ended December 31 (in thousands of dollars, except for per unit)	Quarter		Year	
	2021	2020	2021	2020
	$	$	$	$
Distributions				
Cash distributions	**4,774**	4,062	**18,378**	18,473
Cash distributions – Class B LP units	**26**	30	**108**	157
Distributions reinvested under the distribution reinvestment plan	**778**	686	**2,978**	2,883
Total distributions to unitholders	**5,578**	4,778	**21,464**	21,513
Percentage of reinvested distributions (1) (2)	**13.9%**	14.4%	**13.9%**	13.4%
Per unit (2)				
Distributions	**7.5¢**	7.5¢	**30.0¢**	34.0¢

(1)This is a non-IFRS financial measure. The percentage of reinvested distributions ratio is calculated by dividing the distributions reinvested under the distribution reinvestment plan by the total distributions to unitholders.
(2) Including Class B LP units.

For the quarter, monthly distributions to unitholders totalled 2.5¢ per unit for a quarterly total of 7.5¢ per unit, unchanged from the same quarter of 2020. On a cumulative basis, monthly distributions to unitholders totalled 2.5¢ per unit for the full year 2021 compared to last year where the monthly distributions to unitholders were 3.5¢ per unit from January to April 2020, and 2.5¢ per unit from May to December 2020.

Funds from Operations (FFO) (1)

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO (1) for the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in thousands of dollars, except for per unit)	Quarter		Year	
	2021	2020	2021	2020
	$	$	$	$
Net income and comprehensive income	23,219	3,850	41,568	2,919
Fair value adjustment on investment properties	(19,571)	(2,130)	(19,571)	8,375
Fair value adjustment on Class B LP units	21	242	231	(778)
Amortization of lease incentives	858	794	3,292	3,068
Fair value adjustment on derivative financial instruments	3,297	2,950	3,246	7,642
Leasing payroll expenses	208	146	784	616
Distributions – Class B LP units	30	30	108	157
Unit-based compensation (Unit price remeasurement) (5)	23	–	189	–
FFO (1)	8,085	5,882	29,847	21,999
Non-recurring item				
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	109	440	297	2,230
Recurring FFO (1)	8,194	6,322	30,144	24,229
FFO per unit (1) (2) (3)	10.9¢	9.2¢	41.7¢	34.8¢
Recurring FFO per unit (1) (2) (4)	11.0¢	9.9¢	42.1¢	38.3¢
FFO payout ratio (1)	68.9%	81.1%	71.9%	97.7%
Recurring FFO payout ratio (1)	68.0%	75.5%	71.2%	88.7%

(1) This is a non-IFRS financial measure, refer to page 41.
(2) Including Class B LP units.
(3) This is a non-IFRS financial measure. The FFO per unit ratio is calculated by dividing the FFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) This is a non-IFRS financial measure. The recurring FFO per unit ratio is calculated by dividing the recurring FFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the recurring FFO and AFFO starting Q2 2021. As a reference, the cumulative impact for the 12 months cumulative period in 2020 was positive $373 or 0.1¢ per unit.

For the quarter, recurring FFO (1) was 11.0¢ per unit (42.1¢ per unit for the year 2021), compared to 9.9¢ per unit for the same quarter last year (38.3¢ per unit for the year 2020). The recurring FFO payout ratio (1) for the quarter stood at 68.0% (71.2% for the year 2021) compared to 75.5% for the same quarter in 2020 (88.7% for the year 2020). The improvement in the ratios compared to prior year is mainly explained by: (i) better recoveries; (ii) less provision for credit losses; (iii) improvement of occupancy rates across all business segments; and (iv) increase in average renewal rates by 5.5%.

(1) This is non-IFRS financial measure, refer to page 41.

Adjusted Funds from Operations (AFFO) [1]

The following table provides a reconciliation of FFO [1] and AFFO [1] for the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in thousands of dollars, except for per unit)	Quarter		Year	
	2021	2020	**2021**	2020
	$	$	**$**	$
FFO [1]	**8,085**	5,882	**29,847**	21,999
Straight-line rental revenue adjustment	**(758)**	108	**(1,334)**	(249)
Accretion of effective interest	**275**	343	**1,301**	1,244
Amortization of other property and equipment	**22**	23	**87**	100
Unit-based compensation expenses	**143**	281	**877**	181
Provision for non-recoverable capital expenditures [1]	**(539)**	(449)	**(2,007)**	(1,859)
Provision for unrecovered rental fees [1]	**(375)**	(375)	**(1,500)**	(1,500)
AFFO [1]	**6,853**	5,813	**27,271**	19,915
Non-recurring item				
Transaction costs on purchase and disposition of investment properties and early repayment fees	**109**	440	**297**	2,230
Recurring AFFO [1]	**6,962**	6,253	**27,568**	22,145
AFFO per unit [1] [2] [3]	**9.2¢**	9.1¢	**38.1¢**	31.5¢
Recurring AFFO per unit [1] [2] [4]	**9.4¢**	9.8¢	**38.5¢**	35.0¢
AFFO payout ratio [1]	**81.3%**	82.1%	**78.7%**	108.0%
Recurring AFFO payout ratio [1]	**80.0%**	76.3%	**77.9%**	97.1%

(1) This is a non-IFRS financial measure, refer to page 41.
(2) Including Class B LP units.
(3) This is a non-IFRS financial measure. The AFFO per unit ratio is calculated by dividing the AFFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) This is a non-IFRS financial measure. The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

For the quarter, recurring AFFO [1] was 9.4¢ per unit (38.5¢ per unit for the year 2021), compared to 9.8¢ per unit for the same quarter last year (35.0¢ per unit for the year 2020). The recurring AFFO payout ratio [1] for the quarter stood at 80.0% (77.9% for the year 2021) compared to 76.3% for the same quarter last year (97.1% for the year 2020).

In calculating AFFO [1], the Trust deducts a provision for non-recoverable capital expenditures [2] to consider capital expenditures invested to maintain the condition of its properties and to preserve rental revenue. The provision for non-recoverable capital expenditures is calculated based on 2% of rental revenues. This provision is based on management's assessment of industry practices and its investment forecasts for the coming years.

The Trust also deducts a provision for unrecovered rental fees [2] in the amount of approximately 25¢ per sq.ft. 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.

(1) This is non-IFRS financial measure, refer to page 41.
(2) This is a non-IFRS financial measure as defined in this page.

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)	**2021**	2020	2019
	$	$	$
Provision for non-recoverable capital expenditures (1)	**2,007**	1,859	1,842
Non-recoverable capital expenditures	**1,297**	2,055	2,603

(1) This is a non-IFRS financial measure, refer to AFFO section for detailed explanations.

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

The following table shows the Trust net distributions to unitholders compared to net cash flows from operating activities less interest paid:

Years ended December 31 (in thousands of dollars)	2021	2020	2019
	$	$	$
Net cash flows from operating activities	**56,538**	46,145	47,223
Interest paid	**(21,755)**	(21,787)	(23,442)
Net cash flows from operating activities less interest paid	**34,783**	24,358	23,781
Net distributions to unitholders	**18,171**	21,513	25,141
Surplus (deficit) of net cash flows from operating activities less interest paid compared to net distributions to unitholders	**16,612**	2,845	(1,360)

The following table summarizes the reconciliation of net cash from operating activities presented in the financial statements, AFFO (1), and FFO (1):

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2021	2020	2021	2020
	$	$	$	$
Cash flows from operating activities	**25,137**	15,954	**56,538**	46,145
Leasing payroll expenses	**208**	146	**784**	616
Transaction costs on purchase and disposition of investment properties and early repayment fees	**(109)**	–	**(297)**	(1,790)
Adjustments for changes in other working capital items	**(11,604)**	(3,518)	**(3,934)**	1,465
Financial income	**158**	208	**739**	564
Interest expenses	**(5,940)**	(5,895)	**(22,693)**	(23,467)
Provision for non-recoverable capital expenditures	**(539)**	(445)	**(2,007)**	(1,855)
Provision for non-recovered rental fees	**(375)**	(375)	**(1,500)**	(1,500)
Accretion of non-derivative liability component of convertible debentures	**(84)**	(263)	**(360)**	(263)
AFFO (1)	**6,853**	5,813	**27,271**	19,915
Provision for non-recoverable capital expenditures (2)	**539**	449	**2,007**	1,859
Provision for non-recovered rental fees (2)	**375**	375	**1,500**	1,500
Straight-line rental revenue adjustment	**758**	(108)	**1,334**	249
Unit-based compensation expenses	**(143)**	(281)	**(877)**	(181)
Accretion of effective interest	**(275)**	(343)	**(1,301)**	(1,244)
Amortization of property and equipment	**(22)**	(23)	**(87)**	(100)
FFO (1)	**8,085**	5,882	**29,847**	21,999

(1) This is a non-IFRS financial measure, refer to page 41.
(2) This is a non-IFRS financial measure, refer to AFFO section for detailed explanations.

(1) This is a non-IFRS financial measure, refer to page 41.

Segmented Information

The Trust's operations are generated from three segments of properties located in the provinces of Québec, Ontario, Alberta and Saskatchewan. The following tables summarize each segment's contribution to revenues and to net operating income (NOI) for the quarters and years ended December 31, 2021 and 2020:

Periods ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Total
	$	%	$	%	$	%	$
Quarter ended December 31, 2021							
Investment properties	**252,187**	**22.7**	**574,928**	**51.8**	**283,856**	**25.5**	**1,110,971**
Rental revenue from properties	**7,643**	**28.5**	**15,900**	**59.4**	**3,246**	**12.1**	**26,789**
Net operating income (NOI)	**4,590**	**31.1**	**8,109**	**54.9**	**2,077**	**14.1**	**14,776**
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 (NOI)	4,486	35.1	6,468	50.7	1,813	14.2	12,767

Years ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Total
	$	%	$	%	$	%	$
Year ended December 31, 2021							
Rental revenue from properties	**28,637**	**28.5**	**58,034**	**57.8**	**13,672**	**13.6**	**100,343**
Net operating income (NOI)	**16,857**	**29.9**	**30,244**	**53.7**	**9,235**	**16.4**	**56,336**
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 (NOI)	16,177	31.6	27,686	54.0	7,397	14.4	51,260

Retail performance

Although the effect of the pandemic and the resulting government mandated restrictions have certainly impacted the retail industry in general, the Trust had limited exposure to bankruptcies of tenants and tenants in restructuring procedures. The Trust does not own enclosed malls and most of the properties are anchored with necessity-based tenants. The occupancy rate in the retail segment at the end of the fourth quarter of 2021 stood at 95.1%, a 1.8% increase compared to the same period last year. During the quarter, the Trust was able to renew retail leases for 299,772 sq.ft. at an average increase in the renewal lease rate of 8.5% (7.5% for the cumulative 12-month period). The proportion of the net operating income (NOI) generated by the retail segment decreased from 35.1% to 31.1% compared to the same period last year, mainly due to the Trust not concluding any acquisition within the retail segment while acquiring properties in the office and industrial segments which increased the proportion of net operating income (NOI) of their respective segments.

Office performance

The Trust owns suburban office properties and does not own downtown high-rise towers that were the most impacted by the pandemic. Overall, the performance of the segment has been stable across all geographic sectors and it has been supported by the quality of its tenants (the Trust top two tenants are the Federal and Québec government agencies). The occupancy rate of the Trust's office properties at the end of the quarter stood at 90.3%, a 0.4% increase compared to the same period last year. The Trust concluded lease renewals for a total of 78,569 sq.ft. with an increase in the average renewal rate of 4.1% (increase of 2.1% for the cumulative 12-month period) for a total of 221,455 sq.ft. The percentage of net operating income (NOI) generated by the office segment was affected by the recent acquisition of the two Alfred Nobel properties in Montréal. This acquisition was accretive from a NOI standpoint, resulting in an increase compared to the same period last year from 50.7% to 54.9%.

Industrial performance

The industrial segment continues to show good performance. The asset value proportion of industrial properties increased from 18.1% to 25.5% compared to the same period last year, mainly due to the acquisitions of 10 industrial properties as previously mentioned in the “Acquisition of investment properties” section of this MD&A. The acquired properties were all 100% occupied having an impact on the occupancy rate which at the end of the fourth quarter of 2021 stood at 97.0%, a 1.2% increase compared to the same period last year. For the year, the percentage of net operating income (NOI) generated by the industrial segment was also affected by the acquisitions with an increase compared to the same period last year of 14.4% to 16.4%. The positive impact on the net operating income (NOI) of the properties acquired at the end of the year will be reflected on next year NOI.

Assets

Investment properties

The Trust has grown through the acquisitions of high-quality properties 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 $1,111 million as at December 31, 2021 compared to $904 million as at December 31, 2020. The increase is explained by the previously mentioned acquisitions which increased the portfolio of investment properties by $185 million or 23%. The remaining increase can be explained by the net impact of additions related to capital expenditures of $3.7 million, net impact of capitalized lease incentives of $0.2 million, straight line lease adjustment of $1.3 million, capitalized leasing fees of $0.9 million and net changes in fair value of investment properties of $19.6 million. In addition, the sale of one retail property for $4.5 million has been executed in December 2021.

Improvements in investment properties

The Trust 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 rent. In some cases, capital expenditures are amortized and may be recovered from tenants.

The following table summarizes capital expenditures, incentives, and leasing fees, for the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2021	2020	**2021**	2020
	$	$	**$**	$
Recoverable capital expenditures	**1,357**	568	**2,375**	990
Non-recoverable capital expenditures	**79**	652	**1,297**	2,055
Refund received	**–**	–	**–**	(280)
Total capital expenditures	**1,436**	1,220	**3,672**	2,765
Leasing fees and capitalized lease incentives	**746**	1,532	**4,402**	5,893
Total	**2,182**	2,752	**8,074**	8,658

The following table summarizes the changes in the fair value of investment properties for the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in thousands of dollars)	Quarter		Years	
	2021	2020	2021	2020
	$	$	$	$
Balance, beginning of period	923,638	895,420	903,870	924,320
Additions:				
Adjustments to right-of-use assets	–	291	–	291
Acquisitions and acquisition fees	170,130	8,312	185,864	30,560
Dispositions	(4,450)	(4,133)	(4,450)	(48,765)
Capital expenditures	1,436	1,220	3,672	2,765
Leasing fees and capitalized lease incentives	746	1,532	4,402	5,893
Fair value adjustment on investment properties	19,571	2,130	19,571	(8,375)
Other non-monetary changes	(100)	(902)	(1,958)	(2,819)
Balance, end of period	1,110,971	903,870	1,110,971	903,870

Receivables

(in thousands of dollars)	December 31, 2021	December 31, 2020
	$	$
Rent receivable	4,497	4,259
Allowance for expected credit losses	(944)	(1,132)
Net rent receivable	3,553	3,127
Unbilled recoveries	587	665
Other receivables	1,388	1,420
Receivables	5,528	5,212

Receivables increased from $5.2 million as at December 31, 2020 to $5.5 million as at December 31, 2021. For the year, the increase in receivables is in line with the Trust rental revenues increase and the positive impact of the reduction of the allowance for credit losses.

Other assets and Property and equipment

(in thousands of dollars)	December 31, 2021	December 31, 2020
	$	$
Property and equipment	1,438	1,238
Accumulated depreciation	(992)	(904)
	446	334
Prepaid expenses	1,811	1,498
Deposits	936	656
Other assets	3,193	2,488

Other assets and property and equipment increased from $2.5 million as at December 31, 2020 to $3.2 million as at December 31, 2021, which is explained by the increase in number of properties.

Capital Resources

Long-term debt

The following table summarizes the balance of the Trust's indebtedness on December 31, 2021, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

As at December 31, 2021 (in thousands of dollars)	Balance of convertible debentures (1)	Balance of mortgages payable (1)	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2022	–	74,406	4.01
2023	–	35,380	3.59
2024	24,000	106,969	4.41
2025	22,143	60,909	4.34
2026	–	125,193	3.22
2027 and thereafter	–	204,181	3.21
Total	**46,143**	**607,038**	**3.70**

(1) Gross amounts.

The Trust has $74.4 million of mortgages coming to maturity during the next year and is in process of refinancing. Historically, the Trust has always been able to refinance its existing mortgages and there are no indication that this would change.

Weighted average contractual interest rate

As at December 31, 2021, the weighted average contractual interest rate of the Trust's long-term debt stood at 3.70% (3.49% for mortgage loans and 6.48% for convertible debentures) a decrease of 16 basis points compared to the same period last year. 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, 2021, the Trust's total mortgage loans (excluding unamortized fair value adjustments and unamortized financing expenses) amounted to $607.0 million compared to $486.2 million as at December 31, 2020. The increase relates to previously mentioned acquisitions where the Trust contracted or assumed mortgages of $119 million.

The following table summarizes the changes in mortgage loans payable during the periods ended December 31, 2021:

Periods ended December 31 (in thousands of dollars)	Quarter	Year
	$	$
Balance, beginning of period (1)	**495,785**	486,242
Mortgage loans contracted or assumed (2)	**155,029**	213,885
Balance repaid at maturity or upon disposition (3)	**(39,994)**	(77,299)
Monthly principal repayments (4)	**(3,782)**	(15,790)
Balance, end of period (1)	**607,038**	607,038

(1) Before unamortized financing expenses and fair value assumption adjustments.
(2) This is a non-IFRS measure. Mortgage loans contracted or assumed are included in the Consolidates Statements of Cash Flows in the Consolidated Financial Statements within the Mortgage loans, net of financing expenses.
(3) This is a non-IFRS measure. Balance repaid at maturity or upon disposition are included in the Consolidates Statements of Cash Flows in the Consolidated Financial Statements within the following: Repayment of mortgage loans and Net proceeds from disposition of investment properties.
(4) This is a non-IFRS measure. Principal monthly repayments are included in the Consolidates Statements of Cash Flows in the Consolidated Financial Statements within Repayment of mortgage loans.

As at December 31, 2021, the weighted average mortgage interest rate was 3.49% compared to 3.57% for the same period last year, a decrease of 8 basis points. Except for two loans with a total balance of $31.4 million, all mortgages payable bear interest at fixed rates (balance of $521.8 million) or are subject to floating-to-fixed interest rate swap (balance of $53.8 million).

The weighted average term of existing mortgage loans was 4.7 years as at December 31, 2021 compared to 4.6 years as at December 31, 2020. The Trust attempts to spread the maturities of its mortgages over many years to mitigate the risk associated with renewals.

The following table summarizes the future mortgage loan repayments for the next few years:

As at December 31, 2021 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	%
Year of maturity				
2022	18,759	72,426	91,185	15.0
2023	16,651	33,841	50,492	8.3
2024	14,326	96,596	110,922	18.3
2025	11,864	52,853	64,717	10.7
2026	9,428	107,631	117,059	19.3
2027 and thereafter	28,752	143,911	172,663	28.4
Total	**99,780**	**507,258**	**607,038**	**100.0**
Unamortized fair value assumption adjustments			755	
Unamortized financing expenses			(2,583)	
Balance as at December 31, 2021			**605,210**	

As at December 31, 2021, 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	22,143 (4)	46,143
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, 2021	**23,193**	**19,626**	**42,819**

(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 $7,857 of the Series H debenture since issuance. Conversion of $488 during Q4 2021.

Debt ratio [1]

Under the terms of its trust agreement, the Trust cannot contract a mortgage loan if, after having contracted said loan, the mortgage debt ratio [1] would exceed 75% of the value of the total 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 summarizes the Trust's debt ratios as at December 31, 2021 and 2020:

(in thousands of dollars)	December 31, 2021	December 31, 2020
	$	$
Cash and cash equivalents	**(7,191)**	(9,062)
Mortgage loans outstanding [1]	**607,038**	486,242
Convertible debentures [1]	**44,564**	53,385
Credit facilities	**35,468**	15,300
Total long-term debt less cash and cash equivalents [2]	**679,879**	545,865
Total gross value of the assets of the Trust less cash and cash equivalents [3]	**1,123,702**	918,508
Mortgage debt ratio (excluding convertible debentures and credit facilities) [4]	**54.0%**	52.9%
Debt ratio – convertible debentures [5]	**4.0%**	5.8%
Debt ratio – credit facilities [6]	**3.2%**	1.7%
Total debt ratio [7]	**60.5%**	59.4%

(1) Before unamortized financing expenses and fair value assumption adjustments, as previously detailed.
(2) This is a non-IFRS financial measure. Long-term debt less cash and cash equivalent is a non-IFRS financial measure, calculated as total of: (i) fixed rate mortgage loans payable; (ii) floating rate mortgage loans payable; (iii) Series G debenture capital amount; (iv) Series F debenture capital adjusted with non-derivative component less conversion options exercised by holders; and (v) credit facilities, less cash and cash equivalents. The most directly comparable IFRS measure to net debt is debt.
(3) This is a non-IFRS financial measure. Gross value of the assets of the Trust less free cash flow is a non-IFRS financial measure defined as the Trust total assets adding the cumulated amortization property and equipment and removing the cash and cash equivalent. The most directly comparable IFRS measure to GVALC is total assets.
(4) This is a non-IFRS financial measure. Mortgage debt ratio is calculated by dividing the mortgage loans outstanding by the total gross value of the assets of the Trust less cash and cash equivalent.
(5) This is a non-IFRS financial measure. Debt ratio – convertible debentures is calculated by dividing the convertible debentures by the total gross value of the assets of the Trust less cash and cash equivalent.
(6) This is a non-IFRS financial measure. Debt ratio – credit facilities is calculated by dividing the credit facilities by the total gross value of the assets of the Trust less cash and cash equivalent.
(7) This is a non-IFRS financial measure, refer to page 41.

As at December 31, 2021, the mortgage debt ratio [1] excluding the convertible debentures and credit facilities totalled 54.0%, an increase of 1.1% since December 31, 2020. Including the convertible debentures, credit facilities, and net of cash and cash equivalent, the total debt ratio [3] increased to 60.5%, an increase of 1.1% since December 31, 2020. The increase is temporarily driven by the Q4 2021 acquisitions as the Trust intends to use the net proceeds of the Cornwall disposition [2] to reduce the total debt ratio [3].

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 enough 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. The Trust maintains credit facilities 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 based on the improved balance sheet over the years, 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.

(1) This is a non-IFRS financial measure as defined in this page.
(2) Refer to the subsequent events section for additional information on the disposition the four Cornwall industrial properties.
(3) This is a non-IFRS financial measure, refer to page 41.

Interest coverage ratio

For the quarter ended December 31, 2021, the interest coverage ratio stood at 2.56, an increase of 32 basis points from the fourth quarter of 2020 and an increase of 33 basis points for the full year.

Periods ended December 31 (in thousands of dollars, except for the ratios)	Quarter		Year	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net operating income (NOI)	**14,776**	12,767	**56,336**	51,260
Interest expenses net of financial income [(1)]	**5,782**	5,687	**21,954**	22,903
Interest coverage ratio [(2)]	**2.56**	2.24	**2.57**	2.24

(1) This is a non-IFRS financial measure. Interest expenses exclude 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.
(2) This is a non-IFRS financial measure. Interest coverage ratio is calculated by dividing the NOI by Interest expenses net of financial income (as previously defined).

Class B LP units

Periods ended December 31, 2021 (in number of units)	Quarter		Year	
	Units	$	**Units**	$
Class B LP units outstanding, beginning of period	**347,265**	1,396	**397,265**	1,402
Exchange into Trust units	**–**	–	**(50,000)**	(216)
Fair value adjustment	**–**	21	**–**	231
Class B LP units outstanding, end of period	**347,265**	1,417	**347,265**	1,417

The Class B LP units are exchangeable at any time, at the option of the holder, for an equal number of units of the Trust trading on the TSX. They are entitled to receive the same distributions as declared on the Trust units. In accordance with IFRS, distributions paid on Class B LP units are recorded as financial expenses when declared. Distributions declared are adjusted in calculating FFO and AFFO.

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 the city of Québec (less the portion related to the mortgage loan assumption by the Trust). On March 26, 2021, at the request of the holders, 50,000 Class B LP units were exchanged for units of the Trust.

Units outstanding

The following table summarizes the total number of units outstanding during the reporting quarters and cumulative periods and the weighted number of units outstanding for the same quarters and cumulative periods:

Periods ended December 31 (in number of units)	Quarter		Year	
	2021	2020	**2021**	2020
Units outstanding, beginning of the period	**73,797,811**	63,047,077	**63,439,435**	62,251,558
Units issued pursuant to a public issue	**–**	–	**7,809,650**	–
Distribution reinvestment plan	**195,100**	214,660	**752,280**	836,685
Issued - employee unit purchase plan	**–**	–	**14,351**	2,973
Issued - restricted unit compensation plan	**–**	–	**71,722**	11,194
Issued - deferred unit compensation plan	**–**	8,742	**–**	68,069
Class B LP units exchanged into Trust units	**–**	–	**50,000**	100,000
Issued – conversion of convertible debentures	**134,060**	168,956	**1,989,533**	168,956
Units outstanding, end of the period	**74,126,971**	63,439,435	**74,126,971**	63,439,435
Weighted average number of units outstanding	**74,022,433**	63,228,210	**71,187,569**	62,809,836
Weighted average number of Class B LP units and units outstanding	**74,369,698**	63,625,475	**71,547,334**	63,240,981

Deferred unit compensation plan

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

The following table summarizes deferred units outstanding during the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in number of units)	Quarter		Year	
	2021	2020	**2021**	2020
Deferred units outstanding, beginning of the period	**99,248**	83,466	**87,920**	59,642
Trustees' compensation	**2,162**	2,512	**8,484**	23,956
Distributions paid in units	**1,706**	1,942	**6,712**	7,295
Settled	**–**	–	**–**	(2,973)
Deferred units outstanding, end of the period	**103,116**	87,920	**103,116**	87,920

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 to serve as an executive retention tool.

The following table summarizes restricted units outstanding during the periods ended December 31, 2021 and 2020:

Periods ended December 31 (in number of units)	Quarter		Year	
	2021	2020	**2021**	2020
Restricted units outstanding, beginning of the period	**161,536**	143,951	**139,724**	165,012
Granted	**–**	11,656	**95,058**	60,893
Cancelled	**–**	(7,141)	**(1,524)**	(18,112)
Settled	**–**	(8,742)	**(71,722)**	(68,069)
Restricted units outstanding, end of the period	**161,536**	139,724	**161,536**	139,724

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

The Trust 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.

Income Taxes

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The Trust intends 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, the Trust 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, 2021, the Trust met all these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to the Trust. Its 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 the Trust will continue to meet all the required conditions to be eligible for the REIT exception for 2021 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	2021	2020
	%	%
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 the Trust in applying significant accounting policies, the most significant of which is the fair value of investment properties, are described in Note 2 to the annual consolidated financial statements as at and for the years ended December 31, 2021 and 2020.

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 (NOI) 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 the Trust'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 the Trust's 2021 Annual Information Form for the year ended December 31, 2021, 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
- Long-term effect of a global pandemic

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 the Trust 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 regularly performed 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 Vice-President and Chief Financial Officer concluded that the DC&P were effective as at December 31, 2021, and that the current controls and procedures provide reasonable assurance that material information about the Trust 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 Vice President and Chief Financial Officer of the Trust concluded that ICFR was effective as at December 31, 2021, 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 2021, 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 – 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 the Trust 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 the Trust's leases are net rental leases under which tenants are required to pay their share of the properties' operating expenses. The Trust pays particular attention to compliance with existing leases and the recovery of these operating expenses.

Net operating income (NOI)

NOI is used in the real estate industry to measure operational performance. The Trust 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, the Trust's NOI may not be comparable to the NOI of other issuers.

Financial expenses

Financial expenses arise from the following loans and financing:

- Mortgage loans payable contracted or assumed totalling approximately $607.0 million as at December 31, 2021, compared to $486.2 million as at December 31, 2020.
- Series G and H convertible debentures for a total par value of $42.8 million.
- Credit facilities 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 corporate 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 (NOI) 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 the Trust as at January 1, 2020 and still owned as at December 31, 2021, but does not include the financial impacts from dispositions, acquisitions and developments completed in 2020 and 2021, 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 the Trust'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.

Appendix 2 –
Non-IFRS Financial Measures – Annual Reconciliations

Funds from Operations (FFO) [1]

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO [1] for the years ended December 31, 2021, 2020 and 2019:

Years ended December 31 (in thousands of dollars, except for per unit)	**2021**	2020	2019
	$	$	$
Net income and comprehensive income	**41,568**	2,919	51,881
Fair value adjustment on investment properties	**(19,571)**	8,375	(34,113)
Fair value adjustment on Class B LP units	**231**	(778)	430
Amortization of lease incentives	**3,292**	3,068	3,003
Fair value adjustment on derivative financial instruments	**3,246**	7,642	1,340
Leasing payroll expenses	**784**	616	548
Distributions – Class B LP units	**108**	157	224
Unit-based compensation (Unit price remeasurement) [5]	**189**	–	–
FFO [1]	**29,847**	21,999	23,313
Non-recurring item			
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	**297**	2,230	980
Recurring FFO [1]	**30,144**	24,229	24,293
FFO per unit [1] [2] [3]	**41.7¢**	34.8¢	39.1¢
Recurring FFO per unit [1] [2] [4]	**42.1¢**	38.3¢	40.7¢
FFO payout ratio [1]	**71.9%**	97.7%	107.4%
Recurring FFO payout ratio [1]	**71.2%**	88.7%	103.1%

(1) This is a non-IFRS financial measure, refer to page 41.
(2) Including Class B LP units.
(3) This is a non-IFRS financial measure. The FFO per unit ratio is calculated by dividing the FFO [1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) This is a non-IFRS financial measure. The recurring FFO per unit ratio is calculated by dividing the recurring FFO [1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the recurring FFO and AFFO starting Q2 2021. As a reference, the cumulative impact for the 12 months cumulative period in 2020 was positive $373 or 0.1¢ per unit.

(1) This is a non-IFRS financial measure, refer to page 41.

Adjusted Funds from Operations (AFFO) [1]

The following table provides a reconciliation of FFO [1] and AFFO [1] for the years ended December 31, 2021, 2020 and 2019:

Years ended December 31 (in thousands of dollars, except for per unit)	Year		
	2021	2020	2019
	$	$	$
FFO [1]	**29,847**	21,999	23,313
Straight-line rental revenue adjustment	**(1,334)**	(249)	(703)
Accretion of effective interest	**1,301**	1,244	1,172
Accretion of the liability component of convertible debentures	**–**	–	66
Amortization of other property and equipment	**87**	100	107
Unit-based compensation expenses	**877**	181	676
Provision for non-recoverable capital expenditures [1]	**(2,007)**	(1,859)	(1,842)
Provision for unrecovered rental fees [1]	**(1,500)**	(1,500)	(1,380)
AFFO [1]	**27,271**	19,915	21.409
Non-recurring item			
Transaction costs on purchase and disposition of investment properties and early repayment fees	**297**	2,230	980
Recurring AFFO [1]	**27,568**	22,145	22,389
AFFO per unit [1] [2] [3]	**38.1¢**	31.5¢	35.9¢
Recurring AFFO per unit [1] [2] [4]	**38.5¢**	35.0¢	37.5¢
AFFO payout ratio [1]	**78.7%**	108.0%	117.0%
Recurring AFFO payout ratio [1]	**77.9%**	97.1%	111.9%

(1) This is a non-IFRS financial measure, refer to page 41.
(2) Including Class B LP units.
(3) This is a non-IFRS financial measure. The AFFO per unit ratio is calculated by dividing the AFFO [1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) This is a non-IFRS financial measure. The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO [1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(1) This is a non-IFRS financial measure, refer to page 41.

Cashflows

The following table summarizes the reconciliation of net cash from operating activities presented in the financial statements, AFFO [(1)], and FFO [(1)]:

Years ended December 31 (in thousands of dollars)	Year		
	2021	2020	2019
	$	$	$
Cash flows from operating activities	**56,538**	46,145	47,223
Leasing payroll expenses	**784**	616	548
Transaction costs on purchase and disposition of investment properties and early repayment fees	**(297)**	(1,790)	(980)
Adjustments for changes in other working capital items	**(3,934)**	1,465	1,230
Financial income	**739**	564	475
Interest expenses	**(22,693)**	(23,467)	(23,877)
Provision for non-recoverable capital expenditures [(1)]	**(2,007)**	(1,855)	(1,842)
Provision for non-recovered rental fees [(1)]	**(1,500)**	(1,500)	(1,380)
Accretion of non-derivative liability component of convertible debentures	**(360)**	(263)	12
AFFO [(1)]	**27,271**	19,915	21,409
Provision for non-recoverable capital expenditures [(2)]	**2,007**	1,859	1,842
Provision for non-recovered rental fees [(2)]	**1,500**	1,500	1,380
Straight-line rental revenue adjustment	**1,334**	249	703
Unit-based compensation expenses	**(877)**	(181)	(676)
Accretion of the liability component of convertible debentures	**–**	–	(66)
Accretion of effective interest	**(1,301)**	(1,244)	(1,172)
Amortization of property and equipment	**(87)**	(100)	(107)
FFO [(1)]	**29,847**	21,999	23,313

(1) This is a non-IFRS financial measure, refer to page 41.
(2) This is a non-IFRS financial measure, refer to AFFO section for detailed explanations.

(1) This is a non-IFRS financial measure, refer to page 41.

Appendix 3 – Non-IFRS Financial Measures – Quarterly Reconciliations

Funds from Operations (FFO) [(1)]

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO [(1)] for the last eight quarters:

	2021	2021	2021	2021	2020	2020	2020	2020
	Q–4	Q–3	Q–2	Q–1	Q–4	Q–3	Q–2	Q–1
(in thousands of dollars, except for per unit)	$	$	$	$	$	$	$	$
Net income and comprehensive income	23,219	8,678	7,161	2,510	3,850	5,757	(1,101)	(5,587)
Fair value adjustment on investment properties	(19,571)	–	–	–	(2,130)	–	3,607	6,898
Fair value adjustment on Class B LP units	21	(18)	(52)	280	242	(59)	39	(1,000)
Amortization of lease incentives	858	780	777	877	794	751	771	752
Fair value adjustment on derivative financial instruments	3,297	(2,598)	733	1,814	2,950	265	330	4,097
Leasing payroll expenses	208	173	184	219	146	176	137	157
Distributions – Class B LP units	30	22	26	30	30	30	45	52
Unit-based compensation (Unit price remeasurement) [(5)]	23	(19)	185	–	–	–	–	–
FFO [(1)]	8,085	7,018	9,014	5,730	5,882	6,920	3,828	5,369
Non-recurring item								
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	109	–	188	–	440	–	882	908
Recurring FFO [(1)]	8,194	7,018	9,202	5,730	6,322	6,920	4,710	6,277
FFO per unit [(1)(2)(3)]	10.9¢	9,5¢	12,3¢	8,9¢	9.2¢	10,9¢	6,1¢	8,5¢
Recurring FFO per unit [(1)(2)(4)]	11.0¢	9,5¢	12,5¢	8,9¢	9.9¢	10,9¢	7,5¢	10,0¢
FFO payout ratio [(1)]	68.9%	79,0%	61,1%	84,0%	81.1%	68,6%	140,1%	123,0%
Recurring FFO payout ratio [(1)]	68.0%	79,0%	59,9%	84,0%	75.5%	68,6%	113,9%	105,2%

(1) This is a non-IFRS financial measure, refer to page 41.
(2) Including Class B LP units.
(3) This is a non-IFRS financial measure. The FFO per unit ratio is calculated by dividing the FFO [(1)] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) This is a non-IFRS financial measure. The recurring FFO per unit ratio is calculated by dividing the recurring FFO [(1)] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the recurring FFO and AFFO starting Q2 2021. As a reference, the cumulative impact for the 12 months cumulative period in 2020 was positive $373 or 0.1¢ per unit.

(1) This is a non-IFRS financial measure, refer to page 41.

Adjusted Funds from Operations (AFFO) (1)

The following table provides a reconciliation of FFO (1) and AFFO (1) for the last eight quarters:

	2021 Q–4	2021 Q–3	2021 Q–2	2021 Q–1	2020 Q–4	2020 Q–3	2020 Q–2	2020 Q–1
(in thousands of dollars, except for per unit)	$	$	$	$	$	$	$	$
FFO (1)	8,085	7,018	9,014	5,730	5,882	6,920	3,828	5,369
Straight-line rental revenue adjustment	(758)	(88)	(91)	(397)	108	(214)	1	(144)
Accretion of effective interest	275	239	428	359	343	229	287	385
Amortization of other property and equipment	22	23	27	15	23	29	24	24
Unit-based compensation expenses	143	114	(24)	644	281	22	51	(173)
Provision for non-recoverable capital expenditures	(539)	(478)	(519)	(471)	(449)	(472)	(461)	(477)
Provision for unrecovered rental fees	(375)	(375)	(376)	(374)	(375)	(375)	(375)	(375)
AFFO (1)	6,853	6,453	8,459	5,506	5,813	6,139	3,355	4,609
Non-recurring item								
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	109	–	188	–	440	–	882	908
Recurring AFFO (1)	6,962	6,453	8,647	5,506	6,253	6,139	4,237	5,517
AFFO per unit (1) (2) (3)	9.2¢	8,7¢	11,5¢	8,6¢	9.1¢	9,7¢	5,3¢	7,3¢
Recurring AFFO per unit (1) (2) (4)	9.4¢	8,7¢	11,8¢	8,6¢	9.8¢	9,7¢	6,7¢	8,8¢
AFFO payout ratio (1)	81.3%	85,9%	65,1%	87,4%	82.1%	77,4%	159,9%	143,3%
Recurring AFFO payout ratio (1)	80.0%	85,9%	63,7%	87,4%	76.3%	77,4%	126,6%	119,7%

(1) This is a non-IFRS financial measure, refer to page 41.
(2) Including Class B LP units.
(3) This is a non-IFRS financial measure. The AFFO per unit ratio is calculated by dividing the AFFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) This is a non-IFRS financial measure. The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO (1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(1) This is a non-IFRS financial measure, refer to page 41.

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St-Laurent, Montréal


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Audited Consolidated Financial Statements

Year ended December 31, 2021

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, 2021, 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, 2021 and 2020 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, February 23, 2022

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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, 2021 and 2020
- 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, 2021 and 2020, 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, 2021. 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 $1,110,971 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.

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Why the matter is a key audit matter

We identified the evaluation of the fair value of investment properties as a key audit matter. Thismatter represented an area of significant risk of material misstatement given the magnitude ofinvestment properties and the high degree of estimation uncertainty in determining the fair value ofinvestment 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.

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.

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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

February 23, 2022

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

Consolidated Statements of Financial Position

As at December 31, 2021 and 2020 (in thousands of CAD dollars)

	Notes	2021	2020
Assets		$	$
Investment properties	4	1,110,971	903,870
Property and equipment		446	334
Other assets	5	2,747	2,154
Balance of sale		3,018	6,034
Receivables	6	5,528	5,212
Cash and cash equivalents		7,191	9,062
Total assets		**1,129,901**	**926,666**
Liabilities and unitholders' equity			
Mortgage loans payable	7	605,210	484,639
Convertible debentures	8	42,819	48,316
Bank loans	9	35,468	15,300
Lease liabilities	23	4,219	4,232
Class B LP Units	10	1,417	1,402
Unit-based compensation	12	1,513	810
Derivative financial instruments	11	11,246	10,017
Trade and other payables		21,731	18,297
Distribution payable to unitholders		1,853	1,586
Total liabilities		**725,476**	**584,599**
Unitholders' equity		**404,425**	**342,067**
		1,129,901	**926,666**

See accompanying notes to consolidated financial statements.

Approved by the Board on February 23, 2022.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

Consolidated Statements Of Comprehensive Income

For the years ended December 31, 2021 and 2020 (in thousands of CAD dollars)

	Notes	2021	2020
		$	$
Operating revenues			
Rental revenue	14	100,343	92,969
Operating expenses			
Public utilities and other operating expenses		21,421	19,444
Property taxes and insurance		22,586	22,265
		44,007	41,709
Net operating income		**56,336**	**51,260**
Financial income		739	564
Expenses			
Financial expenses		24,542	24,894
Distribution - Class B LP Units	10	108	157
Fair value adjustment – Class B LP Units	10	231	(778)
Net adjustment to fair value of derivative financial instruments		3,246	7,642
Net financial expenses	15	28,127	31,915
Administration expenses		6,842	6,750
Net change in fair value of investment properties and disposition expenses	4	(19,462)	10,240
Net income and comprehensive income for the year		**41,568**	**2,919**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2021 and 2020 (in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distribution	Cumulative comprehensive income	Total
Balance as at January 1, 2021		**309,394**	**(155,952)**	**188,625**	**342,067**
Issuance of units, net of issuance expenses	13	42,146	–	–	42,146
Distribution to unitholders	13		(21,356)	–	(21,356)
		351,540	(177,308)	188,625	362,857
Comprehensive income		–	–	41,568	41,568
Balance as at December 31, 2021		**351,540**	**(177,308)**	**230,193**	**404,425**

	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**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020 (in thousands of CAD dollars)

	Notes	2021	2020
		$	$
Operating activities			
Net income for the year		41,568	2,919
Adjustment for:			
Net change in fair value of investment properties and disposition expenses	3	(19,462)	10,240
Depreciation of property and equipment		87	100
Unit-based compensation	12	1,065	181
Straight-line lease adjustment	14	(1,334)	(249)
Lease incentive amortization	14	3,292	3,068
Financial income		(739)	(564)
Net financial expenses	15	28,127	31,915
		52,604	47,610
Adjustment for changes in other working capital items		3,934	(1,465)
Net cash from operating activities		**56,538**	**46,145**
Investing activities			
Additions to investment properties net of mortgage loans	4	(73,240)	(24,973)
Net proceeds from disposition of investment properties	4	1,709	37,274
Acquisition of property and equipment		(199)	(171)
Net cash from investing activities		**(71,730)**	**12,130**
Financing activities			
Mortgage loans, net of financing expenses		93,654	25,297
Repayment of mortgage loans		(90,457)	(39,846)
Bank loans		35,468	6,860
Repayment of bank loans		(15,300)	(4,020)
Lease liability payments		(13)	(56)
Net proceeds from convertible debentures		–	28,407
Repayment of convertible debenture		–	(26,700)
Net proceeds from unit issue		30,003	–
Net distribution to unitholders		(18,171)	(19,014)
Net distribution – Class B LP units	10	(108)	(157)
Interest paid		(21,755)	(21,787)
Net cash (used in) from financing activities		**13,321**	**(51,016)**
Net change in cash and cash equivalents		**(1,871)**	**7,259**
Cash and cash equivalents, beginning of year		**9,062**	**1,803**
Cash and cash equivalents, end of year		**7,191**	**9,062**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020
(in thousands of CAD dollars, except unit and 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, Québec, Canada. The consolidated financial statements of BTB for the years ended December 31, 2021 and 2020 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 February 23, 2022.

(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 have caused an economic slowdown and material disruption to businesses in Canada and globally since 2020. The nature and extent of these measures may change depending on the efficacy of the vaccination programs, the emergence of new variants of the COVID-19 virus, and any resurgence of COVID-19 positive cases. As a result of the continuously evolving circumstances surrounding COVID-19, uncertainty remains with respect to BTB's revised internal forecast, the most significant being the fact that it cannot predict how consumers will respond as the restriction measures continue or change in Canada (return to the office policy, online vs physical consumer habits, etc.). 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. The amounts recorded in the 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.BTB continues to monitor its business operations and is aware of the impacts that the COVID-19 pandemic has on the global economy as its duration remains uncertain. BTB may take further action in response to the directives of government and public health authorities or actions that are in the best interests of employees, tenants, suppliers, or other stakeholders, as necessary.

(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:

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, 2021 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, during 2020 the Trust had 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, 2021, 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) 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.

(ii) 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.

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 IAS 32 Financial Instruments: Presentation ("IAS 32"), in which case, the puttable instruments may be presented as equity.

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

(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.

(iv) Cash settled share-based retirement compensation plan

Compensation costs related to the RA Plan are recognized as the phantom units are granted and subsequently remeasured at each reporting period date at fair value. The plan is considered cash-settled share-based payments. The phantom units are recognized as a liability and remeasured at fair value based on the trading price of the Trust units at each reporting date with the change in profit or loss.

(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	2021	2020
	$	$
Balance beginning of year	903,870	924,320
Adjustments to right-of-use assets	–	291
Acquisitions of investment properties (note 4(a))	185,864	30,560
Dispositions of investment properties (note 4(b))	(4,450)	(48,765)
Capital expenditures	3,672	2,765
Capitalized leasing fees	936	1,280
Capitalized lease incentives	3,466	4,613
Lease incentives amortization	(3,292)	(3,068)
Straight-line lease adjustment	1,334	249
Net changes in fair value of investment properties	19,571	(8,375)
Balance end of year	**1,110,971**	**903,870**

The fair value of a subset of the Trust's investment properties comprised of a selection of the most significant investment properties and approximately 1/3 of the remaining investment properties is determined annually on the basis of valuations made by independent external appraisers having appropriate professional qualifications, using recognized valuation techniques, comprising the Discounted Cash Flow, the Direct Capitalization and Comparable methods. The selection of investment properties subject to independent external valuation is determined by management based on its assessment of circumstances that in its view, may impact the value of a particular individual investment property. The fair value of the remaining investment properties is determined by management using internally generated valuations based on the Direct Capitalization method.

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, 2021 independent external appraisals were obtained for investment properties with an aggregate fair value of $672,109 (December 31, 2020 - $584,745).

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

	Retail	Office	Industrial
As at December 31, 2021			
Capitalization rate	5.25% – 7.75%	5.25% – 8.50%	4.50% – 8.50%
Terminal capitalization rate	6.00% – 7.00%	5.50% – 7.50%	4.75% – 7.00%
Discount rate	6.50% – 7.50%	5.50% – 8.25%	5.75% – 7.50%
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%

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, 2021, which is representative of the sensitivity to changes in the discount rate and terminal capitalization rate as December 31, 2021.

Capitalization rate sensitivity		
Increase (decrease)	**Fair Value**	**Change in fair value**
	$	$
(0.50 %)	1,205,888	94,917
(0.25 %)	1,156,460	45,489
Base rate	1,110,971	–
0.25 %	1,068,965	(42,006)
0.50 %	1,030,051	(80,920)

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 the year ended December 31, 2021, were as follows:

i) Acquisitions in 2021

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	Net consideration
			%	$	$	$	$
June 2021	Industrial	Montréal, QC	100	15,250	(9,913)	(84)	5,253
November 2021	Office	Montréal, QC	100	35,818	(23,400)	(522)	11,896
November 2021	Office	Montréal, QC	100	37,807	(24,700)	(548)	12,559
December 2021	Industrial	Leduc, AB	100	6,500	(4,225)	(52)	2,223
December 2021	Office	Edmonton, AB	100	4,500	(2,925)	(43)	1,532
December 2021	Industrial	Edmonton, AB	100	6,500	(4,225)	(48)	2,227
December 2021	Industrial	Edmonton, AB	100	8,900	(5,785)	(13)	3,102
December 2021	Industrial	Edmonton, AB	100	14,100	(9,150)	(10)	4,940
December 2021	Industrial	Edmonton, AB	100	12,400	(8,066)	(7)	4,327
December 2021	Industrial	Saskatoon, SK	100	4,600	(3,182)	(17)	1,401
December 2021	Industrial	Saskatoon, SK	100	20,700	(13,441)	39	7,298
December 2021	Industrial	Saskatoon, SK	100	5,000	(3,246)	10	1,764
December 2021	Industrial	Saskatoon, SK	100	10,500	(6,818)	6	3,688
Transaction costs				3,289	–	(3,289)	–
Total				**185,864**	**(119,076)**	**(4,578)**	**62,210**

ii) 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	Net consideration
			%	$	$	$	$
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**

b) Dispositions

i) Dispositions in 2021

Disposal date	Property type	Location	Gross proceeds	Purchaser's Mortgage assumption	Receivable / (Trade and other payables), including transaction costs	Net proceeds
			$	$	$	$
December 2021	Retail	Montréal, Qc	4,450	(2,632)	–	1,818
Transaction costs (note 4(c))					(109)	(109)
Total			**4,450**	**(2,632)**	**(109)**	**1,709**

ii) 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**

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

Years ended December 31	**2021**	**2020**
	$	$
Net changes in fair value of investment properties (note 4)	19,571	8,375
Disposition expenses (note 4 (b))	(109)	1,865
	19,462	**10,240**

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	2021	2020
	$	$
Prepaid expenses	1,811	1,498
Deposits	936	656
Total	**2,747**	**2,154**

6. Receivables

As at December 31	2021	2020
	$	$
Rents receivable	4,497	4,259
Allowance for expected credit losses	(944)	(1,132)
Net rents receivable	3,553	3,127
Unbilled recoveries	587	665
Other receivables	1,388	1,420
Total	**5,528**	**5,212**

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.

7. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $ 1,079,554 as at December 31, 2021 (December 31, 2020 – $ 890,020).

As at December 31,	2021	2020
	$	$
Fixed rate mortgage loans payable	507,401	381,665
Floating rate mortgage loans payable	99,637	104,577
Unamortized fair value assumption adjustments	755	576
Unamortized financing expenses	(2,583)	(2,179)
Mortgage loans payable	**605,210**	**484,639**
Short-term portion	91,185	119,252
Weighted average interest rate	3.49%	3.57%
Weighted average term to maturity (years)	4.66	4.69
Range of annual rates	2.30% – 6.80%	2.37% – 6.80%

As at December 31, 2021, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	$	$	$
2022	18,759	72,426	91,185
2023	16,651	33,841	50,492
2024	14,326	96,596	110,922
2025	11,864	52,853	64,717
2026	9,428	107,631	117,059
Thereafter	28,752	143,911	172,663
	99,780	**507,258**	**607,038**
Unamortized fair value assumption adjustments			755
Unamortized financing expenses			(2,583)
			605,210

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, 2021	As at December 31, 2020
	$	%			$	$
March 2013*	7,150	4.12	Monthly	April 2023	4,850	5,162
June 2016	13,000	3.45	Quarterly	June 2026	11,074	11,433
November 2017	23,200	3.88	Monthly	November 2027	22,015	22,673
November 2017	23,075	3.90	Monthly	December 2027	20,718	21,342
Total	**66,425**				**58,657**	**60,610**

* The mortgage associated to this swap agreement has been repaid with the revolving credit facility (note 9).

8. Convertible Debentures

As at December 31, 2021, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Interest rates			Unit conversion price	Interest payments	Maturity
	Capital	Coupon	Effective			
		%	%	$		
Series G	24,000	6.00	7.30	5.42	Semi–annual	October 2024
Series H	22,143	7.00	8.28	3.64	Semi–annual	October 2025

	Series G	Series H	Total
	$	$	$
As at December 31, 2021			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	–	407	407
	24,000	27,716	51,716
Conversion options exercised by holders	–	(7,152)	(7,152)
	24,000	20,564	44,564
Unamortized financing expenses	(807)	(938)	(1,745)
Non-derivative liability component	**23,193**	**19,626**	**42,819**
Conversion and redemption options liability (asset) component at fair value	**44**	**10,649**	**10,693**

	Series F	Series G	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 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.

As of December 31, 2021, conversion options have been exercised by holders on debentures representing a nominal amount of $7,857 (December 31, 2020 – $615).

9. Bank Loans

The Trust has access to two credit facilities. The first is a line of credit in the amount of $12,600, with a possible capacity of up to $23,000. This line of credit bears interest at a rate of 1% above the prime rate. As at December 31, 2021, no amount was due under the acquisition line of credit (December 31, 2020 – $15,300). The line of credit is secured by an immoveable first rank hypothec on two properties having a fair value of $6,225 and by an immoveable second rank hypothec on five properties having a fair value of $91,525.

The second is a revolving credit facility in the amount of $40,000 with an accordion option of up to an additional $20,000. This revolving credit facility bears interest at a rate of 1% above prime rate or 2.25% above the Bankers' Acceptance rate. As at December 31, 2021, $35,468 was due under the revolving credit facility. The revolving credit facility is secured by an immoveable first rank hypothec on one property having a fair value of $18,275 and by negative pledge of a selection of borrowing base properties having a fair value of $142,700.

10. Class B LP Units

Years ended	December 31, **2021**		December 31, **2020**	
	Units	$	Units	$
Units outstanding, beginning of year	397,265	1,402	497,265	2,571
Exchange into Trust units	(50,000)	(216)	(100,000)	(391)
Fair value adjustment	–	231	–	(778)
Units outstanding, end of year	**347,265**	**1,417**	**397,265**	**1,402**

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. Distributions on Class B LP Units are recognized in the statement of comprehensive income when declared.

	2021	**2020**
	$	$
Distribution to Class B LP unitholders	108	157
Distribution per Class B LP unit	0.30	0.34

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, 2021 and December 31, 2020 because of their short-term maturity or because they bear interest at current market rates.

As at December 31, 2021	Carrying amount		Fair value	
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 8)	10,693	–	–	10,693
Interest rate swap liability	553	–	553	–
Class B LP Units (note 10)	1,417	1,417	–	–
For which fair values are disclosed				
Mortgage loans payable (note 7)	607,038	–	614,158	–
Convertible debentures, including their conversion and redemption features (note 8)	53,512	48,376	–	–
Bank loans (note 9)	35,468	–	35,468	–

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 7)	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	–

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, 2021	
Balance beginning of period	6,486
Conversion options exercised by holders	(2,018)
Changes for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	6,225
Balance end of year	**10,693**

	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**

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, 2021:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50)%	10,636	33.27
December 31, 2021	10,693	33.77
0.50%	10,746	34.27

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 year ended December 31,	2021	2020
	Deferred units	Deferred units
Outstanding, beginning of period	87,920	59,642
Trustees' compensation	8,484	23,956
Distributions paid in units	6,712	7,295
Settled	–	(2,973)
Outstanding, end of year	**103,116**	**87,920**

As at December 31, 2021, the liability related to the plan was $410 (December 31, 2020 - $306). The related expense recorded in profit or loss amounted to $104, for the year ended December 31, 2021 ($16 for the year ended December 31, 2020)

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, 2021, the liability related to the plan was $60 representing a total of 13,572 units to issue (December 31, 2020 - $47). The related expense recorded in profit and loss amounted to $60 for the year ended December 31, 2021 (for the year ended December 31, 2020 - $49).

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,	2021	2020
	Restricted units	Restricted units
Outstanding, beginning of period	139,724	165,012
Granted	95,058	60,893
Cancelled	(1,524)	(18,112)
Settled	(71,722)	(68,069)
Outstanding, end of year	**161,536**	**139,724**

As at December 31, 2021, the liability related to the plan was $552 (December 31, 2020 - $457). The related amount recorded in profit and loss amounted to an expense of $411 for the year ended December 31, 2021 (for the year ended December 31, 2020 – expense of $116).

d) Cash settled share-based retirement compensation plan

On February 9, 2021, the Board of Trustees retroactively approved a cash settled phantom share-based retirement allowance plan (RA Plan) for the President and Chief Executive Officer with a start date of July 1, 2020, to form part of a long-term incentive compensation plan until retirement. Under this plan, phantom units are granted at set dates to July 1, 2026, based on a predetermined cash value. The number of phantom units granted at each vest date is based on the average closing trading price of the last 5 days prior to granting.

The granted RA Plan units are to be paid out on retirement based on the average closing trading price of the last 20 days.

As at December 31, 2021, the long-term obligation related to the plan was $490. The related expense recorded in profit and loss amounted to $490 for the year ended December 31, 2021.

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,	2021		2020	
	Units	$	Units	$
Trust units outstanding, beginning of period	63,439,435	309,394	62,251,558	305,029
Issue pursuant to a public issue	7,809,650	30,266	–	–
Trust unit issuance costs	–	(263)	–	–
	71,249,085	339,397	62,251,558	305,029
Issue pursuant to the distribution reinvestment plan (a)	752,280	2,943	836,685	2,935
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))	14,351	52	11,194	60
Issue pursuant to the restricted unit compensation plan (note 12 (c))	71,722	256	68,069	345
Class B LP units exchange into Trust units	50,000	227	100,000	391
Issue pursuant to conversion of convertible debentures (note 8)	1,989,533	8,665	168,956	618
Trust units outstanding, end of year	**74,126,971**	**351,540**	**63,439,435**	**309,394**

a) Distribution reinvestment plan

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

b) Distributions

For the years ended December 31,	2021	2020
	$	$
Distributions to unitholders	21,356	21,356
Distributions per Trust unit	0.30	0.34

14. Rental Revenues

For the years ended December 31,	2021	2020
	$	$
Base rent and other lease generated revenues	59,904	58,053
Lease cancellation fees	74	–
Property tax and insurance recoveries	20,482	19,218
	80,460	77,271
Operating expenses recoveries and other revenues	21,841	18,797
CECRA rent abatements	–	(2,122)
CECRA grants	–	1,842
Lease incentive amortization	(3,292)	(3,068)
Straight-line lease adjustment	1,334	249
	100,343	**92,969**

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, 2021 are as follows:

	2021
	$
Within one year	108,461
Beyond one year but within two years	92,609
Beyond two years but within three years	82,712
Beyond three years but within four years	70,925
Beyond four years but within five years	56,662
Beyond five years	147,239
	558,608

15. Net Financial Expenses

For the years ended December 31,	2021	2020
	$	$
Interest on mortgage loans payable	18,742	18,786
Interest on convertible debentures	3,220	3,542
Interest on bank loans	484	836
Interest on lease liabilities	211	216
Other interest expense	36	87
Accretion of non-derivative liability component of convertible debentures	360	104
Accretion of effective interest on mortgage loans payable and convertible debentures	1,301	1,244
Distribution - Class B LP Units	108	157
Fair value adjustment – Class B LP Units	231	(778)
Early repayment fees of a mortgage loan	188	79
Net adjustment to fair value of derivative financial instruments	3,246	7,642
	28,127	**31,915**

16. Expenses by Nature

For the years ended December 31,	2021	2020
	$	$
Depreciation	87	100
Employee compensation and benefits expense	8,287	7,752

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 IAS 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,	2021	2020
	$	$
Net income	42,556	2,919
Weighted average number of trust units outstanding – basic	71,547,334	62,809,836
Earnings per unit – basic	**0.59**	**0.05**

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,	2021	2020
	$	$
Cash and cash equivalents	(7,191)	(9,062)
Mortgage loans payable[1]	607,038	486,242
Convertible debentures[1]	44,564	53,385
Acquisition line of credit	35,468	15,300
Mortgage loans payables, Convertible debentures and Acquisition line of credit adjusted for Cash and cash equivalents	**679,879**	**545,865**
Total assets	1,130,889	926,666
Accumulated depreciation on Property and equipment	992	904
Cash and cash equivalents	(7,191)	(9,062)
Total assets adjusted for accumulated depreciation and cash and cash equivalents	**1,124,690**	**918,508**

(1) Excluding issue costs

As at December 31,	2021	2020
	%	%
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	60.5	59.4
Mortgage loans payable / total assets adjusted for accumulated depreciation and cash and cash equivalents ratio	54.0	52.9

b) Financial Risk Management

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

- credit risk
- interest rate risk
- liquidity risk
- fair value risk (see note 11)

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

i) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates this risk by varying its tenant mix and staggering lease terms; avoiding dependence on a single tenant for a significant portion of the Trust's operating revenues and conducting credit assessments for all major new tenants. The Trust analyzes its trade receivable on a regular basis and establishes an allowance for expected credit losses that represents its estimate of lifetime expected credit losses to be incurred in respect of its trade receivables. As at December 31, 2021, overdue rent receivable amounted to $1,022 (December 31, 2020 – $2,051). An allowance for expected credit losses of $944 (December 31, 2020 - $1,132) 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 $31,431 as at December 31, 2021, 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 $314 on the Trust's comprehensive income for the year ended December 31, 2021.

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, 2021, 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, 2021			Estimated payment schedule					
	Carrying amount	**Total contractual cash flows**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 and thereafter**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	21,731	22,393	21,930	194	157	56	56	
Distributions payable to unitholders	1,853	1,853	1,853	–	–	–	–	–
Lease liabilities	4,219	10,107	226	228	231	236	242	8,944
Bank loans	35,468	35,468	35,468	–	–	–	–	–
Mortgage loans payable and convertible debentures	648,029	751,065	113,817	70,937	151,790	99,385	125,890	189,246
	711,300	**820,886**	**173,294**	**71,359**	**152,178**	**99,677**	**126,188**	**198,190**

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

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,		2021	2020
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,	2021	2020
	$	$
Assets	22,064	19,157
Liabilities	(9,827)	9,941
Revenues	1,836	1,957
Expenses	1,684	(2,561)

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.

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

- Retail
- Office
- Industrial

	Retail	Office	Industrial	Total
	$	$	$	$
Year ended December 31, 2021				
Investment properties	252,187	574,928	283,856	**1,110,971**
Rental revenue from properties	28,637	58,034	13,672	**100,343**
Net operating income	16,857	30,244	9,235	**56,336**
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**

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, 2021	$	$
Balance beginning of year	48,316	484,639
Mortgage loans, net of financing costs		93,654
Capitalized interest on mortgage loans		438
Repayment of mortgage loans		(90,457)
Asset acquisitions mortgage assumption		119,076
Asset dispositions mortgage assumption		(2,632)
Net proceeds from issuance of convertible debentures	–	–
Initial recognition of conversion and redemption options liability component	–	–
Repayment of convertible debentures		–
Conversion of convertible debentures	(6,592)	–
Fair value assumption adjustments and financing costs amortization	791	492
Accretion of non-derivative liability component	304	–
Balance end of year	**42,819**	**605,210**

22. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the years ended December 31,	2021	2020
	$	$
Salaries and short-term benefits	2,812	2,572
Unit-based compensation	1,066	103
Total	3,878	2,675

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

23. Leases Commitments and Contingencies

(i) Leases

Lease liabilities

As at December 31,	2021	2020
Maturity analysis - contractual undiscounted cash flows	$	$
Within one year	226	224
Beyond one year but within five years	937	922
Beyond five years	8,944	9,187
Total undiscounted lease liabilities	**10,107**	**10,333**
Lease liabilities included in the statement of financial position	4,219	4,232
Current	16	13
Non-current	4,203	4,219

Amounts recognised in profit and loss and statement of cashflows

As at December 31,	2021	2020
Profit and loss	$	$
Interest on lease liabilities (note 15)	211	216
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	292	108
Statement of cash flow		
Total cash outflow for leases	516	372

(ii) Litigation

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

24. Subsequent Events

On January 7, 2022, the Trust completed the purchase of two office properties in Ottawa (Ontario) for $38,100. As part of the transaction the Trust contracted a mortgage loan of $24,800.

On January 27, 2022, the Trust completed the sale of four industrial properties in Cornwall (Ontario) for $26,000, excluding transaction costs. The trust used $5,549 from the proceeds to repay outstanding mortgage loans.

1411 Crescent Street, Montréal


BTB
acer
ViewSonic

Unitholders Information

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

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Taxability of distributions
In 2021, for all Canadian unitholders, the distributions were fiscally treated as follow:

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

Auditors
KPMG LLP.
600 De Maisonneuve Blvd. West
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Legal counsel
De Grandpré Chait LLP.
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Suite 2600
Montréal, Québec, H3B 1X9

Annual Meeting of Unitholders
June 14th, 2022
11:00 a.m. (EDT)
Place to be determined

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.


People and their
stories are at the
heart of our success.