Management Discussion and Analysis
Quarter ended June 30, 2021

Our values, *your added value.*

This beehive on the rooftop of our head office located at 1411, Crescent Street in Montréal, is one of the 13 hives on the rooftops of some of our properties.

Management Discussion and Analysis

Quarter ended June 30, 2021

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Introduction

The purpose of this Management Discussion and Analysis ("MD&A") is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the quarter ended June 30, 2021 as well as its financial position on that date. The report also presents a summary of the Trust's business strategies and the business risks it faces. This MD&A dated August 6, 2021 should be read together with the unaudited condensed consolidated financial statements and accompanying notes for the quarter ended June 30, 2021. It discusses significant information available up to the date of this MD&A. The Trust's consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts. Additional information about the Trust, including the 2020 Annual Information Form, is available on the Canadian Security Administrators ("CSA") website at www.sedar.com and on our website at www.btbreit.com.

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

Forward-Looking Statements – Caveat

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

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

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

COVID-19

BTB continues to monitor its business operations and is aware of the impacts that the COVID-19 pandemic has on the global economy as its duration remains uncertain. BTB may take further action in response to the directives of government and public health authorities or actions that are in the best interests of employees, tenants, suppliers, or other stakeholders, as necessary.

BTB will continue to work with its tenants that are participating in the Canada Emergency Rent Subsidy ("CERS") program that was enacted to cover the period ranging from October 2020 to September 25, 2021. It is important to note that tenants are responsible to apply for subsidies and that the Trust is not obliged to make financial concessions as it was under the CECRA program. The full extent and the financial impact of COVID-19 on communities and the economy remain uncertain.

Non-IFRS Financial Measures

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

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

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

The Trust

BTB is an unincorporated open-ended real estate trust formed under and governed by the laws of the Province of Québec pursuant to a trust agreement (as further amended). BTB began its real estate operations on October 3, 2006, and as of June 30, 2021, it owns 65 retail, office and industrial properties located in primary markets of the Provinces of Québec and Ontario. Since its inception, BTB has become an important property owner in the province of Québec and in Eastern Ontario. The units and Series G and H convertible debentures are traded on the Toronto Stock Exchange under the symbols "BTB.UN", "BTB.DB. G" and "BTB.DB.H", respectively.

BTB's management is entirely internalized, and no service agreements or asset management agreements are in force between BTB and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders. 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 June 30, 2021(1)	**65**	**5,402,224**	**922,035**

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

Objectives and Business Strategies

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

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

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

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

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

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

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

Highlights of the Second Quarter Ended June 30, 2021

- During the quarter, BTB showed improved financial results and stability through its retail, office and industrial operating segments. The industrial segment performed extremely well during the last year. The fundamentals of the suburban office segment and the food anchored retail properties remained strong. The Trust has collected 98.4% of its invoiced rents for the year 2021. As a reminder, the second quarter of last year was impacted by the financial effect of Canada's Emergency Commercial Rent Assistance "CECRA" program, by the rent concessions the Trust granted to its tenants that impacted the 2020 net operating income by $0.5 million, by taking a higher allowance for expected credit losses of $1.1 million, and by a reduction of the fair value of properties of $10.5 million for the cumulative 6-month period. Further to the 2020 one-time charges related to COVID-19, revenues have improved. The Trust's results for the second quarter were not similarly affected hence the improvement in the financial performance.

- BTB's leasing activity remained active with 97,193 sq. ft. of leases renewed of which, 82,826 sq. ft. were renewed before the end of their term and 14,367 sq. ft. were renewed in anticipation of the end of their term in the years 2022 and later. BTB was able to lease 78,000 sq. ft. to new tenants including Princess Auto (38,520 sq. ft.) to replace approximately 85% of the leasable area previously leased by Sportium. The leasing activity resulted in a 1.2% increase in the occupancy rate to 92.2%, compared to last quarter.

- NOI margin was 59.8% (56.5% for the cumulative 6-month period) compared to 53.8% for the same period last year (53.7% for the cumulative 6-month period). The Trust recorded additional recoveries of $1.4 million related to prior years and not taking this amount into account, the NOI margin would be 57.5%, still representing a 3.7% increase compared to the same period last year. SPNOI margin was 59.7% for the quarter (56.1% for the cumulative 6-month period) compared to 54.2% for the same period last year (54.0% for the cumulative 6-month period). Excluding the non-recurring items, SPNOI increased by 3.3% compared to the same quarter last year.

- Recurring FFO was 12.5¢ per unit (21.7¢ per unit for the cumulative 6-month period) compared to 7.5¢ per unit for the same period last year (17.5¢ per unit for the cumulative 6-month period) and recurring AFFO was 11.8¢ per unit (20.5¢ per unit for the cumulative 6-month period) compared to 6.7¢ per unit for the same period last year (15.5¢ per unit for the cumulative 6-month period). Recurring FFO payout ratio was 59.9% (69.2% for the cumulative 6 month period) compared to 113.9% for the same period last year (108.8% for the cumulative 6 month period) and recurring AFFO payout ratio was 63.7% (73.0% for the cumulative 6-month period) compared to 126.6% for the same period last year (122.5% for the cumulative 6-month period). The negative impact of the COVID-19 pandemic on the second quarter of last year's results were $1.6 million on recurring FFO and recurring AFFO ($1.6 million for the cumulative 6-month period), and 2.5¢ per unit (2.5¢ per unit for the cumulative 6-month period).

- On April 28, 2021, BTB announced that it closed a bought deal public offering and the concurrent closing of the exercise of the over-allotment option granted to the underwriters. Including the exercise of the over-allotment option, BTB sold an aggregate of 7,809,650 units at a price of $4.05 per unit for aggregate gross proceeds of $31.6 million.
- On June 29, 2021, BTB announced the acquisition of an industrial property located at 6000 Kieran Street in Montréal, Québec. Acquired for the price of $15.25 million (excluding transaction costs) and with a total leasable area of 99,000 sq. ft., the property is entirely leased to Kore Outdoor Inc., a global leader in the manufacturing of high-quality paintball products. The property purchased at the end of June 2021 will start generating revenue during the next quarter.
- BTB concluded the quarter on June 30, 2021 with a cash position of $25.3 million. The $19.0 million increase in cash since last quarter is mainly due to the proceeds of the equity issuance of $31.6 million combined with the repayment of the full outstanding amount of the line of credit of $15.0 million. The operating and the acquisition lines of credit were 100% available at the end of the quarter and ready to be deployed for the Trust's growth strategy ($23.0 million).
- Debt metrics continued to demonstrate the Trust's commitment to maintain its total debt ratio below 60%. It concluded the quarter at 56.0%, recording an improvement of 2.6% compared to the same quarter last year. The improvement is essentially attributable to the equity issue mentioned above, to the conversion by holders of Series H debentures through the quarter, combined with the full repayment of the outstanding amount on the acquisition line of credit.
- On June 15, 2021, BTB announced that it filed and obtained a receipt for a final short form base shelf prospectus from the securities regulatory authorities in each of the provinces and territories of Canada. The base shelf prospectus was filed to provide BTB with financial flexibility and efficient access to Canadian capital markets to pursue strategic initiatives, which may include acquisitions. The final base shelf prospectus is valid for a period of 25 months, during which BTB may offer: trust units, debt securities, subscription receipts, warrants or any combination thereof, having an aggregate offering price of up to $200 million. Any issue of securities under the base shelf prospectus will require the filing of a prospectus supplement that will include specific terms of the securities being offered and the details regarding the plan of distribution.

Summary of significant items as at June 30, 2021

- Total number of properties: 65
- Total leasable area: approximately 5.4 million sq. ft.
- Total asset value: $965 million
- Market capitalization: $299 million

Selected Financial Information

The following table presents highlights and selected financial information for the quarter ended June 30, 2021 compared to the quarter ended June 30, 2020:

Periods ended June 30 (in thousands of dollars, except for ratios and per unit data)		Quarter		Cumulative (6 months)	
		2021	2020	**2021**	2020
	Reference (page)	**$**	$	**$**	$
Financial information					
Rental revenue	31	**26,034**	23,063	**49,566**	46,931
Net operating income(1)	32	**15,574**	12,419	**27,988**	25,185
Net income and comprehensive income	34	**7,161**	(1,101)	**9,671**	(6,688)
Adjusted net income(1)	34	**8,030**	3,757	**12,634**	9,073
Net property income from the same-property portfolio(1)	35	**10,983**	7,173	**18,513**	14,722
Distributions	36	**5,508**	5,375	**10,336**	11,983
Recurring funds from operations (FFO)(1)	36	**9,202**	4,710	**14,932**	10,987
Recurring adjusted funds from operations (AFFO)(1)	37	**8,647**	4,237	**14,153**	9,754
Cash flow from operating activities	38	**8,162**	10,534	**21,311**	21,208
Total assets	40			**965,051**	934,776
Investment properties	40			**922,035**	894,679
Mortgage loans	42			**503,075**	495,599
Convertible debentures	43			**43,542**	49,367
Mortgage debt ratio	43			**53.7%**	52.8%
Total debt ratio	44			**56.0%**	58.6%
Weighted average contractual interest rate	42			**3.77%**	3.75%
Market capitalization				**298,703**	192,864
Financial information per unit					
Units outstanding (000)	45			**73,391**	62,822
Class B LP units outstanding (000)	45			**347**	397
Weighted average number of units outstanding (000)	45	**73,088**	62,681	**68,532**	62,390
Weighted average number of units and Class B LP units outstanding (000)	45	**73,435**	63,115	**68,895**	62,887
Net income and comprehensive income	34	**9.8¢**	(1.7)¢	**14.1¢**	(10.6)¢
Adjusted net income(1)	34	**10.9¢**	6.0¢	**18.3¢**	14.4¢
Distributions	36	**7.5¢**	8.5¢	**15.0¢**	19.0¢
Recurring FFO(1)	36	**12.5¢**	7.5¢	**21.7¢**	17.5¢
Payout ratio on recurring FFO(1)	36	**59.9%**	113.9%	**69.2%**	108.8%
Recurring AFFO(1)	37	**11.8¢**	6.7¢	**20.5¢**	15.5¢
Payout ratio on recurring AFFO(1)	37	**63.7%**	126.6%	**73.0%**	122.5%
Market price of units				**4.07**	3.07
Tax on distributions					
Revenue	48	**0.0%**	0.0%	**0.0%**	0.0%
Tax deferral	48	**100%**	100%	**100%**	100%
Operational information					
Number of properties	27			**65**	64
Leasable area (thousands of sq. ft.)	27			**5,402**	5,330
Occupancy rate	29			**92.2%**	92.9%
Increase in average lease renewal rate	29	**0.2%**	(1.4)%	**3.2%**	2.3%

(1) Non-IFRS financial measures.

Selected Quarterly Information

The following table summarizes the Trust's selected financial information for the last eight quarters:

(in thousands of dollars except for per unit data)	**2021 Q-2**	2021 Q-1	2020 Q-4	2020 Q-3	2020 Q-2	2020 Q-1	2019 Q-4	2019 Q-3
	$	$	$	$	$	$	$	$
Rental revenue	**26,034**	23,532	22,455	23,583	23,063	23,868	25,558	23,973
Net operating income[1]	**15,574**	12,414	12,767	13,308	12,419	12,766	14,174	13,476
Net income and comprehensive income	**7,161**	2,510	3,850	5,757	(1,101)	(5,587)	41,552	5,632
Net income and comprehensive income per unit	**9.8¢**	3.9¢	6.1¢	9.1¢	(1.7)¢	(8.9)¢	66.2¢	9.0¢
Adjusted net income	**8,030**	4,604	5,066	5,963	3,757	5,116	6,445	5,813
Adjusted net income per unit	**10.9¢**	7.2¢	8.0¢	9.4¢	6.0¢	8.1¢	10.3¢	9.3¢
Cash from operating activities	**8,162**	13,149	15,954	8,983	10,534	10,674	17,235	9,875
Recurring funds from operations (FFO)[1]	**9,202**	5,730	6,322	6,920	4,710	6,277	7,421	6,747
Recurring FFO per unit[1]	**12.5¢**	8.9¢	9.9¢	10.9¢	7.5¢	10.0¢	11.8¢	10.8¢
Recurring adjusted funds from operations (AFFO)[1]	**8,647**	5,506	6,253	6,139	4,237	5,517	6,795	6,087
Recurring AFFO per unit[1]	**11.8¢**	8.6¢	9.8¢	9.7¢	6.7¢	8.8¢	10.8¢	9.7¢
Distributions[2]	**5,508**	4,828	4,778	4,752	5,375	6,618	6,584	6,563
Distributions per unit	**7.5¢**	7.5¢	7.5¢	7.5¢	8.5¢	10.5¢	10.5¢	10.5¢

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

Performance Indicators

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

Real Estate Portfolio

At the end of the second quarter of 2021, BTB owned 65 properties, totalling a fair value of $922 million. The properties generated approximately $26.0 million in rental revenue and represented a total leasable area of approximately 5.4 million sq. ft. A description of the properties owned by the Trust as at December 31, 2020 can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of investment properties held as at June 30, 2021

Operating segment	**Number of properties**	**Leasable area (sq. ft.)**	**Committed occupancy rate (%)**	**In Place occupancy rate (%)**
Office	34	2,575,684	89.5	88.8
Retail	12	1,411,257	92.9	89.7
Industrial	19	1,415,283	96.5	95.9
Total	**65**	**5,402,224**	**92.2**	**90.9**

Acquisition of investment properties

On June 29, 2021, the Trust acquired an industrial property located at 6000 Kieran Street in Montréal, Québec, for a total consideration of $15.25 million, increasing BTB's total leasable area by 99,000 sq. ft.

Real Estate Operations

Portfolio occupancy

The following table summarizes the changes in occupied area for the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in sq. ft.)	Quarter		Cumulative (6 months)	
	2021	2020[3]	**2021**	2020[3]
Occupied area at the beginning of the period[1]	**4,846,980**	4,967,154	**4,910,877**	5,194,894
Purchased (sold) assets	**99,000**	(85,352)	**99,000**	(283,392)
Signed new leases	**78,294**	26,391	**88,045**	51,386
Tenant departures	**(20,596)**	(28,447)	**(94,277)**	(83,150)
Other[2]	**(20,452)**	—	**(20,419)**	8
Occupied leasable area at the end of the period[1]	**4,983,226**	4,879,746		
Vacant leasable area at the end of the period	**418,998**	374,604		
Total leasable area at the end of the period	**5,402,224**	5,254,350		

(1) The occupied area includes in place and committed agreements.
(2) Other adjustments on the occupied area represent mainly area remeasurements.
(3) The vacant leasable area and the total leasable area exclude a property of 75,340 sq. ft. that was in redevelopment in 2020.

Renewal activities

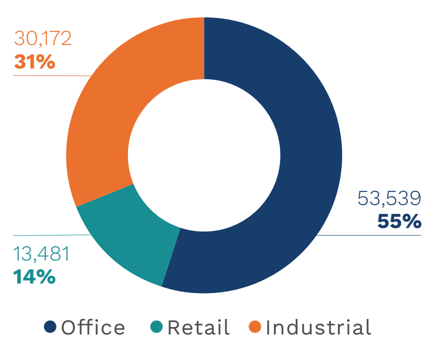
The following table summarizes details the renewal rate for the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in sq. ft.)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
Leases expired at term	**96,089**	76,609	**162,468**	215,851
Renewed leases at term	**82,826**	48,318	**123,520**	144,836
Renewal rate	**86.2%**	63.1%	**76.0%**	67.1%

In addition to the renewed leases at term during the quarter, the Trust renewed 14,367 sq. ft. leased to existing tenants with lease terms ending in 2022 and after (68,844 sq. ft. for the cumulative 6-month period). This activity has no impact on the occupied leasable area or renewal rate but demonstrates the Trust's strategy to proactively manage its lease renewals to retain its solid tenant base.

Considering renewed leases at term and renewed leases with terms ending in 2022 and after, the Trust renewed a total of 97,193 sq. ft. during this quarter (192,364 sq. ft. for the cumulative 6-month period). Out of the total leasable area of renewed leases, 53,539 sq. ft. or 55% were concluded with office tenants, confirming the tenants needs for physical office space. 30,172 sq. ft. or 31% of renewed leases were concluded with industrial tenants and 13,482 sq. ft. or 14% were concluded with retail tenants.

Quarterly lease renewals per operating segment (sq. ft.)



Increase in average lease renewal rate

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

	Quarter		Cumulative (6-month period)	
Operating segment	Renewals (sq. ft.)	Increase %	Renewals (sq. ft.)	Increase %
Office	53,539	(1.7)	93,729	0.7
Retail	13,482	5.1	62,639	4.6
Industrial	30,172	6.1	35,996	14.6
Total	**97,193**	**0.2**	**192,364**	**3.2**

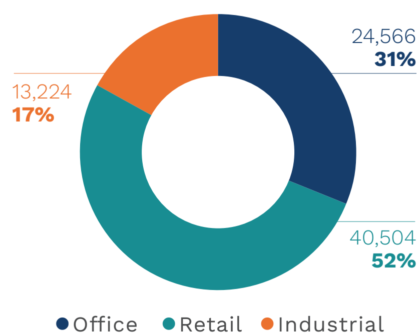
Since the beginning of the year, the Trust achieved a cumulative average increase in renewal rate of 14.6% in the industrial operating segment, which is essentially attributable to buoyant market conditions for this segment. The Trust has been able to capitalize on the opportunity to negotiate attractive rent increases for industrial tenants.

The quarterly decrease in the average renewal rate of 1.7% in the office operating segment is explained by a tenant who expanded its occupied area and renewed for a seven-year term on a "as is, where is" basis further ensuring revenue on a long-term basis.

Signed new leases

During the quarter, the Trust leased 78,294 sq. ft. to new tenants, leaving 418,998 sq. ft. of leasable area available at the end of the quarter. Out of the 78,294 sq. ft., 67,298 sq. ft. are committed agreements and 10,996 sq. ft. are in occupancy. As the Trust's industrial leasable areas are already almost fully occupied at 96.5%, 40,504 sq. ft. or 52% of the new leases were concluded with retail tenants and 24,566 sq. ft. or 31% were concluded with office tenants.

Quarterly new leases per operating segment (sq. ft.)



Occupancy rates

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

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
	%	%	%	%	%
Operating segment					
Office	**89.5**	89.3	89.9	89.5	91.1
Retail	**92.9**	90.0	93.3	95.3	95.6
Industrial	**96.5**	95.6	95.8	93.9	93.6
Total portfolio	**92.2**	91.0	92.2	92.1	92.9

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
	%	%	%	%	%
Geographic sector					
Montréal	**93.1**	91.3	93.3	93.9	94.1
Quebec City(1)	**88.8**	89.0	89.1	89.2	90.0
Ottawa	**94.2**	93.0	93.3	91.2	93.2
	92.2	91.0	92.2	92.1	92.9

(1) Excluding the Trois-Rivières property, the occupancy rate of the Quebec City portfolio is 92.3%.

The occupancy rate at the end of the second quarter of 2021 stood at 92.2%, a 1.2% increase compared to the prior quarter, or a 0.7% decrease compared to the same period for 2020.

The Trust improved its occupancy rates in each operating segment compared to the prior quarter. Compared to the same period in 2020, both office and industrial's occupancies improved. The decrease in the retail occupancy compared to the same period of 2020 is mainly due to the departure of a retail tenant located in the Montréal sector at the end of 2020 that was occupying 30,452 sq. ft. Please refer to the "Segmented information" section for more detail on operating segment's performance.

The 1.8% occupancy increase in the Montréal sector compared to prior quarter is mainly explained by a lease for 38,520 sq. ft. concluded with Princess Auto Ltd. Excluding the Trois-Rivières property, BTB's Quebec City's portfolio has also seen a positive increase, reaching an occupancy rate of 92.3%, that includes two large retail properties (Carrefour Saint-Romuald and Méga Centre Rive-Sud) showing occupancy rates of respectively 100% and 97.7%. The Ottawa portfolio continues to demonstrate its stability as it consists of office and industrial properties.

Lease maturities

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

	2021	**2022**	**2023**	**2024**	**2025**
Office					
Leasable area (sq. ft.)	167,718	302,510	301,742	259,220	242,228
Average lease rate/square foot ($)	$11.98	$15.21	$15.32	$13.74	$14.23
% of office portfolio	6.5%	11.7%	11.7%	10.1%	9.4%
Retail					
Leasable area (sq. ft.)	67,886	270,768	165,258	80,387	234,718
Average lease rate/square foot ($)	$13.38	$11.08	$8.86	$15.59	$15.93
% of retail portfolio	4.8%	19.2%	11.7%	5.7%	16.6%
Industrial					
Leasable area (sq. ft.)	11,927	252,942	41,599	108,691	80,000
Average lease rate/square foot ($)	$9.29	$4.62	$5.71	$8.57	$7.50
% of industrial portfolio	0.8%	17.9%	2.9%	7.7%	5.7%
Total portfolio					
Leasable area (sq. ft.)	**247,531**	**826,220**	**508,599**	**448,298**	**556,946**
Average lease rate/square foot ($)	**$12.23**	**$10.62**	**$12.43**	**$12.82**	**$13.98**
% of total portfolio	**4.6%**	**15.3%**	**9.4%**	**8.3%**	**10.3%**

Weighted average lease term

For the quarter ended June 30, 2021, the Trust maintained an average lease term of 5.2 years. In addition to securing future revenues for the Trust and solidifying its tenant base, the Trust's leasing renewal strategy is also focused on ensuring longevity in the lease term when appropriate. These results further demonstrate the Trust's efforts to secure its tenant base and revenues in the years to come.

Top 10 tenants

The Trust's three largest tenants are the Government of Québec, the Government of Canada, and Walmart Canada Inc., representing respectively 6.7%, 6.0% and 2.8% of rental revenue. These revenues are generated by multiple leases with these tenants whose maturities are spread over time. 35% 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 June 30, 2021. Their contribution accounts for 25.4% of annual rental revenue and 23.4% of leased area:

Client	% of revenue	% of leased area	Leased area (sq. ft.)
Government of Québec	6.7	5.5	299,763
Government of Canada	6.0	4.7	255,323
Walmart Canada inc.	2.8	4.9	264,550
WSP Canada Inc.	1.6	0.9	48,478
Mouvement Desjardins	1.6	1.1	61,576
Intrado Life & Safety Canada, Inc.	1.6	1.0	53,767
Groupe BBA Inc.	1.6	1.3	69,270
Strongco	1.4	1.5	81,442
Germain Larivière Laval Inc.	1.1	1.9	101,194
Satcom Direct Avionics	1.0	0.6	32,000
	25.4	**23.4**	**1,267,363**

Operating Results

The following table summarizes the financial results for the periods ended June 30, 2021 and 2020. The table should be read in conjunction with the interim condensed consolidated financial statements and the accompanying notes:

Periods ended June 30 (in thousands of dollars)		Quarter		Cumulative (6 months)	
		2021	2020	**2021**	2020
	Reference (page)	**$**	$	**$**	$
Rental revenue	31	**26,034**	23,063	**49,566**	46,931
Operating expenses	32	**10,460**	10,644	**21,578**	21,746
Net operating income(1)	32	**15,574**	12,419	**27,988**	25,185
Net financial expenses and financial income	32	**6,575**	6,518	**14,811**	15,945
Administration expenses	33	**1,838**	2,513	**3,506**	3,712
Transaction costs	35	**—**	882	**—**	1,711
Fair value adjustment on investment properties	34	**—**	3,607	**—**	10,505
Net income and comprehensive income		**7,161**	(1,101)	**9,671**	(6,688)

(1) Non-IFRS financial measure.

Rental revenue

For the quarter, rental revenue increased by $3.0 million or 12.9% compared to the same period last year. The same period last year was affected by the COVID-19 impact of $0.8 million attributable to the CECRA program and free rents granted. Also, the Trust invoiced $1.4 million of additional recoveries this quarter related to prior years and $0.9 million for 2021. Since Q2 2020, two properties were sold and two were purchased. The net negative impact on revenue caused by these transactions was $0.4 million for the quarter. The purchase of the new industrial property at the end of June 2021 did not impact BTB's results, but a positive impact on revenue will be realized in the next quarter. In addition, an indemnity of $0.3 million has been recognized this quarter.

On a cumulative basis, the increase in rental revenue was $2.6 million or 5.6%. In addition to the second quarter variance discussed above, in Q1 2021, the rental revenue was negatively impacted by $0.5 million compared to the same period last year due to COVID-19.

Operating expenses

The following table summarizes the operating expenses for the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Operating expenses				
Maintenance, repairs and other operating costs	**3,926**	3,594	**7,733**	7,316
Energy	**1,042**	1,368	**2,754**	2,981
Property taxes and insurance	**5,492**	5,682	**11,091**	11,449
Total operating expenses	**10,460**	10,644	**21,578**	21,746
% of rental revenue	**40.2**	46.2	**43.5**	46.3

Overall, operating expenses remained stable during the quarter compared to the same period last year. Maintenance, repairs and other operating costs increased due to businesses returning to normal operations as opposed to the governmental imposed shut down during the second quarter last year. In addition, property taxes have benefitted from a reduction in school taxes in Québec and a reduction in consumption of energy was also noted this quarter compared to the same period last year due to favorable weather conditions and productivity.

Net operating income

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net operating income(1)	**15,574**	12,419	**27,988**	25,185
% of rental revenue	**59.8**	53.8	**56.5**	53.7

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

Financial expenses and income

The following table summarizes the financial expenses for the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Financial income	**(262)**	(116)	**(396)**	(229)
Interest on mortgage loans	**4,606**	4,683	**9,152**	9,494
Interest on convertible debentures	**669**	831	**1,626**	1,668
Interest on bank loans	**88**	281	**308**	464
Other interest expense	**61**	138	**129**	234
Interest expense	**5,162**	5,817	**10,819**	11,631
Distributions on Class B LP units	**26**	45	**56**	97
Early repayment fees	**188**	—	**188**	79
Net financial expenses before non-monetary items	**5,376**	5,862	**11,063**	11,807
Accretion of effective interest on mortgage loans and convertible debentures	**428**	287	**787**	672
Accretion of non-derivative liability component of convertible debentures	**90**	—	**186**	—
Net financial expenses before the following items	**5,894**	6,149	**12,036**	12,479
Net adjustment to fair value of derivative financial instruments	**733**	330	**2,547**	4,427
Fair value adjustment on Class B LP units	**(52)**	39	**228**	(961)
Net financial expenses	**6,575**	6,518	**14,811**	15,945

Financial income mainly consists of interest income generated from a balance of sale granted by the Trust in the principal amount of $6.0 million pursuant to the sale in 2019 of a retail property located in Delson, Québec.

Interest expense decreased by $0.7 million during the current quarter compared to the same period last year, mainly due to the recent conversions of the Series H debentures, the repayment of bank loans following the equity issuance in April 2021, and benefits from refinancing. On June 30, 2021, the average weighted contractual rate of interest on mortgage loans outstanding was 3.52%, 19 basis points lower than the average rate as at June 30, 2020 (3.71%). Interest rates on first-ranking mortgage loans ranged from 2.37% to 6.80% as at June 30, 2021 and, for the comparable period in 2020. The weighted average term of mortgage loans in place as at June 30, 2021 was 4.5 years (4.8 years as at June 30, 2020).

Net financial expenses described above include non-monetary items. These non-monetary items include the accretion of effective interest on mortgage loans and on convertible debentures, the accretion of non-derivative liability component of convertible debentures and fair value adjustments on derivative financial instruments and on Class B LP units. BTB recognized a fair value adjustment resulting in a non-monetary expense of $1.3 million compared to $0.7 million for the same period last year.

Administration expenses

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Administration expenses	**1,666**	1,205	**2,859**	2,437
Expected credit losses	**12**	1,257	**(158)**	1,397
Unit-based compensation	**160**	51	**805**	(122)
Trust administration expenses	**1,838**	2,513	**3,506**	3,712

Administrative expenses increased by $0.5 million or 38% for the quarter compared to the same period last year. The Trust incurred additional costs related to its growth strategy (key employee additions, investment in technology and marketing). BTB managed to maintain a stable level of administration expenses at 6% of rental revenue, due to continuous cost control efforts. This also explains the variance on a cumulative basis.

Expected credit losses decreased by $1.2 million for the quarter compared to the same period last year. A higher provision was recorded last year to address the uncertainty related to the COVID-19 pandemic. However, the constant efforts to collect receivables considerably reduced the balance of accounts receivable and therefore reduced the provision previously recorded for credit losses. This also explains the variance on a cumulative basis.

Unit-based compensation increased by $0.1 million for the quarter compared to the same period last year. The increase is partly attributable to the remeasurement of amounts owing under the deferred unit compensation ($4.07 at the end of the current quarter compared to $3.07 per unit at the end of the same quarter last year), therefore increasing the deferred liability and the unit-based compensation expense accordingly.

Fair value adjustment of investment properties

Under IAS 40, the Trust accounts for its investment properties at fair value and recognizes the gain or loss arising from a change in the fair value in profit or loss for the period in which it arises. Based on the assessment of capitalization rates and market conditions, the Trust did not deem it appropriate to make any fair value adjustment to its portfolio during the quarter.

On an annual basis, the Trust retains the services of independent external appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the 10 most important properties and approximately a third of the remaining properties are annually appraised by independent external appraisers. In addition, as part of financing or refinancing and at the request of lenders, other properties may also be independently appraised during the year.

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

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Office	—	581	—	4,923
Retail	—	3,026	—	4,425
Industrial	—	—	—	1,157
Total change in fair value	—	3,607	—	10,505

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

	Retail	Office	Industrial
As at June 30, 2021			
Capitalization rate	**5.25% – 8.00%**	**5.00% – 8.50%**	**5.00% – 8.50%**
Terminal capitalization rate	**5.50% – 8.00%**	**6.00% – 7.50%**	**5.50% – 7.00%**
Discount rate	**6.25% – 8.75%**	**6.75% – 8.25%**	**6.25% – 7.75%**
As at June 30, 2020			
Capitalization rate	6.00% – 8.00%	5.00% – 8.50%	5.75% – 8.50%
Terminal capitalization rate	6.25% – 7.25%	5.25% – 7.50%	6.00% – 7.25%
Discount rate	7.25% – 8.00%	6.25% – 8.00%	6.50% – 8.00%

The weighted average capitalization rate for the entire portfolio as at June 30, 2021 was 6.60% (6.65% as at June 30, 2020), 5 basis points lower since June 30, 2020.

As at June 30, 2021, BTB has estimated that if a variation of 0.25% in the capitalization rate was applied to the overall portfolio, this variation would change the fair value of the investment properties by approximately $36.2 million. The change of the capitalization rate is an appropriate proxy for the changes for the discount and terminal capitalization rates.

Net income and comprehensive income

Periods ended June 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net income	**7,161**	(1,101)	**9,671**	(6,688)
Per unit	**9.8¢**	(1.7)¢	**14.1¢**	(10.6)¢

Adjusted net income

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

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

Periods ended June 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net income and comprehensive income	**7,161**	(1,101)	**9,671**	(6,688)
Non-recurring items:				
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	**188**	882	**188**	1,790
Volatile non-monetary items				
Fair value adjustment on investment properties	**—**	3,607	**—**	10,505
Fair value adjustment on derivative financial instruments	**733**	330	**2,547**	4,427
Fair value adjustment on Class B LP units	**(52)**	39	**228**	(961)
Adjusted net income(1)	**8,030**	3,757	**12,634**	9,073
Per unit	**10.9¢**	6.0¢	**18.3¢**	14.4¢

(1) Non-IFRS financial measure.

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB on January 1, 2020 and that are still owned by BTB on June 30, 2021 but it does not include acquisitions completed during 2020 and 2021, nor the disposition of properties during the same periods.

The following table summarizes the results of the same-property portfolio:

Periods ended June 30 (in thousands of dollars)	Quarter			Cumulative (6 months)		
	2021	2020	Δ	**2021**	2020	Δ
	$	$	%	**$**	$	%
Rental revenue	**25,824**	22,421	15.2	**48,630**	45,057	7.9
Operating expenses	**10,404**	10,268	1.3	**21,351**	20,734	3.0
Net operating income(1)	**15,420**	12,153	26.9	**27,279**	24,323	12.2
Interest expense on mortgage loans payable	**4,437**	4,980	(10.9)	**8,766**	9,601	(8.7)
Net property income(1)	**10,983**	7,173	53.1	**18,513**	14,722	25.8

(1) Non-IFRS financial measure.

For the quarter, same-property net income increased by $3.8 million or 53.1% compared to the same period last year, and net operating income increased by $3.3 million or 26.9%. The same period last year was affected by COVID-19 which included reductions of $0.8 million due to the CECRA program and free rents granted in 2020. Also, the Trust invoiced $1.4 million of additional recoveries during this quarter related to prior years and $0.9 million for 2021. Excluding these non-recurring items, same-property NOI shows a 3.3% increase. Net property income also benefitted from the reduction in interest expense, due to lower interest rates on refinancing and interest savings due to the full repayment of the line of credit.

On a cumulative basis, same-property net income increased by $3.8 million or 25.8%. Net operating income increased by $3.0 million or 12.2%. In addition to the second quarter variance above, in Q1 2021, the rental revenue and NOI were negatively impacted by $0.5 million compared to the same period last year due to COVID-19 related tenant departures.

Distributions

Distributions and per unit data

Periods ended June 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Distributions				
Cash distributions	**4,744**	4,632	**8,840**	10,357
Cash distributions – Class B LP units	**26**	45	**56**	97
Distributions reinvested under the distribution reinvestment plan	**738**	698	**1,440**	1,529
Total distributions to unitholders	**5,508**	5,375	**10,336**	11,983
Percentage of reinvested distributions	**13.4%**	13.0%	**13.9%**	12.8%
Per unit(1)				
Distributions	**7.5¢**	8.5¢	**15.0¢**	19.0¢

(1) Including Class B LP units.

For the quarter, monthly distributions to unitholders totalled 2.5¢ per unit for a total of 7.5¢ per unit, compared to the monthly distributions to unitholders that were 3.5¢ per unit for the month of April 2020, and 2.5¢ per unit for each of May and June 2020 for a total of 19.0¢ per unit.

Funds From Operations (FFO)

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO for the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net income and comprehensive income (IFRS)	**7,161**	(1,101)	**9,671**	(6,688)
Fair value adjustment on investment properties	**—**	3,607	**—**	10,505
Fair value adjustment on Class B LP units	**(52)**	39	**228**	(961)
Amortization of lease incentives	**777**	771	**1,654**	1,523
Fair value adjustment on derivative financial instruments	**733**	330	**2,547**	4,427
Leasing payroll expenses	**184**	137	**403**	294
Distributions - Class B LP units	**26**	45	**56**	97
Unit-based compensation (Unit price remeasurement)(4)	**185**	—	**185**	—
FFO(1)	**9,014**	3,828	**14,744**	9,197
Non-recurring item				
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	**188**	882	**188**	1,790
Recurring FFO(1)	**9,202**	4,710	**14,932**	10,987
FFO per unit(2)	**12.3¢**	6.1¢	**21.4¢**	14.6¢
Recurring FFO per unit(2)	**12.5¢**	7.5¢	**21.7¢**	17.5¢
FFO payout ratio(3)	**61.1%**	140.1%	**70.1%**	129.9%
Recurring FFO payout ratio(3)	**59.9%**	113.9%	**69.2%**	108.8%

(1) Non-IFRS financial measures.
(2) Including Class B LP units.
(3) The FFO payout ratio corresponds to distributions per unit divided by FFO per unit.
(4) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the recurring FFO and AFFO starting Q2 2021. As a reference, the cumulative impact for the same period in 2020 was positive $471 or 0.7¢ per unit.

For the quarter, recurring FFO was 12.5.¢ per unit (21.7¢ per unit for the cumulative 6-month period), compared to 7.5¢ per unit for the same period last year (17.5¢ per unit for the cumulative 6-month period). The recurring FFO payout ratio for the quarter stood at 59.9% (69.2% for the cumulative 6-month period) compared to 113.9% for the same period in 2020 (108.8% for the cumulative 6-month period).

For the quarter, excluding the $1.4 million additional recoveries for prior years, the recurring FFO stood at 10.6¢ per unit (19.6¢ per unit for the cumulative 6-month period).

Adjusted Funds from Operations (AFFO)

The following table provides a reconciliation of FFO and AFFO for the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
FFO(1)	**9,014**	3,828	**14,744**	9,197
Straight-line rental revenue adjustment	**(91)**	1	**(488)**	(143)
Accretion of effective interest	**428**	287	**787**	672
Amortization of other property and equipment	**27**	24	**42**	48
Unit-based compensation expenses	**(24)**	51	**620**	(122)
Provision for non-recoverable capital expenditures	**(519)**	(461)	**(990)**	(938)
Provision for unrecovered rental fees	**(376)**	(375)	**(750)**	(750)
AFFO(1)	**8,459**	3,355	**13,965**	7,964
Non-recurring item				
Transaction costs on purchase and disposition of investment properties and early repayment fees	**188**	882	**188**	1,790
Recurring AFFO(1)	**8,647**	4,237	**14,153**	9,754
AFFO per unit(2)	**11.5¢**	5.3¢	**20.3¢**	12.7¢
Recurring AFFO per unit(2)	**11.8¢**	6.7¢	**20.5¢**	15.5¢
AFFO payout ratio(3)	**65.1%**	159.9%	**74.0%**	150.0%
Recurring AFFO payout ratio(3)	**63.7%**	126.6%	**73.0%**	122.5%

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

For the quarter, recurring AFFO was 11.8¢ per unit (20.5¢ per unit for the cumulative 6-month period), compared to 6.7¢ per unit (15.5¢ per unit for the cumulative 6-month period) for the same period last year. The recurring AFFO payout ratio for the quarter stood at 63.7% (73.0% for the cumulative 6-month period) compared to 126.6% (122.5% for the cumulative 6-month period) for the same period last year.

For the quarter, without considering the $1.4 million additional recoveries related to prior years, the recurring AFFO would be 9.8¢ per unit (18.5¢ per unit for the cumulative 6-month period).

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

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

Periods ended June 30 and 12-month periods ended December 31 (in thousands of dollars)	**June 30, 2021 (6 months)**	June 30, 2020 (6 months)	December 31, 2020 (12 months)	December 31, 2019 (12 months)
	$	$	$	$
Provision for non-recoverable capital expenditures	**990**	938	1,859	1,842
Non-recoverable capital expenditures	**699**	508	2,055	2,603

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

Cash Flows

The following table shows the performance of distributed funds and reconcile them with net cash flows and net income:

Periods ended June 30 and 12-month periods ended December 31 (in thousands of dollars)	**2021 (6 months)**	2020 (6 months)	2020 (12 months)	2019 (12 months)
	$	$	$	$
Net cash flows from operating activities (IFRS)	**21,311**	21,218	46,145	47,223
Interest paid	**(11,037)**	(11,296)	(21,787)	(23,442)
Net cash flows from operating activities	**10,274**	9,922	24,358	23,781
Net income	**9,671**	(6,688)	2,919	51,881
Total distributions (including Class B LP units)	**8,608**	(2,061)	21,513	25,141
Surplus (deficit) of net cash flows from operating activities compared to total distributions	**1,666**	(18,671)	2,845	(1,360)
Surplus (deficit) of net income over total distributions	**1,063**	21,218	(18,594)	26,740

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

Periods ended June 30 (in thousands of dollars)	**Quarter**		**Cumulative (6 months)**	
	2021	2020	**2021**	2020
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**8,162**	10,534	**21,311**	21,208
Leasing payroll expenses	**184**	137	**403**	294
Transaction costs on purchase and disposition of investment properties and early repayment fees	**(188)**	(882)	**(188)**	(1,790)
Adjustments for changes in other working capital items	**6,447**	219	**5,184**	1,571
Financial income	**262**	116	**396**	229
Interest expenses	**(5,424)**	(5,933)	**(11,215)**	(11,860)
Provision for non-recoverable capital expenditures	**(519)**	(461)	**(990)**	(938)
Provision for non-recovered rental fees	**(375)**	(375)	**(750)**	(750)
Other items	**(90)**	—	**(186)**	—
AFFO(1)	**8,459**	3,355	**13,965**	7,964
Provision for non-recoverable capital expenditures	**519**	461	**990**	938
Provision for non-recovered rental fees	**375**	375	**750**	750
Straight-line rental revenue adjustment	**91**	(1)	**488**	143
Unit-based compensation expenses	**25**	(51)	**(620)**	122
Accretion of effective interest	**(428)**	(287)	**(787)**	(672)
Amortization of property and equipment	**(27)**	(24)	**(42)**	(48)
FFO(1)	**9,014**	3,828	**14,744**	9,197

(1) Non-IFRS financial measure.

Segmented Information

The Trust's operations are generated from three segments of properties located in the provinces of Québec and of Ontario. The following tables summarize each segment's contribution to revenues and to net operating income for the quarters ended June 30, 2021 and 2020:

Quarters ended June 30 (in thousands of dollars)	Retail		Office		Industrial		Total
	$	%	$	%	$	%	$
Quarter ended June 30, 2021							
Investment properties	246,666	**26.8**	495,320	**53.7**	180,049	**19.5**	**922,035**
Rental revenue from properties	7,845	**30.1**	14,987	**57.6**	3,202	**12.3**	**26,034**
Net operating income(1)	5,041	**32.4**	8,404	**54.0**	2,129	**13.6**	**15,574**
Quarter ended June 30, 2020							
Investment properties	257,267	28.8	501,395	56.0	136,017	15.2	894,679
Rental revenue from properties	6,688	29.0	13,554	58.8	2,821	12.2	23,063
Net operating income(1)	3,844	30.9	6,732	54.3	1,843	14.8	12,419

(1) Non-IFRS financial measure.

Retail performance

Although the effect of the pandemic and the resulting government mandated restrictions have certainly impacted the retail industry in general, BTB had limited exposure to bankruptcies of tenants and tenants in restructuring procedures. The Trust does not own enclosed malls and most of the properties are anchored with necessity-based tenants. The occupancy rate in the retail segment at the end of the second quarter of 2021 stood at 92.9%, a 2.7% decrease compared to the same period last year. The decrease was mainly due to the departure of Sportium. In April 2021, 85% of the leasable area previously occupied by Sportium was leased to Princess Auto, a national retailer. The lease will start to generate revenues at the end of the year. During the quarter, the Trust was able to renew leases for 13,481 sq. ft. at an average increase in the renewal lease rate of 5.1% (4.6% for the cumulative 6-month period). The percentage of net operating income generated by the retail segment increased from 30.9% to 32.4% compared to the same period last year, mainly due to the Trust's leasing efforts. This demonstrates a gradual return to pre-COVID-19 levels in terms of revenue and net operating income in the retail operating segment.

Office performance

BTB owns suburban office properties and does not own downtown high-rise towers that were the most impacted by the pandemic. Overall, the performance of the segment has been stable across the three regions (Montréal, Quebec City and Ottawa) and it has been supported by the quality of its tenants (the top two tenants are the Federal and Provincial government agencies). The occupancy rate of BTB's office properties at the end of the quarter stood at 89.5%, a 1.6% decrease from the same period last year. The Trust concluded lease renewals for a total of 53,539 sq. ft. with a decrease in the average renewal rate of 1.7% (increase of 0.7% for the cumulative 6-month period). As previously mentioned in the "Real estate operations" section of this MD&A, the negative average lease renewal rate is mainly due to the renewal of a seven-year term of a tenant that expanded its occupancy in one of BTB's properties. That also explains the slight decrease in the percentage of net operating income generated by the office segment from 54.3%, to 54.0% compared to the same period last year.

Industrial performance

The industrial segment continues to show good traction and performance. The asset value of the industrial properties increased from 15.2% to 19.5% compared to the same period last year, mainly due to the acquisition of an industrial property as previously mentioned in the "Acquisition of investment properties" section of this MD&A. As it was acquired at the end of June 2021, the positive impact on revenue will be reflected during the next quarter.
The occupancy rate of the Trust's industrial properties at the end of the second quarter stood at 96.5%, a 2.9% increase compared to the same period last year, mainly due to the recent acquisition that is 100% occupied. The percentage of net operating income generated by the industrial segment decreased compared to the same period last year, from 14.8% to 13.6%. This was mainly due to higher maintenance and operating expenses for a property located in Ottawa. The Trust was able to renew industrial leases totalling 30,172 sq. ft. at an average increase in the renewal rate of 6.1% (14.6% for the cumulative 6-month period).

Assets

Investment properties

BTB has grown through the acquisitions of high-quality properties based on its selection criteria, while maintaining an appropriate allocation among three investment segments: office, retail, and industrial properties.

The real estate portfolio consists of direct interests in wholly owned investment properties and the Trust's share of the assets, liabilities, revenues, and expenses of two jointly controlled investment properties.

The fair value of its investment properties stood at $922 million as at June 30, 2021 compared to $903.8 million as at December 31, 2020. The increase is explained by the acquisition on June 28, 2021 of an industrial property, 6000 Kieran Street, for the purchase price of $15.7 million (including $0.5 million of acquisition fees). The remaining increase can be explained by the net impact of additions related to capital expenditures of $1.3 million, capitalized lease incentives of $1.8 million, straight line lease adjustment of $0.5 million and lease incentives amortization of ($1.7 million).

Improvements in investment properties

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

The following table summarizes capital expenditures, incentives and leasing fees, for the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Recoverable capital expenditures	**275**	95	**647**	458
Non-recoverable capital expenditures	**606**	145	**699**	325
Refund received	**—**	(280)	**—**	(280)
Total capital expenditures	**881**	(40)	**1,346**	503
Leasing fees and leasehold improvements	**1,063**	1,091	**2,251**	3,630
Total	**1,944**	1,051	**3,597**	4,133

The following table summarizes the changes in the fair value of investment properties for the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
	$	$	**$**	$
Balance, beginning of quarter	**905,043**	919,632	**903,870**	924,320
Additions:				
Acquisitions	**15,734**	—	**15,734**	22,286
Dispositions	**—**	(21,625)	**—**	(44,175)
Capital expenditures	**881**	(40)	**1,346**	503
Leasing fees and capitalized lease incentives	**1,063**	1,091	**2,251**	3,630
Fair value adjustment on investment properties	**—**	(3,607)	**—**	(10,505)
Other non-monetary changes	**(686)**	(772)	**(1,166)**	(1,380)
Balance, end of quarter	**922,035**	894,679	**922,035**	894,679

Receivables

Amounts receivable from tenants and other receivables increased from $5.2 million as at December 31, 2020 to $6.9 million as at June 30, 2021. These amounts are summarized below:

(in thousands of dollars)	**June 30, 2021**	December 31, 2020	June 30, 2020
	$	$	$
Rent receivable	**6,982**	4,259	8,460
Allowance for expected credit losses	**(676)**	(1,132)	(2,078)
Net rent receivable	**6,306**	3,127	6,382
Unbilled recoveries	**304**	665	643
Other receivables	**315**	1,420	1,718
Amounts receivable from tenants and other receivables	**6,925**	5,212	8,743

The amount of rent receivable includes $0.3 million to be paid by tenants under rent deferral payment agreements concluded by the Trust during 2020.

Other assets and Property and equipment

The table below summarizes other assets and property and equipment:

(in thousands of dollars)	**June 30, 2021**	December 31, 2020	June 30, 2020
	$	$	$
Property and equipment	**1,325**	1,238	1,116
Accumulated depreciation	**(947)**	(904)	(853)
	378	334	263
Prepaid expenses	**3,774**	1,498	1,465
Deposits	**597**	656	753
Other assets	**4,749**	2,488	2,481

Capital Resources

Long-term debt

The following table summarizes the balance of BTB's indebtedness on June 30, 2021, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

As at June 30, 2021 (in thousands of dollars)	**Balance of convertible debentures**	**Balance of mortgages payable**	**Weighted average contractual interest rate**
	$	**$**	**%**
Year of maturity			
2021 (6 months)	—	82,611	3.65
2022	—	39,739	3.76
2023	—	35,077	3.61
2024	24,000	81,736	4.63
2025	23,423	44,407	4.69
2026 and thereafter	—	221,204	3.16
Total	**47,423**	**504,774**	**3.77**

The Trust has $82.6 million of mortgages coming to maturity during the next six months. As of July 31, 2021, approximately $23.6 million has been refinanced and the remaining balance is currently in the process of refinancing. Historically, the Trust has always been able to refinance its existing mortgages and there is no indication that this would change.

The refinanced amounts are higher than the principal balance by $0.6 million, thereby providing the Trust additional liquidity to be used for future acquisitions and general Trust purposes.

Weighted average contractual interest rate

As at June 30, 2021, the weighted average contractual interest rate of the Trust's long-term debt stood at 3.77% (3.52% for mortgage loans and 6.49% for convertible debentures).

Mortgage loans

As at June 30, 2021, the Trust's total mortgage loans (excluding unamortized fair value adjustments and unamortized financing expenses) amounted to $505 million compared to $486 million as at December 31, 2020. The increase is explained by the $18.1 million refinancing of mortgages that came to maturity in 2021 related to one property ($0.9 million of additional proceeds refinanced). In addition, BTB took advantage of the market conditions to refinance $14.2 million of mortgages with maturities occurring after 2021 related to five properties ($16 million of additional proceeds refinanced). Furthermore, with the acquisition of the property located at 6000 Kieran Street, BTB assumed a mortgage of $9.9 million.

The following table summarizes the changes in mortgage loans payable during the periods ended June 30, 2021:

Periods ended June 30 (in thousands of dollars)	**Quarter**	**Cumulative (6 months)**
	$	**$**
Balance, beginning of quarter	**482,082**	**486,242**
Mortgage loans contracted or assumed	**59,118**	**59,118**
Balance repaid at maturity or upon disposition	**(32,300)**	**(32,300)**
Monthly principal repayments	**(4,126)**	**(8,286)**
Balance, end of quarter	**504,774**	**504,774**

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

As at June 30, 2021, the weighted average interest rate was 3.52% compared to 3.75% as June 30, 2020, a decrease of 23 basis points. As at June 30, 2021, except for four loans with a cumulative balance of $41.8 million, all mortgages payable bear interest at fixed rates (balance of $403.3 million) or are subject to an interest rate swap (balance of $59.6 million).

The weighted average term of existing mortgage loans was 4.5 years as at June 30, 2021 compared to 4.8 years as at June 30, 2020. BTB attempts to spread the maturities of its mortgages over many years to mitigate the risk associated with renewing them.

As at June 30, 2021, all the properties are subject to mortgages except four, of which two are securing the acquisition and operating lines of credit.

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

As at June 30, 2021 (in thousands of dollars)	**Principal repayment**	**Balance at maturity**	**Total**	**% of total**
	$	**$**	**$**	
Year of maturity				
2021 (6 months)	8,047	81,844	89,891	17.8
2022	14,637	30,049	44,686	8.9
2023	12,239	32,626	44,865	8.9
2024	9,918	73,493	83,411	16.5
2025	8,676	37,655	46,331	9.2
2026 and thereafter	27,455	168,135	195,590	38.7
Total	**80,972**	**423,802**	**504,774**	**100.0**
Unamortized fair value assumption adjustments			446	
Unamortized financing expenses			(2,145)	
Balance as at June 30, 2021			**503,075**	

As at June 30, 2021, the Trust was in compliance with all the covenants to which it was subject.

Convertible debentures

(in thousands of dollars)	**Series G(1)(3)**	**Series H(2)(3)**	**Total**
Par value	24,000	23,423(4)	47,423
Contractual interest rate	6.00%	7.00%	
Effective interest rate	7.30%	8.28%	
Date of issuance	October 2019	September 2020	
Per-unit conversion price	$5.42	$3.64	
Date of interest payment	April 30 and October 31	April 30 and October 31	
Maturity date	October 2024	October 2025	
Balance as at June 30, 2021	**23,073**	**20,469**	**43,542**

(1) Redeemable by the Trust, under certain conditions, as of October 31, 2022, but before October 31, 2023, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series G conversion price and, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their principal amount plus accrued and unpaid interest.
(2) Redeemable by the Trust, under certain conditions, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series H conversion price and, as of October 31, 2024, but before October 31, 2025, at a redemption price equal to their principal amount plus accrued and unpaid interest.
(3) The Trust may, at its option and under certain conditions, elect to satisfy its obligation to pay the principal amount of the Series G and H debentures by issuing freely tradable units to Series G and H debenture holders.
(4) Conversion of $6,577 of the Series H debenture since issuance. Conversion of $2,701 during Q2 2021.

Debt ratio

Under the terms of its trust agreement, the Trust cannot contract a mortgage loan if, after having contracted the said loan, the total mortgage debt would exceed 75% of the value of the total assets of the Trust. When establishing this calculation, the convertible debentures are not considered in the calculation of total indebtedness. Moreover, also under its trust agreement, in case of failure to abide by this condition, the Trust has a 12-month delay from the date of knowledge to remedy the situation.

The following table summarizes the Trust's debt ratios as at June 30, 2021 and 2020 and December 31, 2020:

(in thousands of dollars)	June 30, 2021	December 31, 2020	June 30, 2020
	$	$	$
Cash and cash equivalent	(25,307)	(9,062)	(12,938)
Mortgage loans outstanding(1)	504,774	486,242	487,380
Convertible debentures(1)	47,600	53,385	50,700
Acquisition credit facility	—	15,300	15,100
Total long-term debt less free cash flow	527,067	545,865	540,242
Total gross value of the assets of the Trust less free cash flow	940,691	918,508	922,691
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	53.7%	52.9%	52.8%
Debt ratio – convertible debentures	5.1%	5.8%	5.5%
Debt ratio – acquisition line of credit	0.0%	1.7%	1.6%
Total debt ratio	56.0%	59.4%	58.6%

(1) Gross amounts.

As at June 30, 2021, the mortgage debt ratio excluding the convertible debentures and acquisition credit facility totalled 53.7%, up 0.8% from December 31, 2020 and up 0.9% from June 30, 2020. Including the convertible debentures, the acquisition credit facility, and cash, the total debt ratio decreased to 56.0%, down 3.4% from December 31, 2020 and down 2.6% from June 30, 2020.

The Trust seeks to finance its acquisitions with a maximum mortgage debt ratio of 65% since the cost of financing is lower than the capital cost of the Trust's equity.

Liquidity refers to the Trust having credit availability under committed credit facilities and/or generating enough cash and cash equivalents to fund the ongoing operational commitments including maintenance capital and development capital expenditures, distributions to Unitholders and planned growth in the business. BTB maintains an operating credit facility to provide financial liquidity which can be drawn or repaid on short notice, reducing the need to hold liquid resources in cash and deposits. Management continues to believe the Trust is well positioned to manage through the pandemic based on the improved balance sheet over the years, short-term debt maturities that are under way to be refinanced, a pool of assets that can be used to structure new lines of credit, and the liquidity of the portfolio in the event of an opportunistic asset sale.

Interest coverage ratio

For the quarter ended June 30, 2021, the interest coverage ratio stood at 3.02, an increase of 89 basis point from the second quarter of 2020:

Periods ended June 30 (in thousands of dollars, except for the ratios)	Quarter		Cumulative (6 months)	
	2021	2020	2021	2020
	$	$	$	$
Net operating income	15,574	12,419	27,988	25,185
Interest expenses net of financial income(1)	5,162	5,817	10,819	11,631
Interest coverage ratio	3.02	2.13	2.59	2.17

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

Class B LP units

Periods ended June 30, 2021 (in number of units)	Quarter		Cumulative (6 months)	
	Units	$	Units	$
Class B LP units outstanding, beginning of period	**347,265**	1,465	**397,265**	1,402
Exchange into Trust units	—	—	**(50,000)**	(217)
Fair value adjustment	—	(52)	—	228
Class B LP units outstanding, end of period	**347,265**	1,413	**347,265**	1,413

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

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

The Class B LP units were issued on May 30, 2018 in payment for the acquisition of a residual portion of “Complexe Lebourgneuf – Phase II” in Quebec City (less the portion related to the mortgage loan assumption by BTB). The holders of the Class B LP units were entitled to a $26 distribution during the second quarter of 2021.

Units outstanding

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

Periods ended June 30 (in number of units)	Quarter		Cumulative (6 months)	
	2021	2020	2021	2020
Units outstanding, beginning of the period	**64,658,517**	62,496,770	**63,439,435**	62,251,558
Units issued pursuant to a public issue	**7,809,650**	—	**7,809,650**	—
Distribution reinvestment plan	**181,244**	225,257	**368,382**	396,975
Issued - employee unit purchase plan	—	—	**14,351**	11,194
Issued - restricted unit compensation plan	—	—	**71,722**	59,327
Issued - deferred unit compensation plan	—	—	—	2,973
Class B LP units exchanged into Trust units	—	100,000	**50,000**	100,000
Issued – conversion of convertible debentures	**742,025**	—	**1,637,896**	—
Units outstanding, end of the period	**73,391,436**	62,822,027	**73,391,436**	62,822,027
Weighted average number of units outstanding	**73,087,753**	62,681,044	**68,531,513**	62,535,591
Weighted average number of Class B LP units and units outstanding	**73,435,018**	63,114,573	**68,895,444**	63,000,988

Deferred unit compensation plan

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

The following table summarizes deferred units outstanding during the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in number of units)	Quarter		Cumulative (6 months)	
	2021	2020	2021	2020
Deferred units outstanding, beginning of the period	**91,680**	73,632	**87,920**	59,642
Trustees’ compensation	**2,133**	2,766	**4,171**	18,342
Distributions paid in units	**1,674**	2,031	**3,396**	3,418
Settled	—	—	—	(2,973)
Deferred units outstanding, end of the period	**95,487**	78,429	**95,487**	78,429

Restricted unit compensation plan

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

The following table summarizes restricted units outstanding during the periods ended June 30, 2021 and 2020:

Periods ended June 30 (in number of units)	Quarter		Cumulative (6 months)	
	2021	2020	**2021**	2020
Restricted units outstanding, beginning of the period	**139,724**	119,583	**139,724**	165,012
Granted	**95,058**	35,339	**95,058**	49,237
Cancelled	**(1,524)**	(10,971)	**(1,524)**	(10,971)
Settled	**(71,722)**	—	**(71,722)**	(59,327)
Restricted units outstanding, end of the period	**161,536**	143,951	**161,536**	143,951

Employee unit purchase plan

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

Off-balance sheet arrangements and contractual commitments

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

Sustainable Development

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

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

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

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

Initiatives

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

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

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

Income Taxes

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

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

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

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

As at June 30, 2021, BTB met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to BTB. BTB's management intends to take the necessary steps to meet the conditions for the REIT Exception on an ongoing basis in the future.

Nonetheless, there is no guarantee that BTB will continue to meet all the required conditions to be eligible for the REIT exception for 2021 or any other subsequent year.

Taxation of Unitholders

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

Quarters ended June 30	**2021**	2020
	%	%
Taxable as other income	**–**	–
Tax deferred	**100**	100
Total	**100**	100

Accounting Policies and Estimates

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based on historical experience and other assumptions that are considered reasonable under given circumstances. The result of the continual review of these estimates is the basis for exercising judgment on the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from these estimates. Critical judgments made by BTB in applying significant accounting policies, the most significant of which is the fair value of investment properties, are described in Note 2 to the annual consolidated financial statements as at and for the years ended December 31, 2020 and 2019.

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

Risks and Uncertainties

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

- Access to Capital and to Debt Financing
- Interest Rate Increases
- Ownership of Immovable Property
- Competition and Rising Property Prices
- Availability of Immovable Property for Acquisition
- Development Programs
- Recruitment and Retention of Employees and Executives
- Government Regulation
- Limit on Activities Under the Trust Agreement
- Tax Regulations
- Fluctuations in Cash Distributions
- Reliance on Single or Anchor Tenants
- Potential Unitholder Liability
- Conflicts of Interest
- Market Price of Units
- Legal Rights Relating to Units
- Dilution
- Environmental Matters
- Legal Risks
- General Uninsured Losses
- Retail Industry
- A possible economic recession
- Long-term effect of a global pandemic

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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

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

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Vice President and Chief Financial Officer of BTB concluded that ICFR was effective as at June 30, 2021, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During the second quarter of 2021, management made no changes to internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.

Appendix 1 – Performance Indicators

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

Appendix 2 – Definitions

Class B LP Units

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

Rental revenue

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

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

Operating expenses

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

Net operating income

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

Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans payable contracted or assumed totalling approximately $504.7 million as at June 30, 2021, compared to $497.3 million as at June 30, 2020.
- Series G and H convertible debentures for a total par value of $43.5 million.
- Operating and acquisition lines of credit used as needed.
- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Administration expenses

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

Fair value adjustment on investment properties

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

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

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

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2020 and still owned as at June 30, 2021, but does not include the financial impacts from dispositions, acquisitions and developments completed in 2020 and 2021, as well as the results of subsequently sold properties.

Net property income from the same-property portfolio

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

Funds from operations (FFO)

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

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

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

Adjusted funds from operations (AFFO)

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

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

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

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

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