Celebrating 15 Years of Milestones

Q2 2022
Management Discussion & Analysis

Management Discussion & Analysis

Quarter ended June 30, 2022

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 period ended June 30, 2022 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 5, 2022 should be read together with the interim condensed consolidated financial statements and accompanying notes for the period ended June 30, 2022. 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 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 interim condensed consolidated financial statements and the Trust's Board of Trustees has approved them.

Forward-Looking Statements – Caveat

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

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

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

Non-IFRS Financial Measures

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

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

Non-IFRS measure	Definition	Reconciliation
Adjusted net income	Adjusted net income is a non-IFRS financial measure that starts with net income and comprehensive income and removes the effects of: (i) fair value adjustment on investment properties; (ii) fair value adjustment on derivative financial instruments; (iii) fair value adjustment on Class B LP units; and (iv) transaction costs on acquisition and dispositions of investment properties and early repayment fees. The Trust considers this to be a useful measure of operating performance, as fair value adjustments can fluctuate widely with the market and transaction costs are non-recurring in nature.	Operating results – Adjusted net income
Same-property NOI	Same-property NOI is a non-IFRS financial measure defined as net operating income ("NOI") for the properties that the Trust owned and operated for the entire duration of both the current year and the previous year. The most directly comparable IFRS measure to same-property NOI is Operating Income. The Trust believes this is a useful measure as NOI growth can be assessed on its portfolio excluding the impact of property acquisitions and dispositions. The Trust uses same-property NOI to indicate the profitability of its existing portfolio operations and the Trust's ability to increase its revenues, reduce its operating costs and generate organic growth.	Operating results – Same-property portfolio
Funds from Operations ("FFO") and Recurring FFO	FFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its February 2019 White Paper ("White Paper"). FFO is defined as net income and comprehensive income less certain adjustments, on a proportionate basis, including: (i) fair value adjustments on investment properties, class B LP units and derivative financial instruments; (ii) amortization of lease incentives; (iii) incremental leasing costs; and (iv) distribution on class B LP units. FFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. FFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. Recurring FFO is also a non-IFRS financial measure that starts with FFO and remove the impact of non-recurring items such as transaction cost on acquisitions and dispositions of investment properties and early repayment fees. The Trust believes FFO and recurring FFO are key measures of operating performance and allow the investors to compare its historical performance.	Funds from Operations (FFO); Cash Flows; and Appendix 2
Adjusted Funds from Operations ("AFFO") and Recurring AFFO	AFFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its February 2019 White Paper ("White Paper"). AFFO is defined as FFO less: (i) straight-line rental revenue adjustment; (ii) accretion of effective interest; (iii) amortization of other property and equipment; (iv) unit-based compensation expenses; (v) provision for non-recoverable capital expenditures; and (vi) provision for unrecovered rental fees (related to regular leasing expenditures). AFFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. AFFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. Recurring AFFO is also a non-IFRS financial measure that starts with AFFO and removes the impact of non-recurring items such as transaction costs on acquisitions and dispositions of investment properties and early repayment fees. The Trust considers AFFO and recurring AFFO to be useful measures of recurring economic earnings and relevant in understanding its ability to service its debt, fund capital expenditures and provide distributions to unitholders.	Adjusted Funds from Operations (AFFO); Cash Flows; and Appendix 2

Non-IFRS measure	Definition	Reconciliation
FFO and AFFO payout ratios and Recurring FFO and recurring AFFO payout-ratios	FFO and AFFO payout ratios and recurring FFO and recurring AFFO payout ratios are non-IFRS financial measures. These payout ratios are calculated by dividing the actual distributions per unit by FFO, AFFO and recurring FFO and recurring AFFO per unit in each period. The Trust considers these metrics a useful way to evaluate its distribution paying capacity.	Funds from Operations (FFO); Adjusted Funds from Operations (AFFO); and Appendix 2
Total debt ratio	Total debt ratio is a non-IFRS financial measure of the Trust financial leverage, which is calculated by taking the total long-term debt less cash divided by total gross value of the assets of the Trust less cash. The Trust considers this metric useful as it indicates its ability to meet its debt obligations and its capacity for future additional acquisitions.	Capital Ressources – Debt ratio
Interest Coverage Ratio	Interest coverage ratio is a non-IFRS financial measure which is calculated by taking the NOI divided by interest expenses net of financial income (interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	Capital Ressources – Interest coverage ratio

The Trust

The Trust is an unincorporated open-ended real estate trust formed under and governed by the laws of the province of Québec pursuant to a trust agreement (as further amended). The Trust began its real estate operations on October 3, 2006, and as of June 30, 2022, owned 75 industrial, off-downtown core office and necessity-based retail properties located in primary markets of the provinces of Québec, Ontario, Alberta, and Saskatchewan. Since its inception, the Trust has become an important property owner in the province of Québec, in Eastern Ontario and since December 2021, in Western Canada. The units and Series G and H convertible debentures are traded on the Toronto Stock Exchange under the symbols "BTB.UN", "BTB.DB. G" and "BTB.DB.H", respectively.

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

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

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of $)
As at June 30, 2022	**75**	**5,839,807**	**1,167,247**

These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb and a 50% interest in one building totalling 74,940 square feet in Gatineau, Québec.

Objectives and Business Strategies

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

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

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

Highlights of the Second Quarter Ended June 30, 2022

Leasing activity for the quarter: 79,126 square feet of leases renewed of which, 55,635 square feet were renewed before the end of their term and 23,491 square feet were renewed in anticipation of the end of their term for the years 2023 and after. The Trust leased 43,121 square feet to new tenants. Due to strong leasing activity, the occupancy rate was at 93.8% at the end of the quarter.

Acquisitions: On April 5, 2022, the Trust acquired an industrial property located at 1100 Algoma Road in Ottawa, Ontario, for a total consideration of $12.5 million, excluding transaction costs and adjustments. On June 15, 2022, the Trust acquired an industrial property located at 3190 F.-X. Tessier Street in Vaudreuil-Dorion, Québec, for a total consideration of $15.0 million, excluding transaction costs and adjustments. On June 27, 2022, the Trust acquired an industrial property located at 3905 Allard Avenue in Edmonton, Alberta, for a total consideration of $13.0 million, excluding transaction costs and adjustments. The acquisition of these high-quality assets added additional exposure to the Trust's industrial segment.

Disposition: On June 16, 2022, the Trust disposed of a small industrial property located at 2059 René-Patenaude Street in Magog (Eastern Townships), Québec, for total proceeds of $1.8 million, excluding transaction costs and adjustments.

Rental revenue: Stood at $29.0 million for the current quarter, which represents an increase of 11.3% compared to the same quarter of 2021. For the cumulative six-month period, the rental revenue totalled $58.0 million, which represents an increase of 17.1% compared to the same period in 2021.

Net operating income (NOI): Stood at $17.6 million for the current quarter, which represents an increase of 13.0% compared to the same quarter of 2021. For the cumulative six-month period, the total NOI was $33.8 million, which represents an increase of 20.9% compared to the same period in 2021.

Same-property NOI(1): Increased by 8.2% for the second quarter of 2022 compared to the same period in 2021 mainly due to a combination of important leasing efforts made during the previous quarters resulting in an increase in occupancy rate compared to the same quarter last year and an increase in the average lease renewal rates.

Net income and comprehensive income: Totalled $18.2 million for the quarter compared to $7.2 million for the same period in 2021, representing an increased of $11.0 million that is attributed to a net adjustment to the fair value of derivative financial instruments.

Recurring FFO(1): Was 11.4¢ per unit for the quarter (22.1¢ per unit for the 2022 cumulative six-month period) compared to 12.5¢ per unit for the same period in 2021 (21.7¢ per unit for the 2021 cumulative six-month period). The decrease for the quarter is explained by a retrospective $2.6 million additional recovery and an indemnity recognized during the same period in 2021. Excluding this adjustment, the recurring FFO per unit would have increased by 23.6% for the cumulative six-month period compared to the same period in 2021.

Recurring AFFO(1): Was 11.0¢ per unit for the quarter (20.8¢ per unit for the 2022 cumulative six-month period) compared to 11.8¢ per unit for the same period in 2021 (20.5¢ per unit for the 2021 cumulative six-month period). The decrease for the quarter is explained by a retrospective $2.6 million additional recovery and an indemnity recognized during the same period in 2021. Excluding this adjustment, the recurring AFFO per unit would have increased by 23.8% for the cumulative six-month period compared to the same period in 2021.

Recurring FFO payout ratio(1): Was 65.5% for the quarter (67.8% for the 2022 cumulative six-month period) compared to 59.9% for the same period in 2021 (69.2% for the 2021 cumulative six-month period).

Recurring AFFO payout ratio(1): Was 68.3% for the quarter (72.3% for the 2022 cumulative six-month period) compared to 63.7% for the same period in 2021 (73.0% for the 2021 cumulative six-month period).

Liquidity position: The Trust held $3.0 million of cash at the end of the quarter and $26.7 million is available under its credit facilities(1)(2). The Trust has the option to increase the capacity under the credit facilities to $58.8 million.

(1) This is a non-IFRS financial measure, refer to page 35.
(2) Credit facilities is a term used that reconciles with the bank loans as presented and defined in the Trust interim condensed consolidated financial statements.

Debt metrics: The Trust concluded the quarter with a total debt ratio[1] of 58.8%, recording an improvement of 1.7% compared to December 31, 2021.

Collection rate: was 98.0% of invoiced rent during the quarter and 98.5% on a cumulative basis for 2022, which shows the strong fundamentals of the industrial, off-downtown core office and the necessity-based retail operating segments. The Trust's portfolio continued to show positive results through all asset classes and geographies.

Subsequent events

No subsequent event.

Summary of significant items as at June 30, 2022

- Total number of properties: 75
- Total leasable area: 5.8 million square feet
- Total asset value: $1,185 million
- Market capitalization: $305 million (unit price of $3.60 as at June 30, 2022)

(1) This is a non-IFRS financial measure, refer to page 35.

Selected Financial Information

The following table presents highlights and selected financial information for the periods ended June 30, 2022, and 2021:

Periods ended June 30 (in thousands of dollars, except for ratios and per unit data)		Quarters		Cumulative (6 months)	
		2022	2021	2022	2021
	Reference (page)	$	$	$	$
Financial information					
Rental revenue	49	28,979	26,034	58,047	49,566
Net operating income (NOI)	48	17,598	15,574	33,832	27,988
Net income and comprehensive income	48	18,243	7,161	24,692	9,671
Adjusted net income(1)	52	9,001	8,030	16,259	12,634
NOI from the same-property portfolio(1)	53	13,450	12,436	25,716	24,460
Distributions	54	6,374	5,508	12,225	10,336
Recurring funds from operations (FFO)(1)	55	9,718	9,202	18,035	14,932
Recurring adjusted funds from operations (AFFO)(1)	56	9,311	8,647	16,913	14,153
Cash flow from operating activities	58	15,516	8,162	26,920	21,311
Total assets	60			1,185,148	965,051
Investment properties	60			1,167,247	922,035
Mortgage loans	62			628,778	503,075
Convertible debentures	62			41,563	43,542
Mortgage debt ratio(2)	64			53.4%	53.7%
Total debt ratio(1)	64			58.8%	56.0%
Weighted average interest rate on mortgage debt	62			3.62%	3.52%
Market capitalization				305,035	298,703
Financial information per unit					
Units outstanding (000)	66			84,732	73,391
Class B LP units outstanding (000)	65			347	347
Weighted average number of units outstanding (000)	66	84,642	73,088	81,153	68,532
Weighted average number of units and Class B LP units outstanding (000)	66	84,989	73,435	81,500	68,895
Net income and comprehensive income	48	21.5¢	9.8¢	30.3¢	14.1¢
Adjusted net income(1)	52	10.6¢	10.9¢	19.9¢	18.3¢
Distributions	54	7.5¢	7.5¢	15.0¢	15.0¢
Recurring FFO(1)	55	11.4¢	12.5¢	22.1¢	21.7¢
Payout ratio on recurring FFO(1)	55	65.5%	59.9%	67.8%	69.2%
Recurring AFFO(1)	56	11.0¢	11.8¢	20.8¢	20.5¢
Payout ratio on recurring AFFO(1)	56	68.3%	63.7%	72.3%	73.0%
Market price				3.60	4.07
Tax on distributions					
Tax deferral	68	100.0%	100.0%	100.0%	100.0%
Operational information					
Number of properties	43			75	65
Leasable area (thousands of sq. ft.)	43			5,840	5,402
Occupancy rate	43			93.8%	92.2%
Increase in average lease renewal rate	44	20.6%	0.2%	15.3%	3.2%

(1) This is a non-IFRS financial measure, refer to page 35.
(2) This is a non-IFRS financial measure. The mortgage debt ratio is calculated by dividing the mortgage loans outstanding by the total gross value of the assets of the Trust less cash and cash equivalents.

Selected Quarterly Information

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

(in thousands of dollars except for per unit data)	2022 Q-2	2022 Q-1	2021 Q-4	2021 Q-3	2021 Q-2	2021 Q-1	2020 Q-4	2020 Q-3
	$	$	$	$	$	$	$	$
Rental revenue	**28,979**	29,068	26,789	23,988	26,034	23,532	22,455	23,583
Net operating income	**17,598**	16,234	14,776	13,572	15,574	12,414	12,767	13,308
Net income and comprehensive income	**18,243**	6,449	23,219	8,678	7,161	2,510	3,850	5,757
Net income and comprehensive income per unit	**21.5¢**	8.3¢	31.2¢	11.7¢	9.8¢	3.9¢	6.1¢	9.1¢
Cash from operating activities	**15,516**	11,404	25,137	10,090	8,162	13,149	15,954	8,983
Recurring funds from operations (FFO)(1)	**9,718**	8,317	8,194	7,018	9,202	5,730	6,322	6,920
Recurring FFO per unit(1)(2)	**11.4¢**	10.7¢	11.0¢	9.5¢	12.5¢	8.9¢	9.9¢	10.9¢
Recurring adjusted funds from operations (AFFO)(1)	**9,311**	7,602	6,962	6,453	8,647	5,506	6,253	6,139
Recurring AFFO per unit(1)(3)	**11.0¢**	9.7¢	9.4¢	8.7¢	11.8¢	8.6¢	9.8¢	9.7¢
Distributions(4)	**6,374**	5,851	5,578	5,551	5,508	4,828	4,778	4,752
Distributions per unit(4)	**7.5¢**	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢

(1) This is a non-IFRS financial measure, refer to page 35.
(2) The recurring FFO per unit ratio is calculated by dividing the recurring FFO(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units outstanding at the end of the period).
(3) The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units outstanding at the end of the period).
(4) Includes distributions on Class B LP units.

Operating Performance Indicators

The performance indicators, used to measure the Trust's operating performance, are described hereafter.

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

In-place occupancy rate: shows the percentage of total income-producing leasable area held at the end of the period.

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

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

Real Estate Portfolio

At the end of the second quarter of 2022, BTB owned 75 properties, totalling a fair value of $1,167 million. The properties generated approximately $29.0 million in rental revenue this quarter and represented a total leasable area of approximately 5.8 million square feet. A description of all the properties owned by the Trust can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of investment properties held as at June 30, 2022

Operating segment	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)	In Place occupancy rate (%)
Industrial	26	1,573,231	100.0	100.0
Off-downtown core office	38	2,874,402	89.3	88.2
Necessity-based retail	11	1,392,175	96.2	94.9
Total	**75**	**5,839,808**	**93.8**	**93.0**

Dispositions of investment properties

On January 27, 2022, the Trust disposed of four industrial properties located at 705 Boundary Road, 725 Boundary Road, 805 Boundary Road and 2901 Marleau Avenue in Cornwall, Ontario, for total proceeds of $26.0 million, excluding transaction costs and adjustments.

On June 16, 2022, the Trust disposed of a small industrial property located at 2059 René-Patenaude Street in Magog (Eastern Townships), Québec, for total proceeds of $1.8 million, excluding transaction costs and adjustments. This property occupancy rate was less than 50% at the time of the disposition.

Acquisitions of investment properties

On January 7, 2022, the Trust acquired two class A office properties located at 979 Bank Street and 1031 Bank Street in the Glebe borough of Ottawa, Ontario, for the total consideration of $38.1 million, excluding transaction costs and adjustments. The two properties increased the Trust's total leasable area by respectively 104,716 square feet and 11,510 square feet.

On April 5, 2022, the Trust acquired an industrial property located at 1100 Algoma Road in Ottawa, Ontario, for a total consideration of $12.5 million, excluding transaction costs and adjustments. The property increased the Trust's total leasable area by 46,433 square feet.

On June 15, 2022, the Trust acquired an industrial property located at 3190 F.-X. Tessier Street in Vaudreuil-Dorion, Québec, for a total consideration of $15.0 million, excluding transaction costs and adjustments. The property increased the Trust's total leasable area by 67,162 square feet.

On June 27, 2022, the Trust acquired an industrial property located at 3905 Allard Avenue in Edmonton, Alberta, for a total consideration of $13.0 million, excluding transaction costs and adjustments. The property increased the Trust's total leasable area by 51,747 square feet.

Since the beginning of the year, The Trust acquired four properties for total consideration of $78.6 million and added 281,568 square feet to its total leasable area.

Real Estate Operations

Portfolio occupancy

The following table summarizes the changes in occupied area for the periods ended June 30, 2022, and 2021:

Periods ended June 30 (in sq. ft.)	Quarter		Cumulative (6 months)	
	2022	2021	**2022**	2021
Occupied area at the beginning of the period(1)	**5,311,921**	4,846,980	**5,639,778**	4,910,877
Purchased (sold) assets	**151,146**	99,000	**(148,516)**	99,000
Signed new leases	**43,121**	78,294	**60,681**	88,045
Tenant departures	**(26,937)**	(20,596)	**(70,849)**	(94,277)
Other(2)	**2**	(20,452)	**(1,841)**	(20,419)
Occupied leasable area at the end of the period(1)	**5,479,253**	4,983,226		
Vacant leasable area at the end of the period	**360,555**	418,998		
Total leasable area at the end of the period	**5,839,808**	5,402,224		

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

Renewal activities

The following table summarizes the renewal rate for the periods ended June 30, 2022, and 2021:

Periods ended June 30 (in sq. ft.)	Quarter		Cumulative (6 months)	
	2022	2021	**2022**	2021
Leases expired at term	**73,195**	96,089	**229,073**	162,468
Renewed leases at term	**55,635**	82,826	**174,773**	123,520
Renewal rate	**76.0%**	86.2%	**76.3%**	76.0%

The Trust renewed 76.0% or 55,635 square feet out of the 73,195 square feet expiring this quarter. Additionally, the Trust leased 17.3% of the remaining 17,560 square feet that expired before the end of the quarter. For the cumulative six-month period, the Trust renewed 76.3% of the leases at the end of their term which left 54,301 square feet that expired, and such recorded vacancy is mainly explained by the departure during the second quarter of 2022 of Réseau Admission, a tenant that occupied a large space in an off-downtown core office property located on the island of Montréal. This tenant relocated its activities in Downtown Montreal.

In addition to the renewed leases at the expiration of their term during the quarter, the Trust renewed 23,491 square feet leased with existing tenants where their lease terms were to expire in 2023 and later (a total of 79,837 square feet for the cumulative six-month period were renewed). This activity does not impact the occupied leasable area or renewal rate recorded for the quarter but demonstrates the Trust's strategy and ability to proactively manage its lease renewals before the expiry of their respective terms. The early renewals concluded during this quarter allowed the Trust to secure the long-term lease renewal with an off-downtown core office tenant in Québec City, representing 23,491 square feet.

Considering renewed leases at the end of their term and renewed leases with terms ending in 2023 and thereafter, the Trust renewed leases totaling 79,126 square feet during this quarter and a total of 254,610 square feet for the cumulative six-month period. Out of the total leasable area of renewed leases for the cumulative six-month period, 169,618 square feet or 66.6% were concluded with off-downtown core office tenants, confirming the strategy of tenants to occupy off-downtown core office spaces located closer to their employee's residences.

Average lease renewal rate

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

	Quarter		Cumulative (6 months)	
	Renewals	Increase	Renewals	Increase
Operating segment	(sq. ft.)	(%)	(sq. ft.)	(%)
Industrial	-	0.0%	42,158	7.8%
Off-downtown core office	78,526	21.2%	169,618	20.3%
Necessity-based retail	600	2.8%	42,834	3.9%
Total	**79,126**	**20.6%**	**254,610**	**15.3%**

Since the beginning of the year, the Trust achieved a cumulative average increase of 15.3% in renewal rates across all business segments. The off-downtown core office operating segment showed an increase of 20.3%, which is essentially attributable to some leases that were below market price.

Concluded new leases

During the quarter, the Trust leased 43,121 square feet to new tenants, leaving 360,555 square feet of leasable area available for lease at the end of the quarter. Out of the concluded leases for 43,121 square feet, 28,993 square feet are committed lease agreements and 14,128 square feet are occupying the leased spaces. As the Trust's total industrial leasable area is fully occupied, 24,887 square feet or 57.7% were concluded with off-downtown core office tenants and 18,234 square feet or 42.3% of the new leases were concluded in the necessity-based retail segment. For the cumulative six-month period, the Trust concluded transactions with new tenants totaling 60,681 square feet.

Occupancy rates

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

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
	%	%	%	%	%
Operating segment					
Industrial	**100.0**	99.0	97.0	96.5	96.5
Off-downtown core office	**89.3**	89.3	90.3	89.3	89.5
Necessity-based retail	**96.2**	95.0	95.1	92.6	92.9
Total portfolio	**93.8**	93.1	93.4	92.0	92.2

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
	%	%	%	%	%
Geographic sector					
Montréal	**95.1**	94.1	94.4	92.8	93.1
Québec City[1]	**88.2**	88.4	88.9	88.9	88.8
Ottawa	**94.8**	93.8	93.7	93.8	94.2
Edmonton	**100.0**	100.0	100.0	-	-
Saskatoon	**100.0**	100.0	100.0	-	-
	93.8	93.1	93.4	92.0	92.2

(1) Excluding the Trois-Rivières property, the occupancy rate of the Québec City portfolio would have been 91.6%.

The occupancy rate at the end of the second quarter of 2022 stood at 93.8%, representing a 0.7% increase compared to the prior quarter, and a 1.6% increase compared to the same period in 2021. Furthermore, the in-place occupancy rate at the end of the second quarter of 2022 stood at 93.0%, representing a 0.7% increase compared to the prior quarter, and representing a 2.1% increase compared to the same period in 2021.

Lease maturities

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

	2022	2023	2024	2025	2026
Industrial					
Leasable area (sq. ft.)	66,297	86,764	30,199	130,414	206,464
Average lease rate/square foot ($)(1)	$13.04	$11.11	$13.84	$11.15	$12.20
% of industrial portfolio	4.21%	5.52%	1.92%	8.29%	13.12%
Off-downtown core office					
Leasable area (sq. ft.)	235,327	279,532	300,996	269,169	386,352
Average lease rate/square foot ($)(1)	$13.91	$16.64	$14.58	$15.14	$14.59
% of office portfolio	8.19%	9.72%	10.47%	9.36%	13.44%
Necessity-based retail					
Leasable area (sq. ft.)	68,750	167,106	82,430	123,398	107,676
Average lease rate/square foot ($)(1)	$13.87	$8.78	$15.79	$20.09	$16.22
% of retail portfolio	4.94%	12.00%	5.92%	8.86%	7.73%
Total portfolio					
Leasable area (sq. ft.)	**370,374**	**533,402**	**413,625**	**522,981**	**700,492**
Average lease rate/square foot ($)(1)	**$13.75**	**$13.28**	**$14.77**	**$15.31**	**$14.13**
% of total portfolio	**6.34%**	**9.13%**	**7.08%**	**8.96%**	**12.00%**

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

Weighted average lease term

For the quarter ended June 30, 2022, the Trust recorded a weighted average lease term of 6.0 years, compared to 5.2 years for the same period in 2021. In addition to securing future revenues for the Trust and solidifying its tenant base, the Trust's lease renewal strategy is also focused on ensuring longevity in the lease terms when appropriate.

Top 10 tenants

The Trust's three largest tenants are the Government of Québec (off-downtown core office segment), the Government of Canada (off-downtown core office segment), and Walmart Canada inc. (necessity-based retail segment), representing respectively 5.7%, 5.5%, and 2.4% of rental revenue. The Trust's rental revenues are generated by multiple leases with these tenants whose maturities are spread over time.

32.7% 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, 2022. Their contribution accounts for 24.7% of rental revenue for the cumulative six-month period and 21.8% of leased area:

Client	% of revenue	% of leased area	Leased area (sq. ft.)
Government of Québec	5.7	5.1	299,763
Government of Canada	5.5	4.3	251,850
Walmart Canada inc.	2.4	4.5	264,550
WSP Canada Inc.	2.1	2.0	118,585
Mouvement Desjardins	2.0	1.1	61,034
Intrado Life & Safety Canada, Inc.	1.5	1.2	69,270
Groupe BBA Inc.	1.4	1.1	61,576
Strongco	1.4	0.8	48,478
Germain Larivière Laval Inc.	1.4	0.9	53,767
Satcom Direct Avionics	1.3	0.8	48,676
	24.7	**21.8**	**1,277,549**

Operating Results

The following table summarizes the financial results for the periods ended June 30, 2022, and June 30, 2021, as well as the cumulative periods for the first six months of 2022 and 2021. This 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)	
		2022	2021	**2022**	2021
	Reference (page)	**$**	$	**$**	$
Rental revenue	49	**28,979**	26,034	**58,047**	49,566
Operating expenses	49	**11,381**	10,460	**24,215**	21,578
Net operating income	48	**17,598**	15,574	**33,832**	27,988
Net financial expenses and financial income	50	**(2,673)**	6,575	**5,828**	14,811
Administration expenses	51	**1,693**	1,838	**3,515**	3,506
Transaction costs		**138**	-	**607**	-
Fair value adjustment on investment properties	51	**197**	-	**(810)**	-
Net income and comprehensive income	48	**18,243**	7,161	**24,692**	9,671

Rental revenue

For the quarter, rental revenue increased by $2.9 million or 11.3% compared to the same period last year. The increase consisted of the following:

(i) a decrease of $2.6 million attributable to the retrospective additional recoveries and indemnity recognized during the same quarter in 2021;

(ii) $0.9 million decrease in revenues related to the dispositions made since Q4 2021;

(iii) $0.9 million increase of revenues due to a combination of a higher in place occupancy rate (+2.1% compared to last year) and higher average lease rate;

(iiii) $5.5 million of additional revenues related to the following acquisitions:

- $0.3 million, 6000 Kieran (Montréal) in June 2021
- $2.1 million, 2344 & 2600 Alfred Nobel (Montréal) in November 2021
- $2.0 million, Western Portfolio (Edmonton & Saskatoon) in December 2021
- $1.0 million, Lansdowne buildings (Ottawa) in January 2022
- $0.1 million, Algoma Road (Ottawa) in April 2022

For the cumulative six-month period, rental revenue increased by $8.5 million or 17.1% compared to the same period last year, which is predominantly due to the cumulative impact of acquisitions and dispositions of the aforementioned properties.

Operating expenses

The following table summarizes the Trust's operating expenses for the periods ended June 30, 2022, and June 30, 2021, as well as the cumulative periods for the first six months of 2022 and 2021:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2022	2021	**2022**	2021
	$	$	**$**	$
Operating expenses				
Maintenance, repairs and other operating costs	**3,868**	3,926	**8,325**	7,733
Energy	**1,031**	1,042	**2,841**	2,754
Property taxes and insurance	**6,482**	5,492	**13,049**	11,091
Total operating expenses	**11,381**	10,460	**24,215**	21,578
% of rental revenue	**39.3%**	40.2%	**41.7%**	43.5%

Operating expenses increased on a quarterly and cumulative basis mainly due to the new acquisitions and the increase of the cost of living. In addition, property taxes increased on a quarterly basis due to the new acquisitions and increased property values.

Financial expenses and income

The following table summarizes the financial expenses for the periods ended June 30, 2022, and June 30, 2021, as well as the cumulative periods for the first six months of 2022 and 2021:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2022	2021	**2022**	2021
	$	$	**$**	$
Financial income	**(132)**	(262)	**(277)**	(396)
Interest on mortgage loans	**5,610**	4,606	**11,412**	9,152
Interest on convertible debentures	**743**	669	**1,475**	1,626
Interest on credit facilities	**197**	88	**504**	308
Other interest expense	**93**	61	**156**	129
Interest expense net of financial income	**6,511**	5,162	**13,270**	10,819
Distributions on Class B LP units	**26**	26	**52**	56
Early repayment fees	**-**	188	**284**	188
Net financial expenses before non-monetary items	**6,537**	5,376	**13,606**	11,063
Accretion of effective interest on mortgage loans and convertible debentures	**284**	428	**572**	787
Accretion of non-derivative liability component of convertible debentures	**83**	90	**164**	186
Net financial expenses before the following items:	**6,904**	5,894	**14,342**	12,036
Net adjustment to fair value of derivative financial instruments	**(9,344)**	733	**(8,347)**	2,547
Fair value adjustment on Class B LP units	**(233)**	(52)	**(167)**	228
Net financial expenses net of financial income	**(2,673)**	6,575	**5,828**	14,811

Financial income mainly consists of interest income generated from a balance of sale granted by the Trust for a principal amount of $3.0 million pursuant to the sale in 2019 of a retail property located in Delson, Québec and the cash on hand during the quarter.

Interest expense net of financial income increased by $1.3 million during the current quarter compared to the same period last year, mainly due to the net increase in mortgage loans attributable to acquisitions and dispositions of investment properties and the increase in the prime rate impacting floating interest rates of mortgages in recent quarters.

On June 30, 2022, the average weighted contractual rate of interest on mortgage loans outstanding was 3.62%, 10 basis points higher than the average rate as at June 30, 2021 (3.52%). Interest rates on first-ranking mortgage loans ranged from 2.30% to 6.80% as at June 30, 2022, consistent with the previous year. The weighted average term of mortgage loans in place as at June 30, 2022, was 4.6 years (4.5 years as at June 30, 2021).

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

Administration expenses

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2022	2021	2022	2021
	$	$	$	$
Corporate expenses	1,528	1,666	3,181	2,859
Expected credit losses	138	12	157	(158)
Unit-based compensation	27	160	177	805
Trust administration expenses	1,693	1,838	3,515	3,506

Corporate expenses decreased by $0.1 million or 8% for the quarter compared to the same period last year. For the cumulative six-month period, the Trust incurred an additional $0.4 million in performance compensation compared to the same period last year. The Trust managed to maintain a stable level of corporate expenses at 5.5% of rental revenue, due to continuous cost control efforts although the Trust may make investments to support its growth.

Expected credit losses increased by $0.1 million for the quarter and by $0.3 million for the cumulative six-month period compared to the same period last year. The increase results from an increase in receivables as well as from the reversal in the first half of 2021 of a portion of the allowance for expected credit losses resulting from an improvement in macro-economic conditions from 2020 and a reduction in receivables.

Unit-based compensation decreased by $0.1 million for the quarter and by $0.6 million for the cumulative six-month period compared to the same periods last year. The decrease for the cumulative six-month period is mainly explained by a reduction of the Trust's unit price affecting the following: (i) reduction of $0.3 million related to the cash-settled share-based retirement compensation plan compared to the same period last year; (ii) reduction of $0.3 million under the remaining compensation plans compared to the same period last year.

Fair value adjustment of investment properties

Under IAS 40, the Trust accounts for its investment properties at fair value and recognizes the gain or loss arising from a change in the fair value in profit or loss for the period in which it arises. Furthermore, upon a disposition the Trust will revaluate the investment property at the disposition consideration.

On an annual basis, the Trust retains the services of independent external appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the Trust annually appraises a minimum of one thirds of its portfolio by independent external appraisers, including the 15 most valuable properties. For the year 2021, the Trust externally appraised more than 65% of its properties for an aggregate amount of $672.1 million. In addition, as part of acquisitions, financing or refinancing transactions, or at the request of lenders, other properties are also independently appraised during the year.

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

The following tables summarize the net changes in fair value of investment properties by segment:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2022	2021	2022	2021
	$	$	$	$
Industrial	(197)	-	810	-
Off-downtown core office	-	-	-	-
Necessity-based retail	-	-	-	-
Total change in fair value	(197)	-	810	-

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

As at June 30, 2022	Industrial	Off-downtown core office	Necessity-based retail
Capitalization rate	4.50% - 8.50%	5.25% - 8.50%	5.25% - 7.75%
Terminal capitalization rate	4.75% - 7.00%	5.50% - 7.50%	6.00% - 7.00%
Discount rate	5.50% - 7.50%	5.50% - 8.25%	6.50% - 7.50%
As at June 30, 2021			
Capitalization rate	5.00% - 8.50%	5.00% - 8.50%	5.25% - 8.00%
Terminal capitalization rate	5.50% - 7.00%	6.00% - 7.50%	5.50% - 8.00%
Discount rate	6.25% - 7.75%	6.75% - 8.25%	6.25% - 8.75%

The weighted average capitalization rate for the entire portfolio as at June 30, 2022, was 6.24% (6.60% as at June 30, 2021), 36 basis points lower than the same period last year.

As at June 30, 2022, the Trust has estimated that if an increase / decrease of 0.25% in the capitalization rate were applied to the overall portfolio, this variation would affect the fair value of its investment properties respectively by, a reduction of $45.6 million or an increase of $49.5 million. The change in the capitalization rates is an appropriate proxy for the changes for the discount and terminal capitalization rates.

Adjusted net income

Net income and comprehensive income fluctuate from one quarter to the next based on 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 the Trust's units, the forward interest rate curve and the discount and capitalization rates of its real estate portfolio.

The following table summarizes the adjusted net income(1) before these non-recurring and volatile non-monetary items:

Periods ended June 30 (in thousands of dollars, except for per unit)	Quarter		Cumulative (6 months)	
	2022	2021	2022	2021
	$	$	$	$
Net income and comprehensive income	18,243	7,161	24,692	9,671
Non-recurring items:				
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	138	188	891	188
Fair value adjustment on investment properties	197	-	(810)	-
Fair value adjustment on derivative financial instruments	(9,344)	733	(8,347)	2,547
Fair value adjustment on Class B LP units	(233)	(52)	(167)	228
Adjusted net income(1)	9,001	8,030	16,259	12,634
Per unit	10.6¢	10.9¢	19.9¢	18.3¢

(1) This is a non-IFRS financial measure, refer to page 35.

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by the Trust on January 1, 2021, and that are still owned by the Trust on June 30, 2022. Therefore, it excludes all the acquired[2] and disposed[3] properties during the years 2021 and 2022.

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

Periods ended June 30 (in thousands of dollars)	Quarter			Cumulative (6 months)		
	2022	2021	Δ %	**2022**	2021	Δ %
	$	$		**$**	$	
Rental revenue	**23,369**	22,509	3.8%	**46,654**	45,207	3.2%
Operating expenses	**9,919**	10,073	-1.5%	**20,938**	20,747	0.9%
Net operating income (NOI)[1][2]	**13,450**	12,436	8.2%	**25,716**	24,460	5.1%

(1) This is a non-IFRS financial measure, refer to page 35.
(2) As mentioned in the Trust's Q2 2021 MD&A (dated August 6, 2021), section Operating Results – Rental Revenue, the Trust had retrospective additional recoveries of $2.3 million and indemnity of $0.3 million, for a cumulative $2.6 million. The same-property portfolio analysis excluded these elements for the 2021 figures.

For the quarter, same-property rental revenue increased by $0.9 million or 3.8% compared to the same period last year, and net operating income (NOI) increased by $1.0 million or 8.2%. The important leasing efforts made during the previous quarters resulted in an increase in occupancy rate compared to the same quarter last year and therefore generated additional revenues. Overall, NOI showed an increase of 8.2% for the quarter compared to the same quarter last year.

Year-to-date, same-property rental revenue increased by $1.4 million or 3.2% compared to the same period last year, which is explained by a combination of a higher occupancy rate (1.6% increase compared to the same period for 2021) and increase in average lease renewal rates of 15.3% for the period. Operating expenses have been affected by the return to normal level of activity for the year compared to the same period last year. Overall, NOI showed an increase of 5.1% for the year compared to the same period last year.

(2) Refer to the Trust's condensed consolidated interim financial statements dated August 5, 2022, note 3, section a) for the acquired properties details.
(3) Refer to the Trust's condensed consolidated interim financial statements dated August 5, 2022, note 3, section b) for the disposed properties details.

Distributions

Distributions and per unit

Periods ended June 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (6 months)	
	2022	2021	**2022**	2021
	$	$	**$**	$
Distributions				
Cash distributions	**5,565**	4,744	**10,615**	8,840
Cash distributions – Class B LP units	**26**	26	**52**	56
Distributions reinvested under the distribution reinvestment plan	**783**	738	**1,558**	1,440
Total distributions to unitholders	**6,374**	5,508	**12,225**	10,336
Percentage of reinvested distributions[1][2]	**12.3%**	13.4%	**12.7%**	13.9%
Per unit[2]				
Distributions	**7.5¢**	7.5¢	**15.0¢**	15.0¢

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

For the quarter, the monthly distributions paid to unitholders totalled 2.5¢ per unit for the quarterly total of 7.5¢ per unit, unchanged from the same quarter of 2021. For the cumulative six-month period, the monthly distributions paid to unitholders totalled 15.0¢ per unit, unchanged from last year.

Funds from Operations (FFO)[1]

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO[1] for the periods ended June 30, 2022, and June 30, 2021, as well as the cumulative periods for the first six months of 2022 and 2021:

Periods ended June 30 (in thousands of dollars, except for per unit)	Quarter		Cumulative (6 months)	
	2022	2021	**2022**	2021
	$	$	**$**	$
Net income and comprehensive income (IFRS)	**18,243**	7,161	**24,692**	9,671
Fair value adjustment on investment properties	**197**	-	**(810)**	-
Fair value adjustment on Class B LP units	**(233)**	(52)	**(167)**	228
Amortization of lease incentives	**818**	777	**1,553**	1,654
Fair value adjustment on derivative financial instruments	**(9,344)**	733	**(8,347)**	2,547
Leasing payroll expenses	**158**	184	**379**	403
Distributions - Class B LP units	**26**	26	**52**	56
Unit-based compensation (Unit price remeasurement)[5]	**(285)**	185	**(208)**	185
FFO[1]	**9,580**	9,014	**17,144**	14,744
Non-recurring item				
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	**138**	188	**891**	188
Recurring FFO[1]	**9,718**	9,202	**18,035**	14,932
FFO per unit[1][2][3]	**11.3¢**	12.3¢	**21.0¢**	21.4¢
Recurring FFO per unit[1][2][4]	**11.4¢**	12.5¢	**22.1¢**	21.7¢
FFO payout ratio[1]	**66.4%**	61.1%	**71.3%**	70.1%
Recurring FFO payout ratio[1]	**65.5%**	59.9%	**67.8%**	69.2%

(1) This is a non-IFRS financial measure, refer to page 35.
(2) Including Class B LP units.
(3) The FFO per unit ratio is calculated by dividing the FFO[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The recurring FFO per unit ratio is calculated by dividing the recurring FFO[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(5) 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.

For the quarter, recurring FFO[1] was 11.4¢ per unit (22.1¢ per unit for the 2022 cumulative six-month period), compared to 12.5¢ per unit for the same quarter last year (21.7¢ per unit for the 2021 cumulative six-month period). The decrease for the quarter is explained by a retrospective $2.6 million additional recovery and an indemnity recognized during the same period in 2021. Excluding this adjustment, the recurring FFO would have increased by 27.2% for the quarter and increased by 23.6% for the cumulative six-month period compared to the same periods in 2021.

Moreover, for the 2022 cumulative six-month period, the Trust recorded positive impacts: (i) the improvement of occupancy rates across all business segments; (ii) the increase in average lease renewal rates by 15.3%; and (iii) the effect of accretive acquisitions concluded since the second quarter of last year.

The recurring FFO payout ratio[1] for the quarter stood at 65.5% (67.8% for the 2022 cumulative six-month period) compared to 59.9% for the same quarter in 2021 (69.2% for the 2021 cumulative six-month period).

(1) This is a non-IFRS financial measure, refer to page 35.

Adjusted Funds from Operations (AFFO)[1]

The following table provides a reconciliation of FFO[1] and AFFO[1] for the periods ended June 30, 2022, and June 30, 2021, as well as the cumulative periods for the first six months of 2022 and 2021:

Periods ended June 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (6 months)	
	2022	2021	2022	2021
	$	$	$	$
FFO[1]	9,580	9,014	17,144	14,744
Straight-line rental revenue adjustment	(74)	(91)	(224)	(488)
Accretion of effective interest	284	428	572	787
Amortization of other property and equipment	26	27	56	42
Unit-based compensation expenses	312	(24)	385	620
Provision for non-recoverable capital expenditures[1]	(580)	(519)	(1,161)	(990)
Provision for unrecovered rental fees[1]	(375)	(376)	(750)	(750)
AFFO[1]	9,173	8,459	16,022	13,965
Transaction costs on purchase and disposition of investment properties and early repayment fees	138	188	891	188
Recurring AFFO[1]	9,311	8,647	16,913	14,153
AFFO per unit[1][2][3]	10.8¢	11.5¢	19.7¢	20.3¢
Recurring AFFO per unit[1][2][4]	11.0¢	11.8¢	20.8¢	20.5¢
AFFO payout ratio[1]	69.4%	65.1%	76.3%	74.0%
Recurring AFFO payout ratio[1]	68.3%	63.7%	72.3%	73.0%

(1) This is a non-IFRS financial measure, refer to page 35.
(2) Including Class B LP units.
(3) The AFFO per unit ratio is calculated by dividing the AFFO[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

For the quarter, recurring AFFO[1] was 11.0¢ per unit (20.8¢ per unit for the 2022 cumulative six-month period), compared to 11.8¢ per unit for the same quarter last year (20.5¢ per unit for the 2021 cumulative six-month period). The recurring AFFO payout ratio[1] for the quarter stood at 68.3% (72.3% for the 2022 cumulative six-month period) compared to 63.7% for the same quarter last year (73.0% for the 2021 cumulative six-month period). The decrease for the quarter and the cumulative six-month period of the AFFO per unit is explained by a retrospective $2.6 million additional recovery and an indemnity recognized during the same period in 2021. Excluding this adjustment, the recurring AFFO per unit would have increased by 23.8% or 4.0¢ per unit for the cumulative six-month period compared to the same period in 2021.

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

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

(1) This is a non-IFRS financial measure, refer to page 35.
(2) This is a non-IFRS financial measure as defined in this page.

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

Periods ended June 30 and 12-month periods ended December 31 (in thousands of dollars)	**June 30, 2022 (6 months)**	June 30, 2021 (6 months)	December 31, 2021 (12 months)	December 31, 2020 (12 months)
	$	$	$	$
Provision for non-recoverable capital expenditures[(1)]	**1,161**	990	2,007	1,859
Non-recoverable capital expenditures[(1)]	**840**	699	1,297	2,055

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

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

Cash Flows

The following table shows the Trust net distributions to unitholders compared to net cash flows from operating activities less interest paid:

Periods ended June 30 and 12-month periods ended December 31 (in thousands of dollars)	2022 (6 months)	2021 (6 months)	2021 (12 months)	2020 (12 months)
	$	$	$	$
Net cash flows from operating activities	26,920	21,311	56,538	46,145
Interest paid	(13,438)	(10,784)	(21,755)	(21,787)
Net cash flows from operating activities less interest paid	13,482	10,527	34,783	24,358
Net distributions to unitholders	10,370	8,608	18,171	21,513
Surplus (deficit) of net cash flows from operating activities less interest paid compared to net distributions to unitholders	3,112	1,919	16,612	2,845

The following table summarizes the reconciliation of net cash from operating activities presented in the financial statements, AFFO[(1)] and FFO[(1)]:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2022	2021	2022	2021
	$	$	$	$
Cash flows from operating activities	15,516	8,162	26,920	21,311
Leasing payroll expenses	158	184	379	403
Transaction costs on purchase and disposition of investment properties and early repayment fees	(138)	(188)	(891)	(188)
Adjustments for changes in other working capital items	1,186	6,447	4,960	5,184
Financial income	132	262	277	396
Interest expenses	(6,643)	(5,424)	(13,547)	(11,215)
Provision for non-recoverable capital expenditures[(2)]	(580)	(519)	(1,161)	(990)
Provision for non-recovered rental fees[(2)]	(375)	(375)	(750)	(750)
Accretion of non-derivative liability component of convertible debentures	(83)	(90)	(165)	(186)
AFFO[(1)]	9,173	8,459	16,022	13,965
Provision for non-recoverable capital expenditures[(2)]	580	519	1,161	990
Provision for non-recovered rental fees[(2)]	375	375	750	750
Straight-line rental revenue adjustment	74	91	224	488
Unit-based compensation expenses	(312)	24	(385)	(620)
Accretion of effective interest	(284)	(428)	(572)	(787)
Amortization of property and equipment	(26)	(27)	(56)	(42)
FFO[(1)]	9,580	9,014	17,144	14,744

(1) This is a non-IFRS financial measure, refer to page 35.
(2) This is a non-IFRS financial measure, refer to AFFO section for detailed explanations.

(1) This is a non-IFRS financial measure, refer to page 35.

Segmented Information

The Trust's operations are generated from three segments of properties located in the provinces of Québec, Ontario, Alberta and Saskatchewan. The following tables summarize each segment's contribution to revenues and to net operating income (NOI) for the quarters ended June 30, 2022, and June 30, 2021, as well as the cumulative periods for the first six months of 2022 and 2021:

Quarters ended June 30 (in thousands of dollars)	Industrial		Off-downtown core office		Necessity-based retail		Total
	$	%	$	%	$	%	$
Quarter ended June 30, 2022							
Investment properties	298,817	25.6	614,524	52.6	253,906	21.8	1,167,247
Rental revenue from properties	5,070	17.5	17,038	58.8	6,871	23.7	28,979
Net operating income (NOI)	3,948	22.4	9,711	55.2	3,939	22.4	17,598
Quarter ended June 30, 2021							
Investment properties	180,049	19.5	495,320	53.7	246,666	26.8	922,035
Rental revenue from properties	3,202	12.3	14,987	57.6	7,845	30.1	26,034
Net operating income (NOI)	2,129	13.6	8,404	54.0	5,041	32.4	15,574

Industrial performance

The industrial segment continues to show good performance. The asset value proportion of industrial properties increased from 19.5% to 25.6% compared to the same period last year, due to the acquisitions of industrial properties concluded since the same period in 2021. During this period, the Trust acquired 12 industrial properties for an aggregate value of $129.7 million. The acquired properties are all fully occupied and have a positive impact on the occupancy rate, which stood at 100.0% at the end of the quarter, a 3.5% increase compared to the same period last year. The proportion of the net operating income (NOI) generated by the industrial segment increased from 13.6% to 22.4% compared to the same period last year.

Off-downtown core office performance

The performance of the segment has been stable across all geographic sectors, and it has been supported by the quality of its tenants (the Trust's top two tenants are the Federal and Québec government agencies). In this segment, the Trust concluded lease renewals for a total of 78,526 square feet with an increase in the average renewal rate of 21.2%. The percentage of net operating income (NOI) generated by the off-downtown core office segment was positively affected by the recent acquisitions of the two Alfred Nobel properties in Montréal and the two Bank Street properties in Ottawa. These acquisitions were accretive from a NOI standpoint, resulting in an increase compared to the same period last year from 54.0% to 55.2%. The Trust owns off-downtown core office properties and doesn't own downtown high-rise towers that were the most impacted by the pandemic. The proportion of the net operating income (NOI) generated by the off-downtown core office segment increased from 54.0% to 55.2% compared to the same period last year.

Necessity-based retail performance

The Trust doesn't own enclosed malls and most of the properties are anchored or leased by necessity-based tenants. The occupancy rate in the necessity-based retail segment at the end of the second quarter of 2022 stood at 96.2%, an increase of 3.3% compared to the same period last year. The Trust disposed of one property within this operating segment and hasn't acquired any property in this segment. The proportion of the net operating income (NOI) generated by the necessity-based retail segment decreased from 32.4% to 22.4% compared to the same period last year, mainly due to the Trust not concluding any acquisition within the necessity-based retail segment while acquiring properties in the industrial and off-downtown core office segments which increased the proportion of net operating income (NOI) of their respective segments.

Assets

Investment properties

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

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

The fair value of its investment properties stood at $1,167 million as at June 30, 2022, compared to $1,111 million as at December 31, 2021. The increase is explained by the previously mentioned acquisitions and dispositions. The net impact increased the portfolio of investment properties by $52.4 million or 4.7%. The remaining increase can be explained by the net impact of additions related to capital expenditures of $1.4 million, the net impact of capitalized lease incentives of $0.3 million, the straight-line lease adjustment of $0.2 million, the capitalized leasing fees of $0.9 million and the net changes in fair value of investment properties of $0.8 million.

Improvements in investment properties

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

The following table summarizes capital expenditures, incentives, and leasing fees, for the periods ended June 30, 2022, and June 30, 2021, as well as the cumulative periods for the first six months of 2022 and 2021:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2022	2021	2022	2021
	$	$	$	$
Recoverable capital expenditures	304	275	588	647
Non-recoverable capital expenditures	365	606	840	699
Total capital expenditures	669	881	1,428	1,346
Leasing fees and leasehold improvements	679	1,063	2,930	2,251
Total	1,348	1,944	4,358	3,597

The following table summarizes the changes in the fair value of investment properties for the periods ended June 30, 2022, and June 30, 2021, as well as the cumulative periods for the first six months of 2022 and 2021:

Periods ended June 30 (in thousands of dollars)	Quarter		Cumulative (6 months)	
	2022	2021	2022	2021
	$	$	$	$
Balance, beginning of period	1,127,373	905,043	1,110,971	903,870
Additions:				
Acquisitions	41,265	15,734	80,226	15,734
Dispositions	(1,798)	-	(27,789)	-
Capital expenditures	669	881	1,428	1,346
Leasing fees and capitalized lease incentives	679	1,063	2,930	2,251
Fair value adjustment on investment properties	(197)	-	810	-
Other non-monetary changes[1]	(744)	(686)	(1,329)	(1,166)
Balance, end of period	1,167,247	922,035	1,167,247	922,035

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

Receivables

(in thousands of dollars)	June 30, 2022	December 31, 2021	June 30, 2021
	$	$	$
Rent receivable	4,893	4,497	6,982
Allowance for expected credit losses	(983)	(944)	(676)
Net rent receivable	3,910	3,553	6,306
Unbilled recoveries	359	587	304
Other receivables	613	1,388	315
Receivables	4,882	5,528	6,925

Receivables decreased from $5.5 million as at December 31, 2021, to $4.9 million as at June 30, 2022. The reduction in receivables is caused by the billing and subsequent collection of unbilled revenue provision recognized during the fourth quarter of fiscal year 2021. The reduction is offset by an increase in rent receivables due to the previously mentioned acquisitions.

Prepaid expenses, Deposits and Property and equipment

(in thousands of dollars)	June 30, 2022	December 31, 2021	June 30, 2021
	$	$	$
Property and equipment	1,501	1,438	1,325
Accumulated depreciation	(1,048)	(992)	(947)
Net property and equipment	453	446	378
Prepaid expenses	5,633	1,811	3,774
Deposits	895	936	597
Other assets	6,981	3,193	4,749

Prepaid expenses, deposits and property and equipment increased from $3.2 million as at December 31, 2021, to $7.0 million as at June 30, 2022, which is explained by the increase in prepaid municipal taxes.

Capital Resources

Long-term debt

The following table summarizes the balance of BTB's indebtedness on June 30, 2022, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

As at June 30, 2022 (in thousands of dollars)	Balance of convertible debentures(1)	Balance of mortgages payable(1)	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2022	-	41,722	4.02
2023	-	37,848	3.59
2024	24,000	108,991	4.44
2025	20,292	59,868	4.29
2026	-	123,412	3.22
2027 and thereafter	-	258,945	3.61
Total	**44,292**	**630,786**	**3.81**

(1) Gross amounts.

For the last six months of 2022, the Trust has $41.7 million mortgages coming to maturity. As at July 31st, 2022, of the $41.7 million, $18.2 million has been refinanced. The remaining balance is currently in the negotiation process. Historically, the Trust has always been able to refinance its existing mortgages and there is no indication that this would change.

Weighted average contractual interest rate

As at June 30, 2022, the weighted average contractual interest rate of the Trust's long-term debt stood at 3.81% (3.62% for mortgage loans and 6.46% for convertible debentures) a decrease of 4 basis points compared to the same period last year.

Mortgage loans

As at June 30, 2022, the Trust's total mortgage loans (excluding unamortized fair value adjustments and unamortized financing expenses) amounted to $630.8 million compared to $607.0 million as at December 31, 2021. The increase relates to previously mentioned acquisitions where the Trust contracted or assumed mortgages of $44.0 million.

The following table summarizes the changes in mortgage loans payable during the period ended June 30, 2022:

Period ended June 30, 2022 (in thousands of dollars)	Quarter	Cumulative (6 months)
	$	$
Balance at beginning(1)	**619,555**	607,038
Mortgage loans contracted or assumed(2)	**19,167**	43,968
Balance repaid at maturity or upon disposition(3)	**(2,990)**	(10,314)
Monthly principal repayments(4)	**(4,946)**	(9,906)
Balance as at June 30, 2022(1)	**630,786**	630,786

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

As at June 30, 2022, the weighted average mortgage interest rate was 3.62% compared to 3.52% for the same period last year, an increase of 10 basis points. The majority of the Trust's mortgages payable bear interest at fixed rates (cumulative principal amount of $532.2 million) or are subject to floating-to-fixed interest rate swap (cumulative principal amount of $52.9 million). However, the Trust has four loans that bear interest at floating rates (cumulative principal balance of $45.6 million).

The weighted average term of existing mortgage loans was 4.6 years as at June 30, 2022, compared to 4.5 years as at June 30, 2021. The Trust attempts to spread the maturities of its mortgages over many years to mitigate the risk associated with renewals.

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

As at June 30, 2022 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2022 (6 months)	10,287	43,808	54,095	8.6
2023	18,495	33,841	52,336	8.3
2024	16,135	100,720	116,855	18.5
2025	13,757	52,853	66,610	10.6
2026	11,357	107,599	118,956	18.9
2027 and thereafter	31,295	190,639	221,934	35.2
Total	**101,326**	**529,460**	**630,786**	**100.0**
Unamortized fair value assumption adjustments			784	
Unamortized financing expenses			(2,792)	
Balance as at June 30, 2022			**628,778**	

As at June 30, 2022, the Trust was in compliance with all the contractual mortgage covenants to which it is subject.

Convertible debentures

(in thousands of dollars)	Series G(1)(3)	Series H(2)(3)	Total
Par value	24,000	20,982(4)	44,982
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, 2022	**23,256**	**18,725**	**41,981**

(1) Redeemable by the Trust, under certain conditions, as of October 31, 2022, but before October 31, 2023, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series G conversion price and, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their principal amount plus accrued and unpaid interest.
(2) Redeemable by the Trust, under certain conditions, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series H conversion price and, as of October 31, 2024, but before October 31, 2025, at a redemption price equal to their principal amount plus accrued and unpaid interest.
(3) The Trust may, at its option and under certain conditions, elect to satisfy its obligation to pay the principal amount of the Series G and H debentures by issuing tradable units freely to Series G and H debenture holders.
(4) Conversion of $9,708 of the Series H debenture since issuance. Conversion of $690 during the quarter and $1,851 for the cumulative six-month period.

Debt ratio[1]

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

The following table summarizes the Trust's debt ratios as at June 30, 2022, and June 30, 2021 and December 31, 2021:

(in thousands of dollars)	June 30, 2022	December 31, 2021	June 30, 2021
	$	$	$
Cash and cash equivalents	**(3,020)**	(7,191)	(25,307)
Mortgage loans outstanding[1]	**630,786**	607,038	504,774
Convertible debentures[1]	**43,011**	44,564	47,600
Credit facilities	**24,174**	35,468	-
Total long-term debt less cash and cash equivalents[2][3]	**694,951**	679,879	527,067
Total gross value of the assets of the Trust less cash and cash equivalents[2][4]	**1,182,128**	1,124,690	940,691
Mortgage debt ratio (excluding convertible debentures and credit facilities)[2][5]	**53.4%**	54.0%	53.7%
Debt ratio – convertible debentures[2][6]	**3.6%**	4.0%	5.1%
Debt ratio – credit facilities[2][7]	**2.0%**	3.2%	0.0%
Total debt ratio[2]	**58.8%**	60.5%	56.0%

(1) Before unamortized financing expenses and fair value assumption adjustments.
(2) This is a non-IFRS financial measure, refer to page 35.
(3) Long-term debt less free cash flow is a non-IFRS financial measure, calculated as total of: (i) fixed rate mortgage loans payable; (ii) floating rate mortgage loans payable; (iii) Series G debenture capital amount; (iv) Series F debenture capital adjusted with non-derivative component less conversion options exercised by holders; and (v) credit facilities, less cash and cash equivalents. The most directly comparable IFRS measure to net debt is debt.
(4) Gross value of the assets of the Trust less cash and cash equivalent ("GVALC") is a non-IFRS financial measure defined as the Trust total assets adding the cumulated amortization property and equipment and removing the cash and cash equivalent. The most directly comparable IFRS measure to GVALC is total assets.
(5) Mortgage debt ratio is calculated by dividing the mortgage loans outstanding by the GVALC.
(6) Debt ratio – convertible debentures is calculated by dividing the convertible debentures by GVALC.
(7) Debt ratio – credit facilities is calculated by dividing the credit facilities by the GVALC.

As of June 30, 2022, the mortgage debt ratio[1] excluding the convertible debentures and credit facilities totalled 53.4%, a decrease of 0.6% since December 31, 2021. As of June 30, 2022, the total debt ratio[2], including the convertible debentures and credit facilities, net of cash and cash equivalents, decreased to 58.8%, a decrease of 1.7% since December 31, 2021. The decrease is driven by a partial repayment of the revolving credit facility in April 2022 with the funds received from the March 2022 bought deal public offering. This decrease was partially offset by the property acquisitions concluded during the second quarter which increased the use of the credit facilities.

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

(1) This is a non-IFRS financial measure as defined in this page.
(2) This is a non-IFRS financial measure, refer to page 35.

Interest coverage ratio

For the quarter ended June 30, 2022, the interest coverage ratio stood at 2.70, a decrease of 32 basis points from the second quarter of 2021, as well as the cumulative periods for the first six months of 2022 and 2021:

Periods ended June 30 (in thousands of dollars, except for the ratios)	Quarter		Cumulative (6 months)	
	2022	2021	**2022**	2021
	$	$	**$**	$
Net operating income (NOI)	**17,598**	15,574	**33,832**	27,988
Interest expenses net of financial income[1]	**6,511**	5,162	**13,270**	10,819
Interest coverage ratio[2]	**2.70**	3.02	**2.55**	2.59

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

Class B LP units

Period ended June 30, 2022 (in number of units)	Quarter		Cumulative (6 months)	
	Units	$	**Units**	$
Class B LP units outstanding, beginning of quarter	**347,265**	1,483	**347,265**	1,417
Fair value adjustment	**-**	(233)	**-**	(167)
Class B LP units outstanding, end of quarter	**347,265**	1,250	**347,265**	1,250

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

The Class B LP units were issued on May 30, 2018 in payment for the acquisition of a 25% equity portion in the property located at 815 Boulevard Lebourgneuf in Québec City (the Trust assumed the mortgage loan related to the said 25% equity portion).

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)	
	2022	2021	**2022**	2021
Units outstanding, beginning of the period	**84,342,264**	64,658,517	**74,126,971**	63,439,435
Units issued pursuant to a public issue	**-**	7,809,650	**9,584,100**	7,809,650
Distribution reinvestment plan	**200,036**	181,244	**396,023**	368,382
Issued - employee unit purchase plan	**-**	-	**11,605**	14,351
Issued - restricted unit compensation plan	**-**	-	**104,649**	71,722
Issued – deferred unit compensation plan	**-**	-	**-**	-
Class B LP units exchanged into Trust units	**-**	-	**-**	50,000
Issued – conversion of convertible debentures	**189,556**	742,025	**508,508**	1,637,896
Units outstanding, end of the period	**84,731,856**	73,391,436	**84,731,856**	73,391,436
Weighted average number of units outstanding	**84,642,349**	73,087,753	**81,153,498**	68,531,513
Weighted average number of Class B LP units and units outstanding	**84,989,614**	73,435,018	**81,500,763**	68,895,444

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, 2022, and 2021.

Periods ended June 30 (in number of units)	Quarter		Cumulative (6 months)	
	2022	2021	**2022**	2021
Deferred units outstanding, beginning of the period	**107,341**	91,680	**103,116**	87,920
Trustees' compensation	**2,404**	2,133	**4,452**	4,171
Distributions paid in units	**1,972**	1,674	**4,149**	3,396
Deferred units outstanding, end of the period	**111,717**	95,487	**111,717**	95,487

Restricted unit compensation plan

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

The following table summarizes restricted units outstanding during the periods ended June 30, 2022, and 2021:

Periods ended June 30 (in number of units)	Quarter		Cumulative (6 months)	
	2022	2021	**2022**	2021
Restricted units outstanding, beginning of the period	**161,536**	139,724	**161,536**	139,724
Granted	**92,304**	95,058	**92,304**	95,058
Cancelled	**-**	(1,524)	**-**	(1,524)
Settled	**(90,671)**	(71,722)	**(90,671)**	(71,722)
Restricted units outstanding, end of the period	**163,169**	161,536	**163,169**	161,536

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 one unit from treasury to the employee.

Off-balance sheet arrangements and contractual commitments

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

Income Taxes

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

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

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

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

As at June 30, 2022, BTB met all these conditions and qualified as a REIT. As a result, the SIFT trust tax rules don't apply to BTB. BTB's management intends to take the necessary steps to meet the conditions for the REIT Exception on an ongoing basis in the future.

Nonetheless, there is no guarantee that BTB will continue to meet all the required conditions to be eligible for the REIT exception for 2022 or any other subsequent year.

Taxation of Unitholders

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

Periods ended June 30	2022	2021
	%	%
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 Investment Properties to the annual consolidated financial statements as at and for the years ended December 31, 2021, and 2020.

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.

COVID-19

The COVID-19 pandemic has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures have caused an economic slowdown and material disruption to businesses in Canada and globally during 2020 and 2021. The Trust 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. The Trust 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.

Inflation and Interest Rates

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

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 2021 Annual Information Form for the year ended December 31, 2021, 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, 2021, 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, 2022, 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 2022, management made no changes to internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.

APPENDIX 1 – Definitions

Class B LP Units

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

Rental revenue

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

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

Operating expenses

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

Net operating income (NOI)

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

Financial expenses

Financial expenses arise from the following loans and financing:

- Mortgage loans payable contracted or assumed totalling approximately $630.8 million as at June 30, 2022, compared to $504.8 million as at June 30, 2021.
- Series G and H convertible debentures for a total par value of $44.3 million.
- Credit facilities used as needed.
- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Administration expenses

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

Fair value adjustment on investment properties

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

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

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

Same-property portfolio

The same-property portfolio includes all the properties owned by the Trust as at January 1, 2021 and still owned as at June 30, 2022, but doesn't include the financial impacts from dispositions, acquisitions and developments completed in 2021 and 2022, as well as the results of subsequently sold properties.

Net property income from the same-property portfolio

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

APPENDIX 2 – Non-IFRS Financial Measures – Quarterly Reconciliation

Funds from Operations (FFO)(1)

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

	2022 Q-2	2022 Q-1	2021 Q-4	2021 Q-3	2021 Q-2	2021 Q-1	2020 Q-4	2020 Q-3
(in thousands of dollars, except for per unit)	$	$	$	$	$	$	$	$
Net income and comprehensive income	**18,243**	6,449	23,219	8,678	7,161	2,510	3,850	5,757
Fair value adjustment on investment properties	**197**	(1,007)	(19,571)	-	-	-	(2,130)	-
Fair value adjustment on Class B LP units	**(233)**	66	21	(18)	(52)	280	242	(59)
Amortization of lease incentives	**818**	735	858	780	777	877	794	751
Fair value adjustment on derivative financial instruments	**(9,344)**	997	3,297	(2,598)	733	1,814	2,950	265
Leasing payroll expenses	**158**	221	208	173	184	219	146	176
Distributions – Class B LP units	**26**	26	30	22	26	30	30	30
Unit-based compensation (Unit price remeasurement)(5)	**(285)**	77	23	(19)	185	-	-	-
FFO(1)	**9,580**	7,564	8,085	7,018	9,014	5,730	5,882	6,920
Non-recurring item								
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	**138**	753	109	-	188	-	440	-
Recurring FFO(1)	**9,718**	8,317	8,194	7,018	9,202	5,730	6,322	6,920
FFO per unit(1)(2)(3)	**11.3¢**	9.7¢	10.9¢	9.5¢	12.3¢	8.9¢	9.2¢	10.9¢
Recurring FFO per unit(1)(2)(4)	**11.4¢**	10.7¢	11.0¢	9.5¢	12.5¢	8.9¢	9.9¢	10.9¢
FFO payout ratio(1)	**66.4%**	77.2%	68.9%	79.0%	61.1%	84.0%	81.1%	68.6%
Recurring FFO payout ratio(1)	**65.5%**	70.2%	68.0%	79.0%	59.9%	84.0%	75.5%	68.6%

(1) This is a non-IFRS financial measure, refer to page 35.
(2) Including Class B LP units.
(3) The FFO per unit ratio is calculated by dividing the FFO(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The recurring FFO per unit ratio is calculated by dividing the recurring FFO(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(5) 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 12 months cumulative period in 2020 was positive $373 or 0.1¢ per unit.

(1) This is a non-IFRS financial measure, refer to page 35.

Adjusted Funds from Operations (AFFO)[(1)]

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

	2022 Q-2	2022 Q-1	2021 Q-4	2021 Q-3	2021 Q-2	2021 Q-1	2020 Q-4	2020 Q-3
(in thousands of dollars, except for per unit)	$	$	$	$	$	$	$	$
FFO[(1)]	**9,580**	7,564	8,085	7,018	9,014	5,730	5,882	6,920
Straight-line rental revenue adjustment	**(74)**	(150)	(758)	(88)	(91)	(397)	108	(214)
Accretion of effective interest	**284**	288	275	239	428	359	343	229
Amortization of other property and equipment	**26**	30	22	23	27	15	23	29
Unit-based compensation expenses	**312**	73	143	114	(24)	644	281	22
Provision for non-recoverable capital expenditures[(1)]	**(580)**	(581)	(539)	(478)	(519)	(471)	(449)	(472)
Provision for unrecovered rental fees[(1)]	**(375)**	(375)	(375)	(375)	(376)	(374)	(375)	(375)
AFFO[(1)]	**9,173**	6,849	6,853	6,453	8,459	5,506	5,813	6,139
Non-recurring item								
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	**138**	753	109	-	188	-	440	-
Recurring AFFO[(1)]	**9,311**	7,602	6,962	6,453	8,647	5,506	6,253	6,139
AFFO per unit[(1)(2)(3)]	**10.8¢**	8.8¢	9.2¢	8.7¢	11.5¢	8.6¢	9.1¢	9.7¢
Recurring AFFO per unit[(1)(2)(4)]	**11.0¢**	9.7¢	9.4¢	8.7¢	11.8¢	8.6¢	9.8¢	9.7¢
AFFO payout ratio[(1)]	**69.4%**	85.3%	81.3%	85.9%	65.1%	87.4%	82.1%	77.4%
Recurring AFFO payout ratio[(1)]	**68.3%**	76.8%	80.0%	85.9%	63.7%	87.4%	76.3%	77.4%

(1) This is a non-IFRS financial measure, refer to page 35.
(2) Including Class B LP units.
(3) The AFFO per unit ratio is calculated by dividing the AFFO[(1)] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO[(1)] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(1) This is a non-IFRS financial measure, refer to page 35.