Mangement Discussion & Analysis

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

Introduction

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

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

Forward-Looking Statements – Caveat

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

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

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

Non-IFRS Financial Measures

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

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

The Trust

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

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

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

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

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

Objectives and Business Strategies

The Trust's primary objective is to maximize total return to unitholders. Total return includes distributions and long-term appreciation of the trading value of its units. More specifically, the objectives are as follows:

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

(ii) Grow the Trust's assets through internal growth and accretive acquisitions.

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

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

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

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

Highlights of the Third Quarter Ended September 30, 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary of significant items as at September 30, 2023

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

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

Selected Financial Information

The following table presents highlights and selected financial information for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars, except for ratios and per unit data)		Quarter		Cumulative (9 months)	
		2023	2022	2023	2022
	Reference (page)	$	$	$	$
Financial information					
Rental revenue	43	31,285	29,962	95,904	88,009
Net operating income (NOI)	42	18,075	17,974	56,124	51,806
Net income and comprehensive income	42	15,216	11,693	34,864	36,385
Adjusted net income(1)	47	8,038	8,976	26,332	25,235
Adjusted EBITDA(1)	48	16,544	16,507	51,654	48,062
NOI from the same-property portfolio(1)	49	17,060	17,407	50,221	49,650
Distributions	50	6,524	6,394	19,456	18,619
FFO adjusted(1)	51	9,030	9,785	29,258	27,820
AFFO adjusted(1)	52	7,675	8,674	25,990	25,587
Cash flow from operating activities	53	16,317	20,359	49,294	47,279
Total assets	55			1,235,555	1,206,916
Investment properties	38			1,207,090	1,179,869
Mortgage loans	59			641,737	629,797
Convertible debentures	60			42,250	41,753
Mortgage debt ratio(2)	61			52.2%	52.8%
Total debt ratio(1)	61			58.4%	58.6%
Weighted average interest rate on mortgage debt	44			4.29%	3.64%
Market capitalization				258,250	271,104
Financial information per unit					
Units outstanding (000)	63			86,371	84,985
Class B LP units outstanding (000)	63			697	347
Weighted average number of units outstanding (000)	63	86,261	84,900	85,938	82,402
Weighted average number of units and Class B LP units outstanding (000)	63	86,992	85,247	86,452	82,750
Net income and comprehensive income	42	17.5¢	13.7¢	40.3¢	44.0¢
Adjusted net income(1)	47	9.2¢	10.5¢	30.5¢	30.5¢
Distributions	50	7.5¢	7.5¢	22.5¢	22.5¢
FFO adjusted(1)	51	10.4¢	11.5¢	33.8¢	33.6¢
Payout ratio on FFO adjusted(1)	51	72.5%	65.2%	66.5%	66.9%
AFFO adjusted(1)	52	8.8¢	10.2¢	30.1¢	30.9¢
Payout ratio on AFFO adjusted(1)	52	85.3%	73.6%	74.8%	72.8%
Market price of units				2.99	3.19
Tax on distributions					
Tax deferral	65	100.0%	100.0%	100.0%	100.0%
Operational information					
Number of properties	38			75	75
Leasable area (thousands of sq. ft.)	38			6,117	5,901
Occupancy rate	38			93.7%	93.5%
Increase in average lease renewal rate	40	11.9%	8.8%	7.1%	13.9%

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

Selected Quarterly Information

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

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

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

Segmented Information

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

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

Industrial performance

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

Off-downtown core office performance

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

Necessity-based retail performance

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

Operating Performance Indicators

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

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

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

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

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

Real Estate Portfolio

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

Summaries of investment properties held as at September 30, 2023

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

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

Dispositions of investment properties

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

Acquisitions of investment properties

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

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

Real Estate Operations

Portfolio occupancy

The following table summarizes the changes in occupied area for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in sq. ft.)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
Occupied area at the beginning of the period[1]	**5,754,349**	5,479,252	**5,455,798**	5,639,778
Purchased (sold) assets	**-**	61,315	**260,111**	(87,201)
Signed new leases	**25,476**	57,353	**217,900**	118,034
Tenant departures	**(50,706)**	(77,828)	**(204,690)**	(148,677)
Other[2]	**-**	-	**-**	(1,842)
Occupied leasable area at the end of the period[1]	**5,729,119**	5,520,092	**5,729,119**	5,520,092
Vacant leasable area at the end of the period	**387,609**	381,030	**387,609**	381,030
Total leasable area at the end of the period	**6,116,728**	5,901,122	**6,116,728**	5,901,122

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

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

Leasing activities

The following table summarizes the percentage rate of lease renewals for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in sq. ft.)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
Leases expired at term	**100,023**	172,110	**444,480**	401,183
Renewed leases at term	**52,178**	94,282	**258,131**	269,055
Renewal rate	**52.2%**	54.8%	**58.1%**	67.1%

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

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

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

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

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

Average lease renewal rate

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

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

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

New leases

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

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

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

Occupancy rates

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

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

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

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

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

Lease maturities

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

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

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

Weighted average lease term

For the quarter ended September 30, 2023, the Trust had a weighted average lease term of 5.9 years, compared to 6.0 years for the same period in 2022. In addition to securing future revenues for the Trust and solidifying its tenant base, the Trust's lease renewal strategy is also focused on ensuring longevity in the lease terms when appropriate.

Top 10 tenants

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

44.49% of the Trust's total revenue is generated by leases signed with government agencies (federal, provincial, and municipal) and public companies, thus generating stable and high-quality cash flow for the Trust's operating activities.

The following table shows the contribution of the Trust's top 10 tenants as a percentage of revenue as at September 30, 2023. Their contribution accounts for 23.3% of rental revenue for the cumulative nine-month period and 22.9% of leased area:

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

Operating Results

The following table summarizes the financial results for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022. This table should be read in conjunction with the interim condensed consolidated financial statements and the accompanying notes:

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

Rental revenue

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

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

Operating expenses

The following table summarizes the Trust's operating expenses for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Operating expenses				
Maintenance, repairs and other operating costs	**4,563**	3,978	**13,773**	12,303
Energy	**1,557**	1,308	**4,722**	4,149
Property taxes and insurance	**7,090**	6,702	**21,285**	19,751
Total operating expenses	**13,210**	11,988	**39,780**	36,203
% of rental revenue	**42.2%**	40.0%	**41.5%**	41.1%

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

Financial expenses and income

The following table summarizes financial expenses for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Financial income	**(561)**	(122)	**(1,222)**	(399)
Interest on mortgage loans	**6,867**	6,020	**20,277**	17,432
Interest on convertible debentures	**709**	715	**2,127**	2,190
Interest on credit facilities	**785**	398	**1,748**	902
Other interest expense	**106**	64	**308**	220
Interest expense net of financial income	**7,906**	7,075	**23,238**	20,345
Distributions on Class B LP units	**56**	26	**120**	78
Mortgage early repayment fees	**-**	-	**-**	284
Net financial expenses before non-monetary items	**7,962**	7,101	**23,358**	20,707
Accretion of effective interest on mortgage loans and convertible debentures	**271**	219	**785**	791
Accretion of non-derivative liability component of convertible debentures	**92**	87	**263**	251
Net financial expenses before the following items:	**8,325**	7,407	**24,406**	21,749
Fair value adjustment on derivative financial instruments	**(584)**	(3,898)	**(1,163)**	(12,245)
Fair value adjustment on Class B LP units	**(159)**	(142)	**(934)**	(309)
Net financial expenses net of financial income	**7,582**	3,367	**22,309**	9,195

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

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

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

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

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

Administration expenses

The following table summarizes the Trust's administration expenses for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Corporate expenses	**1,479**	1,625	**4,794**	4,805
Expected credit losses	**136**	7	**295**	164
Unit-based compensation	**97**	(41)	**297**	137
Trust administration expenses	**1,712**	1,591	**5,386**	5,106

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

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

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

Fair value adjustment of investment properties

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

On an annual basis, the Trust retains the services of independent external appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the Trust annually appraises a minimum of 60% of its portfolio, which includes the 15 most valuable properties, and the remaining ones are externally appraised on three-year rotation basis. In addition, as part of acquisitions, financing, or refinancing transactions, or at the request of lenders, other properties are also independently appraised during the year. As at September 30th 2023, the Trust externally appraised 57% of its properties, for an aggregate amount of $687,601 million. For the cumulative nine-month period, a gain of $6,481 in net changes in fair value has been recorded reflecting an increase in capitalization rates across the 3 asset classes as well as the updated cash flow assumptions. For the reminder of the year, the Trust will continue to assess the assumptions affected by changing market and property conditions.

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

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

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

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

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

The weighted average capitalization rate for the entire portfolio as at September 30, 2023, was 6.63% (6.48% as at December 31, 2022), 15 basis points higher compared to December 31, 2022.

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

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

Adjusted net income

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

The following table summarizes the adjusted net income[1] before these volatile non-monetary items and transaction costs for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars, except for per unit)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Net income and comprehensive income	**15,216**	11,693	**34,864**	36,385
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	**46**	93	**46**	984
Fair value adjustment on investment properties	**(6,481)**	1,230	**(6,481)**	420
Fair value adjustment on derivative financial instruments	**(584)**	(3,898)	**(1,163)**	(12,245)
Fair value adjustment on Class B LP units	**(159)**	(142)	**(934)**	(309)
Adjusted net income[1]	**8,038**	8,976	**26,332**	25,235
Per unit	**9.2¢**	10.5¢	**30.5¢**	30.5¢

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

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

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

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and Adjusted EBITDA[1] for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars, except for per unit)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Net income being total comprehensive income for the period	**15,216**	11,693	**34,864**	36,385
Interest expense	**8,467**	7,197	**24,460**	20,744
Accretion of effective interest on mortgage loans and convertible debentures	**271**	219	**785**	791
Amortization of property and equipment	**33**	35	**79**	91
Lease incentive amortization	**664**	773	**2,142**	2,326
Fair value adjustment on investment properties	**(6,481)**	1,230	**(6,481)**	420
Fair value adjustment on derivative financial instruments	**(584)**	(3,898)	**(1,163)**	(12,245)
Fair value adjustment on Class B LP units	**(159)**	(142)	**(934)**	(309)
Unit-based compensation (Unit price remeasurement)	**(87)**	(172)	**(378)**	(380)
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	**46**	93	**46**	984
Straight-line lease adjustment	**(842)**	(521)	**(1,766)**	(745)
Adjusted EBITDA[1]	**16,544**	16,507	**51,654**	48,062

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

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

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

Operating Results – Same-Property Portfolio

Same-property portfolio

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

The following table summarizes the results of the same-property NOI[1] for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars)	Quarter			Cumulative (9 months)		
	2023	2022	D%	2023	2022	D%
	$	$		$	$	
Net operating income (NOI) as reported in the financial statements	**18,075**	17,974	0.6%	**56,124**	51,806	8.3%
NOI sourced from:						
Acquisitions	**(1,166)**	(90)		**(4,934)**	(833)	
Dispositions	**45**	(427)		**(16)**	(1,172)	
Non-cash adjustment related to a change in accounting estimate and other specific items	**106**	(50)		**(954)**	(151)	
Same Property NOI[1]	**17,060**	17,407	-2.0%	**50,221**	49,650	1.2%
Same Property NOI[1] sourced from:						
Corporation	**(22)**	14		**(174)**	(236)	
Industrial	**4,891**	4,930	-0.8%	**12,865**	12,748	0.9%
Off-downtown core office	**7,833**	8,441	-7.2%	**24,584**	25,611	-4.0%
Necessity-based retail	**4,358**	4,022	8.4%	**12,946**	11,527	12.3%
Same Property NOI[1]	**17,060**	17,407	-2.0%	**50,221**	49,650	1.2%

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

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

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

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

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

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

Distributions

Distributions and per unit

The following table summarizes the distributions for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Distributions				
Cash distributions	**5,607**	5,550	**16,766**	16,165
Cash distributions – Class B LP units	**52**	26	**120**	78
Distributions reinvested under the distribution reinvestment plan	**862**	818	**2,570**	2,376
Total distributions to unitholders	**6,524**	6,394	**19,456**	18,619
Percentage of reinvested distributions(1)(2)	**13.2%**	12.8%	**13.2%**	12.8%
Per unit(2)				
Distributions	**7.5¢**	7.5¢	**22.5¢**	22.5¢

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

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

Funds from Operations (FFO)[1]

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO[1] for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars, except for per unit)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
Net income and comprehensive income (IFRS)	15,216	11,693	34,864	36,385
Fair value adjustment on investment properties	(6,481)	1,230	(6,481)	420
Fair value adjustment on Class B LP units	(159)	(142)	(934)	(309)
Amortization of lease incentives	664	773	2,142	2,326
Fair value adjustment on derivative financial instruments	(584)	(3,898)	(1,163)	(12,245)
Leasing payroll expenses[6]	359	182	1,042	561
Distributions - Class B LP units	56	26	120	78
Unit-based compensation (Unit price remeasurement)[5]	(87)	(172)	(378)	(380)
FFO[1]	8,984	9,692	29,212	26,836
Transaction costs on disposition of investment properties and mortgage early repayment fees	46	93	46	984
FFO adjusted[1]	9,030	9,785	29,258	27,820
FFO per unit[1][2][3]	10.3¢	11.4¢	33.8¢	32.4¢
FFO adjusted per unit[1][2][4]	10.4¢	11.5¢	33.8¢	33.6¢
FFO payout ratio[1]	72.9%	65.9%	66.6%	69.4%
FFO adjusted payout ratio[1]	72.5%	65.2%	66.5%	66.9%

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

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

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

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

Adjusted Funds from Operations (AFFO)[1]

The following table provides a reconciliation of FFO[1] and AFFO[1] for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
FFO[1]	**8,984**	9,692	**29,212**	26,836
Straight-line rental revenue adjustment	**(842)**	(521)	**(1,766)**	(745)
Accretion of effective interest	**271**	219	**785**	791
Amortization of other property and equipment	**33**	35	**79**	91
Unit-based compensation expenses	**184**	130	**677**	515
Provision for non-recoverable capital expenditures[1]	**(626)**	(599)	**(1,918)**	(1,760)
Provision for unrecovered rental fees[1]	**(375)**	(375)	**(1,125)**	(1,125)
AFFO[1]	**7,629**	8,581	**25,944**	24,603
Transaction costs on disposition of investment properties and mortgage early repayment fees	**46**	93	**46**	984
AFFO adjusted[1]	**7,675**	8,674	**25,990**	25,587
AFFO per unit[1][2][3]	**8.8¢**	10.1¢	**30.0¢**	29.7¢
AFFO adjusted per unit[1][2][4]	**8.8¢**	10.2¢	**30.1¢**	30.9¢
AFFO payout ratio[1]	**85.8%**	74.4%	**75.0%**	75.7%
AFFO adjusted payout ratio[1]	**85.3%**	73.6%	**74.8%**	72.8%

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

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

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

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

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

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

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

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

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

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

Cash Flows

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

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

The following table summarizes the reconciliation of net cash from operating activities presented in the financial statements, AFFO[1] and FFO[1] for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
	$	$	$	$
Cash flows from operating activities	16,317	20,359	49,294	47,279
Leasing payroll expenses	359	182	1,042	561
Transaction costs on purchase and disposition of investment properties and early repayment fees	(46)	(93)	(46)	(984)
Adjustments for changes in other working capital items	(2)	(3,730)	2,198	1,230
Financial income	561	122	1,222	399
Interest expenses	(8,467)	(7,197)	(24,460)	(20,744)
Provision for non-recoverable capital expenditures[2]	(626)	(599)	(1,918)	(1,760)
Provision for non-recovered rental fees[2]	(375)	(375)	(1,125)	(1,125)
Accretion of non-derivative liability component of convertible debentures	(92)	(88)	(263)	(253)
AFFO[1]	7,629	8,581	25,944	24,603
Provision for non-recoverable capital expenditures[2]	626	599	1,918	1,760
Provision for non-recovered rental fees[2]	375	375	1,125	1,125
Straight-line rental revenue adjustment	842	521	1,766	745
Unit-based compensation expenses	(184)	(130)	(677)	(515)
Accretion of effective interest	(271)	(219)	(785)	(791)
Amortization of property and equipment	(33)	(35)	(79)	(91)
FFO[1]	8,984	9,692	29,212	26,836

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

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

Assets

Investment properties

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

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

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

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Balance, beginning of period	**1,209,036**	1,167,247	**1,164,881**	1,110,971
Additions:				
Initial recognition of right-of-use assets	**-**	-	**3,133**	-
Acquisitions	**6**	15,896	**36,306**	96,122
Dispositions	**-**	(4,388)	**-**	(32,177)
Capital expenditures	**1,033**	1,275	**3,710**	2,703
Leasing fees and capitalized lease incentives	**756**	1,316	**3,354**	4,246
Fair value adjustment on investment properties	**6,481**	(1,229)	**6,481**	(419)
Other non-monetary changes[1]	**(10,222)**	(248)	**(10,775)**	(1,577)
Balance, end of period	**1,207,090**	1,179,869	**1,207,090**	1,179,869

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

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

Improvements in investment properties

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

The following table summarizes capital expenditures, incentives, and leasing fees, for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Recoverable capital expenditures	**266**	697	**928**	1,285
Non-recoverable capital expenditures	**767**	578	**2,782**	1,418
Total capital expenditures	**1,033**	1,275	**3,710**	2,703
Leasing fees and leasehold improvements	**756**	1,316	**3,354**	4,246
Total	**1,789**	2,591	**7,064**	6,949

Financial Lease Receivable

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

When the Trust classified the lease as a finance lease, it recognizes the net investment in the lease as a finance lease receivable on the balance sheet. The Trust subsequently recognizes financial income as earned.

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

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

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

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

Receivables

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

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

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

Prepaid expenses, Deposits and Property and equipment

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

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

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

Capital Resources

Long-term debt

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

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

(1) Gross amounts.

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

Weighted average contractual interest rate

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

Mortgage loans

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

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

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

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

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

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

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

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

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

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

Convertible debentures

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

(in thousands of dollars)	Series G(1)(3)	Series H(2)(3)	Total
Par value	24,000	19,917(4)	43,917
Contractual interest rate	6%	7%	
Effective interest rate	7%	8%	
Date of issuance	October 2019	September 2020	
Per-unit conversion price	5.42	3.64	
Date of interest payment	April 30 and October 31	April 30 and October 31	
Maturity date	October 2024	October 2025	
Balance as at September 30, 2023	**23,661**	**18,589**	**42,250**

(1) Redeemable by the Trust, under certain conditions, as of October 31, 2022, but before October 31, 2023, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series G conversion price and, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their principal amount plus accrued and unpaid interest.
(2) Redeemable by the Trust, under certain conditions, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series H conversion price and, as of October 31, 2024, but before October 31, 2025, at a redemption price equal to their principal amount plus accrued and unpaid interest.
(3) The Trust may, at its option and under certain conditions, elect to satisfy its obligation to pay the principal amount of the Series G and H debentures by issuing tradable units freely to Series G and H debenture holders.
(4) Conversion of $10,083 of the Series H debenture since issuance. Conversion of $0 during the quarter.

Debt ratio

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

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

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

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

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

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

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

Interest coverage ratio

The following table summarizes the interest coverage ratio for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars, except for the ratios)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Adjusted EBITDA(1)	**16,544**	16,507	**51,654**	48,062
Interest expenses net of financial income(2)	**7,906**	7,075	**23,238**	20,345
Interest coverage ratio(3)	**2.09**	2.33	**2.22**	2.36

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

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

Debt service coverage ratio

The following table summarizes the debt service coverage ratio for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in thousands of dollars, except for the ratios)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
	$	$	**$**	$
Adjusted EBITDA(1)	**16,544**	16,507	**51,654**	48,062
Interest expenses net of financial income(2)	**7,906**	7,075	**23,238**	20,345
Principal repayments	**4,851**	5,231	**14,519**	15,137
Debt service requirements	**12,757**	12,306	**37,757**	35,482
Debt service coverage ratio(3)	**1.30**	1.34	**1.37**	1.35

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

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

Class B LP units

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

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

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

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

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

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

Units outstanding

The following table summarizes the total number of units outstanding and the weighted number of units outstanding for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in number of units)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
Units outstanding, beginning of the period	**86,043,128**	84,731,856	**85,238,279**	74,126,971
Units issued pursuant to a public issue	**-**	-	**-**	9,584,100
Distribution reinvestment plan	**278,233**	224,121	**779,126**	620,144
Issued - employee unit purchase plan	**-**	310	**8,955**	11,915
Issued - restricted unit compensation plan	**-**	25,857	**45,276**	130,506
Issued – deferred unit compensation plan	**-**	-	**-**	-
Class B LP units exchanged into Trust units	**50,000**	-	**200,000**	-
Issued – conversion of convertible debentures	**-**	3,296	**99,725**	511,804
Units outstanding, end of the period	**86,371,361**	84,985,440	**86,371,361**	84,985,440
Weighted average number of units outstanding	**85,939,379**	84,900,129	**85,776,984**	82,402,375
Weighted average number of Class B LP units and units outstanding	**86,503,311**	85,247,394	**86,182,582**	82,749,640

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

Deferred unit compensation plan

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

The following table summarizes deferred units outstanding for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in number of units)	Quarter		Cumulative (9 months)	
	2023	2022	**2023**	2022
Deferred units outstanding, beginning of the period	**131,583**	111,717	**121,727**	103,116
Trustees' compensation	**3,247**	5,133	**8,187**	9,585
Distributions paid in units	**3,504**	4,527	**8,420**	8,676
Deferred units outstanding, end of the period	**138,334**	121,377	**138,334**	121,377

Restricted unit compensation plan

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

The following table summarizes restricted units outstanding for the periods ended September 30, 2023, and September 30, 2022, as well as the cumulative periods for the first nine months of 2023 and 2022:

Periods ended September 30 (in number of units)	Quarter		Cumulative (9 months)	
	2023	2022	2023	2022
Restricted units outstanding, beginning of the period	**310,377**	163,169	**138,583**	161,536
Granted	**-**	1,272	**217,072**	93,576
Settled	**-**	(25,858)	**(45,278)**	(116,529)
Restricted units outstanding, end of the period	**310,377**	138,583	**310,377**	138,583

Employee unit purchase plan

The Trust offers its employees an optional unit purchase plan. Under this plan, the employees may contribute, each year, pursuant to a maximum of 7% to 10% of their base salary depending on their position occupied within the Trust. Subject to the plan's conditions, for each two units purchased by an employee, the Trust shall issue one unit from treasury to the employee.

Off-balance sheet arrangements and contractual commitments

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

Income Taxes

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

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

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

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

As at September 30, 2023, BTB met all these conditions and qualified as a REIT. As a result, the SIFT trust tax rules don't apply to BTB. BTB's management intends to take the necessary steps to meet the conditions for the REIT Exception on an ongoing basis in the future.

Nonetheless, there is no guarantee that BTB will continue to meet all the required conditions to be eligible for the REIT exception for 2023 or any other subsequent year.

Taxation of Unitholders

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

Periods ended September 30	**2023**	2022
	%	%
Taxable as other income	**-**	-
Tax deferred	**100**	100
Total	**100**	100

Accounting Policies and Estimates

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based on historical experience and other assumptions that are considered reasonable under given circumstances. The result of the continual review of these estimates is the basis for exercising judgment on the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from these estimates. Critical judgments made by BTB in applying significant accounting policies, the most significant of which is the fair value of investment properties, are described in the annual consolidated financial statements as at and for the years ended December 31, 2022, and 2021.

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

Inflation and Interest Rates

The increase of the Bank of Canada policy interest rate has created a heightened level of uncertainty on the economy. The rise of the policy rate has not had a significant impact on the Trust's operations and ability to negotiate new or renew mortgages. Given the situation, there could be certain repercussions on the mortgage refinancing activities, the fair value of the investment properties, certain investment decisions and the level of transactions in the market. The Trust will continue to monitor the effects of the rise of the policy rate on its investment activities and valuation of the investment properties.

Risks and Uncertainties

Numerous risks and uncertainties could cause BTB's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the "Risk Factors" section of BTB's 2023 Annual Information Form for the year ended December 31, 2022, which is hereby incorporated by reference. Such risks and uncertainties include:

- Access to Capital and to Debt Financing
- Interest Rate Increases
- Ownership of Immovable Property
- Competition and Rising Property Prices
- Availability of Immovable Property for Acquisition
- Development Programs
- Recruitment and Retention of Employees and Executives
- Government Regulation
- Limit on Activities Under the Trust Agreement
- Tax Regulations
- Fluctuations in Cash Distributions
- Reliance on Single or Anchor Tenants
- Potential Unitholder Liability
- Conflicts of Interest
- Market Price of Units
- Legal Rights Relating to Units
- Dilution

- Environmental Matters
- Legal Risks
- General Uninsured Losses
- Retail Industry
- A possible economic recession
- Long-term effect of a global pandemic

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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

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

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Operating & Financial Officer of BTB concluded that ICFR was effective as at September 30, 2023, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During the third quarter of 2023, management made no changes to internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.

Appendix 1 – Definitions

Class B LP Units

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

Rental revenue

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

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

Operating expenses

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

Net operating income (NOI)

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

Financial expenses

Financial expenses arise from the following loans and financing:

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

Administration expenses

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

Fair value adjustment on investment properties

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

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

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

Same-property portfolio

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

Net property income from the same-property portfolio

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

Appendix 2 – Non-IFRS Financial Measures – Definitions

Non-IFRS Measure	Definition	Reconciliation
Adjusted net income	Adjusted net income is a non-IFRS financial measure that starts with net income and comprehensive income and removes the effects of: (i) fair value adjustment of investment properties; (ii) fair value adjustment of derivative financial instruments; (iii) fair value adjustment of Class B LP units; and (iv) transaction costs incurred for acquisitions and dispositions of investment properties and early repayment fees. The Trust considers this to be a useful measure of operating performance, as fair value adjustments can fluctuate widely with the real estate market.	Operating results – Adjusted net income
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")	Adjusted EBITDA income is a non-IFRS financial measure that starts with net income and comprehensive income and removes the effects of certain adjustments, on a proportionate basis, including: (i) interest expense; (ii) taxes; (iii) depreciation of property and equipment; (iv) amortization of intangible assets; (v) fair value adjustments (including adjustments of investment properties, of financial instruments, of Class B LP units and of unit price adjustments related to unit-based compensation); (vi) transaction costs for acquisitions and dispositions of investment properties and early repayment fees; and (vii) straight-line rental revenue adjustments. The most directly comparable IFRS measure to Adjusted EBITDA is net income and comprehensive income. The Trust believes Adjusted EBITDA is a useful metric to determine its ability to service debt, to finance capital expenditures and to provide distributions to its Unitholders.	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"); Capital Resources – Interest coverage ratio; and Capital Resources – Debt service coverage ratio
Same-Property NOI	Same-Property NOI is a non-IFRS financial measure defined as net operating income ("NOI") for the properties that the Trust owned and operated for the entire duration of both the current year and the previous year. The most directly comparable IFRS measure to same-property NOI is Operating Income. The Trust believes this is a useful measure as NOI growth can be assessed on its portfolio by excluding the impact of property acquisitions and dispositions of both the current year and previous year. The Trust uses the Same-Property NOI to indicate the profitability of its existing portfolio operations and the Trust's ability to increase its revenues, reduce its operating costs and generate organic growth.	Operating results – Same-Property Portfolio
Funds from Operations ("FFO") **and FFO adjusted**	FFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its January 2022 White Paper ("White Paper"). FFO is defined as net income and comprehensive income less certain adjustments, on a proportionate basis, including: (i) fair value adjustments on investment properties, class B LP units and derivative financial instruments; (ii) amortization of lease incentives; (iii) incremental leasing costs; and (iv) distribution on class B LP units. FFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. FFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. FFO Adjusted is also a non-IFRS financial measure that starts with FFO and removes the impact of transaction costs on acquisitions and dispositions of investment properties and early repayment fees. The Trust believes FFO and FFO Adjusted are key measures of operating performance and allow the investors to compare its historical performance.	Funds from Operations (FFO); Cash Flows; and Appendix 3

Non-IFRS Measure	Definition	Reconciliation
Adjusted Funds from Operations ("AFFO") **and** **AFFO adjusted**	AFFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its White Paper. AFFO is defined as FFO less: (i) straight-line rental revenue adjustment; (ii) accretion of effective interest; (iii) amortization of other property and equipment; (iv) unit-based compensation expenses; (v) provision for non-recoverable capital expenditures; and (vi) provision for unrecovered rental fees (related to regular leasing expenditures). AFFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. AFFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. AFFO Adjusted is also a non-IFRS financial measure that starts with AFFO and removes the impact of transaction costs on acquisitions and dispositions of investment properties and early repayment fees. The Trust considers AFFO and AFFO adjusted to be useful measures of economic earnings and relevant in understanding its ability to service its debt, fund capital expenditures and provide distributions to unitholders.	Adjusted Funds from Operations (AFFO); Cash Flows; and Appendix 3
FFO and AFFO payout ratios **and** **FFO adjusted and AFFO adjusted payout ratios**	FFO and AFFO payout ratios and FFO adjusted and AFFO adjusted payout ratios are non-IFRS financial measures used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its White Paper. These payout ratios are calculated by dividing the actual distributions per unit by FFO, AFFO and FFO adjusted and AFFO adjusted per unit in each period. The Trust considers these metrics a useful way to evaluate its distribution paying capacity.	Funds from Operations (FFO); Adjusted Funds from Operations (AFFO); and Appendix 3
Total debt ratio	Total debt ratio is a non-IFRS financial measure of the Trust financial leverage, which is calculated by taking the total long-term debt less cash divided by total gross value of the assets of the Trust less cash. The Trust considers this metric useful as it indicates its ability to meet its debt obligations and its capacity for future additional acquisitions.	Capital Resources – Debt ratio
Interest Coverage Ratio	Interest coverage ratio is a non-IFRS financial measure which is calculated by taking the Adjusted EBITDA divided by interest expenses net of financial income (interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	Capital Resources – Interest coverage ratio
Debt Service Coverage Ratio	Debt service coverage ratio is a non-IFRS financial measure which is calculated by taking the Adjusted EBITDA divided by the Debt Service Requirements, which consists of principal repayments and interest expenses net of financial income (interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	Capital Resources – Debt service coverage ratio

Appendix 3 – Non-IFRS Financial Measures – Quarterly Reconciliation

Funds from Operations (FFO)[1]

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

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

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

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

Adjusted Funds from Operations (AFFO)(1)

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

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

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

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