Condensed Consolidated Interim Financial Statements

Three-month and nine-month periods ended September 30, 2023

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - in thousands of CAD dollars)

	Notes	As at September 30, 2023	As at December 31, 2022
		$	$
Assets			
Investment properties	3	1,207,090	1,164,881
Property and equipment		265	322
Derivative financial instruments	10	4,800	3,754
Prepaid expenses and deposits		6,551	3,163
Finance lease receivable	6	10,466	-
Receivables	4	4,026	4,816
Cash and cash equivalents		2,357	2,404
Total assets		**1,235,555**	**1,179,340**
Liabilities and unitholders' equity			
Mortgage loans payable	5	641,737	636,111
Convertible debentures	7	42,250	41,942
Bank loans	8	36,363	9,897
Lease liabilities		7,333	4,203
Class B LP Units	9	2,085	1,268
Unit-based compensation	11	1,647	1,542
Derivative financial instruments	10	-	116
Trade and other payables		20,512	20,058
Distribution payable to unitholders		2,159	2,131
Total liabilities		**754,086**	**717,268**
Unitholders' equity		**481,469**	**462,072**
		1,235,555	**1,179,340**

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on November 3, 2023.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited - in thousands of CAD dollars)

		For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	Notes	2023	2022	2023	2022
		$	$	$	$
Operating revenues					
Rental revenue	13	31,285	29,962	95,904	88,009
Operating expenses					
Public utilities and other operating expenses		6,120	5,286	18,495	16,452
Property taxes and insurance		7,090	6,702	21,285	19,751
		13,210	11,988	39,780	36,203
Net operating income		**18,075**	**17,974**	**56,124**	**51,806**
Financial income		561	122	1,222	399
Expenses					
Financial expenses		8,830	7,503	25,508	22,070
Distributions - Class B LP Units	9	56	26	120	78
Fair value adjustment – Class B LP Units	9	(159)	(142)	(934)	(309)
Net adjustment to fair value of derivative financial instruments		(584)	(3,898)	(1,163)	(12,245)
Net financial expenses	14	8,143	3,489	23,531	9,594
Administration expenses		1,712	1,591	5,386	5,106
Net change in fair value of investment properties and disposition expenses	3	(6,435)	1,323	(6,435)	1,120
Net income and comprehensive income for the period		**15,216**	**11,693**	**34,864**	**36,385**

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, 2023		**395,960**	**(202,235)**	**268,347**	**462,072**
Issuance of units, net of issuance expenses	12	3,869	-	-	3,869
Distribution to unitholders	12	-	(19,336)	-	(19,336)
		399,829	(221,571)	268,347	446,605
Comprehensive income		-	-	34,864	34,864
Balance as at September 30, 2023		**399,829**	**(221,571)**	**303,211**	**481,469**
Balance as at January 1, 2022		**351,540**	**(177,308)**	**230,193**	**404,425**
Issuance of units, net of issuance expenses	12	43,568	-	-	43,568
Distribution to unitholders	12	-	(18,541)	-	(18,541)
		395,108	(195,849)	230,193	429,452
Comprehensive income		-	-	36,385	36,385
Balance as at September 30, 2022		**395,108**	**(195,849)**	**266,578**	**465,837**

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 September 30,		For the nine-month periods ended September 30,	
	Notes	2023	2022	2023	2022
		$	$	$	$
Operating activities					
Net income for the period		15,216	11,693	34,864	36,385
Adjusted for:					
Net change in fair value of investment properties and disposition expenses	3	(6,435)	1,323	(6,435)	1,120
Depreciation of property and equipment		33	35	79	91
Unit-based compensation	11	97	(41)	299	137
Straight-line lease adjustment	13	(842)	(521)	(1,766)	(745)
Lease incentive amortization	13	664	773	2,142	2,326
Financial income		(561)	(122)	(1,222)	(399)
Net financial expenses	14	8,143	3,489	23,531	9,594
		16,315	16,629	51,492	48,509
Adjustment for changes in other working capital items		2	3,730	(2,198)	(1,230)
Net cash from operating activities		**16,317**	**20,359**	**49,294**	**47,279**
Investing activities					
Acquisitions of investment properties net of mortgage loans assumed	3	-	(15,896)	(33,825)	(86,648)
Additions to investment properties	3	(1,794)	(2,507)	(7,068)	(6,760)
Net proceeds from dispositions of investment properties	3	(46)	4,290	(46)	25,922
Acquisition of property and equipment		(24)	(22)	(24)	(85)
Net cash (used in) from investing activities		**(1,864)**	**(14,135)**	**(40,963)**	**(67,571)**
Financing activities					
Mortgage loans, net of financing expenses		571	8,892	35,445	42,746
Repayment of mortgage loans		(4,851)	(7,976)	(30,143)	(22,647)
Bank loans		2,035	12,817	26,392	12,817
Repayment of bank loans		-	-	-	(11,294)
Lease liability payments		(1)	(4)	(3)	(12)
Net proceeds from unit issue		-	29	-	38,353
Net distribution to unitholders		(5,606)	(5,592)	(16,697)	(15,962)
Net distribution – Class B LP units	9	(56)	(26)	(120)	(78)
Interest paid		(7,932)	(6,967)	(23,252)	(20,405)
Net cash (used in) from financing activities		**(15,840)**	**1,173**	**(8,378)**	**23,518**
Net change in cash and cash equivalents		**(1,387)**	**7,397**	**(47)**	**3,226**
Cash and cash equivalents, beginning of period		**3,744**	**3,020**	**2,404**	**7,191**
Cash and cash equivalents, end of period		**2,357**	**10,417**	**2,357**	**10,417**

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the nine-months ended September 30, 2023 and 2022
(Unaudited - in thousands of CAD dollars, except unit and per unit amounts)

1. Reporting Entity

BTB Real Estate Investment Trust (“BTB”) is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Québec pursuant to a trust agreement and is domiciled in Canada. The address of BTB’s registered office is 1411 Crescent Street, Suite 300, Montreal, Québec, Canada. The condensed consolidated interim financial statements of BTB for the three-month and nine-month periods ended September 30, 2023 and 2022 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, 2022.

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, 2022.

These condensed consolidated interim financial statements were approved by the Board of Trustees on November 3, 2023.

(b) Risks and uncertainties related to the increase of the Bank of Canada policy interest rate

The increase of the Bank of Canada policy interest rate has created a heightened level of uncertainty on the economy. The rise of the policy rate has had trivial effects to Trust’s operations and ability to negotiate new and renewals of mortgages. Given the situation, there could be certain repercussions on the mortgage refinancing activities, the fair value of the investment properties, certain investment decisions and the level of transactions of the market. The Trust will continue to monitor the effects of the rise on its investment activities and valuation of the investment properties.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

3. Investment Properties

	Nine-month period ended September 30,	Year ended December 31,
	2023	**2022**
	$	$
Balance beginning of period	1,164,881	1,110,971
Initial recognition of right-of-use assets	3,133	-
Acquisitions of investment properties (note 3(a))	36,300	96,155
Dispositions of investment properties (note 3(b))	-	(42,674)
Capital expenditures	3,716	3,370
Capitalized leasing fees	1,547	1,531
Capitalized lease incentives	1,807	5,020
Lease incentives amortization	(2,142)	(3,113)
Straight-line lease adjustment	1,766	1,822
Net transfer to finance lease	(10,399)	-
Net changes in fair value of investment properties	6,481	(8,201)
Balance end of period	**1,207,090**	**1,164,881**

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

In determining the fair value of investment properties, 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 September 30, 2023, independent external appraisals were obtained for investment properties with an aggregate fair value of $687,601, equivalent to 57% of the fair value of the investment properties. Year-to-date, a gain of $6,481 of net changes in fair value has been recorded, reflecting an increase in capitalization rates across the 3 asset classes as well as the updated cash flows assumptions. For the remainder of the year, the Trust will continue to assess the changing market and property conditions.

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

	Industrial	Off-downtown core office	Necessity-based retail
As at September 30, 2023			
Capitalization rate	4.75% - 7.50%	5.75% - 8.25%	5.75% - 7.75%
Terminal capitalization rate	4.75% - 7.25%	6.00% - 8.50%	6.00% - 7.75%
Discount rate	5.50% - 7.75%	6.50% - 9.00%	6.50% - 8.50%
Weighted average capitalization rate	6.00%	7.02%	7.03%
As at December 31, 2022			
Capitalization rate	4.75% - 6.75%	5.75% - 8.25%	5.50% - 8.00%
Terminal capitalization rate	4.75% - 7.50%	5.75% - 8.00%	5.50% - 8.00%
Discount rate	5.50% - 8.25%	6.25% - 8.75%	6.25% - 8.75%
Weighted average capitalization rate	5.75%	6.76%	6.84%

The following table provides a sensitivity analysis of the fair value of investment properties for changes in the weighted average capitalization rate as at September 30, 2023, which is representative of the sensitivity to changes in the discount rate and terminal capitalization rate as at September 30, 2023.

Capitalization rate sensitivity		
Increase (decrease)	**Fair Value**	**Change in fair value**
	$	$
(0.50)%	1,307,004	99,914
(0.25)%	1,255,028	47,938
Base rate	1,207,090	-
0.25%	1,162,730	(44,360)
0.50%	1,121,556	(85,534)

(a) Acquisitions

The fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during the nine-month period ended September 30, 2023, were as follows:

Fair value recognized on acquisition						
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including acquisition costs**	**Mortgage loan assumed**	**Net consideration**
			%	$	$	$
February 2023	Industrial	Mirabel, QC	100	28,920	-	28,920
May 2023[1]	Industrial	Edmonton, AB	100	7,380	-	7,380
Total				**36,300**	**-**	**36,300**

1) The Trust satisfied a portion of the acquisition through the issuance of 550,000 Class B limited partnership units at a price of $4.50 per unit.

(b) Dispositions

There were no dispositions during the nine-month period ended September 30, 2023.

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Net changes in fair value of investment properties	6,481	(1,230)	6,481	(420)
Disposition expenses	(46)	(93)	(46)	(700)
	6,435	**(1,323)**	**6,435**	**(1,120)**

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.

The following table summarizes the changes in fair value of investment properties by segment for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Industrial	**39,930**	17,567	**39,930**	18,377
Off-downtown core office	**(26,300)**	(13,203)	**(26,300)**	(13,203)
Necessity-based retail	**(7,149)**	(5,595)	**(7,149)**	(5,595)
Total change in fair value	**6,481**	(1,230)	**6,481**	(420)

4. Receivables

	As at September 30,	As at December 31,
	2023	**2022**
	$	$
Rents receivable	3,252	3,431
Allowance for expected credit losses	(822)	(1,011)
Net rents receivable	2,430	2,420
Unbilled recoveries	1,344	1,142
Other receivables	252	1,254
Total	**4,026**	**4,816**

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 receivables 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.

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.

5. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $1,167,593 as at September 30, 2023 (December 31, 2022 – $1,140,753).

	As at September 30,	As at December 31,
	2023	**2022**
	$	$
Fixed rate mortgage loans payable	574,181	552,275
Floating rate mortgage loans payable	69,966	86,166
Unamortized fair value assumption adjustments	251	564
Unamortized financing expenses	(2,661)	(2,894)
Mortgage loans payable	**641,737**	**636,111**
Short-term portion[1]	35,251	86,094
Weighted average interest rate	4.29%	4.09%
Weighted average term to maturity (years)	3.41	3.97
Range of annual rates	2.30% - 8.95%	2.30% - 8.20%

As at September 30, 2023, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	$	$	$
2023[1]	4,794	30,457	35,251
2024	16,715	125,301	142,016
2025	14,249	52,853	67,102
2026	12,070	108,601	120,671
2027	8,152	100,502	108,654
Thereafter	15,235	155,218	170,453
	71,215	572,932	644,147
Unamortized fair value assumption adjustments			251
Unamortized financing expenses			(2,661)
			641,737

1) For the three-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 10). 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 September 30, 2023	As at December 31, 2022
	$	%			$	$
June 2016	13,000	3.45	Quarterly	June 2026	10,355	10,649
November 2017	23,200	3.88	Monthly	November 2027	20,798	21,331
November 2017	23,075	3.90	Monthly	December 2027	19,562	20,068
Total	**59,275**				**50,715**	**52,048**

6. Finance Lease Receivable

In August 2023, a tenant exercised a purchase option of an industrial property in Edmonton, Alberta. The purchase price is $10,250 and the closing date is December 1, 2026. The Trust derecognized the property from investment properties to classify it as a finance lease.

The Trust determined at the lease inception date whether the lease was a finance lease or an operating lease. The Trust made an overall assessment of whether the lease transferred to the lessee substantially all the risks and rewards of ownership incidental to ownership of the underlying asset. If that was the case, then the lease is a finance lease; if not, then it is an operating lease. When the Trust classified the lease as a finance lease, it recognized the net investment in the lease as a finance lease receivable on the balance sheet. The Trust subsequently recognizes Financial income as earned.

The following table summarizes the finance lease for the period ended September 30, 2023 and sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Net investment in lease	Undiscounted finance lease at inception	Unearned finance income at inception	Implicit interest rate	Interest payments	Purchase option
	$	$	$	%		
Beginning balances	10,399	13,379	(2,980)	8.44	Monthly	December 2026

As at 30 September, 2023	
Beginning balance undiscounted finance lease	13,379
Received lease payments	153
	13,226
Beginning balance unearned finance income at inception	(2,980)
Earned finance income	220
	(2,760)
Net investment in lease	10,466

As at September 30, 2023, the undiscounted lease payments to be received are as follows:

	Lease payments
	$
2023[1]	229
2024	916
2025	916
2026	11,165
Total	13,226
Unearned finance income	(2,760)
Net investment in lease	10,466

1) For the three-month period remaining

7. Convertible Debentures

As at September 30, 2023, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates Coupon	Effective	Unit conversion price	Interest payments	Maturity
		%	%	$		
Series G	24,000	6.00	7.30	5.42	Semi-annual	October 2024
Series H	19,917	7.00	8.28	3.64	Semi-annual	October 2025

	Series G	Series H	Total
	$	$	$
As at September 30, 2023			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	-	963	963
	24,000	28,272	52,272
Conversion options exercised by holders	-	(9,179)	(9,179)
	24,000	19,093	43,093
Unamortized financing expenses	(339)	(504)	(843)
Non-derivative liability component	**23,661**	**18,589**	**42,250**
Conversion and redemption options liability (asset) component at fair value	**(79)**	**54**	**(25)**

	Series G	Series H	Total
	$	$	$
As at December 31, 2022			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	-	709	709
	24,000	28,018	52,018
Conversion options exercised by holders	-	(8,848)	(8,848)
	24,000	19,170	43,170
Unamortized financing expenses	(557)	(671)	(1,228)
Non-derivative liability component	**23,443**	**18,499**	**41,942**
Conversion and redemption options liability component at fair value	**88**	**28**	**116**

Series G

As of September 30, 2023, no conversion options have been exercised by holders on debentures.

Series H

As of September 30, 2023, conversion options have been exercised by holders on debentures representing a nominal amount of $10,083 (December 31, 2022 – $9,720).

8. Bank Loans

The Trust has access to two credit facilities. The first is an acquisition line of credit in the amount of $8,000. This line of credit bears interest at a rate of 1% above the prime rate. As at September 30, 2023, $1,550 was due under the acquisition line of credit (December 31, 2022 – $900). The line of credit is secured by an immoveable second rank hypothec on five properties having a fair value of $95,832.

The second is a revolving credit facility in the amount of $50,000 with an accordion option of up to an additional $10,000. This revolving credit facility bears interest at a rate of 1% above the prime rate or 2.25% above the Bankers' Acceptance rate. As at September 30, 2023, $34,813 was due under the revolving credit facility (December 31, 2022 - $8,997).

The revolving credit facility is secured by an immoveable first rank hypothec on two properties having a fair value of $39,497 and by negative pledge of a selection of borrowing base properties having a fair value of $355,853.

9. Class B LP Units

	Nine-month period ended September 30, 2023		Year ended December 31, 2022	
	Units	$	Units	$
Units outstanding, beginning of period	347,265	1,268	347,265	1,417
Issuance of Class B LP units - Acquisition	550,000	2,475	-	-
Exchange into Trust units	(200,000)	(724)	-	-
Fair value adjustment	-	(934)	-	(149)
Units outstanding, end of period	**697,265**	**2,085**	**347,265**	**1,268**

The Class B LP Units are exchangeable into Trust units on a one-for-one basis at any time at the option of the holder.

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Distribution to Class B LP unitholders	56	26	120	78
Distribution per Class B LP unit	0.075	0.075	0.225	0.225

10. Fair Value Measurement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include the fair value of cash and cash equivalents, restricted cash, receivables, balance of sale, trade and other payables and distribution payable to unitholders, which approximated their carrying amount as at September 30, 2023 because of their short-term maturity or because they bear interest at current market rates.

As at September 30, 2023	**Carrying amount**			**Fair value**
		Level 1	**Level 2**	**Level 3**
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 7)	(25)	-	-	(25)
Interest rate swap asset	(4,775)	-	(4,775)	-
Class B LP Units (note 9)	2,085	2,085	-	-
For which fair values are disclosed				
Mortgage loans payable (note 5)	644,147	-	594,810	-
Convertible debentures, including their conversion and redemption features (note 7)	42,225	43,141	-	-
Bank loans (note 8)	36,363	-	36,363	-

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 rates 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
	$
Nine-months period ended September 30, 2023	
Balance beginning of period	116
Change for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	(141)
Balance end of period	**(25)**

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 September 30, 2023:

	Conversion and redemption options of convertible debentures	**Volatility**
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50)%	(59)	19.24
September 30, 2023	(25)	19.74
0.50%	**9**	**20.24**

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.

11. Unit-based Compensation

(a) Deferred unit compensation plan for trustees and certain executive officers

The Trust offers a deferred unit compensation plan for its trustees and certain executive officers. Under this plan, the trustees and certain executive officers may elect to receive as compensation either cash, deferred units, or a combination of both.

The following table presents relevant information on changes in the number of deferred units:

For the nine-month periods ended September 30,	2023	2022
	Deferred units	Deferred units
Outstanding, beginning of period	121,727	103,116
Trustees' compensation	8,187	7,181
Distributions paid in units	8,420	6,704
Outstanding, end of period	**138,334**	**117,001**

As at September 30, 2023, the liability related to the plan was $416 (December 31, 2022 - $446). The related figures recorded in profit and loss amounted to an expense of $3 and a revenue of $30, for the three-month and nine-month periods ended September 30, 2023 (for the three-month and nine-month periods ended September 30, 2022 – revenue of $32 and $35).

(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 7% to 10% of their base salary depending on their position occupied within the Trust. For each two units purchased by an employee, the Trust issues one unit from treasury.

As at September 30, 2023, the liability related to the plan was $19 (December 31, 2022 - $54). The related revenue recorded in profit and loss amounted to $0 and $1, for the three-month and nine-month periods ended September 30, 2023 (for the three-month and nine-month periods ended September 30, 2022 - expense of $1 and revenue of $13). The 8,955 units related to 2022 purchases were issued in February and April 2023 (11,605 units related to 2021 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:

Nine-month periods ended September 30,	2023	2022
	Restricted units	Restricted units
Outstanding, beginning of period	138,583	161,536
Granted	217,070	93,576
Settled	(45,276)	(116,529)
Outstanding, end of period	**310,377**	**138,583**

As at September 30, 2023, the liability related to the plan was $594 (December 31, 2022 - $446). The related expense recorded in profit and loss amounted to $71 and $309, for the three-month and nine-month periods ended September 30, 2023 (for the three-month and nine-month periods ended September 30, 2022 – revenue of $19 and expense of $112).

(d) Cash settled share-based retirement compensation plan

As at September 30, 2023, the long-term obligation related to the plan was $618 (December 31, 2022 - $596). The related expense recorded in profit and loss amounted to $23 and $21, for the three-month and nine-month periods ended September 30, 2023 (for the three-month and nine-month periods ended September 30, 2022 – expense of $9 and $73).

12. 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:

	Nine-month period ended September 30,	
		2023
	Units	$
Trust units outstanding, beginning of period	85,238,279	395,960
Issue pursuant to the distribution reinvestment plan (a)	779,126	2,576
Issue pursuant to the employee unit purchase plan (note 11 (b))	8,955	33
Issue pursuant to the restricted unit compensation plan (note 11 (c))	45,276	159
Class B LP units exchanged into Trust units	200,000	760
Issue pursuant to conversion of convertible debentures (note 7)	99,725	341
Trust units outstanding, end of period	**86,371,361**	**399,829**

(a) Distribution reinvestment plan

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

(b) Distributions

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Distribution to unitholders	6,470	6,368	19,336	18,541
Distribution per Trust unit	0.075	0.075	0.225	0.225

(c) Normal course issuer bid ("NCIB")

As of September 30, 2023, no units have been repurchased for cancellation.

13. Rental Revenues

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Base rent and other lease generated revenues	19,366	18,676	60,277	54,906
Property tax and insurance recoveries	6,322	6,301	19,025	18,405
	25,688	24,977	79,302	73,311
Operating expenses recoveries and other revenues	5,419	5,237	16,978	16,279
Lease incentive amortization	(664)	(773)	(2,142)	(2,326)
Straight-line lease adjustment	842	521	1,766	745
	31,285	**29,962**	**95,904**	**88,009**

14. Net Financial Expenses

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Interest on mortgage loans payable	6,867	6,020	20,277	17,432
Interest on convertible debentures	709	715	2,127	2,190
Interest on bank loans	785	398	1,748	902
Interest on lease liabilities	92	53	262	158
Other interest expense	14	11	46	62
Accretion of non-derivative liability component of convertible debentures	92	87	263	251
Accretion of effective interest on mortgage loans payable and convertible debentures	271	219	785	791
Distributions - Class B LP Units	56	26	120	78
Fair value adjustment – Class B LP Units	(159)	(142)	(934)	(309)
Early repayment fees of a mortgage loan	-	-	-	284
Net adjustment to fair value of derivative financial instruments	(584)	(3,898)	(1,163)	(12,245)
	8,143	**3,489**	**23,531**	**9,594**

15. Expenses by Nature

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Depreciation	33	35	79	91
Employee compensation and benefits expense	2,199	2,058	7,063	6,658

16. 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 periods ended September 30,		Nine-month periods ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	$	$	$
Net income	15,216	11,693	34,864	36,385
Weighted average number of trust units outstanding – basic	86,991,608	85,247,394	86,451,932	82,749,640
Earnings per unit – basic	**0.17**	**0.14**	**0.40**	**0.44**

17. 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 September 30, 2023, the Trust was in compliance with all the covenants to which it was subject.

18. Operating Segments

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

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

- Industrial
- Off-downtown core office
- Necessity-based retail

	Industrial	Off-downtown core office	Necessity-based retail	Total
	$	$	$	$
Three-month period ended September 30, 2023				
Investment properties	445,177	518,271	243,642	**1,207,090**
Rental revenue from properties	8,088	15,926	7,271	**31,285**
Net operating income	5,905	7,810	4,360	**18,075**
Three-month period ended September 30, 2022				
Investment properties	332,793	597,846	249,230	**1,179,869**
Rental revenue from properties	5,855	17,181	6,926	**29,962**
Net operating income	4,564	9,388	4,022	**17,974**

	Industrial	Off-downtown core office	Necessity-based retail	Total
	$	$	$	$
Nine-month period ended September 30, 2023				
Rental revenue from properties	24,212	49,717	21,975	**95,904**
Net operating income	17,707	25,470	12,947	**56,124**
Nine-month period ended September 30, 2022				
Rental revenue from properties	16,298	51,195	20,516	**88,009**
Net operating income	12,520	27,759	11,527	**51,806**

19. Commitments and Contingencies

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.