



BTB

Celebrating 15 Years of Milestones



Q1 2022

Condensed Consolidated
Interim Financial Statements

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Condensed Consolidated Interim Financial Statements

Quarter ended March 31, 2022

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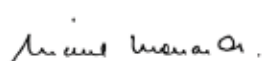
Condensed Consolidated Interim Statements of Financial Position

(Unaudited - in thousands of CAD dollars)

	Notes	As at March 31, 2022	As at December 31, 2021
		\$	\$
Assets			
Investment properties	3	1,127,373	1,110,971
Property and equipment		438	446
Prepaid expenses and deposits		5,028	2,747
Balance of sale		3,019	3,018
Receivables	4	6,312	5,528
Cash and cash equivalents		40,666	7,191
Total assets		1,182,836	1,129,901
Liabilities and unitholders' equity			
Mortgage loans payable	5	617,420	605,210
Convertible debentures	6	41,981	42,819
Bank loans	7	35,318	35,468
Lease liabilities		4,215	4,219
Class B LP Units	8	1,483	1,417
Unit-based compensation	10	1,251	1,513
Derivative financial instruments	9	11,831	11,246
Trade and other payables		21,178	21,731
Distribution payable to unitholders		2,109	1,853
Total liabilities		736,786	725,476
Unitholders' equity		446,050	404,425
		1,182,836	1,129,901

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on May 6, 2022.



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 March 31,	
		2022	2021
		\$	\$
Operating revenues			
Rental revenue	12	29,068	23,532
Operating expenses			
Public utilities and other operating expenses		6,267	5,519
Property taxes and insurance		6,567	5,599
		12,834	11,118
Net operating income		16,234	12,414
Financial income		145	134
Expenses			
Financial expenses		7,557	6,246
Distribution - Class B LP Units	8	26	30
Fair value adjustment - Class B LP Units	8	66	280
Net adjustment to fair value of derivative financial instruments		997	1,814
Net financial expenses	13	8,646	8,370
Administration expenses		1,822	1,668
Net change in fair value of investment properties and disposition expenses	3	(538)	-
Net income and comprehensive income for the period		6,449	2,510

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, 2022		351,540	(177,308)	230,193	404,425
Issuance of units, net of issuance expenses	11	41,001	-	-	41,001
Distribution to unitholders	11	-	(5,825)	-	(5,825)
		392,541	(183,133)	230,193	439,601
Comprehensive income		-	-	6,449	6,449
Balance as at March 31, 2022		392,541	(183,133)	236,642	446,050
Balance as at January 1, 2021		309,394	(155,952)	188,625	342,067
Issuance of units, net of issuance expenses	11	4,923	-	-	4,923
Distribution to unitholders	11	-	(4,798)	-	(4,798)
		314,317	(160,750)	188,625	342,192
Comprehensive income		-	-	2,510	2,510
Balance as at March 31, 2021		314,317	(160,750)	191,135	344,702

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 March 31,	
		2022	2021
		\$	\$
Operating activities			
Net income for the period		6,449	2,510
Net change in fair value of investment properties and disposition expenses	3	(538)	-
Depreciation of property and equipment		30	15
Unit-based compensation	10	151	645
Straight-line lease adjustment	12	(150)	(397)
Lease incentive amortization	12	735	877
Financial income		(145)	(134)
Net financial expenses	13	8,646	8,370
		15,178	11,886
Adjustment for changes in other working capital items		(3,774)	1,263
Net cash from operating activities		11,404	13,149
Investing activities			
Additions to investment properties net of mortgage loans	3	(17,212)	(1,673)
Net proceeds from disposition of investment properties	3	19,973	-
Acquisition of property and equipment		(22)	(45)
Net cash from investing activities		2,739	(1,718)
Financing activities			
Mortgage loans, net of financing expenses		(432)	(3)
Repayment of mortgage loans		(6,735)	(4,159)
Repayment of bank loans		(150)	(300)
Lease liability payments		(4)	(3)
Net proceeds from unit issue		38,330	10
Net distribution to unitholders		(4,800)	(4,071)
Net distribution - Class B LP units	8	(26)	(30)
Interest paid		(6,851)	(5,682)
Net cash (used in) from financing activities		19,332	(14,238)
Net change in cash and cash equivalents		33,475	(2,807)
Cash and cash equivalents, beginning of period		7,191	9,062
Cash and cash equivalents, end of period		40,666	6,255

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021
(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 Quebec pursuant to a trust agreement and is domiciled in Canada. The address of BTB's registered office is 1411 Crescent Street, Suite 300, Montreal, Quebec, Canada. The condensed consolidated interim financial statements of BTB for the three-month period ended March 31, 2022 and 2021 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, 2021.

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, 2021.

These condensed consolidated interim financial statements were approved by the Board of Trustees on May 6, 2022.

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

The COVID-19 pandemic has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures have caused an economic slowdown and material disruption to businesses in Canada and globally since 2020. The nature and extent of these measures may change depending on the efficacy of the vaccination programs, the emergence of new variants of the COVID-19 virus, and any resurgence of COVID-19 positive cases. As a result of the continuously evolving circumstances surrounding COVID-19, uncertainty remains with respect to BTB's revised internal forecast, the most significant being the fact that it cannot predict how consumers will respond as the restriction measures continue or change in Canada (return to the office policy, online vs physical consumer habits, etc.). Given the continuously evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the nature, extent and duration of COVID-19, and the duration and intensity of resulting business disruptions and related financial, social, and public health impacts. Such effects could be adverse and material, including their potential effects on the Trust's business, operations, and financial performance both in the short-term and long-term. Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 relate to the valuation of investment properties and the determination of expected credit losses on receivables. The amounts recorded in the consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. However, given the heightened level of uncertainty caused by COVID-19, these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. BTB continues to monitor its business operations and is aware of the impacts that the COVID-19 pandemic has on the global economy as its duration remains uncertain. BTB may take further action in response to the directives of government and public health authorities or actions that are in the best interests of employees, tenants, suppliers, or other stakeholders, as necessary.

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

	Three-month period ended March 31,	Year ended December 31,
	2022	2021
	\$	\$
Balance beginning of period	1,110,971	903,870
Acquisitions of investment properties (note 3(a))	38,961	185,864
Dispositions of investment properties (note 3(b))	(25,991)	(4,450)
Capital expenditures	759	3,672
Capitalized leasing fees	543	936
Capitalized lease incentives	1,708	3,466
Lease incentives amortization	(735)	(3,292)
Straight-line lease adjustment	150	1,334
Net changes in fair value of investment properties	1,007	19,571
Balance end of period	1,127,373	1,110,971

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

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

At March 31, 2022 no external appraisals were obtained for investment properties (December 31, 2021 - \$672,109).

The fair value of investment properties is based on Level 3 inputs. There have been no transfers during the period 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 March 31, 2022			
Capitalization rate	4.50% - 8.50%	5.25% - 8.50%	5.25% - 7.75%
Terminal capitalization rate	4.75% - 7.00%	5.50% - 7.50%	6.00% - 7.00%
Discount rate	5.75% - 7.50%	5.50% - 8.25%	6.50% - 7.50%
As at December 31, 2021			
Capitalization rate	4.50% - 8.50%	5.25% - 8.50%	5.25% - 7.75%
Terminal capitalization rate	4.75% - 7.00%	5.50% - 7.50%	6.00% - 7.00%
Discount rate	5.75% - 7.50%	5.50% - 8.25%	6.50% - 7.50%

The following table provides a sensitivity analysis of the fair value of investment properties for changes in the weighted average capitalization rate as at March 31, 2022, which is representative of the sensitivity to changes in the discount rate and terminal capitalization rate as at March 31, 2022.

Capitalization rate sensitivity		
Increase (decrease)	Fair Value	Change in fair value
	\$	\$
(0.50 %)	1,224,399	97,026
(0.25 %)	1,173,859	46,486
Base rate	1,127,373	-
0.25 %	1,084,466	(42,907)
0.50 %	1,044,736	(82,637)

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 three-month periods ended March 31, 2022, were as follows:

i) Acquisitions in 2022

Fair value recognized on acquisition							
Acquisition date	Property type	Location	Interest acquired	Investment properties, including transaction costs	Mortgage loan	Receivable / (Trade and other payables), including transaction costs	Net consideration
			%	\$	\$	\$	\$
January 2021	Office	Ottawa, ON	100	34,908	(24,800)	-	10,108
January 2021	Office	Ottawa, ON	100	3,192	-	-	3,192
Transaction costs				861	-	-	861
Total				38,961	(24,800)	-	14,161

ii) Acquisitions in 2021

Fair value recognized on acquisition

Acquisition date	Property type	Location	Interest acquired	Investment properties, including transaction costs	Mortgage loan	Receivable / (Trade and other payables), including transaction costs	Net consideration
			%	\$	\$	\$	\$
June 2021	Industrial	Montreal, QC	100	15,250	(9,913)	(84)	5,253
November 2021	Office	Montreal, QC	100	35,818	(23,400)	(522)	11,896
November 2021	Office	Montreal, QC	100	37,807	(24,700)	(548)	12,559
December 2021	Industrial	Leduc, AB	100	6,500	(4,225)	(52)	2,223
December 2021	Office	Edmonton, AB	100	4,500	(2,925)	(43)	1,532
December 2021	Industrial	Edmonton, AB	100	6,500	(4,225)	(48)	2,227
December 2021	Industrial	Edmonton, AB	100	8,900	(5,785)	(13)	3,102
December 2021	Industrial	Edmonton, AB	100	14,100	(9,150)	(10)	4,940
December 2021	Industrial	Edmonton, AB	100	12,400	(8,066)	(7)	4,327
December 2021	Industrial	Saskatoon, SK	100	4,600	(3,182)	(17)	1,401
December 2021	Industrial	Saskatoon, SK	100	20,700	(13,441)	39	7,298
December 2021	Industrial	Saskatoon, SK	100	5,000	(3,246)	10	1,764
December 2021	Industrial	Saskatoon, SK	100	10,500	(6,818)	6	3,688
Transaction costs				3,289	-	(3,289)	-
Total				185,864	(119,076)	(4,578)	62,210

b) Dispositions

i) Dispositions in 2022

Disposal date	Property type	Location	Gross proceeds	Purchaser's Mortgage assumption	Receivable / (Trade and other payables), including transaction costs	Net proceeds
			\$	\$	\$	\$
January 2022	Industrial	Cornwall, ON	8,056	-	-	8,056
January 2022	Industrial	Cornwall, ON	8,275	-	-	8,275
January 2022	Industrial	Cornwall, ON	7,885	-	-	7,885
January 2022	Industrial	Cornwall, ON	1,775	-	-	1,775
			-	(5,549)	-	(5,549)
Transaction costs			(469)	-	-	(469)
Total			25,522	(5,549)	-	19,973

ii) Dispositions in 2021

Disposal date	Property type	Location	Gross proceeds	Purchaser's Mortgage assumption	Receivable / (Trade and other payables), including transaction costs	Net proceeds
			\$	\$	\$	\$
December 2021	Retail	Montreal, QC	4,450	(2,632)	-	1,818
Transaction costs			-	-	(109)	(109)
Total			4,450	(2,632)	(109)	1,709

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

Three-month period ended March 31,	2022	2021
	\$	\$
Net changes in fair value of investment properties (note 3)	1,007	-
Disposition expenses (note 3 (b))	(469)	-
	538	-

Net changes in fair value of investment properties includes the net changes in fair value of right-of-use assets related to the investment properties to which a lease is attached.

The disposition expenses include mainly commissions and debt prepayment penalties on mortgage loans related to disposed properties.

4. Receivables

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Rents receivable	5,635	4,497
Allowance for expected credit losses	(886)	(944)
Net rents receivable	4,749	3,553
Unbilled recoveries	821	587
Other receivables	742	1,388
Total	6,312	5,528

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates this risk by varying its tenant mix and staggering lease terms; avoiding dependence on a single tenant for a significant portion of the Trust's operating revenues and conducting credit assessments for all major new tenants. The Trust analyzes its trade receivable on a regular basis and establishes an allowance for expected credit losses that represents its estimate of lifetime expected credit losses to be incurred in respect of its trade receivables. In assessing the adequacy of the allowance for expected credit losses on tenant receivables, management has considered the likelihood of collection of current receivables given the impact on tenant operations of COVID-19 restrictions imposed by various levels of government.

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 \$1,102,879 as at March 31, 2022 (December 31, 2021 – \$1,079,554).

	As at March 31, 2022	As at December 31, 2021
	\$	\$
Fixed rate mortgage loans payable	529,243	507,401
Floating rate mortgage loans payable	90,312	99,637
Unamortized fair value assumption adjustments	673	755
Unamortized financing expenses	(2,808)	(2,583)
Mortgage loans payable	617,420	605,210
Short-term portion	84,841	91,185
Weighted average interest rate	3.54%	3.49%
Weighted average term to maturity (years)	4.54	4.66
Range of annual rates	2.30% - 6.80%	2.30% - 6.80%

As at March 31, 2022, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	\$	\$	\$
2022 ⁽¹⁾	14,479	70,362	84,841
2023	17,097	33,841	50,938
2024	14,996	91,674	106,670
2025	12,621	52,853	65,474
2026	10,200	107,599	117,799
Thereafter	29,938	163,895	193,833
	99,331	520,224	619,555
Unamortized fair value assumption adjustments			673
Unamortized financing expenses			(2,808)
			617,420

1) For the nine-month period remaining

The Trust may enter into floating-for-fixed interest rate swap agreements on floating interest rate mortgages to hedge the variability in cash flows attributed to fluctuating interest rates. The Trust does not apply hedge accounting to such cash flow hedging relationships (see Note 9). The following table presents relevant information on interest rate swap agreements:

Transaction date	Original principal amount	Effective fixed interest rate	Settlement basis	Maturity date	Outstanding amount	
					As at March 31, 2022	As at December 31, 2021
	\$	%			\$	\$
March 2013 ⁽¹⁾	7,150	4.12	Monthly	April 2023	4,700	4,850
June 2016	13,000	3.45	Quarterly	June 2026	10,943	11,074
November 2017	23,200	3.88	Monthly	November 2027	21,848	22,015
November 2017	23,075	3.90	Monthly	December 2027	20,555	20,718
Total	66,425				58,046	58,657

1) The mortgage associated to this swap agreement has been repaid with the revolving credit facility (note 7).

6. Convertible Debentures

As at March 31, 2022, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	\$		
Series G	24,000	6.00	7.30	5.42	Semi-annual	October 2024
Series H	20,982	7.00	8.28	3.64	Semi-annual	October 2025

	Series G	Series H	Total
	\$	\$	\$
As at March 31, 2022			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	-	469	469
	24,000	27,778	51,778
Conversion options exercised by holders	-	(8,209)	(8,209)
	24,000	19,569	43,569
Unamortized financing expenses	(744)	(844)	(1,588)
Non-derivative liability component	23,256	18,725	41,981
Conversion and redemption options liability (asset) component at fair value	2,798	10,990	13,788
	Series G	Series H	Total

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

Series G

As of March 31, 2022, no conversion options have been exercised by holders on debentures.

Series H

As of March 31, 2022, conversion options have been exercised by holders on debentures representing a nominal amount of \$9,018 (March 31, 2021 – \$3,876).

7. Bank Loans

The Trust has access to two credit facilities. The first is an acquisition line of credit in the amount of \$10,900, with a possible capacity of up to \$23,000. This line of credit bears interest at a rate of 1% above the prime rate. As at March 31, 2022, no amount was due under the acquisition line of credit (December 31, 2021 – \$0). The line of credit is secured by an immoveable first rank hypothec on two properties having a fair value of \$6,220 and by an immoveable second rank hypothec on five properties having a fair value of \$91,556.

The second is a revolving credit facility in the amount of \$40,000 with an accordion option of up to an additional \$20,000. This revolving credit facility bears interest at a rate of 1% above prime rate or 2.25% above the Bankers' Acceptance rate. As at March 31, 2022, \$35,318 was due under the revolving credit facility (December 31, 2021 – \$35,468).

The revolving credit facility is secured by an immoveable first rank hypothec on one property having a fair value of \$18,275 and by negative pledge of a selection of borrowing base properties having a fair value of \$142,584.

8. Class B LP Units

	Three-month period ended March 31, 2022		Year ended December 31, 2021	
	Units	\$	Units	\$
Units outstanding, beginning of period	347,265	1,417	397,265	1,402
Exchange into Trust units	-	-	(50,000)	(216)
Fair value adjustment	-	66	-	231
Units outstanding, end of period	347,265	1,483	347,265	1,417

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 March 31,	2022	2021
	\$	\$
Distribution to Class B LP unitholders	26	30
Distribution per Class B LP unit	0.075	0.075

9. Fair Value Measurement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include the fair value of cash and cash equivalent, restricted cash, receivables, balance of sale, trade and other payables and distribution payable to unitholders, which approximated their carrying amount as at March 31, 2022 and December 31, 2021 because of their short-term maturity or because they bear interest at current market rates.

As at March 31, 2022	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 6)	13,788	-	-	13,788
Interest rate swap asset	(1,957)	-	(1,957)	-
Class B LP Units (note 8)	1,483	1,483	-	-
For which fair values are disclosed				
Mortgage loans payable (note 5)	619,555	-	599,494	-
Convertible debentures, including their conversion and redemption features (note 6)	55,769	47,730	-	-
Bank loans (note 7)	35,318	-	35,318	-

As at December 31, 2021	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 7)	10,693	-	-	10,693
Interest rate swap liability	553	-	553	-
Class B LP Units (note 8)	1,417	1,417	-	-
For which fair values are disclosed				
Mortgage loans payable (note 5)	607,038	-	614,158	-
Convertible debentures, including their conversion and redemption features (note 6)	53,512	48,376	-	-
Bank loans (note 7)	35,468	-	35,468	-

The fair value of mortgage loans payable was calculated by discounting cash flows from future payments of principal and interest using the period end market rate for various loans with similar risk and credit profiles. The period end market rates have been estimated by reference to published mortgage rates by major financial institutions for similar maturities.

The fair value of convertible debentures, including their conversion and redemption features, was determined with reference to the last quoted trading price preceding the period end.

The fair value of the Class B LP Units is determined with reference to the market price of the Trust units as at period end.

The fair values of derivative financial instruments, which comprise the conversion and redemption options of convertible debentures and an interest rate swap, are based respectively on the partial differential equation method and the discounted future cash flows method. The assumptions used in the partial differential equation method are estimated by reference to the market price of the Trust units and its volatility, and take into account the credit risk of the financial instrument. The assumptions used in the discounted future cash flows method are estimated by reference to the Canadian Dollar Offered Rate ("CDOR") forward rates.

Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

The following tables provide a reconciliation of Level 3 fair value measurements on the consolidated statements of financial position:

Conversion and redemption options of convertible debentures	
	\$
Three-months period ended March 31, 2022	
Balance beginning of period	10,693
Conversion options exercised by holders	(413)
Changes for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	3,508
Balance end of period	13,788
Conversion and redemption options of convertible debentures	
	\$
Year ended December 31, 2021	
Balance beginning of year	6,486
Conversion options exercised by holders	(2,018)
Change for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	6,225
Balance end of year	10,693

The following table provides a sensitivity analysis for the volatility applied in fair value measurement of the conversion and redemption options of convertible debentures at March 31, 2022:

	Conversion and redemption options of convertible debentures	Volatility
	\$	%
Volatility sensitivity		
Increase (decrease)		
(0.50)%	10,636	34.35
March 31, 2022	13,788	34.85
0.50%	10,746	35.35

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.

10. 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 three-month period ended March 31,	2022	2021
	Deferred units	Deferred units
Outstanding, beginning of period	103,116	87,920
Trustees' compensation	2,048	2,038
Distributions paid in units	2,177	1,722
Outstanding, end of period	107,341	91,680

As at March 31, 2022, the liability related to the plan was \$459 (March 31, 2021 - \$410). The related expense recorded in profit or loss amounted to \$49, for the three-month periods ended March 31, 2022 (\$88 for the three-month periods ended March 31, 2021)

b) Employee unit purchase plan

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, pursuant to a maximum of 3% to 7% of their base salary depending of their years of service with the Trust. For each two units purchased by an employee, the Trust issues one unit from treasury. As at March 31, 2022, the liability related to the plan was \$0 (December 31, 2021 - \$61). The related expense recorded in profit and loss amounted to \$14 for the three-month periods ended March 31, 2022 (\$0 for the three-month periods ended March 31, 2021). The 11,605 units related to 2021 purchases were issued in February 2022 (14,351 units related to 2020 purchases).

c) Restricted unit compensation plan

The Trust offers a restricted unit compensation plan for all executive officers and key employees. Under this plan, the executive officers and key employees are eligible to receive restricted units.

The following table presents relevant information on changes in the restricted units:

Three-month period ended March 31,	2022	2021
	Restricted units	Restricted units
Outstanding, beginning of period	161,536	139,724
Granted	92,304	95,058
Cancelled	-	(1,524)
Settled	(90,671)	(71,722)
Outstanding, end of period	163,169	161,536

As at March 31, 2022, the liability related to the plan was \$245 (March 31, 2021 - \$552). The related amount recorded in profit and loss amounted to an expense of \$58 for the three-month periods ended March 31, 2022 (for the three-month periods ended March 31, 2021 - expense of \$186)

d) Cash settled share-based retirement compensation plan

On February 9, 2021, the Board of Trustees retroactively approved a cash settled phantom share-based retirement allowance plan (RA Plan) for the President and Chief Executive Officer with a start date of July 1, 2020, to form part of a long-term incentive compensation plan until retirement. Under this plan, phantom units are granted at set dates to July 1, 2026, based on a predetermined cash value. The number of phantom units granted at each vest date is based on the average closing trading price of the last 5 days prior to granting. The granted RA Plan units are to be paid out on retirement based on the average closing trading price of the last 20 days. As at March 31, 2022, the long-term obligation related to the plan was \$547. The related expense recorded in profit and loss amounted to \$57 for the three-month period ended March 31, 2022.

11. Trust Units Issued and Outstanding

BTB is authorized to issue an unlimited number of trust units. Each trust unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require BTB to redeem their trust units on demand. Upon receipt of the redemption notice, all rights to and under the trust units tendered for redemption are surrendered and the holder thereof is entitled to receive a price per trust unit ("Redemption Price"), as determined by a market formula. The Redemption Price is to be paid in accordance with the conditions provided for in the Declaration of Trust. BTB trust units are considered liability instruments under IFRS because the trust units are redeemable at the option of the holder, however they are presented as equity in accordance with IAS 32.

Trust units issued and outstanding are as follows:

	Three-month period ended March 31,		Year ended December 31,	
	2022		2021	
	Units	\$	Units	\$
Trust units outstanding, beginning of period	74,126,971	351,540	63,439,435	309,394
Issue pursuant to a public issue	9,584,100	38,545	7,809,650	30,266
Trust unit issuance costs	-	(256)	-	(263)
	83,711,071	389,829	71,249,085	339,397
Issue pursuant to the distribution reinvestment plan (a)	195,987	755	752,280	2,943
Issue pursuant to the employee unit purchase plan (note 10 (b))	11,605	47	14,351	52
Issue pursuant to the restricted unit compensation plan (note 10 (c))	104,649	421	71,722	256
Class B LP units exchange into Trust units	-	-	50,000	227
Issue pursuant to conversion of convertible debentures (note 6)	318,952	1,489	1,989,533	8,665
Trust units outstanding, end of period	84,342,264	392,541	74,126,971	351,540

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 March 31,	2022	2021
	\$	\$
Distributions to unitholders	5,825	4,798
Distributions per Trust unit	0.075	0.075

12. Rental Revenues

Three-month periods ended March 31,	2022	2021
	\$	\$
Base rent and other lease generated revenues	17,957	14,178
Lease cancellation fees	-	30
Property tax and insurance recoveries	5,576	4,257
	23,533	18,465
Operating expenses recoveries and other revenues	6,120	5,547
Lease incentive amortization	(735)	(877)
Straight-line lease adjustment	150	397
	29,068	23,532

13. Net Financial Expenses

Three-month periods ended March 31,	2022	2021
	\$	\$
Interest on mortgage loans payable	5,802	4,546
Interest on convertible debentures	732	957
Interest on bank loans	307	220
Interest on lease liabilities	53	53
Other interest expense	10	15
Accretion of non-derivative liability component of convertible debentures	81	96
Accretion of effective interest on mortgage loans payable and convertible debentures	288	359
Distribution - Class B LP Units	26	30
Fair value adjustment - Class B LP Units	66	280
Early repayment fees of a mortgage loan	284	-
Net adjustment to fair value of derivative financial instruments	997	1,814
	8,646	8,370

14. Expenses by Nature

Three-month periods ended March 31,	2022	2021
	\$	\$
Depreciation	30	15
Employee compensation and benefits expense	2,531	2,329

15. 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 March 31,	2022	2021
	\$	\$
Net income	6,449	2,510
Weighted average number of trust units outstanding – basic	78,012,000	63,754,505
Earnings per unit – basic	0.08	0.04

16. Liquidity Risk Management

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they come due. Liquidity risk is managed by:

- maximizing cash flows from operations;
- adopting an investment property acquisition and improvement program that takes into account available liquidity;
- using credit facilities;
- staggering mortgage loan maturities;
- maximizing the value of investment properties, thus increasing mortgage financing on renewal of loans; and
- issuing debt securities or BTB's units on the financial markets.

Management believes that the Trust will be able to obtain the financing required to make the payments coming due in the next year. However, there is a risk that changes affecting market conditions and access to financing may invalidate this assumption.

Some mortgage loans include subjective and restrictive covenant clauses under which the Trust must comply with financial conditions and ratios. As at March 31, 2022, the Trust was in compliance with all the covenants to which it was subject.

17. 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 March 31, 2022				
Investment properties	259,258	614,473	253,642	1,127,373
Rental revenue from properties	5,373	16,976	6,719	29,068
Net operating income	4,008	8,660	3,566	16,234
Three-month period ended March 31, 2021				
Investment properties	163,903	494,760	246,380	905,043
Rental revenue from properties	3,084	14,022	6,426	23,532
Net operating income	2,006	7,085	3,323	12,414

18. 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.

19. Subsequent Events

On April 5, 2022, the Trust completed the purchase of one industrial property in Ottawa (Ontario) for \$12,500 funded with the revolver credit facility.



Unitholders Information

Head office

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T 514 286 0188
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Listing

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

Transfer Agent

Computershare Investor Services
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Canada
T 514 982 7555
T Toll free: 1 800 564 6253
F 514 982 7850
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Taxability of distributions

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

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

Auditors

KPMG LLP.
600 De Maisonneuve Blvd. West
Suite 1500
Montréal, Québec, H3A 0A3

Legal counsel

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

Annual Meeting of Unitholders

June 14th, 2022
11:00 a.m. (EDT)
Mount Royal Club

Unitholders distribution reinvestment plan

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

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

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

