



BTB

# Celebrating 15 Years of Milestones



Q3 2022

Condensed Consolidated  
Interim Financial Statements

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# Condensed Consolidated Interim Financial Statements

Quarter ended September 30, 2022

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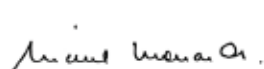
# Condensed Consolidated Interim Statements of Financial Position

(Unaudited - in thousands of CAD dollars)

		As at September 30,	As at December 31,
	Notes	2022	2021
		\$	\$
<b>Assets</b>			
Investment properties	3	1,179,869	1,110,971
Property and equipment		440	446
Derivative financial instruments	9	3,796	-
Prepaid expenses and deposits		6,864	2,747
Balance of sale		-	3,018
Receivables	4	5,530	5,528
Cash and cash equivalents		10,417	7,191
<b>Total assets</b>		<b>1,206,916</b>	<b>1,129,901</b>
<b>Liabilities and unitholders' equity</b>			
Mortgage loans payable	5	629,797	605,210
Convertible debentures	6	41,753	42,819
Bank loans	7	36,991	35,468
Lease liabilities		4,207	4,219
Class B LP Units	8	1,108	1,417
Unit-based compensation	10	1,138	1,513
Derivative financial instruments	9	2,130	11,246
Trade and other payables		21,830	21,731
Distribution payable to unitholders		2,125	1,853
<b>Total liabilities</b>		<b>741,079</b>	<b>725,476</b>
<b>Unitholders' equity</b>		<b>465,837</b>	<b>404,425</b>
		<b>1,206,916</b>	<b>1,129,901</b>

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on November 4, 2022.



Michel Léonard, Trustee



Jocelyn Proteau, Trustee

# Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited - in thousands of CAD dollars)

		For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	Notes	2022	2021	2022	2021
		\$	\$	\$	\$
<b>Operating revenues</b>					
Rental revenue	12	29,962	23,988	88,009	73,554
<b>Operating expenses</b>					
Public utilities and other operating expenses		5,286	4,893	16,452	15,380
Property taxes and insurance		6,702	5,523	19,751	16,614
		11,988	10,416	36,203	31,994
<b>Net operating income</b>		<b>17,974</b>	<b>13,572</b>	<b>51,806</b>	<b>41,560</b>
Financial income		122	185	399	581
<b>Expenses</b>					
Financial expenses		7,503	5,867	22,070	18,243
Distribution - Class B LP Units	8	26	22	78	78
Fair value adjustment - Class B LP Units	8	(142)	(18)	(309)	210
Net adjustment to fair value of derivative financial instruments		(3,898)	(2,598)	(12,245)	(51)
Net financial expenses	13	3,489	3,273	9,594	18,480
Administration expenses		1,591	1,806	5,106	5,312
Net change in fair value of investment properties and disposition expenses	3	1,323	-	1,120	-
<b>Net income and comprehensive income for the period</b>		<b>11,693</b>	<b>8,678</b>	<b>36,385</b>	<b>18,349</b>

See accompanying notes to condensed consolidated interim financial statements.

# Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

(Unaudited - in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distribution	Cumulative comprehensive income	Total
Balance as at January 1, 2022		351,540	(177,308)	230,193	404,425
Issuance of units, net of issuance expenses	11	43,568	-	-	43,568
Distribution to unitholders	11	-	(18,541)	-	(18,541)
		395,108	(195,849)	230,193	429,452
Comprehensive income		-	-	36,385	36,385
<b>Balance as at September 30, 2022</b>		<b>395,108</b>	<b>(195,849)</b>	<b>266,578</b>	<b>465,837</b>
Balance as at January 1, 2021		309,394	(155,952)	188,625	342,067
Issuance of units, net of issuance expenses	11	40,806	-	-	40,806
Distribution to unitholders	11	-	(15,805)	-	(15,805)
		350,200	(171,757)	188,625	367,068
Comprehensive income		-	-	18,349	18,349
<b>Balance as at September 30, 2021</b>		<b>350,200</b>	<b>(171,757)</b>	<b>206,974</b>	<b>385,417</b>

See accompanying notes to condensed consolidated interim financial statements.

# Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - in thousands of CAD dollars)

	Notes	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Operating activities</b>					
Net income for the period		11,693	8,678	36,385	18,349
Net change in fair value of investment properties and disposition expenses	3	1,323	-	1,120	-
Depreciation of property and equipment		35	23	91	65
Unit-based compensation	10	(41)	95	137	900
Straight-line lease adjustment	12	(521)	(88)	(745)	(576)
Lease incentive amortization	12	773	780	2,326	2,434
Financial income		(122)	(185)	(399)	(581)
Net financial expenses	13	3,489	3,273	9,594	18,480
		16,629	12,576	48,509	39,071
Adjustment for changes in other working capital items		3,730	(2,486)	(1,230)	(7,670)
<b>Net cash from operating activities</b>		<b>20,359</b>	<b>10,090</b>	<b>47,279</b>	<b>31,401</b>
<b>Investing activities</b>					
Additions to investment properties net of mortgage loans	3	(18,403)	(1,969)	(68,608)	(20,425)
Net proceeds from disposition of investment properties	3	4,290	-	25,922	-
Acquisition of property and equipment		(22)	(26)	(85)	(112)
<b>Net cash (used in) investing activities</b>		<b>(14,135)</b>	<b>(1,995)</b>	<b>(42,771)</b>	<b>(20,537)</b>
<b>Financing activities</b>					
Mortgage loans, net of financing expenses		8,892	(457)	17,946	58,301
Repayment of mortgage loans		(7,976)	(8,728)	(22,647)	(49,313)
Bank loans		12,817	5,100	1,523	(10,200)
Lease liability payments		(4)	(3)	(12)	(10)
Net proceeds from unit issue		29	25	38,353	30,083
Net distribution to unitholders		(5,592)	(4,789)	(15,962)	(13,397)
Net distribution - Class B LP units	8	(26)	(22)	(78)	(78)
Interest paid		(6,967)	(5,355)	(20,405)	(16,139)
<b>Net cash (used in) from financing activities</b>		<b>1,173</b>	<b>(14,229)</b>	<b>(1,282)</b>	<b>(753)</b>
<b>Net change in cash and cash equivalents</b>		<b>7,397</b>	<b>(6,134)</b>	<b>3,226</b>	<b>10,111</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>3,020</b>	<b>25,307</b>	<b>7,191</b>	<b>9,062</b>
<b>Cash and cash equivalents, end of period</b>		<b>10,417</b>	<b>19,173</b>	<b>10,417</b>	<b>19,173</b>

See accompanying notes to condensed consolidated interim financial statements.

# Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2022 and 2021  
(Unaudited - in thousands of CAD dollars, except unit and per unit amounts)

## 1. Reporting Entity

BTB Real Estate Investment Trust ("BTB") is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Quebec pursuant to a trust agreement and is domiciled in Canada. The address of BTB's registered office is 1411 Crescent Street, Suite 300, Montreal, Quebec, Canada. The condensed consolidated interim financial statements of BTB for the three-month and nine-month periods ended September 30, 2022 and 2021 comprise BTB and its wholly-owned subsidiaries (together referred to as the "Trust") and the Trust's interest in joint operations.

## 2. Basis of Preparation

### (a) Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Trust's consolidated financial statements for the year ended December 31, 2021.

The accounting policies applied by the Trust in these unaudited condensed interim financial statements are the same as those applied by the Trust in its consolidated financial statements for the year ended December 31, 2021.

These condensed consolidated interim financial statements were approved by the Board of Trustees on November 4, 2022.

### (b) Risks and uncertainties related to the increase of the Bank of Canada policy interest rate

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

### (c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is BTB's functional currency. All financial information has been rounded to the nearest thousand, except per unit amounts.

### (d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates, and the differences may be material.

### 3. Investment Properties

	Nine-month period ended September 30, 2022	Year ended December 31, 2021
	\$	\$
Balance beginning of period	1,110,971	903,870
Acquisitions of investment properties (note 3(a))	96,122	185,864
Dispositions of investment properties (note 3(b))	(32,172)	(4,450)
Capital expenditures	2,703	3,672
Capitalized leasing fees	1,419	936
Capitalized lease incentives	2,827	3,466
Lease incentives amortization	(2,326)	(3,292)
Straight-line lease adjustment	745	1,334
Net changes in fair value of investment properties	(420)	19,571
<b>Balance end of period</b>	<b>1,179,869</b>	<b>1,110,971</b>

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

In determining the fair value of investment properties, the Trust has adjusted cash flow assumptions for its estimate of changes to cash flows to reflect collections, vacancy and assumptions on new leasing. The Trust undertook a process to assess the appropriateness of the rates considering changes to property level cash flows and any risk premium inherent in such cash flow changes. These considerations are reflected in the fair value adjustments of investment properties.

At September 30, 2022, independent external appraisals were obtained in 2022 for investment properties with an aggregate fair value of \$754,785 (December 31, 2021 - \$672,109).

The fair value of investment properties is based on Level 3 inputs. There have been no transfers during the period between levels. The significant inputs used to determine the fair value of the Trust's investment properties are as follows:

	Industrial	Off downtown core office	Necessity-based retail
<b>As at September 30, 2022</b>			
Capitalization rate	4.50% - 6.75%	5.50% - 8.25%	5.25% - 7.75%
Terminal capitalization rate	4.75% - 8.75%	5.75% - 8.00%	5.50% - 8.00%
Discount rate	5.50% - 9.50%	6.25% - 8.50%	6.25% - 8.75%
Weighted average capitalization rate	5.59%	6.56%	6.82%
<b>As at December 31, 2021</b>			
Capitalization rate	4.50% - 8.50%	5.25% - 8.50%	5.25% - 7.75%
Terminal capitalization rate	4.75% - 7.00%	5.50% - 7.50%	6.00% - 7.00%
Discount rate	5.75% - 7.50%	5.50% - 8.25%	6.50% - 7.50%
Weighted average capitalization rate	5.72%	6.41%	6.62%



The following table provides a sensitivity analysis of the fair value of investment properties for changes in the weighted average capitalization rate as at September 30, 2022, which is representative of the sensitivity to changes in the discount rate and terminal capitalization rate as at September 30, 2022.

Capitalization rate sensitivity	Fair Value	Change in fair value
Increase (decrease)		
	\$	\$
(0.50)%	1,284,468	104,599
(0.25)%	1,229,908	50,039
Base rate	1,179,869	-
0.25%	1,133,803	(46,066)
0.50%	1,091,247	(88,622)

#### (a) Acquisitions

The fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during the nine-month periods ended September 30, 2022, were as follows:

##### i) Acquisitions in 2022

Fair value recognized on acquisition							
Acquisition date	Property type	Location	Interest acquired	Investment properties, including acquisition costs	Mortgage loan	Receivable / (Trade and other payables), including acquisition costs	Net consideration
			%	\$	\$	\$	\$
January 2022	Office	Ottawa, ON	100	34,908	(24,800)	-	10,108
January 2022	Office	Ottawa, ON	100	3,192	-	-	3,192
April 2022	Industrial	Ottawa, ON	100	12,410	-	-	12,410
June 2022	Industrial	Montreal, QC	100	15,000	-	-	15,000
June 2022	Industrial	Leduc, AB	100	13,150	(9,474)	-	3,676
September 2022	Industrial	Edmonton, AB	100	15,750	-	-	15,750
Acquisition costs				-	-	1,748	1,748
<b>Total</b>				<b>94,410</b>	<b>(34,274)</b>	<b>1,748</b>	<b>61,884</b>

## ii) Acquisitions in 2021

Fair value recognized on acquisition							
Acquisition date	Property type	Location	Interest acquired	Investment properties, including acquisition costs	Mortgage loan	Receivable / (Trade and other payables), including acquisition costs	Net consideration
			%	\$	\$	\$	\$
June 2021	Industrial	Montreal, QC	100	15,250	(9,913)	-	5,337
November 2021	Office	Montreal, QC	100	35,818	(23,400)	-	12,418
November 2021	Office	Montreal, QC	100	37,807	(24,700)	-	13,107
December 2021	Industrial	Leduc, AB	100	6,500	(4,225)	-	2,275
December 2021	Office	Edmonton, AB	100	4,500	(2,925)	-	1,575
December 2021	Industrial	Edmonton, AB	100	6,500	(4,225)	-	2,275
December 2021	Industrial	Edmonton, AB	100	8,900	(5,785)	-	3,115
December 2021	Industrial	Edmonton, AB	100	14,100	(9,150)	-	4,950
December 2021	Industrial	Edmonton, AB	100	12,400	(8,066)	-	4,334
December 2021	Industrial	Saskatoon, SK	100	4,600	(3,182)	-	1,418
December 2021	Industrial	Saskatoon, SK	100	20,700	(13,441)	-	7,259
December 2021	Industrial	Saskatoon, SK	100	5,000	(3,246)	-	1,754
December 2021	Industrial	Saskatoon, SK	100	10,500	(6,818)	-	3,682
Acquisition costs				-	-	3,289	3,289
<b>Total</b>				<b>182,575</b>	<b>(119,076)</b>	<b>3,289</b>	<b>66,788</b>

## (b) Dispositions

## i) Dispositions in 2022

Disposal date	Property type	Location	Gross proceeds	Purchaser's Mortgage assumption	Receivable / (Trade and other payables), including disposition expenses	Net proceeds
			\$	\$	\$	\$
January 2022	Industrial	Cornwall, ON	8,056	(2,590)	-	5,466
January 2022	Industrial	Cornwall, ON	8,275	(2,959)	-	5,316
January 2022	Industrial	Cornwall, ON	7,885	-	-	7,885
January 2022	Industrial	Cornwall, ON	1,775	-	-	1,775
June 2022	Industrial	Magog, QC	1,798	-	-	1,798
September 2022	Office	Montreal, QC	4,383	(2,745)	-	1,639
Disposition expenses			-	-	(700)	(700)
<b>Total</b>			<b>32,172</b>	<b>(8,294)</b>	<b>(700)</b>	<b>23,178</b>

## ii) Dispositions in 2021

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

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net changes in fair value of investment properties (note 3)	(1,230)	-	(420)	-
Disposition expenses (note 3 (b))	(93)	-	(700)	-
	<b>(1,323)</b>	<b>-</b>	<b>(1,120)</b>	<b>-</b>

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

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

## 4. Receivables

	As at September 30, 2022	As at December 31, 2021
	\$	\$
Rents receivable	4,019	4,497
Allowance for expected credit losses	(971)	(944)
Net rents receivable	3,048	3,553
Unbilled recoveries	1,494	1,388
Other receivables	988	587
<b>Total</b>	<b>5,530</b>	<b>5,528</b>

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

The Trust's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions.

### 5. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately \$1,157,003 as at September 30, 2022 (December 31, 2021 – \$1,079,554).

	As at September 30, 2022	As at December 31, 2021
	\$	\$
Fixed rate mortgage loans payable	534,050	507,401
Floating rate mortgage loans payable	97,758	99,637
Unamortized fair value assumption adjustments	704	755
Unamortized financing expenses	(2,715)	(2,583)
<b>Mortgage loans payable</b>	<b>629,797</b>	<b>605,210</b>
Short-term portion	30,683	91,185
Weighted average interest rate	3.64%	3.49%
Weighted average term to maturity (years)	4.36	4.66
Range of annual rates	2.30% - 6.80%	2.30% - 6.80%

As at September 30, 2022, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	\$	\$	\$
2022 <sup>(1)</sup>	5,100	25,583	30,683
2023	18,615	52,066	70,681
2024	16,263	100,720	116,983
2025	13,892	52,853	66,745
2026	11,506	105,191	116,697
Thereafter	31,449	198,570	230,019
	<b>96,825</b>	<b>534,983</b>	<b>631,808</b>
Unamortized fair value assumption adjustments			704
Unamortized financing expenses			(2,715)
			<b>629,797</b>

(1) For the three-month period remaining

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

Transaction date	Original principal amount	Effective fixed interest rate	Settlement basis	Maturity date	Outstanding amount	
					As at September 30, 2022	As at December 31, 2021
	\$	%			\$	\$
March 2013 <sup>(1)</sup>	7,150	4.12	Monthly	April 2023	4,400	4,850
June 2016	13,000	3.45	Quarterly	June 2026	10,747	11,074
November 2017	23,200	3.88	Monthly	November 2027	21,502	22,015
November 2017	23,075	3.90	Monthly	December 2027	20,231	20,718
<b>Total</b>	<b>66,425</b>				<b>56,880</b>	<b>58,657</b>

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

## 6. Convertible Debentures

As at September 30, 2022, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Interest rates			Unit conversion price	Interest payments	Maturity
	Capital	Coupon	Effective			
		%	%	\$		
Series G	24,000	6.00	7.30	5.42	Semi-annual	October 2024
Series H	20,280	7.00	8.28	3.64	Semi-annual	October 2025

	Series G	Series H	Total
	\$	\$	\$
<b>As at September 30, 2022</b>			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	-	625	625
	24,000	27,934	51,934
Conversion options exercised by holders	-	(8,848)	(8,848)
	24,000	19,086	43,086
Unamortized financing expenses	(612)	(721)	(1,333)
<b>Non-derivative liability component</b>	<b>23,388</b>	<b>18,365</b>	<b>41,753</b>
<b>Conversion and redemption options liability component at fair value</b>	<b>17</b>	<b>2,113</b>	<b>2,130</b>

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

### Series G

As of September 30, 2022, no conversion options have been exercised by holders on debentures.

### Series H

As of September 30, 2022, conversion options have been exercised by holders on debentures representing a nominal amount of \$9,720 (September 30, 2021 – \$7,369).

## 7. Bank Loans

The Trust has access to two credit facilities. The first is an acquisition line of credit in the amount of \$10,900, with a possible capacity of up to \$23,000. This line of credit bears interest at a rate of 1% above the prime rate. As at September 30, 2022, no amount was due under the acquisition line of credit (December 31, 2021 – \$0). The line of credit is secured by an immoveable first rank hypothec on one property having a fair value of \$4,600 and by an immoveable second rank hypothec on five properties having a fair value of \$93,247.

The second is a revolving credit facility in the amount of \$40,000 with an accordion option of up to an additional \$20,000. This revolving credit facility bears interest at a rate of 1% above the prime rate or 2.25% above the Bankers' Acceptance rate. As at September 30, 2022, \$36,991 was due under the revolving credit facility (December 31, 2021 – \$35,468). The revolving credit facility is secured by an immoveable first rank hypothec on one property having a fair value of \$18,275 and by negative pledge of a selection of borrowing base properties having a fair value of \$137,692.

**8. Class B LP Units**

	Nine-month period ended September 30, 2022		Year ended December 31, 2021	
	Units	\$	Units	\$
Units outstanding, beginning of period	347,265	1,417	397,265	1,402
Exchange into Trust units	-	-	(50,000)	(216)
Fair value adjustment	-	(309)	-	231
<b>Units outstanding, end of period</b>	<b>347,265</b>	<b>1,108</b>	<b>347,265</b>	<b>1,417</b>

The Class B LP Units are exchangeable into Trust units on a one-for-one basis at any time at the option of the holder.

The Class B LP Units are entitled to distribution equal to distribution declared on Trust units, on a one-to-one basis. Distributions on Class B LP Units are recognized in the statement of comprehensive income when declared.

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Distribution to Class B LP unitholders	26	26	78	78
Distribution per Class B LP unit	0.075	0.075	0.225	0.225

## 9. Fair Value Measurement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include the fair value of cash and cash equivalents, restricted cash, receivables, balance of sale, trade and other payables and distribution payable to unitholders, which approximated their carrying amount as at September 30, 2022 and December 31, 2021 because of their short-term maturity or because they bear interest at current market rates.

As at September 30, 2022	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
<b>Measured at fair value</b>				
Conversion and redemption options of convertible debentures (note 6)	2,130	-	-	2,130
Interest rate swap asset	(3,796)	-	(3,796)	-
Class B LP Units (note 8)	1,108	1,108	-	-
<b>For which fair values are disclosed</b>				
Mortgage loans payable (note 5)	631,808	-	589,211	-
Convertible debentures, including their conversion and redemption features (note 6)	43,883	42,741	-	-
Bank loans (note 7)	36,991	-	36,991	-

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

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

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

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

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

Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market



transactions. Potential transaction costs have also not been considered in estimating fair value.

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

Conversion and redemption options of convertible debentures	
	\$
<b>Nine-months period ended September 30, 2022</b>	
Balance beginning of period	10,693
Conversion options exercised by holders	(667)
Changes for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	(7,896)
<b>Balance end of period</b>	<b>2,130</b>
Conversion and redemption options of convertible debentures	
	\$
<b>Year ended December 31, 2021</b>	
Balance beginning of year	6,486
Conversion options exercised by holders	(2,018)
Change for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	6,225
<b>Balance end of year</b>	<b>10,693</b>

The following table provides a sensitivity analysis for the volatility applied in fair value measurement of the conversion and redemption options of convertible debentures at September 30, 2022:

	Conversion and redemption options of convertible debentures	Volatility
	\$	%
<b>Volatility sensitivity</b>		
<b>Increase (decrease)</b>		
(0.50)%	1,710	28.53
September 30, 2022	2,130	29.03
0.50%	2,549	29.53

As shown in the sensitivity analysis above, the fair value of the conversion and redemption options of convertible debentures is impacted by a change in the volatility used in the valuation model. Generally, an increase in the volatility, other things being equal, will result in an increase in fair value of the conversion and redemption options of convertible debentures and vice-versa.

## 10. Unit-based Compensation

### (a) Deferred unit compensation plan for trustees and certain executive officers

The Trust offers a deferred unit compensation plan for its trustees and certain executive officers. Under this plan, the trustees and certain executive officers may elect to receive as compensation either cash, deferred units, or a combination of both.

The following table presents relevant information on changes in the number of deferred units:

For the nine-month periods ended September 30,	2022	2021
	Deferred units	Deferred units
Outstanding, beginning of period	103,116	87,920
Trustees' compensation	7,181	6,322
Distributions paid in units	6,704	5,006
<b>Outstanding, end of period</b>	<b>117,001</b>	<b>99,248</b>

As at September 30, 2022, the liability related to the plan was \$374 (December 31, 2021 - \$410). The related revenue recorded in profit or loss amounted to \$32 and \$35, for the three and nine-month periods ended September 30, 2022 (for the three-month and nine-month periods ended September 30, 2021 - expense of \$14 and an expense of \$99).

### (b) Employee unit purchase plan

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, pursuant to a maximum of 3% to 7% of their base salary depending on their years of service with the Trust. For each two units purchased by an employee, the Trust issues one unit from treasury.

As at September 30, 2022, the liability related to the plan was \$0 (December 31, 2021 - \$61). The related expense and revenue recorded in profit and loss amounted to respectively \$1 and \$13 for the three and nine-month periods ended September 30, 2022 (for the three-month and nine-month periods ended September 30, 2021 - \$0 and \$0). The 11,915 units related to 2021 purchases were issued in February 2022 (14,351 units related to 2020 purchases).

### (c) Restricted unit compensation plan

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

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

Nine-month periods ended September 30,	2022	2021
	Restricted units	Restricted units
Outstanding, beginning of period	161,536	139,724
Granted	93,576	95,058
Cancelled	-	(1,524)
Settled	(116,529)	(71,722)
<b>Outstanding, end of period</b>	<b>138,583</b>	<b>161,536</b>

As at September 30, 2022, the liability related to the plan was \$200 (December 31, 2021 - \$552). The related revenue and expense recorded in profit and loss amounted to respectively \$19 and \$112 for the three and nine-month periods ended September 30, 2022 (for the three-month and nine-month periods ended September 30, 2021 - expense of \$52 and \$336).

**(d) Cash settled share-based retirement compensation plan**

On February 9, 2021, the Board of Trustees retroactively approved a cash settled phantom share-based retirement allowance plan (RA Plan) for the President and Chief Executive Officer with a start date of July 1, 2020, to form part of a long-term incentive compensation plan until retirement. Under this plan, phantom units are granted at set dates to July 1, 2026, based on a predetermined cash value. The number of phantom units granted at each vest date is based on the average closing trading price of the last 5 days prior to granting. The granted RA Plan units are to be paid out on retirement based on the average closing trading price of the last 20 days. As at September 30, 2022, the long-term obligation related to the plan was \$564. The related expense recorded in profit and loss amounted to \$9 and \$73 for the three and nine-month periods ended September 30, 2022 (for the three-month and nine-month periods ended September 30, 2021 – expense of \$29 and \$465).

**11. Trust Units Issued and Outstanding**

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

Trust units issued and outstanding are as follows:

	Nine-month period ended September 30,		Year ended December 31,	
	2022		2021	
	Units	\$	Units	\$
Trust units outstanding, beginning of period	74,126,971	351,540	63,439,435	309,394
Issue pursuant to a public issue	9,584,100	38,545	7,809,650	30,266
Trust unit issuance costs	-	(267)	-	(263)
	83,711,071	389,818	71,249,085	339,397
Issue pursuant to the distribution reinvestment plan (a)	620,144	2,327	752,280	2,943
Issue pursuant to the employee unit purchase plan (note 10 (b))	11,915	49	14,351	52
Issue pursuant to the restricted unit compensation plan (note 10 (c))	130,506	518	71,722	256
Class B LP units exchange into Trust units	-	-	50,000	227
Issue pursuant to conversion of convertible debentures (note 6)	511,804	2,396	1,989,533	8,665
<b>Trust units outstanding, end of period</b>	<b>84,985,440</b>	<b>395,108</b>	<b>74,126,971</b>	<b>351,540</b>

**(a) Distribution reinvestment plan**

BTB offers a distribution reinvestment plan for its trust unitholders. Participation in the plan is optional and under the terms of the plan, cash distributions on trust units are used to purchase additional trust units. The trust units are issued from BTB's treasury at a price based on the volume-weighted average of the trading prices on the Toronto Stock Exchange for the last five trading days before the distribution date, less a 3% discount.

## (b) Distributions

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Distribution to unitholders	6,368	5,525	18,541	15,805
Distribution per Trust unit	0.075	0.075	0.225	0.225

## 12. Rental Revenues

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Base rent and other lease generated revenues	18,676	15,031	54,906	44,104
Lease cancellation fees	-	19	-	74
Property tax and insurance recoveries	6,301	5,695	18,405	15,089
	24,977	20,745	73,311	59,267
Operating expenses recoveries and other revenues	5,237	3,935	16,279	16,145
Lease incentive amortization	(773)	(780)	(2,326)	(2,434)
Straight-line lease adjustment	521	88	745	576
	29,962	23,988	88,009	73,554

## 13. Net Financial Expenses

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Interest on mortgage loans payable	6,020	4,709	17,432	13,861
Interest on convertible debentures	715	762	2,190	2,388
Interest on bank loans	398	11	902	319
Interest on lease liabilities	53	53	158	159
Other interest expense	11	3	62	26
Accretion of non-derivative liability component of convertible debentures	87	90	251	276
Accretion of effective interest on mortgage loans payable and convertible debentures	219	239	791	1,026
Distribution - Class B LP Units	26	22	78	78
Fair value adjustment - Class B LP Units	(142)	(18)	(309)	210
Early repayment fees of a mortgage loan	-	-	284	188
Net adjustment to fair value of derivative financial instruments	(3,898)	(2,598)	(12,245)	(51)
	3,489	3,273	9,594	18,480

#### 14. Expenses by Nature

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Depreciation	35	23	91	65
Employee compensation and benefits expense	2,058	1,923	6,658	6,133

#### 15. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32, the Trust is not required to report a profit or loss per trust unit figure on its consolidated statements of comprehensive income. However, for disclosure purposes only, the Trust has determined basic earnings per unit using the same basis that would apply in accordance with IAS 33, Earnings per Share.

Net earnings per unit are calculated based on the weighted average number of trust units outstanding as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income	11,693	8,678	36,385	18,349
Weighted average number of trust units outstanding – basic	85,247,394	74,012,083	82,749,640	70,600,991
<b>Earnings per unit – basic</b>	<b>0.14</b>	<b>0.12</b>	<b>0.44</b>	<b>0.26</b>

#### 16. Liquidity Risk Management

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

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

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

Some mortgage loans include subjective and restrictive covenant clauses under which the Trust must comply with financial conditions and ratios. As at September 30, 2022, the Trust was in compliance with all the covenants to which it was subject.

## 17. Operating Segments

For investment properties, discrete financial information is provided to the CEO on an aggregated investment property basis. The information provided is net rentals (including gross rent and property expenses), the change in fair value of investment properties and fair value of investment properties. The individual investment properties are aggregated into segments with similar economic characteristics. The CEO considers that this is best achieved by aggregating into retail, office and industrial.

Consequently, the Trust is considered to have three operating segments, as follows:

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

	Industrial	Off downtown core office	Necessity- based retail	Total
	\$	\$	\$	\$
<b>Three-month period ended September 30, 2022</b>				
Investment properties	332,793	597,846	249,230	1,179,869
Rental revenue from properties	5,855	17,181	6,926	29,962
Net operating income	4,564	9,388	4,022	17,974
<b>Three-month period ended September 30, 2021</b>				
Investment properties	180,086	496,127	247,426	923,639
Rental revenue from properties	3,544	13,802	6,642	23,988
Net operating income	2,564	7,173	3,835	13,572
	Industrial	Off downtown core office	Necessity- based retail	Total
	\$	\$	\$	\$
<b>Nine-month period ended September 30, 2022</b>				
Rental revenue from properties	16,298	51,195	20,516	88,009
Net operating income	12,520	27,759	11,527	51,806
<b>Nine-month period ended September 30, 2021</b>				
Rental revenue from properties	10,426	42,134	20,994	73,554
Net operating income	7,158	22,135	12,267	41,560

## 18. Commitments and Contingencies

### Litigation

The Trust is involved in litigation and claims which arise from time to time in the normal course of business. These litigation and claims are generally covered by insurance. In the opinion of management, any liability that may arise from such contingencies will not have a significant adverse effect on the Trust's consolidated financial statements.



**BTB**

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# Unitholders Information

## Head office

BTB Real Estate Investment Trust  
1411 Crescent Street, Suite 300  
Montréal, Québec, H3G 2B3  
T 514 286 0188  
[www.btbreit.com](http://www.btbreit.com)

## Listing

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

## Transfer agent

Computershare Investor Services  
1500 Robert-Bourassa Blvd  
7<sup>th</sup> floor, Montréal, Québec, H3A 3S8  
Canada  
T 514 982 7555  
T Toll free: 1 800 564 6253  
F 514 982 7850  
[service@computershare.com](mailto:service@computershare.com)

## Taxability of distributions

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

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

## Auditors

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

## Legal counsel

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

## Unitholders distribution reinvestment plan

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

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



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

