2021
First Quaterly Report

Our values, *your added value.*

BTB's Values

Mission

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

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

Employee kitchen space, Yokohama Canada, 3111 boulevard Saint-Martin West, Laval

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

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

Teamwork

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

Integrity

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

Leadership

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

Respect

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

Highlights

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

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

Our results, for the first quarter of 2021 are solid and we are proud to report the following highlights.

Yokohama Canada head office main lobby, 3111 Saint-Martin Blvd. West, Laval

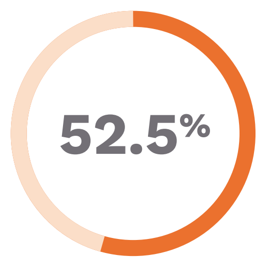
64

Properties

Occupancy rate

$23.5M

Rental income



Mortgage debt ratio

$924M

Total assets

5.7M

Recurring funds
from operations (FFO)

5.5M

Recurring adjusted funds
from operations (AFFO)

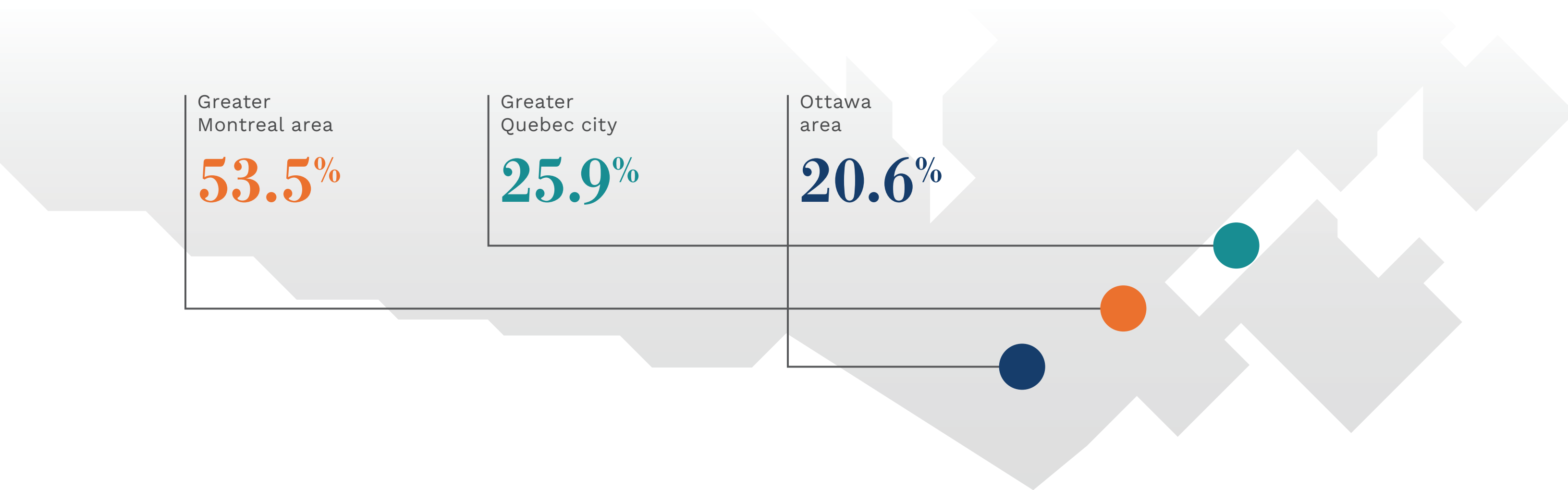
5.3M

Number of
square feet

Geographic Locations

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

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



Montréal

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

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

Ontario

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

- Cornwall
- Ottawa
- Nepean
- Kanata
- Gatineau

Quebec city

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

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

Breakdown by asset type

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

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

Our assets are broken down into three primary categories:

Office

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

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

48.8%

Retail

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

26.5%

Industrial

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

24.7%

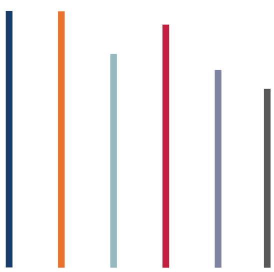
Evolution*

Rental Income[1]

- 2021 .... 23.532
- 2020 23,868
- 2019 21,634
- 2018 21,440
- 2017 18,365
- 2016 18,550

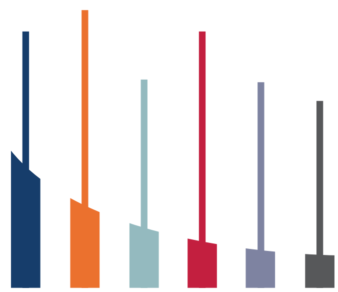
Net operating income

- 2021 12,414
- 2020 12,766
- 2019 11,051
- 2018 11,458
- 2017 9,848
- 2016 10,119



Recurring adjusted funds from operations (AFFO)[2]

- 2021 5,506
- 2020 5,517
- 2019 4,623
- 2018 5,222
- 2017 4,250
- 2016 3,840



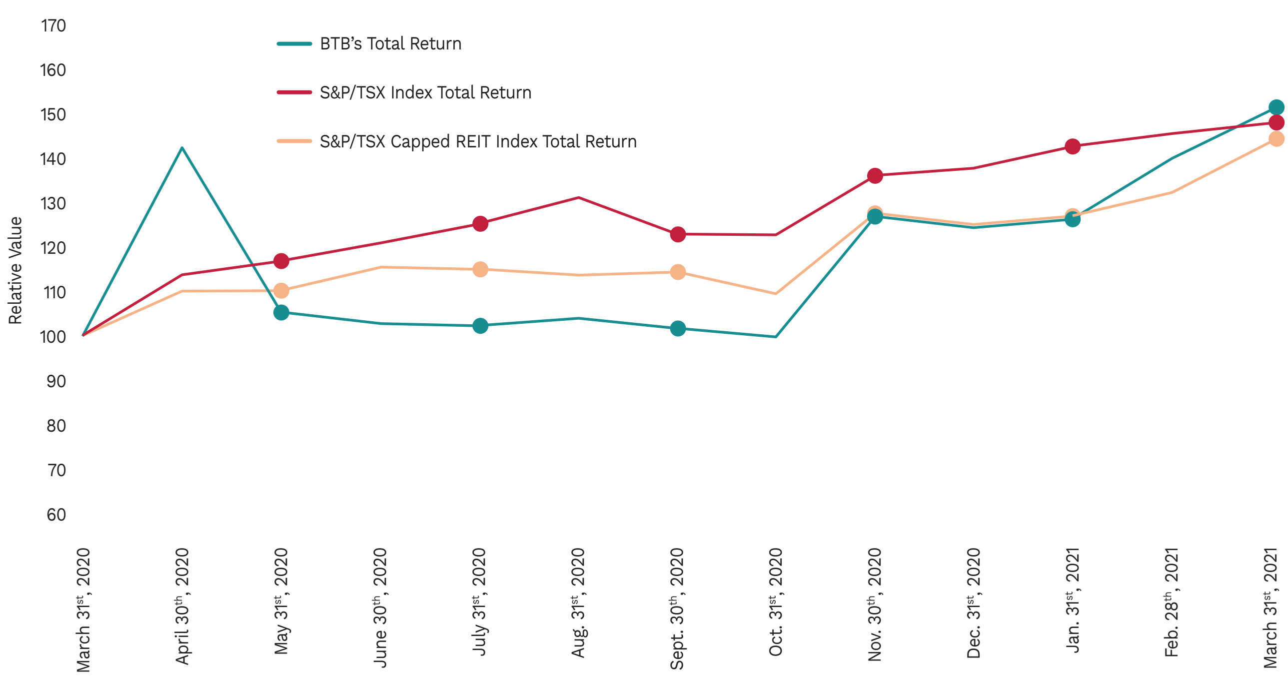
Recurring funds from operations (FFO)[2]

- 2021 5,730
- 2020 6,277
- 2019 4,679
- 2018 5,736
- 2017 4,611
- 2016 4,216

* For the quarters ending March 31st (1) Not adjusted to take into account IFRS 15 (2) Non-IFRS financial measures

Performance on the markets

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




260
CICI

Message

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

Over the past year we solidified our foundations and embarked in our first quarter of 2021 with a positive outlook for our operations. We continued our positive upward trend, concluding the quarter with a 99.6% collection rate, executing long-term lease renewals with important large-scale tenants, and successfully completing an equity raise on a bought deal basis to issue trust units.

A progressive return to normality

Circling back to a year ago, the COVID tunnel was dark and eery, with many unknown factors. Today we can finally see the light at the end of this tunnel, and this will be beneficial to us all. As Canadians receive the vaccine, the first and second doses, the markets will progressively reopen as will the economy. We will be able to reexperience restaurants, bars, and cinemas, be able to travel to exotic locations. It is coming soon and the confidence in the different segments of real estate will be abound. In our lease negotiations, we can already see tenants' confidence increasing, through the desire to go back to office spaces, signing long term lease renewals and even securing retail locations.

As we are still in the "Covid tunnel", we must mention that some of our tenants are benefiting from the Canada Emergency Rent Subsidy Program (CERS) covering the period ranging from October 2020 to June 2021 as it was extended by the government until September 25th, 2021, with the potential of a further extension offering rental subsides to tenants until November 2021. We have been proactive in administering government programs; we are continuing to support our tenants with the various programs which can help their respective businesses and mitigate our exposure to bankruptcies and corporate restructurings.

An overview of our results for the first quarter 2021

During the quarter, our lease renewal activities remained strong where 95,171 sq.ft. have been renewed, of which 40,694 sq.ft. were renewed for leases coming to maturity in 2021 and 54,477 sq.ft. with existing tenant's whose leases are coming to term in 2022 and thereafter.

Our leasing activity remained active throughout the quarter and following the departure of Sportium on January 31st, 2021, we are happy to report that we have concluded a long-term lease agreement with Princess Auto Ltd. who will occupy approximately 38,000 sq.ft. in the space formerly occupied by Sportium.

Due to our sustained rent collection efforts, we are reporting a reduction in the balance of account receivables from $5.2 million at the end of Q4 2020 to $4.8 million for Q1 2021, which has also shown an improvement of $0.4 million compared to the first quarter of 2020.

Our recurring FFO payout ratio stood at 84% for the quarter compared to 105.2% for the first quarter of 2020, while our AFFO payout ratio is 87.4% for the quarter, compared to 119.3% for the comparable quarter of 2020, recording another significant improvement in these ratios for a third consecutive quarter.

Our total debt ratio continues to decline. At the end of Q1 2020, that ratio stood at 58.9%, recording a 0.4% improvement compared to the same quarter. It demonstrates BTB's commitment in maintaining that ratio below 60%. This improvement is essentially attributable to the conversion of holders of our Series H Debentures throughout the quarter, helping reduce our overall debt ratio.

Growth opportunities

On April 8th, 2021, we signed an agreement with a syndicate of underwriters led by National Bank Financial Inc. to issue to the public, on a bought-deal basis, 6,791,000 trust units at a price of $4.05 per unit for gross proceeds of $27.5 million. The over-allotment option was fully exercised, and the total number of units sold pursuant to the offering was 7,809,650 for the aggregate gross proceeds of $31.6 million, and net proceeds of $30.4 million. Of the gross proceeds received, $15 million were used to pay the total amount outstanding under the acquisition credit facility. The remaining balance will be used to fund the Trust's future acquisitions and for general trust purposes.

A positive outlook for our future

Our ability to adapt and embrace change has been a determining factor in our resiliency throughout the past year and we are prepared to embrace the changes and opportunities that have been made available to us.
To capitalize on these opportunities, we have decided to adopt a positive and opportunistic outlook on the coming year, leaving the past fifteen months' events in the past. With this, we are ready to solidify BTB's growth plan for the upcoming years.

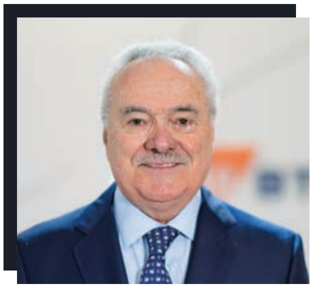
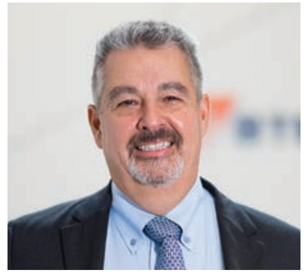
Our employees continue to be our strength and have steadfastly worked hard to overcome the tough challenges that 2020 brought. As we are looking onto greener pastures, we would like to thank all our employees for their comprehension, conciliation, patience, and dedication as they have been tried and tested over the past months. Thank you for showing up every day and for standing by our side and showing your continuous support.

We also thank our investors for their confidence in BTB and for entrusting us with the difficult decisions that we needed to make. Our clients remain and will always remain our number one priority.

Jocelyn Proteau
Chair of the Board of Trustees

Michel Léonard
President and Chief Executive Officer

Board of Trustees






Top row :

Fernand Perreault
President of the Investment Committee and trustee

Peter Polatos
Trustee

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

Middle row :

Jocelyn Proteau
Chair of the Board of Trustees and trustee

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

Michel Léonard
President and Chief Executive Officer and Trustee

Bottom row :

Luc Lachapelle
Trustee

Sylvie Lachance
Trustee

Luc Martin
President of the Audit Committee and trustee

Executive Team

Mathieu Bolté
Vice President and Chief Financial Officer

Michel Léonard
President and Chief Executive Officer

Our Properties

Montréal

- 1327-1333 Ste-Catherine Street West and 1405-1411 Crescent Street, Montréal
- 5810 Sherbrooke Street East, Montréal
- 5878-5882 Sherbrooke Street East, Montréal
- 7001-7035 St-Laurent Blvd and 25 Mozart Avenue, Montréal
- 2101 Sainte-Catherine Street West, Montréal
- 3761-3781 des Sources Blvd, Dollard-des-Ormeaux
- 11590-11800 de Salaberry Blvd, Dollard-des-Ormeaux
- 1325 Hymus Blvd, Dorval
- 4105 Sartelon Street, St-Laurent
- 208-244 Migneron Street and 3400-3410 Griffith Street, St-Laurent
- 7777 Transcanada Highway, St-Laurent
- 2250 Alfred-Nobel Blvd, St-Laurent
- 7150 Alexander-Fleming Street, St-Laurent
- 2425 Pitfield Blvd, St-Laurent
- 2665-2673 et 2681, Côte Saint-Charles, Saint-Lazare

North Shore of Montréal

- 2900 Jacques-Bureau Street, Laval
- 4535 Louis B. Mayer Street, Laval
- 3695 Des Laurentides (Highway-15), Laval
- 3111 Saint-Martin Blvd West, Laval
- 3131 Saint-Martin Blvd West, Laval
- 81-83 Turgeon Street, Ste-Thérèse
- 5791 Laurier Blvd, Terrebonne
- 2175 Des Entreprises Blvd, Terrebonne
- 2205-2225 Des Entreprises Blvd, Terrebonne
- 2005 Le Chatelier Street, Laval

South Shore of Montréal

- 4890-4898 Taschereau Blvd, Brossard
- 2340 Lapinière Blvd, Brossard
- 204 De Montarville Blvd, Boucherville
- 32 Saint-Charles Street West, Longueuil
- 50 Saint-Charles Street West, Longueuil
- 85 Saint-Charles Street West, Longueuil
- 2111 Fernand-Lafontaine Blvd, Longueuil
- 2350 Chemin du Lac, Longueuil
- 1939-1979 F.-X. Sabourin Street, St-Hubert
- 145 Saint-Joseph Blvd, St-Jean-sur-Richelieu
- 315-325 MacDonald Street, St-Jean-sur-Richelieu
- 1000 Du Séminaire Blvd North, St-Jean-sur-Richelieu
- 340-360, 370-380, 375 and 377-383 Sir-Wilfrid-Laurier Blvd, Mont-Saint-Hilaire
- 1465-1495 and 1011-1191 Saint-Bruno Blvd and 800 de l'Étang Street, Saint-Bruno-de-Montarville

Quebec City Area

- 6655 Pierre-Bertrand Blvd, Quebec City
- 6700 Pierre-Bertrand Blvd, Quebec City
- 909-915 Pierre-Bertrand Blvd, Quebec City
- 825 Lebourgneuf Blvd, Quebec City
- 815 Lebourgneuf Blvd, Quebec City
- 1170 Lebourgneuf Blvd, Quebec City
- 625-675 De la Concorde Street, Lévis
- 1200-1252 De la Concorde Street, Lévis
- 191 D'Amsterdam Street, St-Augustin-de-Desmaures
- 175 De Rotterdam Street, St-Augustin-de-Desmaures
- 505 Des Forges Street and 1500 Royale Street, Trois-Rivières
- 2059 René-Patenaude Street, Magog

Ottawa Area, Ontario

- 80 Aberdeen Street, Ottawa
- 245 Menten Place, Ottawa
- 1-9 and 10 Brewer Hunt Way and 1260-1280 Teron Rd, Ottawa
- 400 Hunt Club Rd, Ottawa
- 2200 Walkley Street, Ottawa
- 2204 Walkley Street, Ottawa
- 2611 Queensview Drive, Ottawa
- 7 and 9 Montclair Blvd, Gatineau
- 705 Boundary Road, Cornwall
- 725 Boundary Road, Cornwall
- 805 Boundary Road, Cornwall *
- 2901 Marleau Avenue, Cornwall

* Considered as two properties

Management Discussion and Analysis

Quarter ended March 31, 2021

TABLE OF CONTENTS

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 quarter ended March 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 May 7, 2021 should be read together with the unaudited condensed consolidated financial statements and accompanying notes for the quarter ended March 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, including the 2020 Annual Information Form, is available on the Canadian Security Administrators ("CSA") website at www.sedar.com and on our website at www.btbreit.com.

The Audit Committee reviewed the contents of this Management Discussion and Analysis and the quarterly financial statements and the Trust's Board of Trustees has approved them.

Forward-Looking Statements – Caveat

From time to time, 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 BTB's future objectives, strategies to achieve the Trust's objectives, as well as statements with respect to BTB'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 forward looking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of 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 BTB, investors and others should carefully consider these factors and other facts and uncertainties. Additional information about these factors can be found in the "Risks and Uncertainties" section.

BTB cannot assure investors that actual results will be consistent with any forward-looking statements and BTB assumes no obligation to update or revise such forward-looking statements to reflect new events or circumstances, except as required under applicable securities regulations.

COVID-19

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.

BTB will continue to work with its tenants that are participating in the Canada Emergency Rent Subsidy ("CERS") program that was enacted to cover the period ranging from October 2020 to June 2021. However, the government has extended the program, as well as the lockdown support top-up, until September 25, 2021. The extension period subsidy rate will be gradually decreasing as of July 4, 2021 until the expiration date as a phase-out of the program. The government may be seeking legislative authority to extend the program until November 20, 2021, if required. It is important to note that the tenant is responsible to apply for its subsidies and that the Trust has no financial concessions to make as compared to the CECRA program.

The full extent and the financial impact of COVID-19 on communities and the economy remains uncertain. Therefore, BTB has taken the following proactive measures to provide greater financial strength and flexibility; 1) implementation of a cost reduction program to limit direct expenses and corporate expenses; 2) review current lines of credit in place to ensure additional flexibility and cost reduction; and 3) refinancing of properties to provide additional funds and taking advantage of an economic context with low interest rates.

Non-IFRS Financial Measures

"Net operating income," "net operating income of the same-property portfolio", "funds from operations" ("FFO"), "adjusted funds from operations" ("AFFO"), "adjusted net income and comprehensive income" and "net property income" and per unit information, if applicable, are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. These measures are used by BTB to improve the investing public's understanding of operating results and the Trust's performance. IFRS are International Financial Reporting Standards defined and issued by the IASB, in effect as at the date of this MD&A.

These measures cannot be compared to similar measures used by other issuers. However, BTB presents its FFO in accordance with the Real Property Association of Canada (REALPAC) White Paper on Funds from Operations, as revised in February 2019.

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

The Trust

BTB is an unincorporated open-ended real estate trust formed and governed under the laws of the Province of Québec pursuant to a trust agreement (as amended). BTB began its real estate operations on October 3, 2006, and as of March 31, 2021, it owns 64 retail, office and industrial properties located in primary markets of the Provinces of Québec and Ontario. Since its inception, BTB has become an important property owner in the province of Québec and in Eastern Ontario. The units and Series G and H convertible debentures are traded on the Toronto Stock Exchange under the symbols "BTB.UN", "BTB.DB. G" and "BTB.DB. H", respectively.

BTB's management is entirely internalized, and no service agreements or asset management agreements are in force between BTB and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders. Through this, 62 of the Trust's 64 properties held as at March 31, 2021 are managed by the Trust's employees. The two remaining properties are managed by third party managers dealing at arm's length with the Trust. Management's objective is, when favourable circumstances will prevail, to directly manage the Trust's remaining properties to possibly achieve savings in management and operating fees through centralized and improved property management operations.

The following table provides a summary of the real estate portfolio:

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of $)
As at March 31, 2021[(1)]	**64**	**5,323,675**	**905,043**

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

Objectives and Business Strategies

BTB's primary objective is to maximize total return to unitholders. Returns include cash distributions and long-term appreciation of the value of its units. More specifically, the objectives are as follows:

(i) Generate stable monthly cash distributions that are reliable and fiscally beneficial to unitholders.

(ii) Grow the Trust's assets through internal growth and accretive acquisitions to increase distributable income and therefore fund distributions.

(iii) Optimize the value of its assets through dynamic management of its properties to maximize the long-term value of its properties and therefore its units.

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

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

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

Highlights of the First Quarter Ended March 31, 2021

- During the first quarter of 2021, BTB continued to show stability through the diversity of its portfolio, high rent collection rates and proactive lease renewal and leasing strategies, despite the current context of the COVID-19 pandemic.
- The Trust continues to guide its tenants to better understand the various programs offered by the federal government to further mitigate collection risks. At the end of Q4 2020, only a handful of tenants expressed their intention to participate in the Canada Emergency Rent Subsidy (CERS) program, which has not affected rent collection. In addition, at the end of Q1 2021, no additional rent deferral agreements were negotiated with tenants, further ensuring future revenue.
- The Trust collected 99.6% of its invoiced rents. BTB is reporting a reduction of the balance of receivables from $5.2 million at the end of Q4 2020 to $4.8 million for the quarter (also down $0.4 million compared to the same period last year).
- It is important to note that during the same period for 2020 (Q1 2020), the pandemic had no impact on financial results yet other than an adjustment in fair value of $6.9 million. The table below summarizes the main impact of the COVID-19 pandemic on the Trust's financial results for this quarter, with a total negative impact on NOI of $0.6 million and a total negative impact of $0.3 million on net income and comprehensive income, FFO and AFFO (collectively, the "**COVID-19 Events**"):

  (i) The $0.5 million of negative impact on revenues is due to the announced departure of Sportium at the end of January 2021 and the announced departures of two retail tenants, as well as the impact of four months of free rent that were granted to a tenant because of construction delays caused by COVID-19 (expenses for that period that cannot be recovered). We have secured a tenant leasing 38,000 sq. ft. in the space formerly occupied by Sportium and we are under lease negotiations regarding the two other vacant spaces from Q2 2020.

  (ii) The $0.1 million of negative impact on operating expenses is caused by extra in-suite cleaning expenses to comply with sanitary measures.

  (iii) Better collections than expected generated $0.3 million positive impact on expected credit losses in administration expenses, compared to the same period in 2020.

COVID-19 impacts for the quarter ended March 31, 2021

Quarter ended March 31, 2021 (in millions of dollars)	Departure of Sportium	Departure of two retail tenants	Four months of free-rent	Extra-cleaning expenses	Expected credit losses	COVID-19 impacts
Revenue	($0.3)	($0.1)	($0.1)	—	—	**($0.5)**
Operating expenses	—	—	—	($0.1)	—	**($0.1)**
NOI	($0.3)	($0.1)	($0.1)	($0.1)	—	**($0.6)**
Admin. expenses	—	—	—	—	$0.3	**($0.3)**
Net income	($0.3)	($0.1)	($0.1)	($0.1)	$0.3	**($0.3)**
FFO / Recurring FFO	($0.3)	($0.1)	($0.1)	($0.1)	$0.3	**($0.3)**
AFFO / Recurring AFFO	($0.3)	($0.1)	($0.1)	($0.1)	$0.3	**($0.3)**

- During the quarter BTB's leasing activity remained active where 95,171 sq. ft. of leases were renewed of which, 40,694 sq. ft. were renewed before the end of term and 54,477 sq. ft. were renewed in anticipation of the end of their term, therefore further solidifying the Trust's future revenues.

- NOI margin is 52.75% compared to 53.49% for the same period in 2020. Excluding the $0.6 million COVID-19 Events, the Trust would have generated a NOI margin of 54.25%, thus representing an increase of 0.76% compared to the same period in 2020. It is also important to note that although the Trust has disposed of four properties in 2020, the latter has also purchased two properties in the same year. Therefore, the resulting net impact on the Q1 2021 NOI is negligible.

- Net income and comprehensive income totalled $2.5 million compared to a loss of $5.6 million for the same period in 2020. The $8.1 million increase is mainly attributable to: (i) The 2020 $8.0 million reduction of the fair value of properties and financial instruments; (ii) An adjustment reflecting transaction costs of $0.8 million in 2020; (iii) An increase in the unit-based compensation expense of $0.8 million in 2021 reflecting the increase of the price per unit; (iv) A negative impact of $0.3 million because of the COVID-19 Events; (v) A positive impact of $0.4 million due to lease renewals, leasing, and cost control efforts. It is also important to note the reduction of the net financial expenses attributable to the refinancing of mortgages concluded during the quarter.

- Recurring FFO and AFFO are impacted by:

  (i) COVID-19 Events which represent a 0.5¢ negative impact on a per unit basis; and

  (ii) an increase in the unit-based compensation primarily due to the increase of the trading price per unit that represents a 1.1¢ negative impact per unit.

  For the quarter ended on March 31, 2021 recurring FFO was 8.9¢ per unit compared to 10.0¢ for the same period in 2020 and recurring AFFO was 8.6¢ per unit compared to 8.8¢ for the same period in 2020. Recurring FFO payout ratio was 84.0% per unit compared to 105.2% for the same period in 2020 and recurring AFFO payout ratio was 87.4% per unit compared to 119.3% for the same period in 2020.

- BTB concluded the quarter on March 31, 2021 with a cash position of $6.3 million. The Trust reduced the balance of the line of credit during the quarter by $0.3 million. Following the conclusion of the negotiation of an amendment of BTB's credit facilities in Q4 2020, the amount of the operating line of credit was increased from $3.0 million to $8.0 million, and the amount of the acquisition line of credit was reduced from $19 million to $15.0 million, for a total net increase in the credit facilities of $1 million. At the end of the quarter, the operating line of credit was 100% available and the acquisition line of credit was fully used.

- Debt metrics continue to demonstrate the Trust's commitment to maintain its total debt ratio below 60%. It concluded the quarter at 58.9%, recording an improvement of 0.4% compared to the same quarter in 2020. The improvement is essentially attributable to conversion by holders of Series "H" debentures throughout the quarter, thereby reducing total debt ratio.

Subsequent events

- Following the departure of Sportium at BTB's property located on FX Sabourin St. (St-Hubert, Qc) on January 31st, 2021, BTB has concluded an unconditional long-term lease agreement with Princess Auto Ltd. to occupy approximately 38,000 sq. ft. in the space formerly occupied by Sportium, with a scheduled lease commencement in mid-July 2021. Including this lease the committed occupancy is 91.7%.
- On April 8th, 2021, the Trust signed an agreement with a syndicate of underwriters led by National Bank Financial Inc. to issue to the public, on a bought deal basis, 6,791,000 trust units at a price of $4.05 per unit for gross proceeds of $27.5 million. The over-allotment option was fully exercised, and the total number of units sold pursuant to the offering is 7,809,650 for the aggregate gross proceeds of $31.6 million, and net proceeds of $30.4 million. The Trust filed a short form preliminary prospectus on April 14, 2021 and closing of the offering took place on April 28, 2021. Of the gross proceeds received, $15 million were used to pay the total amount outstanding under the acquisition credit facility. The remaining balance will be used to fund the Trust's future acquisitions and for general trust purposes.

Summary of significant items as at March 31, 2021

- Total number of properties: 64
- Total leasable area: approximately 5.3 million sq. ft.
- Total asset value: $924 million
- Market capitalization: $273 million

Selected Financial Information

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

Quarters ended March 31 (in thousands of dollars, except for ratios and per unit data)	Reference (page)	Quarters 2021 $	2020 $
Financial information			
Rental revenue	30	**23,532**	23,868
Net operating income[1]	30	**12,414**	12,766
Net income and comprehensive income	33	**2,510**	(5,587)
Adjusted net income[1]	33	**4,604**	5,116
Net property income from the same-property portfolio[1]	34	**7,530**	7,549
Distributions	34	**4,828**	6,618
Recurring funds from operations (FFO)[1]	35	**5,730**	6,277
Recurring adjusted funds from operations (AFFO)[1]	36	**5,506**	5,517
Cash flow from operating activities	37	**13,149**	10,674
Total assets	39	**923,854**	943,283
Investment properties	40	**905,043**	919,632
Mortgage loans	41	**480,556**	495,475
Convertible debentures	42	**45,690**	49,232
Mortgage debt ratio	43	**52.5%**	52.8%
Total debt ratio	43	**58.9%**	59.3%
Weighted average contractual interest rate	41	**3.56%**	3.71%
Market capitalization		**272,807**	197,491
Financial information per unit			
Units outstanding (000)	44	**64,659**	62,497
Class B LP units outstanding (000)	44	**347**	497
Weighted average number of units outstanding (000)	44	**63,755**	62,390
Weighted average number of units and Class B LP units outstanding (000)	44	**64,148**	62,887
Net income and comprehensive income	33	**3.9¢**	(8.9)¢
Adjusted net income[1]	33	**7.2¢**	8.1¢
Distributions	34	**7.5¢**	10.5¢
Recurring FFO[1]	35	**8.9¢**	10.0¢
Payout ratio on recurring FFO[1]	35	**84.0%**	105.2%
Recurring AFFO[1]	36	**8.6¢**	8.8¢
Payout ratio on recurring AFFO[1]	36	**87.4%**	119.3%
Market price		**4.22**	3.16
Tax on distributions			
Revenue	47	**0.0%**	0.0%
Tax deferral	47	**100%**	100%
Operational information			
Number of properties	24	**64**	65
Leasable area (thousands of sq. ft.)	24	**5,324**	5,452
Occupancy rate	27	**91.0%**	92.4%
Increase in average lease renewal rate	26	**5.9%**	4.1%

(1) Non-IFRS financial measures.

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-1	2020 Q-4	2020 Q-3	2020 Q-2	2020 Q-1	2019 Q-4	2019 Q-3	2019 Q-2
	$	$	$	$	$	$	$	$
Rental revenue	**23,532**	22,455	23,583	23,063	23,868	25,558	23,973	22,437
Net operating income [(1)]	**12,414**	12,767	13,308	12,419	12,766	14,174	13,476	12,196
Net income and comprehensive income	**2,510**	3,850	5,757	(1,101)	(5,587)	41,552	5,632	3,316
Net income and comprehensive income per unit	**3.9¢**	6.1¢	9.1¢	(1.7)¢	(8.9)¢	66.2¢	9.0¢	5.8¢
Adjusted net income	**4,604**	5,066	5,963	3,757	5,116	6,445	5,813	4,518
Adjusted net income per unit	**7.2¢**	8.0¢	9.4¢	6.0¢	8.1¢	10.3¢	9.3¢	7.9¢
Cash from operating activities	**13,149**	15,954	8,983	10,534	10,674	17,235	9,875	11,897
Recurring funds from operations (FFO) [(1)]	**5,730**	6,322	6,920	4,710	6,277	7,421	6,747	5,446
Recurring FFO per unit [(1)]	**8.9¢**	9.9¢	10.9¢	7.5¢	10.0¢	11.8¢	10.8¢	9.5¢
Recurring adjusted funds from operations (AFFO) [(1)]	**5,506**	6,253	6,139	4,237	5,517	6,795	6,087	4,884
Recurring AFFO per unit [(1)]	**8.6¢**	9.8¢	9.7¢	6.7¢	8.8¢	10.8¢	9.7¢	8.5¢
Distributions [(2)]	**4,828**	4,778	4,752	5,375	6,618	6,584	6,563	6,113
Distributions per unit	**7.5¢**	7.5¢	7.5¢	8.5¢	10.5¢	10.5¢	10.5¢	10.5¢

(1) Non-IFRS financial measures. See appropriate sections for definition and reconciliation to the closest IFRS measure.
(2) Includes distributions on Class B LP units.

Performance Indicators

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

Real Estate Portfolio

At the end of the first quarter of 2021, BTB owned 64 properties, totalling a fair value of $905 million. The properties generated approximately $23.5 million in rental revenue and represented a total leasable area of roughly 5.3 million sq. ft. A description of the properties owned by the Trust as at March 31, 2021 can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of investment properties held as at March 31, 2021

Operating segment	**Number of properties**	**Leasable area (sq. ft.)**	**Committed occupancy rate (%)**
Office	34	2,597,827	89.3
Retail	12	1,409,565	90.0
Industrial	18	1,316,283	95.6
Total	**64**	**5,323,675**	**91.0**

Real Estate Operations

Available leasable area

The following table summarizes the changes in available leasable area for the quarters ended March 31, 2021 and 2020.

Quarters ended March 31 (in sq. ft.)	Quarters	
	2021	2020
	$	$
Available leasable area at beginning of the period	**412,765**	379,896
Purchased (sold)	**—**	—
Leases expired at term	**66,379**	139,193
Renewed leases at term	**(40,694)**	(96,519)
Renewal rate	**61.3 %**	69.3%
Renewed leases (before the end of lease term)(1)	**—**	—
Non-anticipated departures(2)	**47,996**	12,028
New leases (vacant spaces)	**(9,751)**	(24,995)
Other	**—**	35
Available leasable area at end of the period	**476,695**	409,638

(1) For the quarter ended March 31, 2021, 54,477 sq. ft. were renewed in anticipation to existing tenants (140,242 sq. ft. in 2020 for the same period), with lease terms ending in 2022 and after. This has no impact on the available leasable area at the end of the period, as this area has never been available to lease during the period. Additional information regarding anticipated renewals can be found below in the "Renewed leases (before the end of lease term)" section hereunder.
(2) Non-anticipated departures represent departures before the end of lease term.

Lease renewals

Considering contractual and anticipated lease renewals, the Trust concluded lease renewals for a total leasable area of 95,171 sq. ft. during the quarter.

(i) Renewed leases at term

At term, during the quarter, leases representing 66,379 sq. ft. of leasable area expired, of which 40,694 sq. ft. were renewed, representing a renewal rate of 61.3%.

Out of the 40,694 sq. ft. of renewed leases at term, 31,763 sq. ft. or 78% were concluded with office tenants, confirming the necessity for physical office spaces. Of the office renewals, 51% was concluded with one of BTB's Top 10 Tenants, the Government of Québec, demonstrating sustained renewal activity of BTB's Top 10 Tenants.

The 38.7% shortfall (or 25,685 sq. ft.) in the renewal rate is attributed to two factors: (a) 15,383 sq. ft. of expected non-renewals, for which spaces leasing activity is sustained; and (b) 10,252 sq. ft. of expired leases in Q1 2021 that are currently awaiting tenants' execution of the documentation required to finalize these renewals. When executed, the renewal rate will increase to 76%.

(ii) Renewed leases (before the end of lease term)

The Trust proactively manages its lease renewal strategy to retain its solid tenant base. During the quarter, leases representing 54,477 sq. ft. were renewed to existing tenants in anticipation of the expiry of their lease terms occurring in 2022 and after, therefore solidifying the Trust's future revenues. These anticipated lease renewals were mainly concluded in the retail segment as leases representing 46,050 sq. ft. were renewed with Staples Canada for their locations in Saint-Jean-sur-Richelieu and Saint-Bruno-de-Montarville. These renewals were conducted for an average lease term of nine years (five years and thirteen years respectively), further solidifying large floorplates for necessity-based retail tenants.

Non-anticipated departures

In early 2020, Sail Plein Air filed for protection under the *Bankruptcy and Insolvency Act*. Consequently, its subsidiary, the sporting goods retailer Sportium, announced the termination of all of their leases, including BTB's. The tenant was occupying 45,496 sq. ft. in BTB's F.X. Sabourin property. In addition, during the first quarter of 2021, Atis Windows and Doors Corp. announced the early termination of a 2,500 sq. ft. retail location. These non-anticipated departures are included in BTB's statistics, they therefore increase the total available area by 47,996 sq. ft. These two departures in Q1 2021 explain the 35,968 sq. ft. increase of non-anticipated departures compared to the same period of 2020. Additional information on these two non-anticipated departures can be found below in the "New leases (vacant spaces)" section.

New leases (vacant spaces)

During the quarter, the Trust leased 9,751 sq. ft. to new tenants, leaving 476,695 sq. ft. of leasable area available at the end of the quarter.

The non-anticipated departures of Sportium and Atis Windows and Doors Corp. increased the total leasable area by 47,996 sq. ft. It is important to note that, during the month of April 2021, both spaces have been leased. Consequently, these two new leases will increase the occupancy rate by approximately 0.7%.

Increase in average lease renewal rate

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

	Quarter	
Operating segment	**Sq. ft.**	**%**
Office	40,190	4.7
Retail	49,157	4.5
Industrial	5,824	48.1
Total	**95,171**	**5.9**

The average rental rate increased by 5.9% in Q1 2021 compared to 4.1% for the same period of 2020.

The Trust achieved a 48.1% increase in the industrial operating segment which is essentially attributable to buoyant market conditions for this segment. The Trust has been able to capitalize on the opportunity to negotiate attractive rent increases for an industrial tenant.

Furthermore, the Trust's retail operating segment also shows a significant improvement, reaching a 4.5% average increase for the first quarter, compared to a 0.9% increase for the previous quarter and remained stable compared to Q1 2020. The increase achieved is mainly attributable to two long-term renewals with Staples Canada, as previously reported in the "Renewed lease (before the end of the term)" section.

In addition, the Trust's office operating segment has also shown an improvement, having achieved a 4.7% increase in average rental rates, compared to a 0.1% increase for the same period in 2020. This increase is primarily attributable to a long-term lease renewal signed with the Government of Québec, in a property located in the Montréal portfolio.

Weighted Average Lease Term (WALT)

For the quarter ended March 31, 2021, the Trust was able to maintain an average lease term at an average of 5.1 years (compared to a WALT of 5.2 years for the same period in 2020). In addition to securing future revenues for the Trust and solidifying its tenant base, the Trust's lease renewal strategy is also focused on ensuring longevity in the lease term when appropriate. These results further demonstrate the Trust's efforts to secure its tenant base and revenues in the years to come.

Occupancy rates

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

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
	%	%	%	%	%
Operating segment					
Office	**89.3**	89.9	89.5	91.1	90.2
Retail	**90.0**	93.3	95.3	95.6	95.6
Industrial	**95.6**	95.8	93.9	93.6	93.6
Total portfolio	**91.0**	92.2	92.1	92.9	92.4

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
	%	%	%	%	%
Geographic sector					
Laval and North Shore	**99.6**	99.9	99.9	99.9	99.9
Island of Montreal	**92.9**	93.3	92.3	91.6	88.7
Montreal South Shore	**86.1**	90.0	92.0	92.8	93.0
Quebec City and surrounding area(1)	**89.0**	89.1	89.2	90.0	89.9
Ottawa and surrounding area	**93.0**	93.3	91.2	93.2	93.2
	91.0	92.2	92.1	92.9	92.4

(1) Excluding the Trois-Rivières property, the occupancy rate of the Quebec City portfolio is 92.5%.

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
	%	%	%	%	%
By province					
Québec	**90.1**	91.5	92.0	92.9	92.3
Ontario	**94.9**	95.2	92.8	92.6	92.6
Total portfolio	**91.0**	92.2	92.1	92.9	92.4

The occupancy rate at the end of the first quarter of 2021 stood at 91.0%, a 1.2% decrease compared to the prior quarter (Q4 2020) or a 1.4% decrease compared to the same period for 2020. This is explained by the departure of Sportium located on the South Shore of Montréal. This departure has an impact on the retail operating segment and on the Montréal South Shore area, as the occupancy rates decreased respectively by 3.3% and by 3.9% compared to the prior quarter (Q4 2020). After March 31, 2021, the space formerly occupied by Sportium has been leased to Princess Auto for a 15-year term. As previously mentioned, these two new leases will increase the occupancy rate by approximately 0.7%.

Properties located in Ottawa continue to demonstrate their stability as they consist of office and industrial properties; thus, two sectors minimally impacted by the pandemic. Not included in the occupancy rate for the Ottawa portfolio is a month-to-month lease concluded at the property located at 2901 Marleau, representing 8,500 sq. ft.

Properties located in the Quebec City area have also seen a positive trend, having an occupancy rate of 92.5%, albeit having two large scale retail properties (Carrefour Saint-Romuald and Méga Centre Rive-Sud) showing occupancy rates of respectively 100% and 97%.

The following table shows the "in-place" occupancy rate compared to the "committed" occupancy rate by operating segments as at March 31, 2021.

	Occupancy rate (%)		Sq. ft.
	In-place	**Committed**	**Committed**
Operating segment			
Office	89.1	89.3	4,861
Retail	89.8	90.0	2,689
Industrial	95.3	95.6	4,171
	90.8	**91.0**	**11,721**

The in-place occupancy rate as at March 31, 2021 (without considering firm committed lease agreements for tenants that are not yet occupying their spaces) stands at 90.8%. Spaces totalling 11,721 sq. ft. as at March 31, 2021 are subject to firm lease agreements and will, in the next few quarters, generate additional income. The committed lease agreements statistic does not include the lease transactions concluded after the quarter with Princess Auto and a tenant expansion in the space left behind by Atis of approximately 2,500 sq ft.

The following table shows the key lease agreements that are part of the committed lease agreements that will soon take effect.

Properties	Sq. ft.	Tenants	Occupancy date
208-244 Migneron & 3400-3410 Griffith, St-Laurent, Québec	4,171	Eventure Group (expansion)	June 2021
3111 Saint-Martin West Blvd, Laval, Québec	3,282	Solutions Processia Inc.	December 2021
909-915 Pierre-Bertrand Blvd, Québec, Québec	1,490	Prothèses & Orthèses La Capitale Inc.	April 2021
625-730 de la Concorde, Lévis, Québec	1,199	Tite-Frette Lévis (9434-8422 Québec Inc.)	May 2021

Lease maturities

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

	2021	2022	2023	2024	2025
Office					
Leasable area (sq. ft.)	221,620	294,891	305,245	245,483	238,892
Average lease rate/square foot ($)	$13.15	$15.12	$14.57	$13.62	$14.33
% of office portfolio	8.5%	11.4%	11.8%	9.4%	9.2%
Retail					
Leasable area (sq. ft.)	75,274	270,694	162,180	80,387	233,227
Average lease rate/square foot ($)	$11.60	$11.09	$9.02	$15.69	$16.02
% of retail portfolio	5.3%	19.2%	11.5%	5.7%	16.5%
Industrial					
Leasable area (sq. ft.)	42,099	229,568	45,483	108,691	80,000
Average lease rate/square foot ($)	$7.22	$4.48	$5.62	$8.57	$7.50
% of industrial portfolio	3.2%	17.4%	3.5%	8.3%	6.1%
Total portfolio					
Leasable area (sq. ft.)	**338,993**	**795,153**	**512,908**	**434,561**	**552,119**
Average lease rate/square foot ($)	**$12.07**	**$10.68**	**$12.02**	**$12.72**	**$14.05**
% of total portfolio	**6.4%**	**14.9%**	**9.6%**	**8.2%**	**10.4%**

The Trust's efforts to conclude lease renewals before the end of term allows it to stabilize the revenues of its portfolio and reduce the risk of non-renewals for its upcoming lease expirations, thus further securing revenues and solidifying future occupancy. Considering the 54,477 sq. ft. that were renewed in anticipation this quarter, the Trust managed to reduce the total amount of leasable area to be renewed in 2022 by 34,477 sq. ft. and by 20,000 sq. ft. for 2023.

Top 10 tenants

On March 31, 2021, BTB managed approximately 513 leases, which equates to an average leasable area of 9,448 sq. ft. per tenant. The Trust's three largest tenants are the Government of Québec, the Government of Canada, and Walmart Canada Inc., representing respectively 7.3%, 6.2% and 3.0% of rental revenue. These revenues are generated by multiple leases with these tenants whose maturities are spread over time. 38% 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 March 31, 2021. Their contribution accounts for 27.5% of annual rental revenue and 23.9% of leased area.

Client	% of revenue	% of leased area	Leased area (sq. ft.)
Government of Québec	7.3	5.7	303,252
Government of Canada	6.2	4.8	255,323
Walmart Canada inc.	3.0	5.0	264,550
Mouvement Desjardins	1.8	1.2	62,585
WSP Canada Inc.	1.8	0.9	48,478
Intrado Life & Safety Canada, Inc.	1.8	1.0	53,767
Groupe BBA Inc.	1.7	1.3	69,270
Strongco	1.5	1.5	81,442
Germain Larivière Laval Inc.	1.3	1.9	101,194
Satcom Direct Avionics	1.1	0.6	32,000
	27.5	**23.9**	**1,271,861**

Operating Results

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

Quarters ended March 31 (in thousands of dollars)		Quarters	
		2021	2020
	Reference (page)	**$**	$
Rental revenue	30	**23,532**	23,868
Operating expenses	30	**11,118**	11,102
Net operating income[1]	30	**12,414**	12,766
Net financial expenses and financial income	31	**8,236**	9,427
Administration expenses	32	**1,668**	1,199
Transaction costs	33	**—**	829
Fair value adjustment on investment properties	33	**—**	6,898
Net income and comprehensive income		**2,510**	(5,587)

(1) Non-IFRS financial measure.

Rental revenue

The decrease in rental revenue is mainly explained by the COVID-19 Events (a $0.5 million negative impact).

Property acquisitions and dispositions concluded in 2020 result in a reduction of $0.4 million in revenue for Q1 2021 compared to the same period for 2020, while the impact on the net operating income is offset through proportional operating expenses.

Excluding the events above that had a $0.9 million negative impact on rental revenues, the Trust increased its rental revenue by $0.6 million this quarter, due to renewals and leasing efforts, which represents a 2.5% increase.

Operating expenses

Overall, operating expenses remained stable during Q1 2021 compared to the same period for 2020, although BTB experienced an increase in energy costs that was offset by a decrease in property taxes. The increase is mainly explained by $0.1 million in extra cleaning expenses related to COVID-19.

The following table shows the breakdown of operating expenses for the quarters ended March 31, 2021 and 2020.

Quarters ended March 31 (in thousands of dollars)	Quarters	
	2021	2020
	$	$
Operating expenses		
Maintenance, repairs and other operating costs	**3,807**	3,722
Energy	**1,712**	1,613
Property taxes and insurance	**5,599**	5,767
Total operating expenses	**11,118**	11,102
% of rental revenue	**47.2%**	46.5%

Net operating income

Excluding the $0.6 million negative impact on NOI caused by the COVID-19 Events, the Trust would report an increase in its NOI of $0.3 million for this quarter as compared to same period last year, due to lease renewals and leasing efforts, and a 54.2% NOI margin.

Quarters ended March 31 (in thousands of dollars)	Quarters	
	2021	2020
	$	$
Net operating income[(1)]	**12,414**	12,766
% of rental revenue	**52.8%**	53.5%

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

Financial expenses and income

The following table shows the breakdown of financial expenses for the quarters ended March 31, 2021 and 2020:

Quarters ended March 31 (in thousands of dollars)	Quarters	
	2021	2020
	$	$
Financial income	**(134)**	(113)
Interest on mortgage loans	**4,546**	4,811
Interest on convertible debentures	**957**	837
Interest on bank loans	**220**	183
Other interest expense	**68**	96
Interest expense	**5,657**	5,814
Distributions on Class B LP units	**30**	52
Early repayment fees	**—**	79
Net financial expenses before non-monetary items	**5,687**	5,945
Accretion of effective interest on mortgage loans and convertible debentures	**359**	385
Accretion of non-derivative liability component of convertible debentures	**96**	—
Net financial expenses before the following items	**6,142**	6,330
Net adjustment to fair value of derivative financial instruments	**1,814**	4,097
Fair value adjustment on Class B LP units	**280**	(1,000)
Net financial expenses	**8,236**	9,427

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

Interest expense decreased by $0.2 million during the first quarter of 2021 compared to the same period of 2020, mainly due to the net effect of acquisitions, dispositions and a decrease in the prime rate impacting floating interest rates of mortgages in recent quarters.

On March 31, 2021, the weighted average contractual rate of interest on mortgage loans outstanding was 3.56%, 15 basis points lower than the average rate posted as at March 31, 2020 (3.71%). Interest rates on first-ranking mortgage loans ranged from 2.37% to 6.80% as at March 31, 2021, it was the same range for the comparable period in 2020. The weighted average term of mortgage loans in place as at March 31, 2021 was 4.4 years (5.0 years as at March 31, 2020).

Net financial expenses described above include non-monetary items. These non monetary items include the accretion of effective interest on mortgage loans and on convertible debentures, the accretion of non-derivative liability component of convertible debentures and fair value adjustments on derivative financial instruments and on Class B LP units. BTB recognized a fair value adjustment resulting in a non-monetary expense of $2.5 million compared to $3.5 million for the same period in 2020.

Administration expenses

Quarters ended March 31 (in thousands of dollars)	Quarters	
	2021	2020
	$	$
Administration expenses	**1,193**	1,232
Expected credit losses	**(170)**	140
Unit-based compensation	**645**	(173)
Trust administration expenses	**1,668**	1,199

The Trust incurred additional expenses to support its growth strategy (key employee additions and investment in technology), and it managed to maintain a stable level of administration expenses at 5% of rental revenue, due to continuous cost control efforts.

The constant efforts to collect receivables considerably reduced the balance of accounts receivable and therefore, reduced the provision previously recorded for credit losses.

The unit-based compensation expenses increased by $0.8 million compared to the same period for 2020. The increase is essentially attributable to the increase of the trading price of the BTB's units ($4.22 in Q1 2021 compared to $3.16 for the same period in 2020), increasing the deferred liability and the unit-based compensation expense accordingly.

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. Based on the assessment of capitalization rates and market conditions, the Trust did not deem it appropriate to make any fair value adjustment to its portfolio during the quarter.

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 10 most important properties and approximately a third of the remaining properties are annually appraised by independent external appraisers. In addition, as part of financing or refinancing and at the request of lenders, other properties may also be independently appraised during the year.

For its properties that were not subject to independent appraisals, management receives quarterly capitalization rate and discount rate 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.

Quarters ended March 31 (in thousands of dollars)	Quarters	
	2021	2020
	$	$
Office	—	4,343
Retail	—	1,399
Industrial	—	1,156
Total change in fair value	—	**6,898**

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

	Retail	Office	Industrial
As at March 31, 2021			
Capitalization rate	**5.25% – 8.00%**	**5.00% – 8.50%**	**5.00% – 8.50%**
Terminal capitalization rate	**5.50% – 8.00%**	**6.00% – 7.50%**	**5.50% – 7.00%**
Discount rate	**6.25% – 8.75%**	**6.75% – 8.25%**	**6.25% – 7.75%**
As at March 31, 2020			
Capitalization rate	6.00% – 8.00%	5.00% – 8.50%	5.75% – 8.50%
Terminal capitalization rate	6.25% – 7.25%	5.25% – 7.50%	6.00% – 7.25%
Discount rate	7.25% – 8.00%	6.25% – 8.00%	6.50% – 8.00%

The weighted average capitalization rate for the entire portfolio as at March 31, 2021 was 6.51% (6.65% as at March 31, 2020), 14 basis points lower since March 31, 2020.

As at March 31, 2021, BTB has estimated that if a variation of 0.25% in the capitalization rate was applied to the overall portfolio, this variation would change the fair value of the investment properties by approximately $35 million. The change of the capitalization rate is an appropriate proxy for the changes for the discount and terminal capitalization rates.

Net income and comprehensive income

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarters	
	2021	2020
	$	$
Net income	**2,510**	(5,787)
Per unit	**3.9¢**	(8.9)¢

Adjusted net income

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

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

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarters	
	2021	2020
	$	$
Net income and comprehensive income	**2,510**	(5,787)
Non-recurring items:		
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	**—**	908
Volatile non-monetary items		
Fair value adjustment on investment properties	**—**	6,898
Fair value adjustment on derivative financial instruments	**1,814**	4,097
Fair value adjustment on Class B LP units	**280**	(1,000)
Adjusted net income[1]	**4,604**	5,116
Per unit	**7.2¢**	8.1¢

(1) Non-IFRS financial measure.

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB on January 1, 2020 and that are still owned by BTB on March 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.

Quarters ended March 31 (in thousands of dollars)	Quarter		
	2021	2020	Δ
	$	$	%
Rental revenue	**22,806**	22,636	0.3
Operating expenses	**10,947**	10,466	4.7
Net operating income[1]	**11,859**	12,170	(3.4)
Interest expense on mortgage loans payable	**4,329**	4,621	(6.3)
Net property income[1]	**7,530**	7,549	
Increase (decrease) in net property income from the same-property portfolio	**(0.3%)**		

(1) Non-IFRS financial measure.

Net property income for the first quarter of 2021 decreased by 0.3% compared to the same period for 2020. The decrease is mainly explained by the COVID-19 Events ($0.5 million negative impact of revenue, $0.1 million negative impact on operating expenses and $0.6 million negative impact on NOI).

Excluding the COVID-19 Events, the Trust's same-property portfolio net operating income would have increased by $0.3 million this quarter, due to lease renewals and its leasing efforts, which would represent a 2.8% increase in the same-property portfolio net property income.

Distributions

Distributions and per unit data

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarters	
	2021	2020
	$	$
Distributions		
Cash distributions	**4,095**	5,725
Cash distributions – Class B LP units	**30**	52
Distributions reinvested under the distribution reinvestment plan	**703**	831
Total distributions to unitholders	**4,828**	6,608
Percentage of reinvested distributions	**14.6%**	12.6%
Per unit data[1]		
Distributions	**7.5¢**	10.5¢

(1) Including Class B LP units.

Monthly distributions to unitholders totalled 2.5¢ per issued unit for a total of 7.5¢ for the first quarter of 2021 compared to the monthly distributions to unitholders that were 3.5¢ per issued unit for the first quarter of 2020 for a total of 10.5¢.

Funds From Operations (FFO)

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO for the quarters ended March 31, 2021 and 2020.

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarters	
	2021	2020
	$	$
Net income and comprehensive income (IFRS)	**2,510**	(5,587)
Fair value adjustment on investment properties	—	6,898
Fair value adjustment on Class B LP units	**280**	(1,000)
Amortization of lease incentives	**877**	752
Fair value adjustment on derivative financial instruments	**1,814**	4,097
Leasing payroll expenses	**219**	157
Distributions - Class B LP units	**30**	52
FFO(1)	**5,730**	5,369
Non-recurring item		
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	—	908
Recurring FFO(1)	**5,730**	6,277
FFO per unit(2)	**8.9¢**	8.5¢
Recurring FFO per unit(2)	**8.9¢**	10.0¢
FFO payout ratio(3)	**84.0%**	123.0%
Recurring FFO payout ratio(3)	**84.0%**	105.2%

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

For the first quarter of 2021, recurring FFO was at 8.9¢ per unit, compared to 10.0¢ per unit for the same period 2020. The recurring FFO payout ratio for the first quarter of 2021 stood at 84.0% compared to 105.2% for the same period in 2020.

The COVID-19 Events had a negative impact of $0.3 million on recurring FFO for the quarter, or a loss of 0.5¢ on the recurring FFO per unit.

Adjusted Funds from Operations (AFFO)

The following table provides a reconciliation of FFO and AFFO for the quarters ended March 31, 2021 and 2020

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarters	
	2021	2020
	$	$
FFO[1]	**5,730**	5,369
Straight-line rental revenue adjustment	**(397)**	(144)
Accretion of effective interest	**359**	385
Amortization of other property and equipment	**15**	24
Unit-based compensation expenses	**644**	(173)
Provision for non-recoverable capital expenditures	**(471)**	(477)
Provision for unrecovered rental fees	**(374)**	(375)
AFFO[1]	**5,506**	4,609
Non-recurring item		
Transaction costs on purchase and disposition of investment properties and early repayment fees	**—**	908
Recurring AFFO[1]	**5,506**	5,517
AFFO per unit[2]	**8.6¢**	7.3¢
Recurring AFFO per unit[2]	**8.6¢**	8.8¢
AFFO payout ratio[3]	**87.4%**	143.8%
Recurring AFFO payout ratio[3]	**87.4%**	119.3%

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

For the first quarter of 2021, recurring AFFO was at 8.6¢ per unit, compared to 8.8¢ per unit for the same period 2020. The recurring AFFO payout ratio for the first quarter of 2021 stood at 87.4% compared to 119.3% for the same period in 2020.

The COVID-19 Events had a negative impact of $0.3 million on recurring AFFO for the quarter, or a loss of 0.5¢ on the recurring AFFO per unit.

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

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

Quarters ended March 31 and 12-month periods ended December 31 (in thousands of dollars)	**March 31, 2021 (3 months)**	March 31, 2020 (3 months)	December 31, 2020 (12 months)	December 31, 2019 (12 months)
	$	$	$	$
Provision for non-recoverable capital expenditures	**471**	477	1,859	1,842
Non-recoverable capital expenditures	**94**	181	2,055	2,603

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

Quarters ended March 31 and 12-month periods ended December 31 (in thousands of dollars)	**2021 (3 months)**	2020 (3 months)	2020 (12 months)	2019 (12 months)
	$	$	$	$
Net cash flows from operating activities (IFRS)	**13,149**	10,674	46,145	47,223
Interest paid	**(5,667)**	(5,048)	(21,787)	(23,442)
Net cash flows from operating activities	**7,482**	5,626	24,358	23,781
Net income	**2,510**	(5,587)	2,919	51,881
Total distributions (including Class B LP units)	**4,071**	6,618	21,513	25,141
Surplus (deficit) of net cash flows from operating activities compared to total distributions	**3,411**	(992)	2,845	(1,360)
Surplus (deficit) of net income over total distributions	**(1,561)**	(12,205)	(18,594)	26,740

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

Quarters ended March 31 (in thousands of dollars, except per unit data)	**Quarters**	
	2021	2020
	$	$
Cash flows from operating activities (IFRS)	**13,149**	10,674
Leasing payroll expenses	**219**	157
Transaction costs on purchase and disposition of investment properties and early repayment fees	**—**	(829)
Adjustments for changes in other working capital items	**(1,263)**	1,352
Financial income	**134**	113
Interest expenses	**(5,791)**	(5,927)
Provision for non-recoverable capital expenditures	**(471)**	(477)
Provision for non-recovered rental fees	**(375)**	(375)
Other items	**(96)**	(79)
AFFO[(1)]	**5,506**	4,609
Provision for non-recoverable capital expenditures	**471**	477
Provision for non-recovered rental fees	**375**	375
Straight-line rental revenue adjustment	**397**	144
Unit-based compensation expenses	**(645)**	173
Accretion of effective interest	**(359)**	(385)
Amortization of property and equipment	**(15)**	(24)
FFO[(1)]	**5,730**	5,369

(1) Non-IFRS financial measure.

Segmented Information

The Trust's operations are generated from three segments of properties located in the provinces of Québec and of Ontario. The following tables present each segment's contribution to revenues and to net operating income for the quarters ended March 31, 2021 and 2020.

Quarters ended March 31 (in thousands of dollars)	Retail		Office		Industrial		Total
	$	%	$	%	$	%	$
Quarter ended March 31, 2021							
Investment properties	246,380	**27.2**	494,760	**54.7**	163,903	**18.1**	**905,043**
Rental revenue from properties	6,426	**27.3**	14,022	**59.6**	3,084	**13.1**	**23,532**
Net operating income[(1)]	3,323	**26.8**	7,085	**57.1**	2,006	**16.1**	**12,414**
Quarter ended March 31, 2020							
Investment properties	260,285	28.3	523,347	56.9	136,000	14.8	919,632
Rental revenue from properties	6,863	28.8	13,914	58.2	3,091	13.0	23,868
Net operating income[(1)]	3,953	31.0	6,828	53.5	1,985	15.5	12,766

(1) Non-IFRS financial measure.

Retail performance

Although the effect of the pandemic and the resulting government mandated restrictions have certainly impacted the retail industry in general, BTB had limited exposure to bankrupt tenants and tenants in restructuring procedures. The Trust does not own enclosed malls and most of the properties are anchored with necessity goods tenants. The occupancy rate at the end of the first quarter of 2021 stood at 90.0%, a 3.3% decrease for the same period of 2020. This reflects the departures of Sportium (45,496 sq. ft.) and Atis (2,500 sq. ft.) as previously mentioned in this MD&A. Both spaces have been released as of April 2021. The Trust was able to renew leases for 49,157 sq. ft. at an average increase in the renewal lease rate of 4.5%. Considering the industry challenges since March 2020, the percentage of net operating income generated by the retail segment decreased from 31% to 26.8% compared to the same period for 2020. The Trust implemented multiple measures to navigate the COVID-19 pandemic and to reduce its financial impacts: 1) partnered with tenants to file, on time, the CECRA requests for subsidies for all 80 tenants that qualified; 2) put in place different productivity initiatives to reduce operating costs; 3) orchestrated a cross functional team to ensure adequate communication with its tenants to improve collection efforts; and 4) negotiated lease renewals in anticipation of their expiries.

Office performance

BTB owns suburban office properties and 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 the three regions (Montréal, Quebec City, and Ottawa) and it has been supported by the quality of its tenants (the top two tenants are the Federal and Provincial government agencies). The occupancy rate of BTB's office properties at the end of the quarter stood at 89.3%, a 0.6% decrease for the same period in 2020. The Trust was able to conclude lease renewals for a total of 40,190 sq. ft. at an average renewal rate increase of 4.7%. The percentage of net operating income generated by the office segment increased compared to the same period for 2020, from 53.5%, to 57.1%.

Industrial performance

The industrial segment continues to show good traction and performance. The occupancy rate at the end of the fourth quarter stood at 95.6%, a 0.2% decrease for the same period in 2020. The percentage of net operating income generated by the industrial segment increased compared to the same period for 2020, from 15.5%, to 16.1%. The Trust was able to renew industrial leases totalling 5,824 sq. ft. at an average increase in the renewal rate of 48.1% compared to an average increase in the renewal rate of 9.2% for the same period in 2020.

Assets

Investment properties

BTB 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 $905 million as at March 31, 2021 compared to $903.8 million as at December 31, 2020. The increase is explained by the net impact of additions related to capital expenditures of $0.5 million, capitalized lease incentives of $1.1 million, straight line lease adjustment of $0.4 million and lease incentives amortization of ($0.9 million).

Summary by operating segment

As at March 31	**2021**			2020		
	Number of properties	**Leasable area (sq. ft.)**	**%**	Number of properties	Leasable area (sq. ft.)	%
Office	34	2,597,827	**48.8**	36	2,760,518	51.4
Retail	12	1,409,565	**26.5**	12	1,409,565	26.2
Industrial	18	1,316,283	**24.7**	16	1,206,709	22.4
Subtotal	64	5,323,675	**100.0**	64	5,376,792	100.0
Properties under redevelopment	—	—	—	1	75,340	
Total	**64**	**5,323,675**	**100.0**	65	5,452,132	

Improvements in investment properties

BTB invests capital to improve its properties to preserve the quality of their infrastructure and services provided to tenants. These investments include value-added maintenance corresponding to expenditures required to upkeep properties, as well as property improvement and redevelopment projects intended to increase leasable area, occupancy rates or quality of space available for rental. In some cases, capital expenditures are amortized and may be recovered from tenants.

The following table summarizes capital expenditures, incentives and leasing fees, for the quarters ended March 31, 2021 and 2020.

Quarters ended March 31 (in thousands of dollars)	**Quarters**	
	2021	2020
	$	$
Recoverable capital expenditures	**371**	363
Non-recoverable capital expenditures	**94**	180
Total capital expenditures	**465**	543
Leasing fees and leasehold improvements	**1,188**	2,539
Total	**1,653**	3,082

The following table shows changes in the fair value of investment properties for the quarters ended March 31, 2021 and 2020.

Quarters ended March 31 (in thousands of dollars)	Quarters	
	2021	2020
	$	$
Balance, beginning of quarter	903,870	924,320
Additions:		
Acquisitions	—	22,286
Dispositions	—	(22,550)
Capital expenditures	465	543
Leasing fees and capitalized lease incentives	1,188	2,539
Fair value adjustment on investment properties	—	(6,898)
Other non-monetary changes	(480)	(608)
Balance, end of quarter	905,043	919,632

Receivables

Amounts receivable from tenants and other receivables decreased from $5.2 million as at December 31, 2020 to $4.8 million as at March 31, 2021. These amounts are summarized below.

(in thousands of dollars)	March 31, 2021	December 31, 2020
	$	$
Rent receivable	3,560	4,259
Allowance for expected credit losses	(745)	(1,132)
Net rent receivable	2,815	3,127
Unbilled recoveries	787	665
Other receivables	1,204	1,420
Amounts receivable from tenants and other receivables	4,806	5,212

The amount of rent receivable includes $0.7 million to be paid by tenants under payment of rent deferral agreements agreed upon by the Trust.

Other assets and Property and equipment

The table below summarizes other assets and property and equipment.

(in thousands of dollars)	March 31, 2021	December 31, 2020
	$	$
Property and equipment	1,283	1,238
Accumulated depreciation	(919)	(904)
	364	334
Prepaid expenses	672	1,498
Deposits	678	656
Other assets	1,714	2,488

Capital Resources

Long-term debt

The following table shows the balance of BTB's indebtedness on March 31, 2021, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates.

As at March 31, 2021 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2021 (9 months)	—	104,774	3.61
2022	—	35,496	3.87
2023	—	35,416	3.61
2024	24,000	82,424	4.63
2025	26,124	44,786	4.78
2026 and thereafter	—	179,186	3.17
Total	**50,124**	**482,082**	**3.84**

Weighted average contractual interest rate

As at March 31, 2021, the weighted average contractual interest rate of the Trust's long-term debt stood at 3.84% (3.56% for mortgage loans and 6.52% for convertible debentures).

Mortgage loans

As at March 31, 2021, the Trust's total mortgage loans (excluding unamortized fair value adjustments and unamortized financing expenses) amounted to $482 million compared to $486 million as at December 31,2020. The reduction is explained by the capital payments.

The following table summarizes changes in mortgage loans payable during the quarters ended March 31, 2021 and 2020.

Quarters ended March 31 (in thousands of dollars)	2021	2020
	$	$
Balance, beginning of quarter	**486,242**	495,247
Mortgage loans contracted or assumed	—	27,169
Balance repaid at maturity or upon disposition	—	(21,585)
Monthly principal repayments	**(4,159)**	(3,609)
Balance, end of quarter	**482,083**	497,222

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

As at March 31, 2021, the weighted average interest rate was 3.56% compared to 3.71% as at March 31, 2020, a decrease of 15 basis points. As at March 31, 2021, except for five loans with a cumulative balance of $43.7 million, all mortgages payable bear interest at fixed rates equivalent to $378.2 million or are subject to an interest rate swap equivalent to $60.1 million.

The weighted average term of existing mortgage loans was 4.4 years as at March 31, 2021 compared to 5.0 years as at March 31, 2020.

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

Except for four properties, two of them partially securing the acquisition and operating lines of credit as at March 31, 2021, all the Trust's other properties were subject to mortgages as at March 31, 2021.

The following table, as at March 31, 2021, shows future mortgage loan repayments for the next few years.

As at March 31, 2021 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Year of maturity				
2021 (9 months)	11,581	103,471	115,052	23.9
2022	13,592	31,627	45,219	9.4
2023	11,153	32,651	43,804	9.1
2024	8,799	73,493	82,292	17.1
2025	7,524	37,655	45,179	9.3
2026 and thereafter	28,979	121,558	150,537	31.2
Total	**81,628**	**400,455**	**482,083**	**100.0**
Unamortized fair value assumption adjustments			511	
Unamortized financing expenses			(2,038)	
Balance as at March 31, 2021			**480,556**	

As March 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	26,124(4)	50,124
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 March 31, 2021	**22,954**	**22,678**	**45,690**

(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 $3,876 of the Series H debenture since issuance. $3,261 of conversion during Q1 2021.

Debt ratio

Under the terms of its trust agreement, the Trust cannot contract a mortgage loan if, after having contracted the said loan, the total mortgage debt 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 presents the Trust's debt ratios as at March 31, 2021 and 2020 and December 31, 2020.

(in thousands of dollars)	**March 31, 2021**	December 31, 2020	March 31, 2020
	$	$	
Cash and cash equivalent	**(6,255)**	(9,062)	(2,728)
Mortgage loans outstanding[1]	**482,083**	486,242	497,222
Convertible debentures[1]	**50,124**	53,385	50,700
Acquisition credit facility	**15,000**	15,300	13,100
Total long-term debt less free cash flow	**540,952**	545,865	558,294
Total gross value of the assets of the Trust less free cash flow	**918,519**	918,508	941,384
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	**52.5%**	52.9%	52.8%
Debt ratio – convertible debentures	**5.5%**	5.8%	5.4%
Debt ratio – acquisition line of credit	**1.6%**	1.7%	1.4%
Total debt ratio	**58.9%**	59.4%	59.3%

(1) Gross amounts.

As shown above, the mortgage debt ratio, excluding the convertible debentures and acquisition credit facility as at March 31, 2021, amounted to 52.5%, down 0.4%, from December 31, 2020 and down 0.3% from March 31, 2020. Including the convertible debentures and the acquisition credit facility, the total debt ratio decreased to 58.9%, down 0.5% from December 31, 2020 and down 0.4% from March 31, 2020.

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. BTB maintains an operating credit facility to provide financial liquidity which can be drawn or repaid on short notice, reducing the need to hold liquid resources in cash and deposits. Management continues to believe the Trust is well positioned to manage through the pandemic based on the improved balance sheet over the years (total debt ratio below 60%), short-term debt maturities that are under way to be refinanced, a pool of assets that can be used to structure new lines of credit, and the liquidity of the portfolio in the event of an opportunistic asset sale.

Interest coverage ratio

For the quarter ended March 31, 2021, the interest coverage ratio stood at 2.19, a decrease of 1 basis point from the first quarter of 2020.

Quarters ended March 31 (in thousands of dollars, except for the ratios)	**Quarters**	
	2021	2020
	$	$
Net operating income	**12,414**	12,776
Interest expenses net of financial income[1]	**5,657**	5,814
Interest coverage ratio	**2.19**	2.20

(1) Interest expenses excludes early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units.

Class B LP units

Quarters ended March 31, 2020 (in number of units)	Quarter	
	Units	$
Class B LP units outstanding, beginning of period	**397,265**	1,160
Exchange into Trust units	**(50,000)**	(217)
Fair value adjustment	**—**	280
Class B LP units outstanding, end of quarter	**347,265**	1,465

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

On March 26, 2021, at the request of the holders, 50,000 Class B LP units were exchanged for units of BTB.

The Class B LP units were issued on May 30, 2018 in payment for the acquisition of a residual portion of "Complexe Lebourgneuf – Phase II" in Québec City (less the portion related to the mortgage loan assumption by BTB). The holders of the Class B LP units were entitled to a $30 distribution during the first quarter of 2021.

Units outstanding

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

Quarters ended March 31 (in number of units)	Quarter	
	2021	2020
Units outstanding, beginning of the quarter	**63,439,435**	62,251,558
Units issued		
Distribution reinvestment plan	**187,138**	171,718
Issued - employee unit purchase plan	**14,351**	11,194
Issued - restricted unit compensation plan	**71,722**	59,327
Issued - deferred unit compensation plan	**—**	2,973
Class B LP units exchanged into Trust units	**50,000**	—
Issued – conversion of convertible debentures	**895,871**	—
Units outstanding, end of the quarter	**64,658,517**	62,496,770
Weighted average number of units outstanding	**63,754,505**	62,390,138
Weighted average number of Class B LP units and units outstanding	**64,148,437**	62,887,403

Deferred unit compensation plan

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

The following table summarizes deferred units outstanding during the quarters ended March 31, 2021 and 2020.

Quarters ended March 31 (in number of units)	Quarter	
	2021	2020
Deferred units outstanding, beginning of the quarter	**87,920**	59,642
Trustees' compensation	**2,038**	15,576
Distributions paid in units	**1,722**	1,387
Settled	**—**	(2,973)
Deferred units outstanding, end of the quarter	**91,680**	76,632

Restricted unit compensation plan

Under this plan, beneficiaries are awarded restricted units that become fully vested over a period of up to three years. The purpose of the plan is to encourage senior officers and selected employees to support the Trust's growth objectives and align their interests with the interests of unitholders. The purpose of the plan is also an executive retention tool.

The following table summarizes restricted units outstanding during the quarters ended March 31, 2021 and 2020.

Quarters ended March 31 (in number of units)	Quarter	
	2021	2020
Restricted units outstanding, beginning of the quarter	**139,724**	165,012
Granted	**95,058**	13,898
Cancelled	**(1,524)**	—
Settled	**(71,722)**	(59,327)
Restricted units outstanding, end of the quarter	**161,536**	119,583

Employee unit purchase plan

The Trust offers its employees an optional unit purchase plan. Under this plan, the employees may contribute, each year, from 3% to a maximum of 7% of their base salary depending on their years of tenure with the Trust. Subject to the plan's conditions, for each two units purchased by an employee, the Trust shall issue to the employee one unit from treasury.

Off-balance sheet arrangements and contractual commitments

BTB does not have any other off-balance sheet arrangement or commitment that have or are likely to have an impact on its operating results or financial position, specifically its cash position and sources of financing.

Sustainable Development

In line with the principles of sustainable development, BTB incorporates environmental and social considerations into its business practices. Under BTB's Social Responsibility and Sustainable Development Policy, its properties are managed and operated to integrate sustainable development values into the Trust's activities, to promote the health and well-being of its employees and the communities where it operates, to manage its environmental footprint, and to demonstrate a commitment to transparency and continuous improvement of sustainability practices.

Ongoing improvement of properties through investment in environmental projects, among other things, is a top priority for BTB. The tangible results of BTB's responsible behaviour include BOMA BEST certification for 23 properties, publication of the Social Responsibility and Sustainable Development Policy, a sustainable development good practices guide for tenants, benchmarking of the real estate portfolio's energy performance, a partnership with a social reintegration organization for parking lots clean-up, development of a client service and preventive maintenance software, and environmental risk management.

As mentioned above, BTB contributes to sustainable development and is committed to mobilize employees, tenants and suppliers to make it a reality. The Trust believes that its commitment to reduce its environmental footprint should be reflected not only across property operation, maintenance and management, but in everything it does. Accordingly, since September 2015, 23 properties in BTB's portfolio have received various levels of BOMA BEST certification, including Gold (2), Silver (3), Bronze (6) and Certified (12). This prestigious certification recognizing BTB's excellence in environmental property management was awarded by the Building Owners & Managers Association - BOMA Québec, a leader in the real estate industry since 1927.

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

Initiatives

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

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

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

Income Taxes

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The 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, BTB is not considered a SIFT entity and is therefore not subject to SIFT rules if, during that year, it constitutes a real estate investment trust (REIT).

Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions all year long: (i) the total fair market value of all the "non-portfolio properties" that are "qualified REIT properties" held by the trust is at least 90% of the total fair market value at that time of all the "non portfolio assets" held by the trust (ii) not less than 90% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest, dispositions of "real or immovable properties" that are capital properties, dividends, royalties and dispositions of "eligible resale properties" (iii) not less than 75% of its "gross REIT revenue" for the taxation year comes from one or more of the following sources: rent from "real or immovable properties," interest from mortgages on "real or immovable properties," and dispositions of "real or immovable properties" that are capital properties (iv) at each time in the taxation year, an amount that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust, each of which is "real or immovable property" which is a capital property, an "eligible resale property," the indebtedness of a Canadian corporation represented by a banker's acceptance, cash or, generally, an amount receivable from the Government of Canada or from certain other public agencies; and (v) the investments that are made therein are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

As at March 31, 2021, BTB met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to BTB. BTB's management intends to take the necessary steps to meet the conditions for the REIT Exception on an ongoing basis in the future.

Nonetheless, there is no guarantee that BTB will continue to meet all the required conditions to be eligible for the REIT exception for 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:

Quarters ended March 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 BTB in applying significant accounting policies, the most significant of which is the fair value of investment properties, are described in Note 2 to the annual consolidated financial statements as at and for the years ended December 31, 2020 and 2019.

The Trust used the income approach to determine fair value. Fair value is estimated by capitalizing the cash flow that a property can reasonably be expected to produce over its remaining economic life. The income approach is based on two methods: the overall capitalization rate method, whereby net operating income is capitalized at the requisite overall capitalization rate, or the discounted cash flow method, whereby cash flows are projected over the expected term of the investment plus a terminal value discounted using an appropriate discount rate.

Risks and Uncertainties

Numerous risks and uncertainties could cause BTB's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the "Risk Factors" section of BTB's 2020 Annual Information Form for the year ended December 31, 2020, which is hereby incorporated by reference. Such risks and uncertainties include:

- Access to Capital and to Debt Financing
- Interest Rate Increases
- Ownership of Immovable Property
- Competition and Rising Property Prices
- Availability of Immovable Property for Acquisition
- Development Programs
- Recruitment and Retention of Employees and Executives
- Government Regulation
- Limit on Activities Under the Trust Agreement
- Tax Regulations
- Fluctuations in Cash Distributions
- Reliance on Single or Anchor Tenants
- Potential Unitholder Liability
- Conflicts of Interest
- Market Price of Units
- Legal Rights Relating to Units
- Dilution
- Environmental Matters
- Legal Risks
- General Uninsured Losses
- Retail Industry
- A possible economic recession
- 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 BTB are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in Canadian Securities Administrators Multilateral Instrument 52-109.

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Vice-President and Chief Financial Officer concluded that the DC&P were effective as at December 31, 2020, and that the current controls and procedures provide reasonable assurance that material information about BTB is made known to them during the quarter in which these filings are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Vice President and Chief Financial Officer of BTB concluded that ICFR was effective as at March 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 first 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 – Performance Indicators

- **Net operating income of the same-property portfolio,** which provides an indication of the profitability of existing portfolio operations and BTB's ability to increase its revenues, reduce its operating costs and generate organic growth;
- **Funds from operations (FFO) per unit**, which provide an indication of BTB's ability to generate cash flow;
- **Adjusted funds from operations (AFFO)** per unit, which considers other non-cash items as well as investments in rental fees and capital expenditures, and which may vary substantially from one year to the next;
- The **payout ratios**, which enable investors to assess the stability of distributions against FFO and AFFO;
- The **debt ratio**, which is used to assess BTB's financial stability and its capacity for additional acquisitions;
- The **interest coverage ratio**, which is used to measure BTB's ability to use operating income to pay interest on its debt using its operating revenue;
- The **committed occupancy rate**, which provides an indication of the optimization of rental space and the potential revenue gain from the Trust's property portfolio. This rate takes into account occupied leasable area and the leasable area of leases that have been signed as of the end of the quarter but not yet started;
- The **in-place occupancy rate**, which shows the percentage of total income-producing leasable area held at period end;
- The **retention rate**, which is used to assess the Trust's ability to renew leases and retain tenants;
- The **increase in average rate of renewed leases**, which measures organic growth and the Trust's ability to increase its rental revenue.

Appendix 2 – Definitions

Class B LP Units

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

Rental revenue

Rental revenue includes all amounts earned from tenants related to lease agreements, including basic rent and additional rent from operating expense recoveries. It also includes other service charges for parking and storage, lease termination revenues and straight-line rent adjustments.

Some of the Trust's leases include clauses providing for the recovery of rental revenue based on amounts that increase every few years. These increases are negotiated when the leases are signed. Under IFRS, these increases must be recognized on a straight-line basis over the terms of the leases.

Operating expenses

Operating expenses are expenses directly related to real estate operations and are generally charged back to tenants as provided for in the contractual terms of the leases. Operating expenses include property taxes and public utilities, costs related to indoor and outdoor maintenance, heating, ventilation and air conditioning, elevators, insurance, janitorial services and management and operating fees. The amount of operating expenses that BTB can recover from its tenants depends on the occupancy rate of the properties and the nature of the existing leases containing clauses regarding the recovery of expenses. Most of BTB's leases are net rental leases under which tenants are required to pay their share of the properties' operating expenses. BTB pays particular attention to compliance with existing leases and the recovery of these operating expenses.

Net operating income

Net operating income is used in the real estate industry to measure operational performance. BTB defines it as rental revenue from properties, less the combined operating expenses of investment properties. This definition may differ from that of other issuers and accordingly, BTB's net operating income may not be comparable to the net operating income of other issuers.

Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans payable contracted or assumed totalling approximately $482 million as at March 31, 2021, compared to $497 million as at March 31, 2020.
- Series G and H convertible debentures for a total par value of $45.7 million.
- Operating and acquisition lines of credit used as needed.
- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Administration expenses

Administration expenses include administrative costs such as payroll expenses and professional fees associated with executive and administrative staff of the Trust, the compensation plan for trustees, legal and auditing services, expenses related to listed fund status, insurance costs, office expenses and expected credit losses and related legal fees. Administration expenses include amortization of the head office building and property and equipment, as well as unit-based compensation, a non-monetary item that affects the volatility of administrative expenses from quarter to quarter.

Fair value adjustment on investment properties

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

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

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

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2020 and still owned as at March 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 BTB's ability to increase its revenues and reduce its costs. It is defined as rental revenue from properties from the same-property portfolio, less operating expenses and interest on mortgage financing of the same portfolio.

Funds from operations (FFO)

The notion of FFO does not constitute financial and accounting information as defined by IFRS. It is, however, a measurement that is frequently used by real estate companies and real estate investment trusts. The following is a list of some of the adjustments to net income, calculated according to IFRS:

- Fair value adjustment on investment properties;
- Amortization of lease incentives;
- Fair value adjustment on derivative financial instruments;
- Leasing payroll expenses (starting in 2016);
- Distributions on Class B LP limited partnership units.

The calculation method is consistent with the method recommended by REALPAC but may differ from measures used by other real estate investment trusts. Consequently, this method may not be comparable to methods used by other issuers.

Adjusted funds from operations (AFFO)

The notion of AFFO is widely used by real estate companies and real estate investment trusts. It is an additional measure to assess the Trust's performance and its ability to maintain and increase distributions in the long term. However, AFFO is not a financial or accounting measure prescribed by IFRS. The method of computing may differ from those used by other companies or real estate investment trusts and may not be used for comparison purposes.

BTB defines AFFO as its FFO, adjusted to consider other non-cash items that impact comprehensive income and do not enter into the calculation of FFO, including:

- Straight-line rental revenue adjustment;
- Accretion of effective interest following amortization of financing expenses;
- Accretion of the liability component of convertible debentures;
- Amortization of other property and equipment;
- Unit-based compensation expenses.

Furthermore, the Trust deducts a provision for non-recoverable capital expenditures in calculating AFFO. The Trust allocates significant amounts to the regular maintenance of its properties to attempt to reduce capital expenses as much as possible. The allocation for non-recoverable capital expenditures is calculated based on 2% of rental revenues.

The Trust also deducts a provision for rental fees in the amount of approximately 25¢ per square foot on an annualized basis. Even though quarterly rental fee disbursements vary significantly from one quarter to another, management considers that this provision fairly presents, in the long term, the average disbursements not recovered directly in establishing the rent that the Trust will undertake. These disbursements consist of inducements paid or granted when leases are signed that are generally amortized over the term of the lease and are subject to an equivalent increase in rent per square foot, and of brokerage commissions and leasing payroll expenses.

Condensed Consolidated Interim Financial Statements

Quarter ended March 31, 2021

TABLE OF CONTENTS

Condensed Consolidated Interim Statements of Financial Position

(unaudited - in thousands of CAD dollars)

	Notes	As at March 31, **2021**	As at December 31, **2020**
		$	$
ASSETS			
Investment properties	3	905,043	903,870
Property and equipment		364	334
Other assets	5	1,350	2,154
Balance of sale	4	6,036	6,034
Receivables	6	4,806	5,212
Cash and cash equivalent		6,255	9,062
Total assets		**923,854**	**926,666**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	7	480,556	484,639
Convertible debentures	8	45,690	48,316
Bank loans	9	15,000	15,300
Lease liabilities		4,229	4,232
Class B LP Units	10	1,465	1,402
Unit-based compensation	12	777	810
Derivative financial instruments	11	11,127	10,017
Trade and other payables		18,692	18,297
Distribution payable to unitholders		1,616	1,586
Total liabilities		**579,152**	**584,599**
Unitholders' equity		**344,702**	**342,067**
		923,854	**926,666**

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on May 7, 2021.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(unaudited - in thousands of CAD dollars)

	Notes	For the three-month periods ended March 31, 2021	2020
		$	$
Operating revenue			
Rental revenue	14	23,532	23,868
Operating expenses			
Public utilities and other operating expenses		5,519	5,335
Property taxes and insurance expenses		5,599	5,767
Total Operating expenses		11,118	11,102
Net operating income		**12,414**	**12,766**
Financial income		134	113
Expenses			
Financial expenses		6,246	6,391
Distribution - Class B LP Units	10	30	52
Fair value adjustment – Class B LP Units	10	280	(1,000)
Net adjustment to fair value of derivative financial instruments		1,814	4,097
Net financial expenses	15	8,370	9,540
Administration expenses		1,668	1,199
Net change in fair value of investment properties and disposition expenses	3	—	7,727
Net income being total comprehensive income for the period		**2,510**	**(5,587)**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

(unaudited - 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	4,923	—	—	4,923
Distribution to unitholders	13	—	(4,798)	—	(4,798)
		314,317	(160,750)	188,625	342,192
Comprehensive income		—	—	2,510	2,510
Balance as at March 31, 2021		**314,317**	**(160,750)**	**191,135**	**344,702**
Balance as at January 1, 2020		**305,029**	**(134,596)**	**185,706**	**356,139**
Issuance of units, net of issuance expenses	13	1,222	—	—	1,222
Distribution to unitholders	13	—	(6,556)	—	(6,556)
		306,251	(141,152)	185,706	350,805
Comprehensive income		—	—	(5,587)	(5,587)
Balance as at March 31, 2020		**306,251**	**(141,152)**	**180,119**	**345,218**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited -in thousands of CAD dollars)

		For the three-month periods ended March 31,	
	Notes	2021	2020
		$	$
Operating activities			
Net income for the period		2,510	(5,587)
Adjustment for:			
Net change in fair value of investment properties and disposition expenses	3	—	7,727
Depreciation of property and equipment		15	24
Unit-based compensation	12	645	(173)
Straight-line lease adjustment	14	(397)	(144)
Lease incentive amortization	14	877	752
Financial income		(134)	(113)
Net financial expenses	15	8,370	9,540
		11,886	12,026
Adjustments for changes in other working capital items		1,263	(1,352)
Net cash from operating activities		**13,149**	**10,674**
Investing activities			
Additions to investment properties	3	(1,673)	(11,041)
Net proceeds from disposition of investment properties	3	—	12,493
Acquisition of property and equipment		(45)	(13)
Net cash from (used in) investing activities		**(1,718)**	**1,439**
Financing activities			
Mortgage loans, net of financing expenses		(3)	13,586
Repayment of mortgage loans		(4,159)	(16,127)
Bank loans		—	2,200
Repayment of bank loans		(300)	—
Lease liability payments		(3)	(32)
Net proceeds from convertible debentures issue		(15)	—
Net proceeds from unit issue		10	—
Net distribution to unitholders		(4,071)	(5,715)
Net distribution – Class B LP units	10	(30)	(52)
Interest paid		(5,667)	(5,048)
Net cash (used in) financing activities		**(14,238)**	**(11,188)**
Net change in cash and cash equivalent		**(2,807)**	**925**
Cash and cash equivalents, beginning of period		**9,062**	**1,803**
Cash and cash equivalents, end of period		**6,255**	**2,728**

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020 (unaudited - in thousands of CAD dollars, except per unit amounts)

1. Reporting Entity

BTB Real Estate Investment Trust ("BTB") is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Québec 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 condensed consolidated interim financial statements of BTB for the three-month period ended March 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the Trust's consolidated financial statements for the year ended December 31, 2020.

The accounting policies applied by the Trust in these unaudited condensed interim financial statements are the same as those applied by the Trust in its consolidated financial statements for the year ended December 31, 2020.

These condensed consolidated interim financial statements were approved by the Board of Trustees on May 7, 2021.

b) Basis of presentation and measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position which are measured at fair value:

- Investment properties (including right-of-use assets);
- Derivative financial instruments;
- Unit-based compensation;
- Class B LP Units.

The Trust presents its consolidated statements of financial position based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity.

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

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

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is BTB's functional currency. All financial information has been rounded to the nearest thousand, except per unit amounts.

e) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates, and the differences may be material.

3. Investment Properties

	Three-month period ended March 31, **2021**	Year ended December 31, **2020**
	$	$
Balance beginning of period	903,870	924,320
Initial recognition of right-of-use assets	—	—
Adjustments to right-of-use assets	—	291
Acquisitions of investment properties (note 4(a))	—	30,560
Dispositions of investment properties (note 4(b))	—	(48,765)
Capital expenditures	465	2,765
Capitalized leasing fees	85	1,280
Capitalized lease incentives	1,103	4,613
Lease incentives amortization	(877)	(3,068)
Straight-line lease adjustment	397	249
Net changes in fair value of investment properties (note 4 (c))	—	(8,375)
Balance end of period	**905,043**	**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 appraisal is determined by management based on its assessment of circumstances that in its view, may impact the value of a particular individual investment property. The fair value of the remaining investment properties is determined by management using internally generated valuation models based on the Direct Capitalization method.

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

At March 31, 2021, no external appraisals were obtained for investment properties (December 31, 2020 - $584,745).

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

	Retail	Office	Industrial
As at March 31, 2021			
Capitalization rate	5.25% – 8.00%	5.00% – 8.50%	5.00% – 8.50%
Terminal capitalization rate	5.50% – 8.00%	6.00% – 7.50%	5.50% – 7.00%
Discount rate	6.25% – 8.75%	6.75% – 8.25%	6.25% – 7.75%
As at March 31, 2021			
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 March 31, 2021, which is representative of the sensitivity to changes in the discount.

Capitalization rate sensitivity Increase (decrease)	Fair Value	Change in fair value
	$	$
(0.50%)	981,417	76,373
(0.25%)	941,664	36,620
Base rate	905,043	—
0.25%	871,198	(33,846)
0.50%	839,818	(65,226)

a) Acquisitions

i) Acquisitions in 2021

There were no acquisitions during the three-month period ended March 31, 2021

ii) Acquisitions in 2020

The fair value of the assets and liabilities recognized in the condensed consolidated interim statement of financial position on the date of the acquisition during the three-month period ended March 31, 2020 were as follows:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Mortgage loan**	**Receivable / (Trade and other payables), including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
February 2020	Office	Ottawa, ON	100	21,750	(13,684)	(587)	7,479
November 2020	Industrial	Laval, QC	100	8,100	—	(8)	8,092
Transaction costs				710		(710)	—
Total				**30,560**	**(13,684)**	**(1,305)**	**15,571**

b) Dispositions

i) Dispositions in 2021

There were no dispositions during the three-month period ended March 31, 2021

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 3(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

Three-month period ended March 31,	2021	2020
	$	$
Net changes in fair value of investment properties (note 3)	—	6,898
Transaction costs (note 3 (b))	—	829
	—	**7,727**

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.

4. Balance of Sale

The balance of sale consists of a loan receivable due January 31, 2024, bearing interest at 7% for the first 3 years, at 7.50% for the 4th year, and at 8% for the 5th year. The balance of sale as at March 31, 2021 is $6,036 (March 31, 2020 - $6,000).

5. Other Assets

	As at March 31, **2021**	As at December 31, **2020**
	$	$
Prepaid expenses	672	1,498
Deposits	678	656
Total	**1,350**	**2,154**

6. Receivables

	As at March 31, **2021**	As at December 31, **2020**
	$	$
Rents receivable	3,560	4,259
Allowance for expected credit losses	(745)	(1,132)
Net rents receivable	2,815	3,127
Unbilled recoveries	787	665
Other receivables	1,204	1,420
Total	**4,806**	**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 which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

7. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $891,150 as at March 31, 2021 (December 31, 2020 – $890,020).

	As at March 31, **2021**	As at December 31, **2020**
	$	$
Fixed rate mortgage loans payable	378,227	381,665
Floating rate mortgage loans payable	103,856	104,577
Unamortized fair value assumption adjustments	511	576
Unamortized financing expenses	(2,038)	(2,179)
Mortgage loans payable	**480,556**	**484,639**
Short-term portion	115,052	119,252
Weighted average interest rate	3.56%	3.57%
Weighted average term to maturity (years)	4.44	4.69
Range of annual rates	2.37% – 6.80%	2.37% – 6.80%

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

	Scheduled repayments	**Principal maturity**	**Total**
	$	$	$
2021*	11,581	103,471	115,052
2022	13,592	31,627	45,219
2023	11,153	32,651	43,804
2024	8,799	73,493	82,292
2025	7,524	37,655	45,179
Thereafter	28,979	121,558	150,537
	81,628	**400,455**	**482,083**
Unamortized fair value assumption adjustments			511
Unamortized financing expenses			(2,038)
			480,556

* For the nine-month period remaining.

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 March 31, **2021**	As at December 31, **2020**
	$	%			$	$
March 2013	7,150	4.12	Monthly	April 2023	5,109	5,162
June 2016	13,000	3.45	Quarterly	June 2026	11,335	11,433
November 2017	23,200	3.8825	Monthly	November 2027	22,513	22,673
November 2017	23,075	3.905	Monthly	December 2027	21,188	21,342
Total	**66,425**				**60,145**	**60,610**

8. Convertible Debentures

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

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	$		
Series G	24,000	6.00	7.30	5.42	Semi-annual	October 2024
Series H	26,124	7.00	8.28	3.64	Semi-annual	October 2025

	Series G	Series H	Total
	$	$	$
As at March 31, 2021			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	—	179	179
	24,000	27,488	51,488
Conversion options exercised by holders	—	(3,528)	(3,528)
	24,000	23,960	47,960
Unamortized financing expenses	(988)	(1,282)	(2,270)
Non-derivative liability component	**23,012**	**22,678**	**45,690**
Conversion and redemption options liability component at fair value	**43**	**9,776**	**9,819**

	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	—	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 March 31 2021, conversion options have been exercised by holders on debentures representing a nominal amount of $3,876.

9. Bank Loans

The Trust has access to an acquisition line of credit in the amount of $15,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at March 31, 2021, $15,000 was due under the acquisition line of credit (December 31, 2020 – $15,300).

The Trust also has access to an operating credit facility for a maximum amount of $8,000. This facility bears interest at a rate of 1% above the prime rate. As at March 31, 2021, no amount was due under the operating credit facility (December 31, 2020 – $0).

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on two properties having a fair value of $5,694 and by an immoveable second rank hypothec on six properties having a fair value of $133,545.

10. Class B LP Units

	Three-month period ended March 31, **2021**		Year ended December 31, **2020**	
	Units	$	Units	$
Units outstanding, beginning of period	397,265	1,402	497,265	2,571
Exchange into Trust units (note 13)	(50,000)	(217)	(100,000)	(391)
Fair value adjustment		280		(778)
Units outstanding, end of period	**347,265**	**1,465**	**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. Distribution on Class B LP Units are recognized in the statement of comprehensive income when declared.

	Three-month period ended March 31, **2021**	Year ended December 31, **2020**
	$	$
Distribution to Class B LP unitholders	30	52
Distribution per Class B LP unit	0.09	0.11

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

As at March 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)	9,819	—	—	9,819
Interest rate swap liability	1,308	—	1,308	—
Class B LP Units (note 10)	1,465	1,465	—	—
For which fair values are disclosed				
Mortgage loans payable (note 7)	480,556	—	489,844	—
Convertible debentures, including their conversion and redemption features (note 8)	55,509	56,053	—	—
Bank loans (note 9)	15,000	—	15,000	—

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

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
	$
Three-month period ended March 31, 2021	
Balance beginning of period	6,486
Conversion options exercised by holders	(704)
Change for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	4,037
Balance end of period	**9,819**

	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 March 31, 2021:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	10,395	28.70
March 31, 2021	9,819	29.20
0.50%	10,693	29.70

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:

Three-month period ended March 31,	**2021**	**2020**
	Deferred units	Deferred units
Outstanding, beginning of period	87,920	59,642
Trustees' compensation	2,038	15,576
Distribution paid in units	1,722	1,387
Settled	—	(2,973)
Outstanding, end of period	**91,680**	**73,632**

As at March 31, 2021, the liability related to the plan was $393 (December 31, 2020 - $306). The related expense recorded in profit or loss amounted to $88 for the three-month period ended March 31, 2021 for the three-month period ended March 31, 2020 – $71.

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 March 31, 2021, there was no liability related to the plan (December 31, 2020 - $47). The related expense recorded in profit and loss amounted to $0 for the three-month period ended March 31, 2021 (for the three-month period ended March 31, 2020 - $3). The 14,351 units related to 2020 purchases were issued in February 2021 (11,194 units related to 2020 purchases).

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

Three-month period ended March 31,	2021	2020
	Restricted units	Restricted units
Outstanding, beginning of year	139,724	165,012
Granted	95,058	13,898
Cancelled	(1,524)	—
Settled	(71,722)	(59,327)
Outstanding, end of period	**161,536**	**119,583**

As at March 31, 2021, the liability related to the plan was $383(December 31, 2020 - $457). The related expense recorded in profit and loss amounted to $186 for the three-month period ended March 31, 2021 (for the three-month period ended March 31, 2020 – $105).

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.

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.

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 March 31 2021, a long-term obligation and expense related to the RA units of $371 has been recognized in unit based compensation.

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:

	Three-month period ended March 31, **2021**		Year ended December 31, **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	—	—	—	—
Trust unit issuance costs	—	—	—	—
	63,439,435	309,394	62,251,558	305,029
Issue pursuant to the distribution reinvestment plan (a)	187,138	697	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)	895,871	3,691	168,956	618
Trust units outstanding, end of period	**64,658,517**	**314,317**	**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 distribution on trust units are used to purchase additional trust units. The trust units are issued from BTB's treasury at a price based on the volume-weighted average of the trading prices on the Toronto Stock Exchange for the last five trading days before the distribution date, less a 3% discount.

b) Distribution

Three-month period ended March 31,	**2021**	**2020**
	$	$
Distribution to unitholders	4,798	6,556
Distribution per Trust unit	0.075	0.105

14. Rental Revenues

Three-month period ended March 31,	**2021**	**2020**
	$	$
Base rent and other lease generated revenues	14,178	14,565
Lease cancellation fees	30	—
Property tax and insurance recoveries	4,257	4,820
	18,465	19,385
Operating expenses recoveries and other revenues	5,547	5,091
Lease incentive amortization	(877)	(752)
Straight-line lease adjustment	397	144
	23,532	**23,868**

15. Net Financial Expenses

Three-month period ended March 31,	**2021**	**2020**
	$	$
Interest on mortgage loans payable	4,546	4,811
Interest on convertible debentures	957	837
Interest on bank loans	220	183
Interest on lease liabilities	53	57
Other interest expense	15	39
Accretion of non-derivative liability component of convertible debentures	96	—
Accretion of effective interest on mortgage loans payable and convertible debentures	359	385
Distribution - Class B LP Units	30	52
Fair value adjustment – Class B LP Units	280	(1,000)
Early repayment fees of a mortgage loan	—	79
Net adjustment to fair value of derivative financial instruments	1,814	4,097
	8,370	**9,540**

16. Expenses by Nature

Three-month period ended March 31,	**2021**	**2020**
	$	$
Depreciation	15	24
Employee compensation and benefits expense	2,329	1,736

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:

Three-month period ended March 31,	**2021**	**2020**
	$	$
Net income	2,510	(5,587)
Weighted average number of trust units outstanding – basic	63,754,505	62,390,138
Earnings per unit – basic	**0.04**	**(0.09)**

18. Liquidity Risk Management

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 March 31, 2021, the Trust was in compliance with all the covenants to which it was subject.

19. Operating Segments

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

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

- Retail
- Office
- Industrial

	Retail	Office	Industrial	Total
	$	$	$	$
Three-month period ended March 31, 2021				
Investment properties	246,380	494,760	163,903	**905,043**
Rental revenue from properties	6,426	14,022	3,084	**23,532**
Net operating income	3,323	7,085	2,006	**12,414**
Three-month period ended March 31, 2020				
Investment properties	260,285	523,347	136,000	**919,632**
Rental revenue from properties	6,863	13,914	3,091	**23,868**
Net operating income	3,953	6,828	1,985	**12,766**

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

20. Commitments and Contingencies

(a) 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.

21. Subsequent Event

In April 2021, the Trust completed a public issuance on a bought deal basis of 6,791,000 trust units at a price of $4,05 per Unit in the gross amount of $27.5 million for net proceeds of $26.4 million. After the over-allotment option was exercised in full, the total number of units sold pursuant to the Offering is 7,809,650 with a total amount to the public of $31.6 million, for net proceeds of $30.4 million for BTB. A portion of the net proceeds has been used in April 2021 to repay the outstanding balance of $15,000,000 of the acquisition Line of Credit.

22. Comparatives Figures

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

Corporate Information

Board of Trustees

Executive Team

Front row (from left to right)

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

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

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

Sylvie Lachance(3)
Trustee

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

Michel Léonard
President and Chief Executive Officer and Trustee

Mathieu Bolté
Vice-President and Chief Financial Officer

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

Unitholders Information

Head office

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

Listing

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

Transfer Agent

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

Taxability of distributions

In 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
Suite 1500
Montréal, Québec, H3A 0A3

Legal counsel

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

Annual Meeting of Unitholders

June 15th 2021
11:00 a.m. (EDT)
Virtual Webinar
Montréal, Québec, H3B 2E3

Unitholders distribution reinvestment plan

BTB Real Estate Investment Trust offers a distribution reinvestment plan to unitholders whereby the participants may elect to have their monthly cash distribution reinvested in additional units of BTB at a price based on the weighted average price for BTB's Units on the Toronto Stock Exchange for the five trading days immediately preceding the distribution date, discounted by 3%.

For further information about the Distribution Reinvestment Plan, please refer to the Investor relations section of our website at www.btbreit.com or contact the Plan agent: Computershare Investor Services.

btbreit.com