Building on an Industrious Strategy

Third Quarterly Report 2023

BTB

979 & 1031 Bank Street, Ottawa, ON

Our Mission

To provide environments that meet our clients' needs and contribute to realizing their potential.

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A Word from our President and CEO, Michel Léonard

I am pleased to share with you the outstanding performance of BTB's portfolio for the third quarter of 2023, underscoring not only our financial strength but also the strategic decisions that have propelled us forward in a challenging market landscape. Your continued support and trust in our vision have been instrumental in achieving these remarkable results.

Strong Financial Performance

The cornerstone of our success lies in our robust financial performance. In the current quarter, our rental revenue reached an impressive $31.3 million, showcasing a substantial 4.4% increase compared to the same quarter in 2022. This growth trajectory is even more pronounced when considering the cumulative nine-month period, where rental revenue totaled $95.9 million a 9.0% increase over the same period last year. Our NOI stood at $18.1 million, demonstrating a slight 0.6% increase compared to the corresponding quarter in 2022. The cumulative nine-month NOI paints a similar picture, reaching $56.1 million and reflecting an impressive 8.3% increase over the same period in 2022. Our same-property NOI increased by 1.2% for the cumulative nine-month period, driven by strong leasing efforts in necessity-based retail. This is the ninth consecutive quarter where we have reported an increase in our same-property NOI. Finally, maintaining a disciplined financial approach has been a core tenet of our strategy. We are proud to report an AFFO adjusted payout ratio of 74.8% for the year-to-date. This prudent financial management and strategic decision-making ensure that we generate returns for our investors and reinvest in the growth of our portfolio.

Leasing Success and Occupancy Stability

Our leasing efforts have been remarkable in preserving a stable occupancy rate, a key indicator of our portfolio's health. New leases concluded since the start of the year total 217,900 square feet, with the necessity-based retail segment playing a pivotal role in pushing its overall occupancy rate to 97.8%. Despite a slight dip in off-downtown core office occupancy, we concluded two important leases after the end of the quarter that would have increased the occupancy rate by 2.0% in the Quebec City area. The first of these transactions was concluded with a new tenant set to occupy 26,000 square feet in 2024 and the other concerned one of our tenants concluding the expansion of its premises by 16,763 square feet.

Furthermore, the lease renewal rates for the year-to-date are quite strong, recording a 10.4% increase in the necessity-based retail segment, a 5.9% increase in the off-downtown core office segment, and an impressive 15.7% increase in the industrial segment.

These figures not only reflect our leasing success but also speak to the desirability and competitiveness of our properties across diverse market segments.

Strategic Industrial Acquisitions and Portfolio Expansion

BTB management has demonstrated sound decision-making by strategically acquiring high-quality properties in prime locations, thereby enhancing the overall value of the portfolio. Since the beginning of the year, BTB has acquired two industrial properties, the first in Mirabel (Québec) and the second in Edmonton (Alberta) for a total purchase price of $35.4 million (excluding transaction fees and adjustments), representing an addition of 260,111 square feet to our total rental area. These new acquisitions bring the industrial ratio of our portfolio to 36.9% compared to 18.1% as of December 31, 2020, for a total of 31 industrial buildings. Proportional rental revenue from industrial properties increased by 6.4% compared to the same period last year, which is explained by a combination of the higher occupancy rate and the acquisitions mentioned previously, increasing the proportional share revenue from the industrial sector. Industrial sector net operating income increased by 7.3% compared to Q3 2022. Through targeted purchases in key markets, we improved our geographic diversification and gained exposure to high-growth regions. Acquiring high-end properties from quality clients aligned with BTB's long-term goals has proven to be a winning strategy.

Charting Our Environmental, Social, and Governance (ESG) Journey and Future Strategies

Our firm dedication to ESG principles is now ingrained in our corporate identity. Looking to the future, we are thrilled to announce the release of our inaugural ESG report in early 2024. The comprehensive report not only will focus on our devotion to conducting business in a responsible and ethical manner but also will ensure our transparency regarding our initiatives and their positive impact on the communities we operate.

Moreover, our commitment to an industrial property acquisition strategy exemplifies our forward-thinking approach. Recognizing the potential for growth in the dynamic real estate landscape, we are strategically positioning ourselves to capitalize on emerging opportunities in the industrial sector. A clear reflection of this strategy is evident in our portfolio's fair value, demonstrating a thoughtful balance between risk and return, where our industrial properties represent approximately 36.9% of our portfolio on terms of NOI. This underscores our steadfast dedication to ensuring stability. It is important to note that the fair value of our off-downtown core office properties stands at 42.9%, evidencing our goal to reduce our investment in that component of our portfolio. This deliberate diversification and strategic allocation reinforce our position for sustained long-term success.

Assurance of Stability

In an environment marked by economic uncertainties, we want to assure our unitholders of the performance of our portfolio. Our diversified asset base, strategic decisions, and commitment to risk management position us to weather uncertainties, capitalize on opportunities and emerge stronger. While market challenges may persist, our portfolio's resilience and adaptability are key strengths that will continue to drive our achievements.

In conclusion, as we navigate the challenging real estate landscape, we remain steadfast in our vision for a sustainable and prosperous future. We celebrate our accomplishments and look ahead with confidence and vision. I want to extend my sincere gratitude to our dedicated team, valued investors, and esteemed clients for their unwavering support. Together, we will continue to seize opportunities and build a future of enduring success.

Our History

Over time, BTB has been able to evolve and seize the right opportunities. This year's strategic vision focuses on industrial assets. Here is an overview of our past achievements:

2005–2006

-

On September 8, 2005, Michel Léonard, accompanied by Jocelyn Proteau, founds a capital pool corporation called Capital ABTB. In 2006, the name is modified to BTB and is officially listed on the Toronto Venture Exchange under BTB.P. The company acquires its first property at 2900 Jacques-Bureau Street in Laval, Québec.

2006–2008

-

Mainly located in Montréal and in secondary markets, 44 properties are acquired by a team of five people. These first two inception years also mark by the first wave of acquisitions in both Ontario and Québec.

2010

-

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

2011–2012

-

BTB is listed on the Toronto Stock Exchange. Throughout these two years, BTB acquires nine industrial properties in the provinces of Ontario and Québec.

2017–2019

-

BTB repositions its portfolio by selling its assets located in secondary and tertiary markets. In order to meet the company's growth needs, BTB acquires its first building in downtown Montréal for $35 million and makes this building its head office.

2021

-

BTB acquires 10 industrial assets located in Western Canada for $94M, marking its expansion into two Canadian provinces. This acquisition also allows BTB to exceed the threshold of $1 billion in total asset value.

2022

-

BTB strikes hard by announcing the evolution of its corporate identity and its new acquisition strategy prioritizing industrial assets. Simultaneously, BTB acquires six new properties, four of which are industrial properties.

Highlights

$1.2B
Total assets

75
Properties

6.1M sq. ft.
Total leasable area

93.7%
Occupancy rate

Rental revenue

Q3 2023:

$31.3M

Q3 2022: $30.0M

Same-property NOI[1]

Q3 2023:

$17.1M

Q3 2022: $13.5M

FFO adjusted per unit[1]

Q3 2023:

10.4¢

Q3 2022: 11.5¢

AFFO adjusted payout ratio[1]

Q3 2023:

85.3%

Q3 2022: 73.6%

(1) This is a non-IFRS financial measure, refer to page 31.

Our real estate investment fund stands out for its ability to offer consistent and attractive returns to our unitholders. One of BTB's strengths is the solid distribution yield, currently sitting at 10.03%. This dividend payment is a key attraction for our income-seeking investors. Another strong point of BTB is its ability to generate stable income from various real estate assets. To this end, we are proud to report that our rental revenue increased by 4.4% this quarter ($31.3 million) and by 9.0% for the cumulative nine-month period ($95.9 million), compared to the same periods in 2022. These two measures therefore underline the financial solidity and reliability of the REIT.

Another noteworthy aspect of our strong performance this quarter is characterized by our well-managed and diversified real estate portfolio. Having strategically invested in various industrial properties and geographic regions in recent months, we have managed to minimize the risks associated with specific markets. This diversification not only improves the stability of our results, but also allows BTB to capitalize on growth opportunities in different sectors and locations.

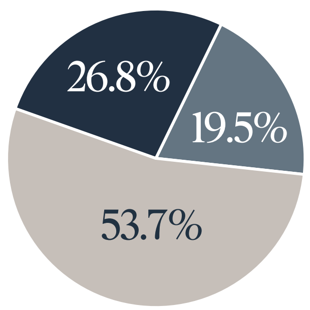
Asset Types

BTB's recent strategic acquisitions have reduced our exposure to market volatility. This diversification acts as a protective measure, safeguarding our performance against downturns in certain regions or asset classes. These have beneficially contributed to making our fund more attractive to investors looking for a balanced and stable placement.

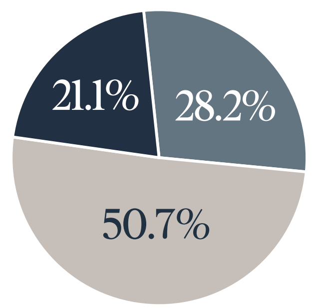
We closed the quarter with a total of 75 properties and 6.1 million square feet of leasable area across Canada in the regions of Montréal, Quebec City, Ottawa, Edmonton and Saskatoon. On these pages you will find information about our asset breakdown by geographic location and by asset type.

We have also added a comparison to the same quarter of 2021 to better see the progress we've made in the past years towards our 2026 objective.

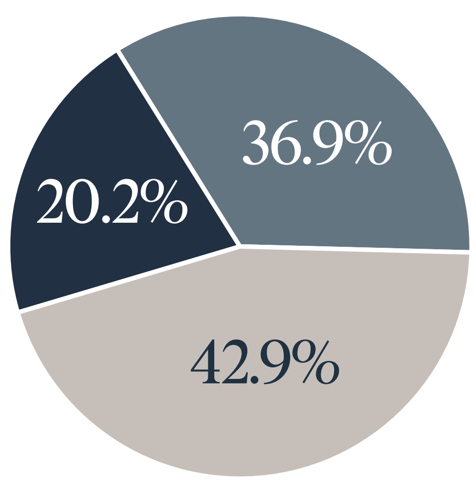
Q3 2021



Q3 2022



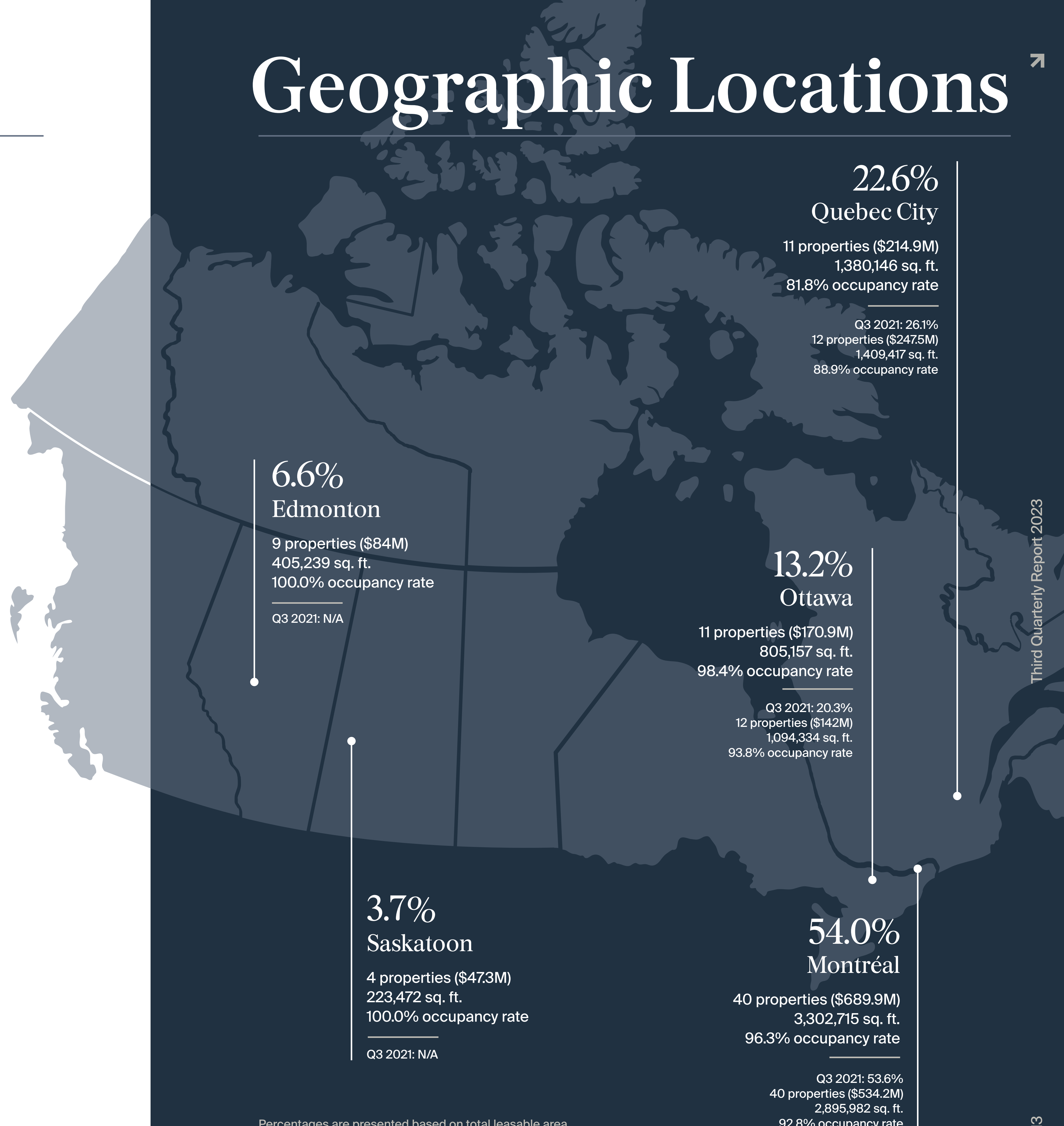
Q3 2023



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

Percentages are presented based on property value.

Geographic Locations



Percentages are presented based on total leasable area.

Key Metric Evolution*

Rental revenue

	Rental revenue
2019	$23,973
2020	$23,583
2021	$23,988
2022	$29,962
2023	$31,285

NOI

	NOI
2019	$13,476
2020	$13,308
2021	$13,572
2022	$17,974
2023	$18,075

FFO adjusted per unit(1)

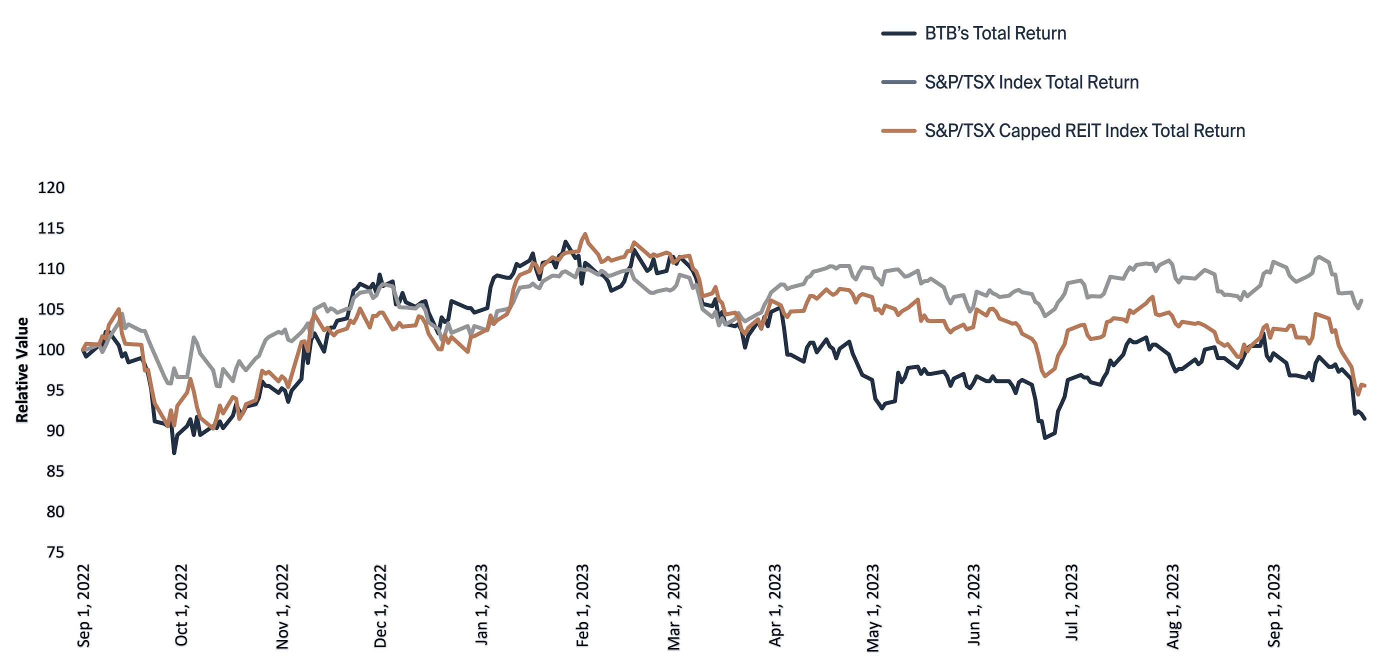
	FFO adjusted per unit
2019	10.8¢
2020	10.9¢
2021	9.5¢
2022	11.5¢
2023	10.4¢

AFFO adjusted payout ratio(1)

	AFFO adjusted payout ratio
2019	107.8%
2020	77.4%
2021	85.9%
2022	73.6%
2023	85.3%

*For the quarters ending on September 30, in thousands of dollars. (1) This is a non-IFRS financial measure, refer to page 31.

Performance on the markets



Who We Are

Approachable

Top 10 Clients

Above is a list of our top 10 clients based on revenue and leased area. They make up 23.3% of our total revenue and 22.9% of our total leased area, equalling 1,400,416 square feet.

ESG: Our Governance Measures

Transparency and Accountability

Good governance means transparency and accountability at BTB. As a publicly traded company, BTB continues to improve the transparency of its results and expenses to allow investors to better understand our budgets, follow our acquisition and disposition decisions and maintain the implementation of previously stated objectives. By adhering to these principles, we aim to build trust with stakeholders and create the foundation for long-term success.

Our Board of Trustees

The Board of Trustees is the central pillar of BTB's governance strategies. Through their have expertise in real estate, investment, human resources, strategy and finance, they allow the company to prosper by making advised decisions. Having a diverse Board of Trustees with different experience and backgrounds is vital for BTB - as of today, it is composed of nine members, of which three are women.

Jean-Pierre Janson
Vice-Chair of the Board

Lucie Ducharme
President of the Human Resources and Governance Committees

Fernand Perreault
President of the Investment Committee

Jocelyn Proteau
Chair of the Board

Michel Léonard
President, CEO and Trustee

Sylvie Lachance
Trustee

Luc Martin
President of the Audit Committee

Not pictured: Armand Des Rosiers and Christine Marchildon, Trustees

Our Policies

BTB maintains several internal policies, not only to make processes more efficient, but to ensure the safety and wellbeing of the company as well as of our employees, clients, and investors.

Personal Information Protection Policy

This new policy, published in July of 2023, describes how BTB collects, holds, uses, discloses and protects the personal information of its clients, investors, suppliers, employees, visitors, and any other person who may provide personal information to BTB.

Diversity, Equity and Inclusion Policy

Diversity and inclusion have always been part of BTB's values. This policy was put in place to maintain our commitment to fostering a supportive work environment and an inclusive culture that encourages equitable opportunities for all employees based on each person's qualifications and experience.

IT and Cybersecurity Policies

These policies, updated in May of 2022, include a Policy on the use of technological and information resources, an Information technology security policy and a Data protection policy.

Code of Ethics

BTB is committed to adhering to the highest ethical standards in the conduct of its business. This code, which also contains an up-to-date whistleblower policy, sets out the rules of ethics, integrity and respect that BTB employees are expected to observe as representatives of BTB.

Workplace Violence and Harassment Policy

BTB is committed to providing a safe and healthy work environment for all its employees. This policy sets out guidelines and processes for dealing with violence and harassment in the workplace.

Procurement Policy

This policy establishes a comprehensive organizational and operational framework to strategically manage purchases and contracts with suppliers of products and services required as part of BTB's activities.

Forward-looking plans

BTB has new governance measures in sight for 2024, notably the establishment of a **company-wide ESG committee** that would include members from various departments at BTB, the Board, and management.

Client Spotlights

At BTB, our tenants are more than tenants: they're our clients. We are entirely dedicated to providing them with the right space to fit their needs. Here are the stories of a few of our clients from the Greater Montréal Area.

Le Bac Rose

370 Sir-Wilfrid-Laurier Boulevard, Mont-Saint-Hilaire, QC

Occupying our premises of approximately 1,600 square feet, le Bac Rose's main mission is to make sewing accessible and to give a second life to unloved textiles. An eco-friendly sewing, crochet and knitting school, Bac Rose offers courses for adults and children who are passionate about handmade things. The sewing school offers participants retailers, clothing and end of rolls of fabric to carry out their upcycling projects. In partnership with second-hand stores and Québec designers, this company diverts more than 200 kg of textiles from landfills each year.

Première Moisson

Marché de l'Ouest, 11590-11800 de Salaberry Boulevard, Dollard-des-Ormeaux, QC

Established at the Marché de l'Ouest since 1997 in a 4,000 square foot store, Première Moisson is a Québec company that offers bakery products. From pastries to charcuterie to ready-to-eat products, supplemented with gourmet specialties, these are aimed at consumers looking for authentic, quality and original products. And this by constantly seeking excellence in a spirit of love, sharing and respect for the well-being of everything and everyone.

Technologies e$_2$ip

240 Migneron Street, Saint-Laurent, QC

e2ip Technologies transform the surfaces we touch every day and simplify the way we all interact with our physical environment. From ideation to manufacturing, Technologies e2ip reflects the boundaries between technology and design to offer an innovative human-machine interface in a space of nearly 20,000 square feet. In our premises since 2009, this company creates new possibilities in printed electronics through advanced materials science. Their vision is dedicated to research, innovation and the invention of new technologies that will best position e2ip as the leader in the sector.

A Dedicated Team

From accounting to legal, our employees are dedicated to satisfying our clients and investors.
Let's hear from our departments, each contributing in their own way to BTB's success.

Our IT Team

Communication, adaptability, learning and service

Our goal is to support BTB and each of its departments in achieving their objectives. Everything we do must be aligned with what senior management wants to develop in the company. We know what they want, and we give our knowledge from a technological point of view to help them achieve their goals.

Team members:

Andrei Laslo, Oscar Pardo & Mamadou Wane

Their challenges

MW: The biggest challenge we must overcome is to remotely take inventory of everything that works and doesn't work in terms of hardware in our buildings, in order to be able to determine their needs.

OP: We have users who are very comfortable with technology and others who are not. We need to find the right balance to ensure that everyone is comfortable with the technologies they need to use, because this enables us to ensure that all information stays secure.

What they like about their work

OP: In the IT team, you have to know everyone in the company, so I love being able to interact with others. The other thing is that here, you're allowed to try new things. Maybe in a bigger company, the procedures are already in place, and you just have to carry out the procedures. But here, we can make our own choices, make mistakes, learn from them, and improve, always for the benefit of the company.

Their accomplishments

OP: Before 2020, we had an external company that did all the IT for BTB, but since 2021, we've started to internalize everything. I feel proud that after 2-3 years of work, the department is starting to consolidate - we've taken pretty good control of everything that's infrastructure, data and information. The department is getting established, and people recognize that we're adding value to the company.

MW: Implementing a better system for managing accesses in our IT system, as well as cleaning up all the accounts.

What they want you to know about the team

OP: Normally people always associate an IT department with technology tools, like cell phones, the Internet, and televisions. But people don't realize that we're also responsible for information and data protection, and that information is both digital and physical.

IT

Procurement

Our Procurement Team

Respect, collaboration, integrity and rigor

Our main role is to support our customers by ensuring that the services we provide in our buildings are properly implemented. This includes clearly defining needs, selecting suppliers, and setting up contractual agreements. We also support all BTB departments by the management of procurement contracts, strategic management of BTB purchases, and risk management.

Their challenges

EL: The definition of needs is a challenge in itself. Since we buy services, it's very important that the services required to meet the customer's needs are clearly defined. For example, "snow removal" or "recycling" mean a lot of things. You have to ask a lot of questions and understand what's happening in the field to be able to ask the right things. It's a real challenge, but one that makes for a lot of collaboration.

What they like about their work

CB: I really enjoy working in a collaborative environment. I love interacting with other employees to refine requests and clarify needs. The diversity of the buildings and their respective realities call on a wealth of knowledge within the company. This diversity enriches us.

EL: There's no routine - we're there to support the operational departments in their needs, and their needs are constantly varied.

Their accomplishments

EL: Participating in the implementation of a new management system: ADP. A very large contract which finally came to fruition recently and has completely revolutionized BTB's approach to human resources.

CB: Participating in the continuous improvement of our purchasing processes by ensuring, among other things, better collaboration between all departments enables me to highlight the contribution and importance of each individual to the company's success.

Team members:

Eric Laty and Christine Breton

Authentic

Our Properties

Montréal

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

5810 Sherbrooke Street East, Montréal[2]

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

2600 Alfred-Nobel Blvd, St-Laurent[2]

2344 Alfred-Nobel Blvd, St-Laurent[2]

7150 Alexander-Fleming Street, St-Laurent

6000 Kieran Street, St-Laurent

2425 Pitfield Blvd, St-Laurent

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

3190 F.-X. Tessier Street, Vaudreuil-Dorion

9900 Irénée-Vachon Street, Mirabel

North Shore of Montréal

2900 Jacques-Bureau Street, Laval

4535 Louis B. Mayer Street, Laval

3695 Des Laurentides (Highway-15), Laval

3111 Saint-Martin Blvd West, Laval[2]

3131 Saint-Martin Blvd West, Laval[2]

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

204 De Montarville Blvd, Boucherville[1]

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[2]

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[1]

6700 Pierre-Bertrand Blvd, Quebec City[1]

909-915 Pierre-Bertrand Blvd, Quebec City

825 Lebourgneuf Blvd, Quebec City

815 Lebourgneuf Blvd, Quebec City[2]

1170 Lebourgneuf Blvd, Quebec City[2]

625-675 De la Concorde Street, Lévis

1200-1252 De la Concorde Street, Lévis

191 D'Amsterdam Street, St-Augustin-de-Desmaures

175 De Rotterdam Street, St-Augustin-de-Desmaures

505 Des Forges Street and 1500 Royale Street, Trois-Rivières[1]

Ottawa Area

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[1]

2204 Walkley Street, Ottawa[1]

2611 Queensview Drive, Ottawa

979 & 1031 Bank Street, Ottawa

7 and 9 Montclair Blvd, Gatineau[1]

1100 Algoma Road, Ottawa

Edmonton

6909 - 42 Street, Leduc

1921 - 91 Street, Edmonton

18410 - 118A Avenue NW, Edmonton

18028 - 114 Avenue NW, Edmonton

28765 Acheson Road, Acheson

25616 - 117 Avenue NW, Acheson

3905 Allard Avenue, Edmonton

8743 50 Avenue NW, Edmonton

8810 48 Avenue NW, Edmonton

Saskatoon

3542 Millar Avenue, Saskatoon

318 - 68th Street, Saskatoon

3911 Millar Avenue, Saskatoon

3927 and 3931 Wanuskewin Road, Saskatoon

(1) BOMA BEST certified property

(2) BOMA BEST certification in progress

Open-minded

Management Discussion & Analysis

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

Introduction

The purpose of this Management Discussion and Analysis ("MD&A") is to communicate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the period ended September 30, 2023, as well as its financial position on that date. The report presents a summary of some of the Trust's business strategies, and the business risks it faces. This MD&A, dated November 3, 2023, should be read together with the unaudited condensed financial statements and accompanying notes for the period ended September 30, 2023. It discusses significant information available up to the said date of this MD&A. The Trust's consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts. Additional information about the Trust is available on the Canadian Security Administrators ("CSA") website at www.sedarplus.ca and on our website at www.btbreit.com.

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

Forward-Looking Statements – Caveat

From time to time, written or oral forward-looking statements are made within the meaning of applicable Canadian securities legislation. Forward-looking statements in this MD&A are made, in other filings with Canadian regulators, in reports to unitholders and in other communications. These forward-looking statements may include statements regarding the Trust's future objectives, strategies to achieve the Trust's objectives, as well as statements with respect to the Trust's beliefs, outlooks, plans, objectives, expectations, forecasts, estimates and intentions. The words "may," "could," "should," "outlook," "believe," "plan," "forecast," "estimate," "expect," "propose," and the use of the conditional and similar words and expressions are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections, and other forward-looking statements will not be achieved. Readers must be warned not to place undue reliance on these statements as several important factors could cause the Trust's actual results to differ materially from the expectations expressed in such forwardlooking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of the Trust's strategy, the ability to complete and integrate strategic acquisitions successfully, potential dilution, the ability to attract and retain key employees and executives, the financial position of lessees, the ability to refinance our debts upon maturity, the ability to renew leases coming to maturity, and to lease vacant space, the ability to complete developments on plan and on schedule and to raise capital to finance the Trust's growth, as well as changes in interest rates. The foregoing list of important factors likely to affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Trust, investors and others should carefully consider these factors and other facts and uncertainties. Additional information about these factors can be found in the "Risks and Uncertainties" section.

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

Non-IFRS Financial Measures

Certain terms and measures used in this MD&A are listed and defined in the appendix 2, including any per unit information if applicable, are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. Explanations on how these non-IFRS financial measures provide useful information to investors and the additional purposes, if any, for which the Trust uses these non-IFRS financial measures, are also included in the appendix 2. IFRS are International Financial Reporting Standards defined and issued by the IASB, in effect as at the date of this MD&A.

Securities regulations require that non-IFRS financial measures be clearly defined and that they not be assigned greater weight than IFRS measures. The referred non-IFRS financial measures, which are reconciled to the most similar IFRS measure in the appendix 2 if applicable, do not have a standardized meaning prescribed by IFRS and these measures cannot be compared to similar measures used by other issuers.

The Trust

The Trust is an unincorporated open-ended real estate trust formed under and governed by the laws of the province of Québec pursuant to a trust agreement (as amended). The Trust began its real estate operations on October 3, 2006, and as of September 30, 2023, it owned 75 properties, being industrial, off-downtown core office and necessity-based retail properties located in primary markets of the provinces of Québec, Ontario, Alberta, and Saskatchewan. Since its inception, the Trust has become an important property owner in the province of Québec, in Eastern Ontario and since December 2021, in Western Canada. The units and Series G and H convertible debentures are traded on the Toronto Stock Exchange under the symbols "BTB.UN", "BTB.DB. G" and "BTB.DB.H", respectively.

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

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

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of $)
As at September 30, 2023	75	6,116,728	1,207,090

These figures include a 50% interest in a 17,114 square-foot property in a Montréal suburb and a 50% interest in one property totalling 74,940 square feet in Gatineau, Québec and total leasable area includes a 55,849 square-foot property in Edmonton reclassified as a finance lease and not included in fair value.

Objectives and Business Strategies

The Trust's primary objective is to maximize total return to unitholders. Total return includes distributions and long-term appreciation of the trading 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.

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

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

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

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

Highlights of the Third Quarter Ended September 30, 2023

Rental revenue: Stood at $31.3 million for the current quarter, which represents an increase of 4.4% compared to the same quarter of 2022. For the cumulative nine-month period, the rental revenue totalled $95.9 million which represents an increase of 9.0% compared to the same period in 2022.

Net operating income (NOI): Totalled $18.1 million for the current quarter, which represents an increase of 0.6% compared to the same quarter of 2022. For the cumulative nine-month period, the NOI totalled $56.1 million which represents an increase of 8.3% compared to the same period in 2022.

Net income and comprehensive income: Totalled $15.2 million for the quarter ($34.9 million for the 2023 cumulative nine-month period) compared to $11.7 million for the same period in 2022 ($36.4 million for the 2022 cumulative nine-month period), representing an increase of $3.5 million. The result is driven by an increase of non-cash gain in net change in fair value of investment properties of $7.8 million, a reduction of non-cash gain in net adjustment to fair value of derivative financial instruments of $3.3 million and an increase in the financial expenses of $0.8 million. Adjusted earnings before interest, taxes, depreciation and amortization (EBIDTA)[(1)] for the quarter remained stable compared to the same period last year.

Same-property NOI[(1)]: For the cumulative nine-month period, the same-property NOI increased by 1.2% and decreased by 2.0% compared to the same quarter last year. The increase for the cumulative nine-month period is due to strong leasing efforts in the necessity-based retail segment. For the cumulative nine-month period the industrial segment has remained stable with an increase of 0.9% which was impacted negatively in the current quarter (decrease of 0.8%) by a specific $0.4 million increase in non recoverable expenses for an industrial property.

FFO adjusted per unit[(1)]: Was 10.4¢ per unit for the quarter compared to 11.5¢ per unit for the same period in 2022, representing a decrease of 1.1¢ per unit. The decrease is driven by a gain of $0.2 million in the previous year quarter due to a lease termination fee revenue, a one-time insurance deductible expense of $0.1 million in the current quarter, with the remaining variance of $0.5 million due to an increase in net financial expenses. For the cumulative nine-month period, the FFO adjusted was 33.8¢ per unit which represents an increase of 0.7% compared to the same period in 2022.

FFO adjusted payout ratio[(1)]: Was 72.5% for the quarter compared to 65.2% for the same period in 2022. For the cumulative nine-month period, the FFO adjusted payout ratio was 66.5% compared to 66.9% for the same period in 2022.

AFFO adjusted per unit[(1)]: Was 8.8¢ per unit for the quarter compared to 10.2¢ per unit for the same period in 2022, representing a decrease of 1.4¢ per unit. The decrease is driven by the variances of FFO adjusted and a $0.3 million increase of straight-line rent compared to the same period in 2022. The $0.8 million increase of net financial expenses had an impact of 1.0¢ per unit. For the cumulative nine-month period, the AFFO adjusted was 30.1¢ per unit which represent a decrease of 2.6% compared to the same period in 2022.

AFFO adjusted payout ratio[(1)]: Was 85.3% for the quarter compared to 73.6% for the same period in 2022. For the cumulative nine-month period, the AFFO adjusted payout ratio was 74.8% compared to 72.8% for the same period in 2022.

Leasing activity: The Trust completed a total of 60,248 square feet of lease renewals and 25,476 square feet of new leases for the quarter. The occupancy rate stood at 93.7%, representing a 40 basis points decrease compared to the prior quarter, and a 20 basis points increase compared to the same period in 2022. The increase in the average renewal rate for the quarter was 11.9%. Shortly after the quarter end, due to increased leasing efforts in the Quebec City region, the Trust leased 26,000 square feet to a major Québec based accounting firm, increasing the Quebec City region committed occupancy rate from 81.8% to 83.7%, the decrease compared to the same quarter last year is now 3.3% instead of 5.2%.

Liquidity position: The Trust held $2.4 million of cash at the end of the quarter and $21.6 million is available under its credit facilities. The Trust has the option to increase its capacity under credit facilities by $10.0 million.

Tenant exercise of an option to purchase a property: On August 22, 2023, the industrial tenant Tirecraft (55,849 square feet) that leased the entirety of the property 18028, 114th Avenue NW, in Edmonton, Alberta, exercised the option to purchase the property with a closing date of December 1, 2026, for a purchase price of $10.3 million. Consequently, the Trust derecognized the property from investment properties to classify it as a finance lease.

(1) This is a non-IFRS financial measure, refer to page 31.

Debt metrics: The Trust ended the quarter with a total debt ratio[1] of 58.4%, recording a decrease of 10 basis points compared to December 31, 2022. The Trust ended the quarter with a mortgage debt ratio [1] of 52.2%, a decrease of 200 basis points compared to December 31, 2022.

Summary of significant items as at September 30, 2023

- Total number of properties: 75
- Total leasable area: 6.1 million square feet
- Total asset value: $1,236 million
- Market capitalization: $258 million (unit price of $2.99 as at September 30, 2023)

(1) This is a non-IFRS financial measure, refer to page 31.

Selected Financial Information

The following table presents highlights and selected financial information 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, except for ratios and per unit data)		Quarter		Cumulative (9 months)	
		2023	2022	2023	2022
	Reference (page)	$	$	$	$
Financial information					
Rental revenue	43	31,285	29,962	95,904	88,009
Net operating income (NOI)	42	18,075	17,974	56,124	51,806
Net income and comprehensive income	42	15,216	11,693	34,864	36,385
Adjusted net income[1]	47	8,038	8,976	26,332	25,235
Adjusted EBITDA[1]	48	16,544	16,507	51,654	48,062
NOI from the same-property portfolio[1]	49	17,060	17,407	50,221	49,650
Distributions	50	6,524	6,394	19,456	18,619
FFO adjusted[1]	51	9,030	9,785	29,258	27,820
AFFO adjusted[1]	52	7,675	8,674	25,990	25,587
Cash flow from operating activities	53	16,317	20,359	49,294	47,279
Total assets	55			1,235,555	1,206,916
Investment properties	38			1,207,090	1,179,869
Mortgage loans	59			641,737	629,797
Convertible debentures	60			42,250	41,753
Mortgage debt ratio[2]	61			52.2%	52.8%
Total debt ratio[1]	61			58.4%	58.6%
Weighted average interest rate on mortgage debt	44			4.29%	3.64%
Market capitalization				258,250	271,104
Financial information per unit					
Units outstanding (000)	63			86,371	84,985
Class B LP units outstanding (000)	63			697	347
Weighted average number of units outstanding (000)	63	86,261	84,900	85,938	82,402
Weighted average number of units and Class B LP units outstanding (000)	63	86,992	85,247	86,452	82,750
Net income and comprehensive income	42	17.5¢	13.7¢	40.3¢	44.0¢
Adjusted net income[1]	47	9.2¢	10.5¢	30.5¢	30.5¢
Distributions	50	7.5¢	7.5¢	22.5¢	22.5¢
FFO adjusted[1]	51	10.4¢	11.5¢	33.8¢	33.6¢
Payout ratio on FFO adjusted[1]	51	72.5%	65.2%	66.5%	66.9%
AFFO adjusted[1]	52	8.8¢	10.2¢	30.1¢	30.9¢
Payout ratio on AFFO adjusted[1]	52	85.3%	73.6%	74.8%	72.8%
Market price of units				2.99	3.19
Tax on distributions					
Tax deferral	65	100.0%	100.0%	100.0%	100.0%
Operational information					
Number of properties	38			75	75
Leasable area (thousands of sq. ft.)	38			6,117	5,901
Occupancy rate	38			93.7%	93.5%
Increase in average lease renewal rate	40	11.9%	8.8%	7.1%	13.9%

(1) This is a non-IFRS financial measure, refer to page 31.
(2) This is a non-IFRS financial measure. The mortgage debt ratio is calculated by dividing the mortgage loans outstanding by the total gross value of the assets of the Trust less cash and cash equivalents.

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)	2023 Q-3	2023 Q-2	2023 Q-1	2022 Q-4	2022 Q-3	2022 Q-2	2022 Q-1	2021 Q-4
	$	$	$	$	$	$	$	$
Rental revenue	**31,285**	31,708	32,911	31,486	29,962	28,979	29,068	26,789
Net operating income	**18,075**	19,041	19,008	18,624	17,974	17,598	16,234	14,776
Net income and comprehensive income	**15,216**	10,846	8,802	1,769	11,693	18,243	6,449	23,219
Net income and comprehensive income per unit	**17.5¢**	12.5¢	10.2¢	2.1¢	13.7¢	21.5¢	8.3¢	31.2¢
Cash from operating activities	**16,317**	17,320	15,657	18,961	20,359	15,516	11,404	25,137
FFO adjusted(1)	**9,030**	10,195	10,033	10,059	9,785	9,718	8,317	8,194
FFO adjusted per unit(1)(2)	**10.4¢**	11.8¢	11.7¢	11.8¢	11.5¢	11.4¢	10.7¢	11.0¢
AFFO adjusted(1)	**7,675**	9,433	8,882	8,550	8,674	9,311	7,602	6,962
AFFO adjusted per unit(1)(3)	**8.8¢**	10.9¢	10.3¢	10.0¢	10.2¢	11.0¢	9.7¢	9.4¢
Distributions(4)	**6,524**	6,489	6,443	6,413	6,394	6,374	5,851	5,578
Distributions per unit(4)	**7.5¢**	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢

(1) This is a non-IFRS financial measure, refer to page 31.
(2) The FFO adjusted per unit ratio is calculated by dividing the FFO adjusted(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units outstanding at the end of the period).
(3) The AFFO adjusted per unit ratio is calculated by dividing the AFFO adjusted(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units outstanding at the end of the period).
(4) Includes distributions on Class B LP units.

Segmented Information

The Trust's operations are generated from three segments of properties located in the provinces of Québec, Ontario, Alberta and Saskatchewan. The following tables summarize each operating segment's contribution to revenues and to net operating income (NOI) for the periods ended September 30, 2023, and September 30, 2022:

Quarters ended September 30 (in thousands of dollars)	Industrial		Off-downtown core office		Necessity-based retail		Total
	$	%	$	%	$	%	$
Quarter ended September 30, 2023							
Investment properties	445,177	36.9	518,271	42.9	243,642	20.2	1,207,090
Rental revenue from properties	8,088	25.9	15,926	51.0	7,271	23.2	31,285
Net operating income (NOI)	5,905	32.7	7,810	43.2	4,360	24.1	18,075
Quarter ended September 30, 2022							
Investment properties	332,793	28.2	597,846	50.7	249,230	21.1	1,179,869
Rental revenue from properties	5,855	19.5	17,181	57.3	6,926	23.1	29,962
Net operating income (NOI)	4,564	25.4	9,388	52.2	4,022	22.4	17,974

Industrial performance

The proportional fair value of industrial properties increased from 28.2% to 36.9% compared to the same period last year, due to the acquisitions of industrial properties of $36.3 million concluded since the same period, an increase of $39.9 million and $29.9 million from fair value adjustments in the third quarter of 2023 and the fourth quarter of 2022 respectively, and the reclassification of 2 office properties (both flex industrial properties with higher industrial footprint) in the industrial segment representing a total of $30 million. The acquired properties are all fully occupied and have a positive impact on the occupancy rate, which stood at 99.7% at the end of the quarter, a 0.3% increase compared to the same period last year. The proportional rental revenue from industrial properties increased by 6.4% compared to the same period last year, which is explained by a combination of the higher occupancy rate and previously mentioned acquisitions increasing the proportional share of revenue from the industrial segment. Net operating income for the industrial segment increased by 7.3% compared to the same period last year.

Off-downtown core office performance

The proportional fair value of the off-downtown core office properties decreased from 50.7% to 42.9% compared to the same period last year as the proportional faire value of industrial properties increases in line with the Fund's strategic plan. The variance is due to the reclassification of 2 properties ($30 million), the disposition of 2 properties ($4.6 million), and a decrease of $26.3 million and $18.6 million from fair value adjustments in the third quarter of 2023 and the fourth quarter of 2022 respectively. The rental revenue generated by the off-downtown core office segment decreased by $1.3 million compared to the same period last year which is explained by the previously mentioned reclassifications ($1 million) and dispositions ($0.3 million). Despite the decrease in rental revenue, the properties in this segment are supported by quality tenants (the Trust's top two tenants are Federal and Québec government agencies) and strong leasing activities (the Trust concluded for the cumulative nine-month period lease renewals for a total of 332,000 square feet with an increase in the average renewal rate of 5.9%).

Necessity-based retail performance

The necessity-based retail segment continues to show good performance as most of the properties are anchored by necessity-based tenants. The occupancy rate in the necessity-based retail segment at the end of the third quarter 2023 stood at 97.8%, an increase of 1.6% compared to the same period last year. The Trust was able to obtain a 6.7% increase in the average rent renewal rate for the quarter. The proportion of the net operating income (NOI) generated by the necessity-based retail segment increased from 22.4% to 24.2% compared to the same period last year mainly due to the strong leasing efforts in the segment.

Operating Performance Indicators

The following performance indicators are used to measure the Trust's operating performance:

Committed occupancy rate: provides an indication of the optimization of rental space and the potential revenue gain from the Trust's property portfolio. This rate considers occupied leasable area and the leasable area of leases that have been signed as of the end of the quarter but where the term of the lease has not yet begun.

In-place occupancy rate: shows the percentage of occupied leasable area at the end of the period.

Renewal rate: is used to record the Trust's tenant retention with lease renewals.

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

Real Estate Portfolio

At the end of the third quarter of 2023, BTB owned 75 properties, representing a total fair value of $1,207 million and a total leasable area of approximately 6.1 million square feet. A description of all the properties owned by the Trust can be found in the Trust's Annual Information Form available at www.sedar.com.

Summaries of investment properties held as at September 30, 2023

Operating segment	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)	In Place occupancy rate (%)
Industrial	31	2,081,361	99.7	99.7
Off-downtown core office	33	2,643,192	86.6	85.9
Necessity-based retail	11	1,392,175	98.0	97.6
Total portfolio	**75**	**6,116,728**	**93.7**	**93.3**

Geographic sector	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)	In Place occupancy rate (%)
Montréal	40	3,302,715	96.3	96.0
Quebec City	11	1,380,146	81.8	81.4
Ottawa	11	805,157	98.4	97.2
Edmonton	9	405,239	100.0	100.0
Saskatoon	4	223,472	100.0	100.0
Total portfolio	**75**	**6,116,728**	**93.7**	**93.3**

Dispositions of investment properties

Since the beginning of the year, the Trust did not dispose of any properties.

Acquisitions of investment properties

On February 2, 2023, the Trust acquired a class A industrial property located at 9900, Irénée Vachon Street in the industrial sector of the Mirabel airport, Québec, for a total consideration of $28.0 million, excluding transaction costs and adjustments. Following the acquisition of the property, the Trust's total leasable area increased by 176,819 square feet.

On May 1, 2023, the Trust acquired a fully leased industrial property located at 8810, 48 Avenue NW, in Edmonton, Alberta, for a total consideration of $7.4 million, excluding transaction costs and adjustments. As part of the transaction the Trust satisfied a portion of the purchase price through the issuance to the vendor of 550,000 Class B LP units at a price of $4.50 per unit and the balance of the purchase price was funded with a mortgage. Following the acquisition of the property, the Trust's total leasable area increased by 83,292 square feet.

Real Estate Operations

Portfolio occupancy

The following table summarizes the changes in occupied area 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 sq. ft.)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
Occupied area at the beginning of the period[1]	**5,754,349**	5,479,252	**5,455,798**	5,639,778
Purchased (sold) assets	**-**	61,315	**260,111**	(87,201)
Signed new leases	**25,476**	57,353	**217,900**	118,034
Tenant departures	**(50,706)**	(77,828)	**(204,690)**	(148,677)
Other[2]	**-**	-	**-**	(1,842)
Occupied leasable area at the end of the period[1]	**5,729,119**	5,520,092	**5,729,119**	5,520,092
Vacant leasable area at the end of the period	**387,609**	381,030	**387,609**	381,030
Total leasable area at the end of the period	**6,116,728**	5,901,122	**6,116,728**	5,901,122

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

Compared to the same period last year, the Trust increased its occupancy rate 20 basis points from 93.5% to 93.7%.

Leasing activities

The following table summarizes the percentage rate of lease renewals 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 sq. ft.)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
Leases expired at term	**100,023**	172,110	**444,480**	401,183
Renewed leases at term	**52,178**	94,282	**258,131**	269,055
Renewal rate	**52.2%**	54.8%	**58.1%**	67.1%

The Trust renewed 52.2% or 52,178 square feet out of the 100,023 square feet expiring during this quarter. For the cumulative nine-month period, the Trust renewed 58.1% of the leases at the end of their term.

The Trust, in the same quarter as the expiration of 47,845 square feet, leased 14,024 square feet to Great North Equipment Inc., in the industrial segment in Edmonton.

In addition to the renewed leases at the expiration of their term, the Trust renewed, prior to the end of the term, 8,070 square feet during the quarter and 68,830 square feet for the cumulative nine-month period with existing tenants where their lease terms were to expire later in the year 2023 or thereafter.

Therefore, the Trust's lease renewal activity totals 60,248 square feet for this quarter and 326,961 square feet for the cumulative nine-month period.

Shortly after the end of the quarter, the Trust renewed a lease comprising 27,638 square feet of leasable area with a tenant in Ottawa, Ontario with an increase in the rent renewal rate of 2.6%.

Average lease renewal rate

The following table summarizes the average increase of rental rates for each operating segment for the periods ended September 30, 2023:

	Quarter		Cumulative (9 months)	
Operating segment	Renewals (sq. ft.)	Increase (%)	Renewals (sq. ft.)	Increase (%)
Industrial	10,831	15.7%	10,831	15.7%
Off-downtown core office	27,753	15.3%	235,800	5.9%
Necessity-based retail	21,664	6.7%	80,329	10.4%
Total	**60,248**	**11.9%**	**326,961**	**7.1%**

Since the beginning of the year, the Trust achieved a cumulative average rent increase of 7.1% of the lease renewal rates across its three business segments. The increases in all three segments are essentially attributable to leases that were below market price.

New leases

During the quarter, the Trust leased a total of 25,476 square feet to new tenants, mainly attributed to the previously mentioned "in place" new industrial tenant in Edmonton, Great North Equipment Inc. (14,024 square feet), leased with an increase in rental rate of 12.9% compared to the previous tenant; Clinique Dentaire Laprise Inc. ("in place" - 4,983 square feet) in Montreal, Québec. The remaining 5,937 square feet represent a combination of new "in place" tenants (5,059 square feet) and "committed" (878 square feet) tenants, thereby leaving 387,609 square feet of leasable area available for lease at the end of the quarter.

For the cumulative nine-month period, the Trust leased a total of 217,900 square feet to new tenants. Leases representing 93,963 square feet or 43.1% of the leasing activity, were concluded in the off-downtown core office segment with new tenants, 83,035 square feet or 38.1% of the new leases were concluded in the industrial segment and 40,902 square feet or 18.8% in the necessity-based retail segment.

Shortly after the end of the quarter, the Trust leased 26,000 square feet to a major Québec based accounting firm in its office property located in Trois-Rivières and also leased an expansion space of 16,763 square feet to an office tenant in one of its properties located in Ottawa, Ontario, thereby increasing the total leasable area leased by that tenant in the building to 42,744 square feet.

Occupancy rates

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

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Operating segment	%	%	%	%	%
Industrial	**99.7**	99.7	100.0	100.0	100.0
Off-downtown core office	**86.6**	87.4	87.5	86.7	88.6
Necessity-based retail	**97.8**	98.3	95.9	98.2	96.2
Total portfolio	**93.7**	94.1	93.2	93.2	93.5

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Geographic sector	%	%	%	%	%
Montréal	**96.3**	96.3	95.1	95.8	95.1
Quebec City[1]	**81.8**	83.3	83.5	84.0	87.0
Ottawa	**98.4**	99.0	97.5	94.4	94.8
Edmonton	**100.0**	100.0	100.0	99.1	99.1
Saskatoon	**100.0**	100.0	100.0	100.0	100.0
Total portfolio	**93.7**	94.1	93.2	93.2	93.5

(1) Excluding the Trois-Rivières property, the occupancy rate of the Quebec City portfolio would have been 84.6%.

The occupancy rate at the end of the third quarter of 2023 stood at 93.7%, representing a 40 basis points decrease compared to the prior quarter, and a 20 basis points increase compared to the same period in 2022. Furthermore, the in-place occupancy rate at the end of the quarter stood at 93.3%, representing an increase of 20 basis points compared to the prior quarter, and an increase of 20 basis points compared to the same period in 2022.

Lease maturities

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

	2023	2024	2025	2026	2027
Industrial					
Leasable area (sq. ft.)	23,766	78,427	170,586	273,144	86,304
Average lease rate/square foot ($)[1]	$13.97	$11.30	$10.39	$9.82	$10.14
% of industrial portfolio	1.14%	3.77%	8.20%	13.12%	4.15%
Off-downtown core office					
Leasable area (sq. ft.)	98,309	263,604	268,520	429,101	306,193
Average lease rate/square foot ($)[1]	$13.41	$15.11	$15.51	$14.80	$17.74
% of office portfolio	3.72%	9.97%	10.16%	16.23%	11.58%
Necessity-based retail					
Leasable area (sq. ft.)	96,110	134,481	148,514	107,676	134,750
Average lease rate/square foot ($)[1]	$8.89	$11.97	$17.34	$16.48	$16.02
% of retail portfolio	6.90%	9.66%	10.67%	7.73%	9.68%
Total portfolio					
Leasable area (sq. ft.)	**218,185**	**476,512**	**587,621**	**809,921**	**527,247**
Average lease rate/square foot ($)[1]	**$11.48**	**$13.60**	**$14.49**	**$13.34**	**$16.05**
% of total portfolio	**3.57%**	**7.79%**	**9.61%**	**13.24%**	**8.62%**

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

Weighted average lease term

For the quarter ended September 30, 2023, the Trust had a weighted average lease term of 5.9 years, compared to 6.0 years for the same period in 2022. 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 terms when appropriate.

Top 10 tenants

The Trust's three largest tenants remain the Government of Québec (off-downtown core office segment), the Government of Canada (off-downtown core office segment), and Walmart Canada inc. (necessity-based retail segment), representing respectively 5.6%, 5.0%, and 1.9% of rental revenue. The Trust's rental revenues are generated by multiple leases with these tenants whose maturities are spread over time.

44.49% 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 September 30, 2023. Their contribution accounts for 23.3% of rental revenue for the cumulative nine-month period and 22.9% of leased area:

Client	% of revenue	% of leased area	Leased area (sq. ft.)
Government of Québec	5.6	4.9	299,578
Government of Canada	5.0	4.1	251,850
Walmart Canada inc.	1.9	1.9	118,585
The Lion Electric Company	1.9	4.3	264,550
Bristol-Myers Squibb Canada Co	1.9	1.0	61,034
Groupe BBA Inc.	1.6	1.1	69,270
Strongco	1.5	2.9	176,819
WSP Canada Inc.	1.4	1.0	61,576
Mouvement Desjardins	1.3	0.8	48,478
ICU Medical Canada Inc.	1.2	0.8	48,676
	23.3	22.9	1,400,416

Operating Results

The following table summarizes the financial results 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. This table should be read in conjunction with the interim condensed consolidated financial statements and the accompanying notes:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
Rental revenue	31,285	29,962	95,904	88,009
Operating expenses	13,210	11,988	39,780	36,203
Net operating income (NOI)	18,075	17,974	56,124	51,806
Net financial expenses and financial income	7,582	3,367	22,309	9,195
Administration expenses	1,712	1,591	5,386	5,106
Transaction costs	46	93	46	700
Fair value adjustment on investment properties	(6,481)	1,230	(6,481)	420
Net income and comprehensive income	15,216	11,693	34,864	36,385

Rental revenue

For the quarter, rental revenue increased by $1.3 million or 4.4% compared to the same period last year, with an increase of $0.7 million related to acquisitions made in 2023 net of dispositions made in 2022 and $0.5 million increase related to operating improvements mainly consisting of higher lease renewal rates, stability of its occupancy rate and higher average lease rates.

For the cumulative nine-month period, rental revenue increased by $7.9 million or 9.0% compared to the same period last year, which is predominantly due to the cumulative impact of acquisitions and dispositions of the aforementioned properties.

Operating expenses

The following table summarizes the Trust's operating expenses 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
	$	$	$	$
Operating expenses				
Maintenance, repairs and other operating costs	4,563	3,978	13,773	12,303
Energy	1,557	1,308	4,722	4,149
Property taxes and insurance	7,090	6,702	21,285	19,751
Total operating expenses	13,210	11,988	39,780	36,203
% of rental revenue	42.2%	40.0%	41.5%	41.1%

Operating expenses increased mainly due to the new acquisitions and the property taxes that were affected by an increase in property values. The operating expenses as a percentage of revenues increased by 0.4% on a cumulative nine-month period, the increase is mainly due to the Trust increasing its investment in industrial properties, which are in most cases triple net leases.

Financial expenses and income

The following table summarizes financial expenses 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
	$	$	$	$
Financial income	(561)	(122)	(1,222)	(399)
Interest on mortgage loans	6,867	6,020	20,277	17,432
Interest on convertible debentures	709	715	2,127	2,190
Interest on credit facilities	785	398	1,748	902
Other interest expense	106	64	308	220
Interest expense net of financial income	7,906	7,075	23,238	20,345
Distributions on Class B LP units	56	26	120	78
Mortgage early repayment fees	-	-	-	284
Net financial expenses before non-monetary items	7,962	7,101	23,358	20,707
Accretion of effective interest on mortgage loans and convertible debentures	271	219	785	791
Accretion of non-derivative liability component of convertible debentures	92	87	263	251
Net financial expenses before the following items:	8,325	7,407	24,406	21,749
Fair value adjustment on derivative financial instruments	(584)	(3,898)	(1,163)	(12,245)
Fair value adjustment on Class B LP units	(159)	(142)	(934)	(309)
Net financial expenses net of financial income	7,582	3,367	22,309	9,195

Financial income consists of interest income generated from interest rate swap agreements on mortgages and earned finance income from the finance lease triggered by the exercised purchase option of the property 18028, 114th Avenue NW, in Edmonton, Alberta.

Interest expense net of financial income increased by $0.8 million for the quarter compared with the same period last year. This is mainly due to the net increase in mortgage loans attributable to acquisitions net of dispositions of investment properties, the increase in the prime lending rate impacting floating interest rates of mortgages contracted in recent quarters, and the interest paid on the revolving credit facility.

On September 30, 2023, the weighted average mortgage interest rate was 4.29%, 65 basis points higher than the average rate as at September 30, 2022 (3.64%). This increase is mainly due to the variable interest on mortgage loans for which the weighted average contractual rate increased by 322 basis points to 6.83% (3.61% as at September 30, 2022). The cumulative balance of the Trust's loans subject to a variable interest rate was $69.9 million. The weighted average for fixed interest rate mortgage loans increased by 34 basis points to 3.98% (3.64% as at September 30, 2022). Interest rates on first-ranking mortgage loans ranged from 2.30% to 8.95% as at September 30, 2023, (2.30% to 6.80% as at September 30, 2022).

The weighted average term of mortgage loans in place as at September 30, 2023, was 3.4 years (4.4 years as at September 30, 2022).

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

Administration expenses

The following table summarizes the Trust's administration expenses 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
	$	$	$	$
Corporate expenses	1,479	1,625	4,794	4,805
Expected credit losses	136	7	295	164
Unit-based compensation	97	(41)	297	137
Trust administration expenses	1,712	1,591	5,386	5,106

Corporate expenses decreased by $0.1 million or 9% for the quarter compared to the same period last year. The Trust managed to reduce the level of corporate expenses to 5% of rental revenue on a cumulative nine-month period, a reduction of 0.5% compared to the same period last year.

Expected credit losses increased by $0.1 million for the quarter compared to the same period last year. The increase in expected credit losses expense is due to specific non-significant provision write-offs recorded during the quarter.

Unit-based compensation increased by $0.2 million, the gain for the quarter of the same period last year was due to a favorable variance in the Trust's unit price. The variance of the unit price for this quarter was not significant ($2.99 as of September 30, 2023, compared to $3.22 as of June 30, 2023), resulting in an expense of $0.1 million representing the 3-month period vesting of the compensation plans.

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. Furthermore, upon a disposition the Trust will revaluate the investment property at the disposition consideration.

On an annual basis, the Trust retains the services of independent external appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the Trust annually appraises a minimum of 60% of its portfolio, which includes the 15 most valuable properties, and the remaining ones are externally appraised on three-year rotation basis. In addition, as part of acquisitions, financing, or refinancing transactions, or at the request of lenders, other properties are also independently appraised during the year. As at September 30th 2023, the Trust externally appraised 57% of its properties, for an aggregate amount of $687,601 million. For the cumulative nine-month period, a gain of $6,481 in 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 flow assumptions. For the reminder of the year, the Trust will continue to assess the assumptions affected by changing market and property conditions.

For the properties not independently appraised during a given year, the Trust receives quarterly market data regarding capitalization rates and discount rates reflecting real estate market conditions from independent external appraisers or independent experts. The capitalization rate reports provide a range of rates for various geographic regions where the Trust operates and for various types and qualities of properties within each said region. The Trust utilizes capitalization and discount rates within ranges provided by these external experts. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

The following tables summarize the 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)

The following tables summarize the significant assumptions used in the modelling process for both internal and external appraisals for the years ended 2023 and 2022:

As at September 30, 2023	Industrial	Off-downtown core office	Necessity-based retail
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 weighted average capitalization rate for the entire portfolio as at September 30, 2023, was 6.63% (6.48% as at December 31, 2022), 15 basis points higher compared to December 31, 2022.

Since December 31, 2022, BTB purchased 2 industrial properties which increased the weighted average capitalization rate by 2 basis points.

As at September 30, 2023, the Trust has estimated that if an increase/decrease of 0.25% in the capitalization rate were applied to the overall portfolio, this variation would affect the fair value of its investment properties respectively by a reduction of $45.4 million or an increase of $49.0 million. The change in the capitalization rates is an appropriate proxy of the changes for the discount and terminal capitalization rates.

Adjusted net income

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

The following table summarizes the adjusted net income[1] before these volatile non-monetary items and transaction costs 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, except for per unit)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
Net income and comprehensive income	15,216	11,693	34,864	36,385
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	46	93	46	984
Fair value adjustment on investment properties	(6,481)	1,230	(6,481)	420
Fair value adjustment on derivative financial instruments	(584)	(3,898)	(1,163)	(12,245)
Fair value adjustment on Class B LP units	(159)	(142)	(934)	(309)
Adjusted net income[1]	8,038	8,976	26,332	25,235
Per unit	9.2¢	10.5¢	30.5¢	30.5¢

(1) This is a non-IFRS financial measure, refer to page 31.

Compared to the same quarter last year, adjusted net income decreased by $0.9 million due to an increase in net financial expenses.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)[1]

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and Adjusted EBITDA[1] 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, except for per unit)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
Net income being total comprehensive income for the period	15,216	11,693	34,864	36,385
Interest expense	8,467	7,197	24,460	20,744
Accretion of effective interest on mortgage loans and convertible debentures	271	219	785	791
Amortization of property and equipment	33	35	79	91
Lease incentive amortization	664	773	2,142	2,326
Fair value adjustment on investment properties	(6,481)	1,230	(6,481)	420
Fair value adjustment on derivative financial instruments	(584)	(3,898)	(1,163)	(12,245)
Fair value adjustment on Class B LP units	(159)	(142)	(934)	(309)
Unit-based compensation (Unit price remeasurement)	(87)	(172)	(378)	(380)
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	46	93	46	984
Straight-line lease adjustment	(842)	(521)	(1,766)	(745)
Adjusted EBITDA[1]	16,544	16,507	51,654	48,062

(1) This is a non-IFRS financial measure, refer to page 31.

For the quarter, the Adjusted EBITDA[1] was stable at $16.5 million when compared to the same quarter last year. For the cumulative nine-month period, Adjusted EBITDA was $51.7 million compared $48.1 million for the same period last year, representing an increase of 7.5%.

(1) This is a non-IFRS financial measure, refer to page 31.

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by the Trust on January 1, 2022, and that are still owned by the Trust on September 30, 2023. Therefore, it excludes all the acquired[2][3] and disposed[2][3] properties during the years 2022 and 2023.

The following table summarizes the results of the same-property NOI[1] 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	Δ%	2023	2022	Δ%
	$	$		$	$	
Net operating income (NOI) as reported in the financial statements	18,075	17,974	0.6%	56,124	51,806	8.3%
NOI sourced from:						
Acquisitions	(1,166)	(90)		(4,934)	(833)	
Dispositions	45	(427)		(16)	(1,172)	
Non-cash adjustment related to a change in accounting estimate and other specific items	106	(50)		(954)	(151)	
Same Property NOI[1]	17,060	17,407	-2.0%	50,221	49,650	1.2%
Same Property NOI[1] sourced from:						
Corporation	(22)	14		(174)	(236)	
Industrial	4,891	4,930	-0.8%	12,865	12,748	0.9%
Off-downtown core office	7,833	8,441	-7.2%	24,584	25,611	-4.0%
Necessity-based retail	4,358	4,022	8.4%	12,946	11,527	12.3%
Same Property NOI[1]	17,060	17,407	-2.0%	50,221	49,650	1.2%

(1) This is a non-IFRS financial measure, refer to page 31.

Compared to the same quarter last year, same-property net operating income (NOI)[1] decreased by 2.0% and for the cumulative nine-month period, same-property net operating income (NOI)[1] increased by 1.2%. An isolated flood in one property caused the trigger of an insurance claim with a large deductible of $0.1 million for the current quarter which was adjusted to same property NOI and an isolated tax recovery adjustment impacted the previous year NOI by $0.1 million.

For the quarter, the decrease of 0.8% in the industrial segment compared to the same quarter is due to a specific $0.4 million increase in non recoverable expenses for one industrial property in the current quarter. Excluding this expense, the industrial segment same property net operating income would have been stable. For the cumulative nine-month period, the industrial segment increased by 0.9%.

For the quarter, the off-downtown core office segment decreased by 7.2% compared to the same quarter last year due to the occupancy rate reduction of 5.2% in the Quebec City geographic sector. For the cumulative nine-month period, the off-downtown core office segment decreased by 4%. The Trust is actively increasing the leasing efforts and strategy for this geographic sector. Shortly after the quarter end, due to increased leasing efforts in the Quebec city region, the Trust leased 26,000 square feet to a major Québec based accounting firm, increasing the Quebec city region committed occupancy rate from 81.8% to 83.7%.

For the quarter, the necessity-based retail segment increased by 8.4% due to strong leasing efforts. For the cumulative nine-month period, the necessity-based retail segment increased by 12.3%.

(1) This is a non-IFRS financial measure, refer to page 31.
(2) Refer to the Trust's condensed consolidated interim financial statements dated November 3, 2023, note 3, section a) for the acquired properties details.
(3) Refer to the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022, for the acquisitions and dispositions of the year 2022.

Distributions

Distributions and per unit

The following table summarizes the distributions 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, except for per unit data)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
Distributions				
Cash distributions	5,607	5,550	16,766	16,165
Cash distributions – Class B LP units	52	26	120	78
Distributions reinvested under the distribution reinvestment plan	862	818	2,570	2,376
Total distributions to unitholders	6,524	6,394	19,456	18,619
Percentage of reinvested distributions[(1)(2)]	13.2%	12.8%	13.2%	12.8%
Per unit[(2)]				
Distributions	7.5¢	7.5¢	22.5¢	22.5¢

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

For the quarter, the monthly distributions paid to unitholders totalled 2.5¢ per unit for the quarterly total of 7.5¢ per unit, unchanged from the same quarter of 2022.

Funds from Operations (FFO)[(1)]

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO[(1)] for the periods ended 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, except for per unit)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
Net income and comprehensive income (IFRS)	15,216	11,693	34,864	36,385
Fair value adjustment on investment properties	(6,481)	1,230	(6,481)	420
Fair value adjustment on Class B LP units	(159)	(142)	(934)	(309)
Amortization of lease incentives	664	773	2,142	2,326
Fair value adjustment on derivative financial instruments	(584)	(3,898)	(1,163)	(12,245)
Leasing payroll expenses[(6)]	359	182	1,042	561
Distributions - Class B LP units	56	26	120	78
Unit-based compensation (Unit price remeasurement)[(5)]	(87)	(172)	(378)	(380)
FFO[(1)]	8,984	9,692	29,212	26,836
Transaction costs on disposition of investment properties and mortgage early repayment fees	46	93	46	984
FFO adjusted[(1)]	9,030	9,785	29,258	27,820
FFO per unit[(1)(2)(3)]	10.3¢	11.4¢	33.8¢	32.4¢
FFO adjusted per unit[(1)(2)(4)]	10.4¢	11.5¢	33.8¢	33.6¢
FFO payout ratio[(1)]	72.9%	65.9%	66.6%	69.4%
FFO adjusted payout ratio[(1)]	72.5%	65.2%	66.5%	66.9%

(1) This is a non-IFRS financial measure, refer to page 31.
(2) Including Class B LP units.
(3) The FFO per unit ratio is calculated by dividing the FFO[(1)] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The FFO adjusted per unit ratio is calculated by dividing the FFO adjusted[(1)] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the FFO adjusted and AFFO adjusted starting Q2 2021.
(6) The impact of the CIO compensation, hired in Q2 2022, was added to the Leasing payroll expenses during Q4 2022 as his duties were mainly leasing activities throughout the year.

For the quarter, FFO adjusted[(1)] was 10.4¢ per unit, compared to 11.5¢ per unit for the same quarter last year representing a decrease of 9.6% mainly caused by an increase in net financial expenses, with the remaining variance due to a one-time insurance deductible expense of $0.1 million in the current quarter and a gain of $0.2 million in the previous year quarter due to a lease termination fee revenue.

The FFO adjusted payout ratio[(1)] for the quarter stood at 72.5%, compared to 65.2% for the same quarter in 2022.

(1) This is a non-IFRS financial measure, refer to page 31.

Adjusted Funds from Operations (AFFO)(1)

The following table provides a reconciliation of FFO(1) and AFFO(1) 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, except for per unit data)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
FFO(1)	8,984	9,692	29,212	26,836
Straight-line rental revenue adjustment	(842)	(521)	(1,766)	(745)
Accretion of effective interest	271	219	785	791
Amortization of other property and equipment	33	35	79	91
Unit-based compensation expenses	184	130	677	515
Provision for non-recoverable capital expenditures(1)	(626)	(599)	(1,918)	(1,760)
Provision for unrecovered rental fees(1)	(375)	(375)	(1,125)	(1,125)
AFFO(1)	7,629	8,581	25,944	24,603
Transaction costs on disposition of investment properties and mortgage early repayment fees	46	93	46	984
AFFO adjusted(1)	7,675	8,674	25,990	25,587
AFFO per unit(1)(2)(3)	8.8¢	10.1¢	30.0¢	29.7¢
AFFO adjusted per unit(1)(2)(4)	8.8¢	10.2¢	30.1¢	30.9¢
AFFO payout ratio(1)	85.8%	74.4%	75.0%	75.7%
AFFO adjusted payout ratio(1)	85.3%	73.6%	74.8%	72.8%

(1) This is a non-IFRS financial measure, refer to page 31.
(2) Including Class B LP units.
(3) The AFFO per unit ratio is calculated by dividing the AFFO(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The AFFO adjusted per unit ratio is calculated by dividing the AFFO adjusted(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

For the quarter, AFFO adjusted(1) was 8.8¢ per unit, compared to 10.2¢ per unit for the same quarter last year, a decrease of 13.7%. The decrease is driven by the variances of FFO adjusted and a $0.3 million increase in straight-line rent adjustment compared to the same period in 2022.

The AFFO adjusted payout ratio(1) for the quarter stood at 85.3% compared to 73.6% for the same quarter last year.

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

The Trust also deducts a provision for unrecovered rental fees(2) in the amount of approximately 25¢ per square feet on an annualized basis. Even though quarterly rental fee disbursements vary significantly from one quarter to another, management considers that this provision fairly presents, in the long term, the average disbursements not recovered directly in establishing the rent that the Trust will undertake. These disbursements consist of inducements paid or granted when leases are signed that are generally amortized over the term of the lease and are subject to an equivalent increase in rent per square foot, and of brokerage commissions and leasing payroll expenses.

(1) This is a non-IFRS financial measure, refer to page 31.
(2) This is a non-IFRS financial measure as defined in this page.

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

Periods ended September 30 and 12-month periods ended December 31 (in thousands of dollars)	September 30, 2023 (9 months)	September 30, 2022 (9 months)	December 31, 2022 (12 months)	December 31, 2021 (12 months)
	$	$	$	$
Provision for non-recoverable capital expenditures(1)	1,918	1,760	2,390	2,007
Non-recoverable capital expenditures	2,782	1,418	1,735	1,297

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

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

Cash Flows

The following table shows the Trust's net distributions to unitholders compared to net cash flows from operating activities less interest paid for the years 2023, 2022 and 2021:

Periods ended September 30 and 12-month periods ended December 31 (in thousands of dollars)	2023 (9 months)	2022 (9 months)	2022 (12 months)	2021 (12 months)
	$	$	$	$
Net cash flows from operating activities	49,294	47,279	66,240	56,538
Interest paid	(23,252)	(20,405)	(27,925)	(21,755)
Net cash flows from operating activities less interest paid	26,042	26,874	38,315	34,783
Net distributions to unitholders	16,697	15,962	21,573	18,171
Surplus of net cash flows from operating activities less interest paid compared to net distributions to unitholders	9,345	10,912	16,742	16,612

The following table summarizes the reconciliation of net cash from operating activities presented in the financial statements, AFFO[1] and FFO[1] 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
	$	$	$	$
Cash flows from operating activities	16,317	20,359	49,294	47,279
Leasing payroll expenses	359	182	1,042	561
Transaction costs on purchase and disposition of investment properties and early repayment fees	(46)	(93)	(46)	(984)
Adjustments for changes in other working capital items	(2)	(3,730)	2,198	1,230
Financial income	561	122	1,222	399
Interest expenses	(8,467)	(7,197)	(24,460)	(20,744)
Provision for non-recoverable capital expenditures[2]	(626)	(599)	(1,918)	(1,760)
Provision for non-recovered rental fees[2]	(375)	(375)	(1,125)	(1,125)
Accretion of non-derivative liability component of convertible debentures	(92)	(88)	(263)	(253)
AFFO[1]	7,629	8,581	25,944	24,603
Provision for non-recoverable capital expenditures[2]	626	599	1,918	1,760
Provision for non-recovered rental fees[2]	375	375	1,125	1,125
Straight-line rental revenue adjustment	842	521	1,766	745
Unit-based compensation expenses	(184)	(130)	(677)	(515)
Accretion of effective interest	(271)	(219)	(785)	(791)
Amortization of property and equipment	(33)	(35)	(79)	(91)
FFO[1]	8,984	9,692	29,212	26,836

(1) This is a non-IFRS financial measure, refer to page 31.
(2) This is a non-IFRS financial measure, refer to AFFO section for detailed explanations.

(1) This is a non-IFRS financial measure, refer to page 31.

Assets

Investment properties

The Trust has grown through the acquisitions of high-quality properties based on its selection criteria, while maintaining an appropriate allocation among three operating segments: industrial, off-downtown core office, and necessity-based retail.

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 following table summarizes the changes in the fair value of investment properties 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
	$	$	$	$
Balance, beginning of period	1,209,036	1,167,247	1,164,881	1,110,971
Additions:				
Initial recognition of right-of-use assets	-	-	3,133	-
Acquisitions	6	15,896	36,306	96,122
Dispositions	-	(4,388)	-	(32,177)
Capital expenditures	1,033	1,275	3,710	2,703
Leasing fees and capitalized lease incentives	756	1,316	3,354	4,246
Fair value adjustment on investment properties	6,481	(1,229)	6,481	(419)
Other non-monetary changes[1]	(10,222)	(248)	(10,775)	(1,577)
Balance, end of period	1,207,090	1,179,869	1,207,090	1,179,869

(1) The other non-monetary changes are composed of the lease incentives amortization and straight-line lease adjustments.

The fair value of investment properties stood at $1,207 million as at September 30, 2023, compared to $1,165 million as at December 31, 2022. The increase of $42 million is mainly explained by the previously mentioned acquisition for which the net impact increased the portfolio of investment properties by $39 million (acquisitions of investment properties, including capitalized transactions cost, and initial recognition of right-of-use assets), and by the $6 million net change in fair value. It is also attributable to $4 million of capital expenditures and $3 million of leasing fees and capitalized lease incentives. The overall increase was partially offset by the net transfer of a $10 million investment property to a finance lease.

Improvements in investment properties

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

The following table summarizes capital expenditures, incentives, and leasing fees, for the periods ended 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
	$	$	$	$
Recoverable capital expenditures	266	697	928	1,285
Non-recoverable capital expenditures	767	578	2,782	1,418
Total capital expenditures	1,033	1,275	3,710	2,703
Leasing fees and leasehold improvements	756	1,316	3,354	4,246
Total	1,789	2,591	7,064	6,949

Financial 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 receivable.

When the Trust classified the lease as a finance lease, it recognizes 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 September 30, 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**

	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

Receivables

The following table summarizes receivables for the periods ended September 30, 2023, December 31, 2022, and September 30, 2022:

(in thousands of dollars)	September 30, 2023	December 31, 2022	September 30, 2022
	$	$	$
Rent receivable	3,252	3,431	4,019
Allowance for expected credit losses	(822)	(1,011)	(971)
Net rent receivable	2,429	2,420	3,048
Unbilled recoveries	1,344	1,142	1,494
Other receivables	252	1,254	988
Receivables	4,026	4,816	5,530

Receivables decreased from $4.8 million as at December 31, 2022, to $4.0 million as at September 30, 2023. The decrease in receivables is due to favorable collections, accounts receivables management and the positive impact of the reduction of the allowance for expected credit losses.

Prepaid expenses, Deposits and Property and equipment

The following table summarizes the prepaid expenses, deposits and property and equipment for the periods ended September 30, 2023, December 31, 2022, and September 30, 2022:

(in thousands of dollars)	September 30, 2023	December 31, 2022	September 30, 2022
	$	$	$
Property and equipment	1,458	1,436	1,522
Accumulated depreciation	(1,193)	(1,114)	(1,082)
Net property and equipment	265	322	440
Prepaid expenses	5,839	1,234	6,042
Deposits	712	1,929	822
Other assets	6,816	3,485	7,304

Prepaid expenses, deposits and property and equipment increased from $3.5 million as at December 31, 2022, to $6.8 million as at September 30, 2023, which is explained by an increase in prepaid expenses for property taxes.

Capital Resources

Long-term debt

The following table summarizes the balance of BTB's indebtedness on September 30, 2023, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

As at September 30, 2023 (in thousands of dollars)	Balance of convertible debentures[1]	Balance of mortgages payable[1]	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2023	-	30,502	5.76
2024	24,000	128,545	5.02
2025	19,917	57,136	4.30
2026	-	119,841	3.41
2027	-	115,183	5.26
2028 and thereafter	-	192,940	3.93
Total	43,917	644,147	4.43

(1) Gross amounts.

The Trust has $30.5 million of mortgages coming to maturity in the next three months. The Trust as of the date of this report has commitment letters from financial institutions for the refinancing of $30.5 million and is in the process of negotiating the 2024 mortgages coming to maturity. Historically, the Trust has always been able to refinance its existing mortgages and there is no indication that this would change.

Weighted average contractual interest rate

As at September 30, 2023, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.43% (4.29% for mortgage loans and 6.45% for convertible debentures), representing an increase of 61 basis points compared to the same period last year. As at September 30, 2022, the weighted average contractual interest rate of the Trust's long-term debt stood at 3.82% (3.64% for mortgage loans and 6.46% for convertible debentures).

Mortgage loans

As at September 30, 2023, the Trust's total mortgage loans (excluding unamortized fair value adjustments and unamortized financing expenses) amounted to $644.1 million compared to $638.4 million as at December 31, 2022. The net increase of $5.7 million includes $16.8 million that relates to contracted mortgages for previously mentioned acquisitions, $3.4 million of additional capital on refinanced existing mortgages, netted by $14.5 million of monthly principal repayments.

The following table summarizes the changes in mortgage loans payable for the period ended September 30, 2023:

Periods ended September 30, 2023 (in thousands of dollars)	Quarter	Cumulative (9 months)
	$	$
Balance at beginning[1]	648,348	638,441
Mortgage loans contracted or assumed[2]	650	35,850
Balance repaid at maturity or upon disposition[3]	-	(15,625)
Monthly principal repayments[4]	(4,851)	(14,519)
Balance as at September 30, 2023[1]	644,147	644,147

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

As at September 30, 2023, the weighted average mortgage interest rate was 4.29% compared to 3.64% for the same period last year, an increase of 65 basis points. This increase is mainly due to the increase in the average weighted contractual rate of variable interest on mortgage loans outstanding, which increased by 322 basis points to 6.83% (3.61% as at September 30, 2022). In comparison, the weighted average for fixed interest rate increased by 34 basis point to 3.98% (3.64% as at September 30, 2022).

As at September 30, 2023, the majority of the Trust's mortgages payable bear interest at fixed rates (cumulative principal amount of $574.2 million) or are subject to floating-to-fixed interest rate swaps (cumulative principal amount of $50.7 million). However, the Trust has three loans that bear interest at floating rates (cumulative principal balance of $19.2 million).

The weighted average term of existing mortgage loans was 3.4 years as at September 30, 2023, compared to 4.4 years for the same period last year. The Trust attempts to spread the maturities of its mortgages over many years to mitigate the risk associated with renewals.

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

As at September 30, 2023 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2023 (3 months)	4,794	30,457	35,251	5.5
2024	16,715	125,301	142,016	22.1
2025	14,249	52,853	67,102	10.4
2026	12,070	108,601	120,671	18.7
2027	8,152	100,502	108,654	16.9
2028 and thereafter	15,235	155,218	170,453	26.5
Total	**71,215**	**572,932**	**644,147**	**100.0**
Unamortized fair value assumption adjustments			251	
Unamortized financing expenses			(2,661)	
Balance as at September 30, 2023			**641,737**	

As at September 30, 2023, the Trust was in compliance with all the contractual mortgage covenants to which it is subject.

Convertible debentures

The following table summarizes the convertible debentures for the period ended September 30, 2023:

(in thousands of dollars)	Series G[(1)(3)]	Series H[(2)(3)]	Total
Par value	24,000	19,917[(4)]	43,917
Contractual interest rate	6%	7%	
Effective interest rate	7%	8%	
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 September 30, 2023	**23,661**	**18,589**	**42,250**

(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 tradable units freely to Series G and H debenture holders.
(4) Conversion of $10,083 of the Series H debenture since issuance. Conversion of $0 during the quarter.

Debt ratio

Under the terms of its trust agreement, the Trust can't contract a mortgage loan if, after having contracted the said loan, the total mortgage debt would exceed 75% of the fair value of the total assets of the Trust. In accordance with the Trust indenture, when establishing this calculation, the convertible debentures shouldn't be considered in the calculation of total indebtedness. Moreover, also under its trust indenture, in case of failure to abide by this condition, the Trust benefits from a 12-month delay from the date of knowledge to remedy the situation.

The following table summarizes the Trust's debt ratios as at September 30, 2023, and 2022 and December 31 2022:

(in thousands of dollars)	September 30, 2023	December 31, 2022	September 30, 2022
	$	$	$
Cash and cash equivalents	**(2,357)**	(2,404)	(10,417)
Mortgage loans outstanding[(1)]	**644,147**	638,441	631,808
Convertible debentures[(1)]	**43,093**	43,170	43,086
Credit facilities	**36,363**	9,897	36,991
Total long-term debt less cash and cash equivalents[(2)(3)]	**721,246**	689,104	701,468
Total gross value of the assets of the Trust less cash and cash equivalents[(2)(4)]	**1,234,391**	1,178,049	1,197,582
Mortgage debt ratio (excluding convertible debentures and credit facilities)[(2)(5)]	**52.2%**	54.2%	52.8%
Debt ratio – convertible debentures[(2)(6)]	**3.5%**	3.7%	3.6%
Debt ratio – credit facilities[(2)(7)]	**2.9%**	0.8%	3.1%
Total debt ratio[(2)]	**58.4%**	58.5%	58.6%

(1) Before unamortized financing expenses and fair value assumption adjustments.
(2) This is a non-IFRS financial measure, refer to page 31.
(3) Long-term debt less free cash flow is a non-IFRS financial measure, calculated as total of: (i) fixed rate mortgage loans payable; (ii) floating rate mortgage loans payable; (iii) Series G debenture capital amount; (iv) Series F debenture capital adjusted with non-derivative component less conversion options exercised by holders; and (v) credit facilities, less cash and cash equivalents. The most directly comparable IFRS measure to net debt is debt.
(4) Gross value of the assets of the Trust less cash and cash equivalent ("GVALC") is a non-IFRS financial measure defined as the Trust total assets adding the cumulated amortization property and equipment and removing the cash and cash equivalent. The most directly comparable IFRS measure to GVALC is total assets.
(5) Mortgage debt ratio is calculated by dividing the mortgage loans outstanding by the GVALC.
(6) Debt ratio – convertible debentures is calculated by dividing the convertible debentures by GVALC.
(7) Debt ratio – credit facilities is calculated by dividing the credit facilities by the GVALC.

As of September 30, 2023, the mortgage debt ratio[(1)] excluding the convertible debentures and credit facilities totalled 52.2%, a decrease of 2% since December 31, 2022. As of September 30, 2023, the total debt ratio[(2)], including the convertible debentures and credit facilities, net of cash and cash equivalents, decreased to 58.4%, a decrease of 0.1% since December 31, 2022, driven by increases to the fair value of investment properties held by the trust.

The Trust seeks to finance its acquisitions with a maximum mortgage debt ratio of 65% since the cost of financing is lower than the capital cost of the Trust's equity. Liquidity refers to the Trust having credit availability under committed credit facilities and/or generating enough cash and cash equivalents to fund the ongoing operational commitments including maintenance capital and development capital expenditures, distributions to unitholders and planned growth in the business. The Trust maintains credit facilities to provide financial liquidity which can be drawn or repaid on short notice, reducing the need to hold liquid resources in cash and deposits. Management continues to believe the Trust is well positioned based on the improved balance sheet over the years, short-term debt maturities that are under way to be refinanced, a pool of assets that can be used to structure new lines of credit, and the liquidity of the portfolio in the event of an opportunistic asset sale.

(1) This is a non-IFRS financial measure as defined in this page.
(2) This is a non-IFRS financial measure, refer to page 31.

Interest coverage ratio

The following table summarizes the interest coverage ratio 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, except for the ratios)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
Adjusted EBITDA(1)	16,544	16,507	51,654	48,062
Interest expenses net of financial income(2)	7,906	7,075	23,238	20,345
Interest coverage ratio(3)	2.09	2.33	2.22	2.36

(1) This is a non-IFRS financial measure, refer to page 31.
(2) This is a non-IFRS financial measure. Interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units.
(3) This is a non-IFRS financial measure. Interest coverage ratio is calculated by dividing the Adjusted EBITDA(1) by Interest expenses net of financial income (as previously defined).

For the first nine months of the year, the interest coverage ratio stood at 2.22, a decrease of 14 basis points from the same period last year.

Debt service coverage ratio

The following table summarizes the debt service coverage ratio 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, except for the ratios)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
Adjusted EBITDA(1)	16,544	16,507	51,654	48,062
Interest expenses net of financial income(2)	7,906	7,075	23,238	20,345
Principal repayments	4,851	5,231	14,519	15,137
Debt service requirements	12,757	12,306	37,757	35,482
Debt service coverage ratio(3)	1.30	1.34	1.37	1.35

(1) This is a non-IFRS financial measure, refer to page 31.
(2) This is a non-IFRS financial measure. Interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units.
(3) This is a non-IFRS financial measure. Debt service coverage ratio is calculated by dividing the Adjusted EBITDA(1) by Debt service requirements.

For the first nine months of the year, the debt service coverage ratio stood at 1.37, an increase of 2 basis points from the same period last year.

Class B LP units

The following table summarizes the Class B LP units for the period ended September 30, 2023, as well as the cumulative period for the first nine months of 2023:

Period ended September 30, 2023 (in number of units)	Quarter		Cumulative (9 months)	
	Units	$	Units	$
Class B LP units outstanding, beginning of period	197,265	706	347,265	1,268
Issuance of Class B LP Units - Acquisition	550,000	2,475	550,000	2,475
Exchange into Trust units	-	-	(200,000)	(724)
Fair value adjustment	-	(159)	-	(934)
Class B LP units outstanding, end of period	747,265	3,022	697,265	2,085

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

On May 30, 2018, Class B LP units were issued in payment for the acquisition of a 25% equity portion in the property located at 815 Boulevard Lebourgneuf in Quebec City.

On February 14, 2023, the holders of the class B LP units converted 150,000 units into units of the Trust and on August 18, 2023 the holders of the class B LP units converted 50,000 units into units of the Trust.

On May 1, 2023, 550,000 Class B LP units were issued as part of the payment for the acquisition of the property located at 8810, 48th Avenue NW in Edmonton.

Units outstanding

The following table summarizes the total number of units outstanding and the weighted number of units outstanding 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 number of units)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
Units outstanding, beginning of the period	86,043,128	84,731,856	85,238,279	74,126,971
Units issued pursuant to a public issue	-	-	-	9,584,100
Distribution reinvestment plan	278,233	224,121	779,126	620,144
Issued - employee unit purchase plan	-	310	8,955	11,915
Issued - restricted unit compensation plan	-	25,857	45,276	130,506
Issued – deferred unit compensation plan	-	-	-	-
Class B LP units exchanged into Trust units	50,000	-	200,000	-
Issued – conversion of convertible debentures	-	3,296	99,725	511,804
Units outstanding, end of the period	86,371,361	84,985,440	86,371,361	84,985,440
Weighted average number of units outstanding	85,939,379	84,900,129	85,776,984	82,402,375
Weighted average number of Class B LP units and units outstanding	86,503,311	85,247,394	86,182,582	82,749,640

As of September 30, 2023, no units have been repurchased for cancellation under the normal course issuer bid ("NCIB").

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 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 number of units)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
Deferred units outstanding, beginning of the period	131,583	111,717	121,727	103,116
Trustees' compensation	3,247	5,133	8,187	9,585
Distributions paid in units	3,504	4,527	8,420	8,676
Deferred units outstanding, end of the period	138,334	121,377	138,334	121,377

Restricted unit compensation plan

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

The following table summarizes restricted units outstanding 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 number of units)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
Restricted units outstanding, beginning of the period	310,377	163,169	138,583	161,536
Granted	-	1,272	217,072	93,576
Settled	-	(25,858)	(45,278)	(116,529)
Restricted units outstanding, end of the period	310,377	138,583	310,377	138,583

Employee unit purchase plan

The Trust offers its employees an optional unit purchase plan. 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. Subject to the plan's conditions, for each two units purchased by an employee, the Trust shall issue one unit from treasury to the employee.

Off-balance sheet arrangements and contractual commitments

The Trust doesn't have any other off-balance sheet arrangement or commitment that have or are likely to have an impact on its operating results or financial position, specifically its cash position and sources of financing.

Income Taxes

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The Trust intends to distribute or allocate all of the taxable income to its unitholders and to deduct these distributions for income tax purposes.

A special tax regime applies to trusts that are considered specified investment flow-through (SIFT) entities as well as those individuals who invest in SIFT entities. Under this regime, SIFT entities must generally pay taxes on their income at rates that are close to those of companies. In short, a SIFT entity is an entity (including a trust) that resides in Canada, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

However, for a given taxation year, BTB isn't considered a SIFT entity and is therefore not subject to SIFT rules if, during that year, it constitutes a real estate investment trust (REIT).

Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions all year long: (i) the total fair market value of all the "non-portfolio properties" that are "qualified REIT properties" held by the trust is at least 90% of the total fair market value at that time of all the "nonportfolio assets" held by the trust (ii) not less than 90% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest, 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 September 30, 2023, BTB met all these conditions and qualified as a REIT. As a result, the SIFT trust tax rules don't 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 2023 or any other subsequent year.

Taxation of Unitholders

For Canadian unitholders, to the best of the Trust management's knowledge, distributions are qualified as follows for taxation purposes:

Periods ended September 30	2023	2022
	%	%
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 the annual consolidated financial statements as at and for the years ended December 31, 2022, and 2021.

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.

Inflation and Interest Rates

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 not had a significant impact on the Trust's operations and ability to negotiate new or renew 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 in the market. The Trust will continue to monitor the effects of the rise of the policy rate on its investment activities and valuation of the investment properties.

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 2023 Annual Information Form for the year ended December 31, 2022, 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 Executive Vice-President and Chief Operating & Financial Officer of BTB are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in Canadian Securities Administrators Multilateral Instrument 52-109.

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Operating & Financial Officer concluded that the DC&P were effective as at December 31, 2022, and that the current controls and procedures provide reasonable assurance that material information about BTB is made known to them during the quarter in which these filings are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Operating & Financial Officer of BTB concluded that ICFR was effective as at September 30, 2023, 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 third quarter of 2023, management made no changes to internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.

Appendix 1 – Definitions

Class B LP Units

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

Rental revenue

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

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

Operating expenses

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

Net operating income (NOI)

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

Financial expenses

Financial expenses arise from the following loans and financing:

- Mortgage loans payable contracted or assumed totalling approximately $644.1 million as at September 30, 2023, compared to $630.8 million as at September 30, 2022.
- Series G and H convertible debentures for a total par value of $43.9 million.
- Credit facilities used as needed.
- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Administration expenses

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

Fair value adjustment on investment properties

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

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

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

Same-property portfolio

The same-property portfolio includes all the properties owned by the Trust as at January 1, 2022 and still owned as at September 30, 2023, but doesn't include the financial impacts from dispositions, acquisitions and developments completed in 2022 and 2023, as well as the results of subsequently sold properties.

Net property income from the same-property portfolio

Net property income from the same-property portfolio provides an indication of the profitability of existing portfolio operations and the Trust's ability to increase its revenues and reduce its costs. It is defined as rental revenue from properties from the same-property portfolio, less operating expenses, and interest on mortgage financing of the same portfolio.

Appendix 2 – Non-IFRS Financial Measures – Definitions

Non-IFRS Measure	Definition	Reconciliation
Adjusted net income	Adjusted net income is a non-IFRS financial measure that starts with net income and comprehensive income and removes the effects of: (i) fair value adjustment of investment properties; (ii) fair value adjustment of derivative financial instruments; (iii) fair value adjustment of Class B LP units; and (iv) transaction costs incurred for acquisitions and dispositions of investment properties and early repayment fees. The Trust considers this to be a useful measure of operating performance, as fair value adjustments can fluctuate widely with the real estate market.	Operating results – Adjusted net income
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")	Adjusted EBITDA income is a non-IFRS financial measure that starts with net income and comprehensive income and removes the effects of certain adjustments, on a proportionate basis, including: (i) interest expense; (ii) taxes; (iii) depreciation of property and equipment; (iv) amortization of intangible assets; (v) fair value adjustments (including adjustments of investment properties, of financial instruments, of Class B LP units and of unit price adjustments related to unit-based compensation); (vi) transaction costs for acquisitions and dispositions of investment properties and early repayment fees; and (vii) straight-line rental revenue adjustments. The most directly comparable IFRS measure to Adjusted EBITDA is net income and comprehensive income. The Trust believes Adjusted EBITDA is a useful metric to determine its ability to service debt, to finance capital expenditures and to provide distributions to its Unitholders.	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"); Capital Resources – Interest coverage ratio; and Capital Resources – Debt service coverage ratio
Same-Property NOI	Same-Property NOI is a non-IFRS financial measure defined as net operating income ("NOI") for the properties that the Trust owned and operated for the entire duration of both the current year and the previous year. The most directly comparable IFRS measure to same-property NOI is Operating Income. The Trust believes this is a useful measure as NOI growth can be assessed on its portfolio by excluding the impact of property acquisitions and dispositions of both the current year and previous year. The Trust uses the Same-Property NOI to indicate the profitability of its existing portfolio operations and the Trust's ability to increase its revenues, reduce its operating costs and generate organic growth.	Operating results – Same-Property Portfolio
Funds from Operations ("FFO") **and FFO adjusted**	FFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its January 2022 White Paper ("White Paper"). FFO is defined as net income and comprehensive income less certain adjustments, on a proportionate basis, including: (i) fair value adjustments on investment properties, class B LP units and derivative financial instruments; (ii) amortization of lease incentives; (iii) incremental leasing costs; and (iv) distribution on class B LP units. FFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. FFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. FFO Adjusted is also a non-IFRS financial measure that starts with FFO and removes the impact of transaction costs on acquisitions and dispositions of investment properties and early repayment fees. The Trust believes FFO and FFO Adjusted are key measures of operating performance and allow the investors to compare its historical performance.	Funds from Operations (FFO); Cash Flows; and Appendix 3
Adjusted Funds from Operations ("AFFO") **and** **AFFO adjusted**	AFFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its White Paper. AFFO is defined as FFO less: (i) straight-line rental revenue adjustment; (ii) accretion of effective interest; (iii) amortization of other property and equipment; (iv) unit-based compensation expenses; (v) provision for non-recoverable capital expenditures; and (vi) provision for unrecovered rental fees (related to regular leasing expenditures). AFFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. AFFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. AFFO Adjusted is also a non-IFRS financial measure that starts with AFFO and removes the impact of transaction costs on acquisitions and dispositions of investment properties and early repayment fees. The Trust considers AFFO and AFFO adjusted to be useful measures of economic earnings and relevant in understanding its ability to service its debt, fund capital expenditures and provide distributions to unitholders.	Adjusted Funds from Operations (AFFO); Cash Flows; and Appendix 3
FFO and AFFO payout ratios **and** **FFO adjusted and AFFO adjusted payout ratios**	FFO and AFFO payout ratios and FFO adjusted and AFFO adjusted payout ratios are non-IFRS financial measures used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its White Paper. These payout ratios are calculated by dividing the actual distributions per unit by FFO, AFFO and FFO adjusted and AFFO adjusted per unit in each period. The Trust considers these metrics a useful way to evaluate its distribution paying capacity.	Funds from Operations (FFO); Adjusted Funds from Operations (AFFO); and Appendix 3
Total debt ratio	Total debt ratio is a non-IFRS financial measure of the Trust financial leverage, which is calculated by taking the total long-term debt less cash divided by total gross value of the assets of the Trust less cash. The Trust considers this metric useful as it indicates its ability to meet its debt obligations and its capacity for future additional acquisitions.	Capital Resources – Debt ratio
Interest Coverage Ratio	Interest coverage ratio is a non-IFRS financial measure which is calculated by taking the Adjusted EBITDA divided by interest expenses net of financial income (interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	Capital Resources – Interest coverage ratio
Debt Service Coverage Ratio	Debt service coverage ratio is a non-IFRS financial measure which is calculated by taking the Adjusted EBITDA divided by the Debt Service Requirements, which consists of principal repayments and interest expenses net of financial income (interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	Capital Resources – Debt service coverage ratio

Appendix 3 – Non-IFRS Financial Measures – Quarterly Reconciliation

Funds from Operations (FFO)[1]

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

	2023 Q-3	2023 Q-2	2023 Q-1	2022 Q-4	2022 Q-3	2022 Q-2	2022 Q-1	2021 Q-4
(in thousands of dollars, except for per unit)	$	$	$	$	$	$	$	$
Net income and comprehensive income (IFRS)	15,216	10,846	8,802	1,769	11,693	18,243	6,449	23,219
Fair value adjustment on investment properties	(6,481)	-	-	7,781	1,230	197	(1,007)	(19,571)
Fair value adjustment on Class B LP units	(159)	(775)	-	160	(142)	(233)	66	21
Amortization of lease incentives	664	750	728	787	773	818	735	858
Fair value adjustment on derivative financial instruments	(584)	(763)	184	(1,971)	(3,898)	(9,344)	997	3,297
Leasing payroll expenses[6]	359	327	356	682	182	158	221	208
Distributions – Class B LP units	56	42	22	26	26	26	26	30
Unit-based compensation (Unit price remeasurement)[5]	(87)	(232)	(59)	198	(172)	(285)	77	23
FFO[1]	8,984	10,195	10,033	9,432	9,692	9,580	7,564	8,085
Transaction costs on disposition of investment properties and mortgage early repayment fees	46	-	-	627	93	138	753	109
FFO adjusted[1]	9,030	10,195	10,033	10,059	9,785	9,718	8,317	8,194
FFO per unit[1][2][3]	10.3¢	11.8¢	11.7¢	11.0¢	11.4¢	11.3¢	9.7¢	10.9¢
FFO adjusted per unit[1][2][4]	10.4¢	11.8¢	11.7¢	11.8¢	11.5¢	11.4¢	10.7¢	11.0¢
FFO payout ratio[1]	72.9%	63.8%	64.1%	67.9%	65.9%	66.4%	77.2%	68.9%
FFO adjusted payout ratio[1]	72.5%	63.8%	64.1%	63.6%	65.2%	65.5%	70.2%	68.0%

(1) This is a non-IFRS financial measure, refer to page 31.
(2) Including Class B LP units.
(3) The FFO per unit ratio is calculated by dividing the FFO[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The FFO adjusted per unit ratio is calculated by dividing the FFO adjusted[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the FFO adjusted and AFFO adjusted starting Q2 2021.
(6) The impact of the CIO compensation, hired in Q2 2022, was added to the Leasing payroll expenses during Q4 2022 as his duties were mainly leasing activities throughout the year.

(1) This is a non-IFRS financial measure, refer to page 31.

Adjusted Funds from Operations (AFFO)[1]

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

	2023 Q-3	2023 Q-2	2023 Q-1	2022 Q-4	2022 Q-3	2022 Q-2	2022 Q-1	2021 Q-4
(in thousands of dollars, except for per unit)	$	$	$	$	$	$	$	$
FFO[1]	8,984	10,195	10,033	9,432	9,692	9,580	7,564	8,085
Straight-line rental revenue adjustment	(842)	(291)	(633)	(1,077)	(521)	(74)	(150)	(758)
Accretion of effective interest	271	278	236	336	219	284	288	275
Amortization of other property and equipment	33	23	23	31	35	26	30	22
Unit-based compensation expenses	184	237	256	206	130	312	73	143
Provision for non-recoverable capital expenditures[1]	(626)	(634)	(658)	(630)	(599)	(580)	(581)	(539)
Provision for unrecovered rental fees[1]	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)
AFFO[1]	7,629	9,433	8,882	7,923	8,581	9,173	6,849	6,853
Transaction costs on disposition of investment properties and mortgage early repayment fees	46	-	-	627	93	138	753	109
AFFO adjusted[1]	7,675	9,433	8,882	8,550	8,674	9,311	7,602	6,962
AFFO per unit[1][2][3]	8.8¢	10.9¢	10.3¢	9.3¢	10.1¢	10.8¢	8.8¢	9.2¢
AFFO adjusted per unit[1][2][4]	8.8¢	10.9¢	10.3¢	10.0¢	10.2¢	11.0¢	9.7¢	9.4¢
AFFO payout ratio[1]	85.8%	69.0%	72.4%	80.8%	74.4%	69.4%	85.3%	81.3%
AFFO adjusted payout ratio[1]	85.3%	69.0%	72.4%	74.9%	73.6%	68.3%	76.8%	80.0%

(1) This is a non-IFRS financial measure, refer to page 31.
(2) Including Class B LP units.
(3) The AFFO per unit ratio is calculated by dividing the AFFO[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The AFFO adjusted per unit ratio is calculated by dividing the AFFO adjusted[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(1) This is a non-IFRS financial measure, refer to page 31.

Who We Are

Driven

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)

	Notes	For the three-month periods ended September 30, 2023	2022	For the nine-month periods ended September 30, 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)

	Notes	For the three-month periods ended September 30, 2023	2022	For the nine-month periods ended September 30, 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.

Executive Team & Board of Trustees

Michel Léonard
President, Chief Executive Officer & Trustee

Mathieu Bolté
Executive Vice President, COO & CFO

Jocelyn Proteau
Chair of the Board & Trustee[2]

Jean-Pierre Janson
Vice-Chair of the Board & Trustee[2]

Lucie Ducharme
President, Human Resources and Governance Committees & Trustee[1][2]

Luc Martin
President, Audit Committee & Trustee[1]

Armand Des Rosiers
Trustee

Fernand Perreault
President, Investment Committee & Trustee[3]

Christine Marchildon
Trustee[2]

Sylvie Lachance
Trustee[3]

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

Unitholders Information

Head office
BTB Real Estate Investment Trust
1411 Crescent Street, 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

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F 514 982-7850
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Taxability of distributions
In 2022, for all Canadian unitholders, the distributions were fiscally treated as follow:
- Other revenues: 0%
- Fiscal Deferral: 100%

Auditors
KPMG LLP.
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Suite 1500
Montréal, Québec, H3A 0A3

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

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.