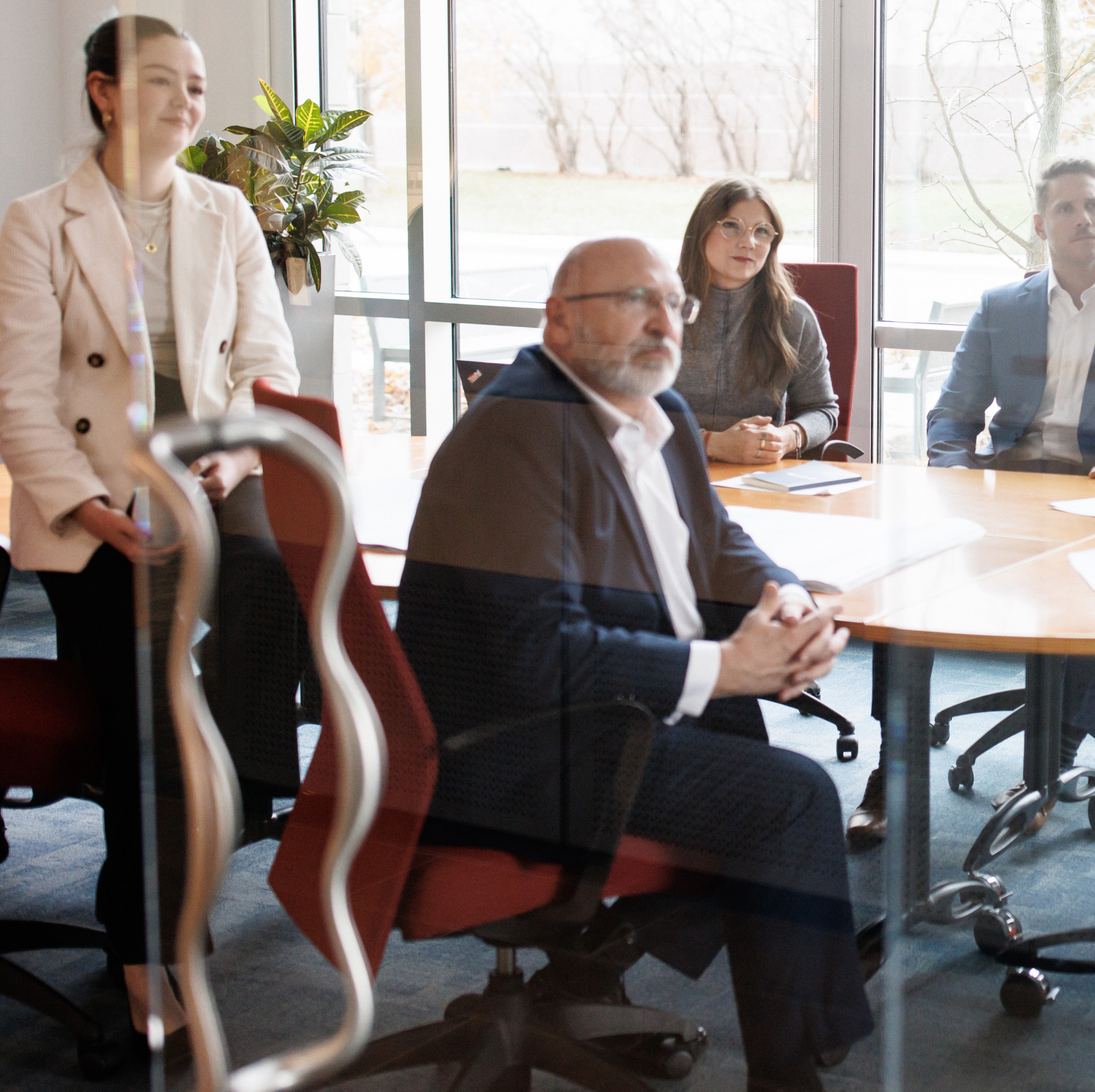
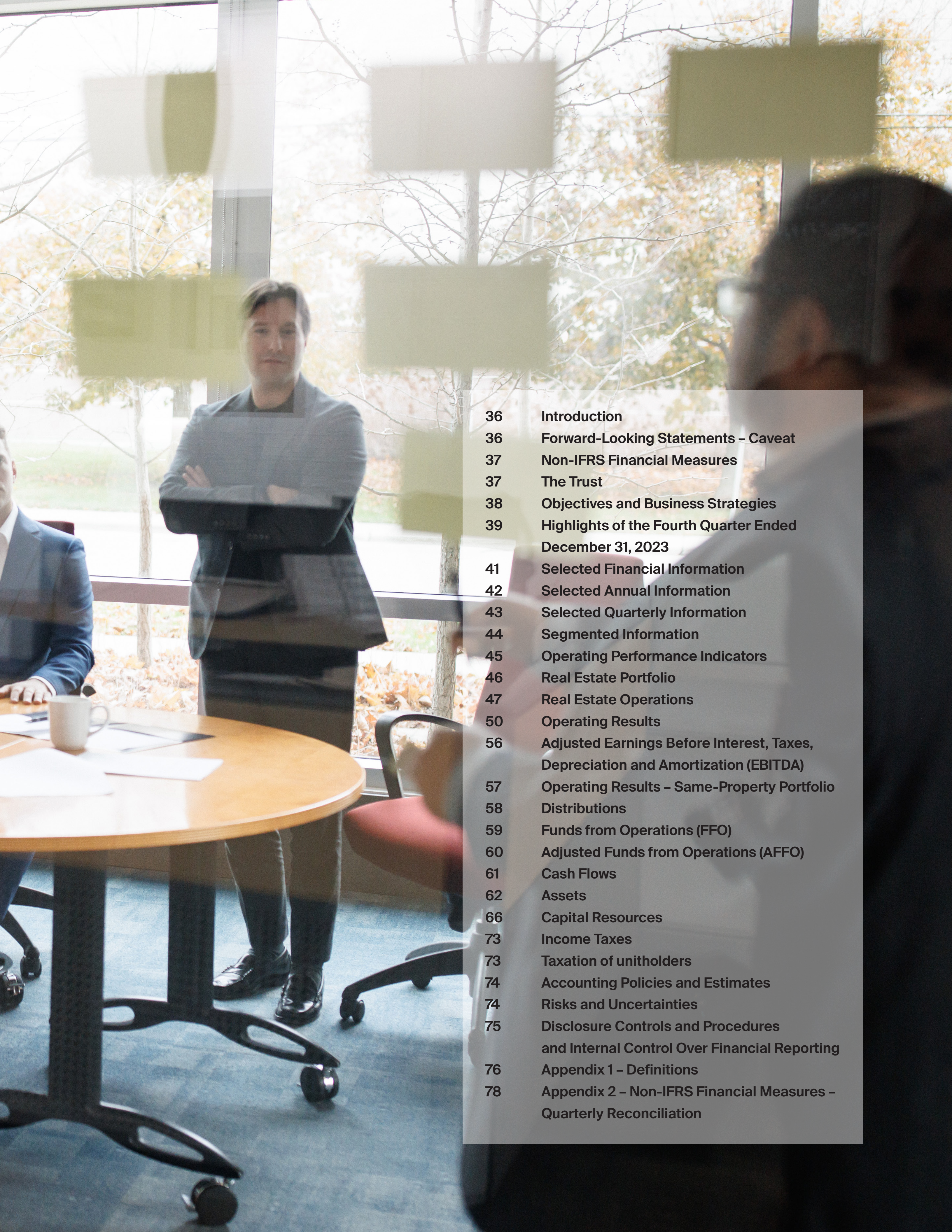
# Balancing Growth and Responsibility

## 2023 Management Discussion and Analysis

# Management Discussion and Analysis

Year ended December 31, 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 year ended December 31, 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 February 21, 2024, should be read together with the consolidated financial statements and accompanying notes for the year ended December 31, 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 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 non-IFRS financial measures table on page 2 of this report, including any per unit information if applicable, are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. Explanations on how these non-IFRS financial measures provide useful information to investors and the additional purposes, if any, for which the Trust uses these non-IFRS financial measures, are also included in the table on page 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 table on page 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 December 31, 2023, it owned 77 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 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 December 31, 2023** | **77** | **6,120,686** | **1,207,522** |

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 Fourth Quarter and Year Ended December 31, 2023

Rental revenue: Stood at $31.9 million for the current quarter, which represents an increase of 1.4% compared to the same quarter of 2022. For the year 2023, rental revenue totalled $127.8 million which represents an increase of 7.0% compared to the same period in 2022.

Net operating income (NOI): Totalled $19.3 million for the current quarter, which represents an increase of 3.4% compared to the same quarter of 2022. For the year 2023, the NOI totalled $75.4 million which represents an increase of 7.0% compared to the same period in 2022.

Net income and comprehensive income: Totalled $1.7 million for the quarter compared to $1.8 million for the same period in 2022. For the year 2023, Net income and comprehensive income totalled $36.6 million compared to $38.2 million for the same period in 2022, representing a decrease of $1.6 million. The decrease for the year 2023 is primarily driven by an increase in net financial expenses of $18.9 million offset by an increase in NOI of $5.0 million; an increase in financial income of $1.2 million and a positive variance of $10.2 million driven by net change in fair value of investment properties (Gain of $2.0 million for the year 2023 compared to a loss of $8.2 million for the year 2022).

Same-property NOI(1): For the quarter the same-property NOI increased by 6.6% compared to the same period in 2022, and for the year 2023 increased by 2.1% compared to the same period last year. The increase is primarily due to increase in renewal rates of 21.4% for the year in the necessity-based retail segment, an increase in rental spreads for in-place leases in the industrial segment and recent strong leasing efforts for the off-downtown core office segment with a same-property NOI increase of 7.7% for the quarter.

FFO adjusted per unit(1): Was 11.1¢ per unit for the quarter compared to 11.8¢ per unit for the same period in 2022, representing a decrease of 0.7¢ per unit. For the year 2023, the FFO adjusted was 45.1¢ per unit compared to 45.4¢ per unit for the same period in 2022, representing a decrease of 0.3¢ per unit. The $1.1 million increase of FFO adjusted for the year is driven by an NOI increase of $2.7 million due to acquisitions net of dispositions; NOI increase of $1.4 million due to leasing efforts and stability of occupancy rates offset by an increase in financial expenses net of financial income of $3.0 million. Despite the increase of FFO adjusted for the year 2023, the FFO adjusted per unit has decreased by 0.3¢ due to 3.2 million additional weighted average number of units outstanding reducing the per unit value compared to the same period in 2022.

FFO adjusted payout ratio(1): Was 67.2% for the quarter compared to 63.6% for the same period in 2022. For the year 2023, the FFO adjusted payout ratio was 66.5% compared to 66.1% for the same period in 2022.

AFFO adjusted per unit(1): Was 10.3¢ per unit for the quarter compared to 10.0¢ per unit for the same period in 2022, representing an increase of 0.3¢ per unit. For the year 2023, the AFFO adjusted per unit was 40.5¢ per unit compared to 40.9¢ per unit for the same period in 2022, representing a decrease of 0.4¢ per unit compared to the same period in 2022. Despite an increase of AFFO adjusted for the year of $0.8 million the FFO adjusted per unit has decreased due to an increase of 3.2 million in weighted average number of units outstanding reducing the per unit value.

AFFO adjusted payout ratio(1): Was 72.6% for the quarter compared to 74.9% for the same period in 2022. For the year 2023, the AFFO adjusted payout ratio was 74.1% compared to 73.3% for the same period in 2022.

Leasing activity: The Trust completed a total of 158,790 square feet of lease renewals and 78,340 square feet of new leases for the quarter. Due to strong leasing efforts, the occupancy rate increased to 94.2%, representing a 49 basis points increase compared to the prior quarter and a 99 basis points increase compared to the same period in 2022. The increase in the average renewal rate for the quarter was 14.3% and 9.2% for the year. The Trust completed a total of 485,751 square feet of lease renewals and 296,240 square feet of new leases for the year.

(1) This is a non-IFRS financial measure, refer to page 2 and 37.

Liquidity position: The Trust held $0.9 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.

Debt metrics: The Trust ended the quarter with a total debt ratio[(1)] of 58.6%, recording an increase of 8 basis points compared to December 31, 2022. The Trust ended the quarter with a mortgage debt ratio[(1)] of 52.2%, a decrease of 202 basis points compared to December 31, 2022.

### Summary of significant items as at December 31, 2023

- Total number of properties: 77
- Total leasable area: 6.1 million square feet
- Total asset value: $1,228 million
- Market capitalization: $254 million (unit price of $2.93 as at December 31, 2023)

(1) This is a non-IFRS financial measure, refer to page 2 and 37.

# Selected Financial Information

The following table presents highlights and selected financial information for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars, except for ratios and per unit data) | | Quarter | | Year | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | Reference (page) | $ | $ | $ | $ |
| **Financial information** | | | | | |
| Rental revenue | 51 | **31,922** | 31,486 | **127,826** | 119,495 |
| Net operating income (NOI) | 50 | **19,255** | 18,624 | **75,379** | 70,430 |
| Net income and comprehensive income | 50 | **1,734** | 1,769 | **36,598** | 38,154 |
| Adjusted net income(1) | 55 | **8,605** | 8,366 | **34,937** | 33,601 |
| Adjusted EBITDA(1) | 56 | **18,065** | 16,347 | **69,719** | 64,409 |
| NOI from the same-property portfolio(1) | 57 | **17,636** | 16,552 | **66,533** | 65,152 |
| Distributions | 58 | **6,547** | 6,413 | **26,003** | 25,032 |
| FFO Adjusted(1) | 59 | **9,688** | 10,059 | **38,946** | 37,879 |
| AFFO Adjusted(1) | 60 | **8,966** | 8,550 | **34,956** | 34,137 |
| Cash flow from operating activities | 61 | **21,560** | 18,961 | **70,852** | 66,240 |
| Total assets | 63 | | | **1,227,648** | 1,179,340 |
| Investment properties | 62 | | | **1,207,522** | 1,164,881 |
| Mortgage loans | 66 | | | **638,080** | 636,111 |
| Convertible debentures | 68 | | | **42,460** | 41,942 |
| Mortgage debt ratio(2) | 68 | | | **52.2%** | 54.2% |
| Total debt ratio(1) | 68 | | | **58.6%** | 58.5% |
| Weighted average interest rate on mortgage debt | 52 | | | **4.37%** | 4.09% |
| Market capitalization | | | | **254,048** | 311,120 |
| **Financial information per unit** | | | | | |
| Units outstanding (000) | 71 | | | **86,706** | 85,238 |
| Class B LP units outstanding (000) | 70 | | | **697** | 347 |
| Weighted average number of units outstanding (000) | 71 | **86,591** | 85,158 | **85,858** | 83,091 |
| Weighted average number of units and Class B LP units outstanding (000) | 71 | **87,288** | 85,506 | **86,289** | 83,439 |
| Net income and comprehensive income | 50 | **2.0¢** | 2.1¢ | **42.4¢** | 45.7¢ |
| Adjusted net income(1) | 55 | **9.9¢** | 9.8¢ | **40.5¢** | 40.3¢ |
| Distributions | 58 | **7.5¢** | 7.5¢ | **30.0¢** | 30.0¢ |
| FFO Adjusted(1) | 59 | **11.1¢** | 11.8¢ | **45.1¢** | 45.4¢ |
| Payout ratio on FFO Adjusted(1) | 59 | **67.2%** | 63.6% | **66.5%** | 66.1% |
| AFFO Adjusted(1) | 60 | **10.3¢** | 10.0¢ | **40.5¢** | 40.9¢ |
| Payout ratio on AFFO Adjusted(1) | 60 | **72.6%** | 74.9% | **74.1%** | 73.3% |
| Market price of units | | | | **2.93** | 3.65 |
| **Tax on distributions** | | | | | |
| Tax deferral | 73 | **100.0%** | 100.0% | **100.0%** | 100.0% |
| **Operational information** | | | | | |
| Number of properties | 37 | | | **77** | 74 |
| Leasable area (thousands of sq. ft.) | 37 | | | **6,121** | 5,857 |
| Occupancy rate | 46 | | | **94.2%** | 93.2% |
| Increase in average lease renewal rate | 48 | **14.3%** | 8.8% | **9.2%** | 12.2% |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(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 Annual Information

The following table summarizes the Trust's selected financial information for the last three years:

| Periods ended December 31<br>(in thousands of dollars, except for ratios and per unit data) | 2023<br>$ | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| **Financial information** | | | |
| Rental revenue | **127,826** | 119,495 | 100,343 |
| Net operating income | **75,379** | 70,430 | 56,336 |
| Fair value adjustment on investment properties | **2,001** | (8,201) | 19,571 |
| Net income (loss) and comprehensive income (loss) | **36,598** | 38,154 | 41,568 |
| Net cash from operating activities | **70,852** | 66,240 | 56,538 |
| FFO Adjusted(1) | **38,946** | 37,879 | 30,144 |
| AFFO Adjusted(1) | **34,956** | 34,137 | 27,568 |
| Distributions | **26,003** | 25,032 | 21,464 |
| Total assets | **1,227,648** | 1,179,340 | 1,129,901 |
| Long-term debt | **680,540** | 678,053 | 648,029 |
| **Financial information per unit** | | | |
| Net income and comprehensive income | **42.4¢** | 45.7¢ | 58.1¢ |
| FFO Adjusted (2) | **45.1¢** | 45.4¢ | 42.1¢ |
| AFFO Adjusted (3) | **40.5¢** | 40.9¢ | 38.5¢ |
| Distributions | **30.0¢** | 30.0¢ | 30.0¢ |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(2) This is a non-IFRS financial measure. 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).
(3) This is a non-IFRS financial measure. 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).

# 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-4** | 2023 Q-3 | 2023 Q-2 | 2023 Q-1 | 2022 Q-4 | 2022 Q-3 | 2022 Q-2 | 2022 Q-1 |
|---|---|---|---|---|---|---|---|---|
| | **$** | $ | $ | $ | $ | $ | $ | $ |
| Rental revenue | **31,922** | 31,285 | 31,708 | 32,911 | 31,486 | 29,962 | 28,979 | 29,068 |
| Net operating income | **19,255** | 18,075 | 19,041 | 19,008 | 18,624 | 17,974 | 17,598 | 16,234 |
| Net income and comprehensive income | **1,734** | 15,216 | 10,846 | 8,802 | 1,769 | 11,693 | 18,243 | 6,449 |
| Net income and comprehensive income per unit | **2.0¢** | 17.5¢ | 12.5¢ | 10.2¢ | 2.1¢ | 13.7¢ | 21.5¢ | 8.3¢ |
| Cash from operating activities | **21,560** | 16,317 | 17,320 | 15,657 | 18,961 | 20,359 | 15,516 | 11,404 |
| FFO Adjusted[1] | **9,688** | 9,030 | 10,195 | 10,033 | 10,059 | 9,785 | 9,718 | 8,317 |
| FFO Adjusted per unit[1][2] | **11.1¢** | 10.4¢ | 11.8¢ | 11.7¢ | 11.8¢ | 11.5¢ | 11.4¢ | 10.7¢ |
| AFFO Adjusted[1] | **8,966** | 7,675 | 9,433 | 8,882 | 8,550 | 8,674 | 9,311 | 7,602 |
| AFFO Adjusted per unit[1][3] | **10.3¢** | 8.8¢ | 10.9¢ | 10.3¢ | 10.0¢ | 10.2¢ | 11.0¢ | 9.7¢ |
| Distributions[4] | **6,547** | 6,524 | 6,489 | 6,443 | 6,413 | 6,394 | 6,374 | 5,851 |
| 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 2 and 37.
(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 December 31, 2023, and December 31, 2022:

| Periods ended December 31 (in thousands of dollars) | Industrial | | Off-downtown core office | | Necessity-based retail | | Total |
|---|---|---|---|---|---|---|---|
| | $ | % | $ | % | $ | % | $ |
| **Quarter ended December 31, 2023** | | | | | | | |
| Investment properties | **440,120** | **36.4** | **518,345** | **43.0** | **249,057** | **20.6** | **1,207,522** |
| Rental revenue from properties | **8,470** | **26.5** | **16,226** | **50.9** | **7,226** | **22.6** | **31,922** |
| Net operating income (NOI) | **6,130** | **31.8** | **8,739** | **45.4** | **4,386** | **22.8** | **19,255** |
| **Quarter ended December 31, 2022** | | | | | | | |
| Investment properties | 344,998 | 29.6 | 570,527 | 49.0 | 249,356 | 21.4 | 1,164,881 |
| Rental revenue from properties | 6,612 | 21.0 | 17,598 | 55.9 | 7,276 | 23.1 | 31,486 |
| Net operating income (NOI) | 5,045 | 27.1 | 9,104 | 48.9 | 4,475 | 24.0 | 18,624 |

| Periods ended December 31 (in thousands of dollars) | Industrial | | Off-downtown core office | | Necessity-based retail | | Total |
|---|---|---|---|---|---|---|---|
| | $ | % | $ | % | $ | % | $ |
| **Year ended December 31, 2023** | | | | | | | |
| Rental revenue from properties | **32,682** | **25.6** | **65,943** | **51.6** | **29,201** | **22.8** | **127,826** |
| Net operating income (NOI) | **23,837** | **31.6** | **34,209** | **45.4** | **17,333** | **23.0** | **75,379** |
| **Year ended December 31, 2022** | | | | | | | |
| Rental revenue from properties | 22,910 | 19.2 | 68,794 | 57.7 | 27,791 | 23.3 | 119,495 |
| Net operating income (NOI) | 17,565 | 24.9 | 36,863 | 52.3 | 16,002 | 22.7 | 70,430 |

### Industrial performance

In line with the Trust's strategy to increase it's industrial footprint, the proportional fair value of industrial properties increased from 29.6% to 36.4% compared to the same period last year, due to the acquisitions of industrial properties totalling $36.3 million concluded since the said period, a net increase of $32.5 million from fair value adjustments in 2023, and the reclassification of 2 office properties (both flex industrial properties with higher industrial footprint) in the industrial segment representing a total of $26.3 million. The acquired properties are all fully occupied and have a positive impact on the occupancy rate, which stood at 99.9% at the end of the quarter, a 0.1% increase compared to the same period last year. The proportional rental revenue from industrial properties increased by 5.5% 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. For the quarter, the proportional net operating income for the industrial segment increased by 4.7% and for the year 2023 increased by 6.7% compared to the same periods last year.

### Off-downtown core office performance

The proportional fair value of the off-downtown core office properties decreased from 49.0% to 43.0% compared to the same period last year as the proportional faire value of industrial properties increased in line with the Fund's strategic plan. The variance is due to the reclassification of 2 properties ($26.3 million), and a net decrease of $27.5 million from fair value adjustments in 2023. The rental revenue for the quarter generated by the off-downtown core office segment decreased by $1.4 million compared to the same period last year which is explained by the previously mentioned reclassifications. 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 year 2023 lease renewals for a total of 324,832 square feet in the office segment with an average rent increase of 5.3% and concluded for the year new leases for a total of 155,184 square feet).

### 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 fourth quarter 2023 stood at 97.8%. For the year 2023, the Trust concluded lease renewals for a total of 150,087 square feet in the necessity-based retail segment with an average rent increase of 21.4%. The proportional share of the net operating income (NOI) generated by the necessity-based retail segment decreased by 1.2% compared to the same period last year mainly due to the Trust not concluding any acquisitions within the necessity-based retail segment while acquiring properties in the industrial segment which increased the proportion of net operating income (NOI) of that respective 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 fourth quarter of 2023, BTB owned 77 properties, representing a total fair value of $1.2 billion 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 December 31, 2023

| Operating segment | Number of properties | Leasable area (sq. ft.) | Committed occupancy rate (%) | In Place occupancy rate (%) |
|---|---|---|---|---|
| Industrial | 32 | 2,085,319 | 99.9 | 99.1 |
| Off-downtown core office | 34 | 2,643,192 | 87.7 | 85.2 |
| Necessity-based retail | 11 | 1,392,175 | 97.8 | 97.8 |
| **Total portfolio** | **77** | **6,120,686** | **94.2** | **92.8** |

| Geographic sector | Number of properties | Leasable area (sq. ft.) | Committed occupancy rate (%) | In Place occupancy rate (%) |
|---|---|---|---|---|
| Montreal | 40 | 3,302,715 | 96.2 | 95.8 |
| Québec City | 10 | 1,231,069 | 85.2 | 83.6 |
| Trois-Rivières | 2 | 149,076 | 74.6 | 54.4 |
| Ottawa | 11 | 809,115 | 98.8 | 96.7 |
| Edmonton | 10 | 405,239 | 100.0 | 100.0 |
| Saskatoon | 4 | 223,472 | 100.0 | 100.0 |
| **Total portfolio** | **77** | **6,120,686** | **94.2** | **92.8** |

### Acquisitions of investment properties

In 2023, the Trust did not dispose of any 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 two fully leased industrial properties located at 8856 48$^{th}$ avenue NW and 8818-8846 48$^{th}$ 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 properties, the Trust's total leasable area increased by 83,292 square feet.

On August 22, 2023, the industrial tenant Tirecraft (55,849 square feet) that leased the entirety of the property 18028, 114$^{th}$ 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.

# Real Estate Operations

## Portfolio occupancy

The following table summarizes the changes in occupied area for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in sq. ft.) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Occupied area at the beginning of the period[1] | **5,729,119** | 5,520,092 | **5,455,798** | 5,639,778 |
| Purchased (sold) assets | **-** | (30,821) | **260,111** | (118,022) |
| Signed new leases | **78,340** | 49,568 | **296,240** | 167,602 |
| Tenant departures | **(45,839)** | (83,041) | **(250,529)** | (231,718) |
| Other[2] | **1,032** | - | **1,032** | (1,842) |
| Occupied leasable area at the end of the period[1] | **5,762,652** | 5,455,798 | **5,762,652** | 5,455,798 |
| Vacant leasable area at the end of the period | **358,034** | 400,819 | **358,034** | 400,819 |
| Total leasable area at the end of the period | **6,120,686** | 5,856,617 | **6,120,686** | 5,856,617 |

(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 committed occupancy rate 99 basis points from 93.2% to 94.2%.

## Leasing activities

The following table summarizes the percentage rate of lease renewals for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in sq. ft.) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Leases expired at term | **172,266** | 165,034 | **616,746** | 566,217 |
| Renewed leases at term | **126,427** | 87,399 | **384,558** | 356,454 |
| Renewal rate | **73.4%** | 53.0% | **62.4%** | 63.0% |

The Trust renewed 73.4% or 126,427 square feet out of the 172,266 square feet expiring during this quarter.

The most significant renewal during the quarter is a lease representing 68,003 square feet to a Government of Québec integrated health center in the retail segment with a rent increase of 51.5%.

For the year, the Trust renewed 62.4% or 384,558 square feet out of the 616,746 square feet expiring during the year.

In addition to the renewed leases at the expiration of their term, the Trust renewed, prior to the end of their respective term, 32,363 square feet during the quarter and a total of 101,193 square feet for the year with existing tenants where their lease were to expire in the year 2024 or thereafter.

Therefore, the Trust's lease renewal activity totaled 158,790 square feet for this quarter and totaled 485,751 square feet for the year 2023.

## Average lease renewal rate

The following table summarizes the average increase of rental rates for each operating segment for the periods ended December 31, 2023:

| | Quarter | | Year | |
|---|---|---|---|---|
| Operating segment | Renewals (Sq. ft.) | Increase (%) | Renewals (Sq. ft.) | Increase (%) |
| Industrial | - | - | 10,831 | 15.7% |
| Off-downtown core office | 89,032 | 3.6% | 324,832 | 5.3% |
| Necessity-based retail | 69,758 | 43.3% | 150,087 | 21.4% |
| Total | **158,790** | **14.3%** | **485,750** | **9.2%** |

Since the beginning of the year, the Trust achieved a cumulative average rent increase of 9.2% in the lease renewal rates across its three business segments. The increases in all three segments are essentially attributable to leases that were below market rent.

## New leases

During the quarter, the Trust leased a total of 78,340 square feet to new tenants, mainly attributed to a major Québec based accounting firm ("in place" 28,000 square feet) in the office segment in Trois-Rivières, Bouthillette Parizeau Inc. (an increase of 5,053 square feet for a total of 20,000 square feet) in the office segment in Québec City; Jabil Canada Corporation (an increase of 16,763 square feet for a total of 42,744 square feet) in the industrial segment in Ottawa and the grocery store Val-Mont (7,433 square feet) in a mixed-use office/retail property in Montreal, classified in the office segment. The remaining 10,058 square feet represent a combination of new "in place" tenants and "committed" tenants, thereby leaving 358,034 square feet of leasable area available for lease at the end of the quarter.

For the year 2023, the Trust leased a total of 296,240 square feet to new tenants. Leases representing 155,184 square feet or 52.4% of the leasing activity, were concluded in the off-downtown core office segment with new tenants, 99,798 square feet or 33.7% of the new leases were concluded in the industrial segment and 41,258 square feet or 13.9% in the necessity-based retail segment.

## Occupancy rates

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

| | **December 31, 2023** | September 30, 2023 | June 30, 2023 | March 31, 2023 | December 31, 2022 |
|---|---|---|---|---|---|
| Operating segment | % | % | % | % | % |
| Industrial | **99.9** | 99.7 | 99.7 | 100.0 | 100.0 |
| Off-downtown core office | **87.7** | 86.6 | 87.4 | 87.5 | 86.7 |
| Necessity-based retail | **97.8** | 97.8 | 98.3 | 95.9 | 98.2 |
| Total portfolio | **94.2** | 93.7 | 94.1 | 93.2 | 93.2 |

| | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 | December 31, 2022 |
|---|---|---|---|---|---|
| **Geographic sector** | % | % | % | % | % |
| Montréal | **96.2** | 96.3 | 96.3 | 95.1 | 95.8 |
| Québec City | **85.2** | 84.6 | 85.8 | 86.0 | 86.9 |
| Trois-Rivières | **74.6** | 58.6 | 62.5 | 62.2 | 60.1 |
| Ottawa | **98.8** | 98.4 | 99.0 | 97.5 | 94.4 |
| Edmonton | **100.0** | 100.0 | 100.0 | 100.0 | 99.1 |
| Saskatoon | **100.0** | 100.0 | 100.0 | 100.0 | 100.0 |
| **Total portfolio** | **94.2** | 93.7 | 94.1 | 93.2 | 93.2 |

The committed occupancy rate at the end of the fourth quarter of 2023 stood at 94.2%, representing a 49 basis points increase compared to the prior quarter, and a 99 basis points increase compared to the same period in 2022. Furthermore, the in-place occupancy rate at the end of the quarter stood at 92.8%, representing a decrease of 46 basis points compared to the prior quarter, and an increase of 6 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:

| | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|
| **Industrial** | | | | | |
| Leasable area (sq. ft.) | 78,427 | 170,586 | 287,168 | 86,304 | 201,763 |
| Average lease rate/square foot ($)(1) | $11.38 | $10.44 | $9.73 | $10.14 | $16.97 |
| % of industrial portfolio | 3.76% | 8.18% | 13.77% | 4.14% | 9.68% |
| **Off-downtown core office** | | | | | |
| Leasable area (sq. ft.) | 267,751 | 291,116 | 456,799 | 305,494 | 185,762 |
| Average lease rate/square foot ($)(1) | $14.16 | $16.32 | $14.93 | $17.75 | $16.65 |
| % of office portfolio | 10.13% | 11.01% | 17.28% | 11.56% | 7.03% |
| **Necessity-based retail** | | | | | |
| Leasable area (sq. ft.) | 229,169 | 148,870 | 106,697 | 134,750 | 37,644 |
| Average lease rate/square foot ($)(1) | $11.73 | $17.39 | $16.59 | $16.02 | $20.16 |
| % of retail portfolio | 16.46% | 10.69% | 7.66% | 9.68% | 2.70% |
| **Total portfolio** | | | | | |
| **Leasable area (sq. ft.)** | **575,347** | **610,573** | **850,664** | **526,548** | **425,169** |
| **Average lease rate/square foot ($)(1)** | **$12.81** | **$14.94** | **$13.38** | **$16.06** | **$17.11** |
| **% of total portfolio** | **9.40%** | **9.98%** | **13.90%** | **8.60%** | **6.95%** |

(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 December 31, 2023, the weighted average lease term is 5.94 years, an increase compared to 5.87 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 5.7%, 5.1%, and 2.0% of rental revenue. The Trust's rental revenues are generated by multiple leases with these tenants whose maturities are spread over time.

45.42% 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 December 31, 2023. Their contribution accounts for 23.5% of rental revenue for the year 2023 and 22.9% of leased area:

| Client | % of revenue | % of leased area | Leased area (sq. ft.) |
|---|---|---|---|
| Government of Québec | 5.7 | 4.9 | 299,578 |
| Government of Canada | 5.1 | 4.1 | 251,850 |
| Walmart Canada inc. | 2.0 | 4.3 | 264,550 |
| The Lion Electric Company | 2.0 | 1.9 | 118,585 |
| Bristol-Myers Squibb Canada Co | 1.9 | 1.0 | 61,034 |
| Groupe BBA Inc. | 1.6 | 1.1 | 69,270 |
| Strongco | 1.6 | 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 |
| | **23.5** | **22.9** | **1,400,416** |

# Operating Results

The following table summarizes the financial results for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022. This table should be read in conjunction with the consolidated financial statements and the accompanying notes:

| Periods ended December 31 (in thousands of dollars) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| Rental revenue | **31,922** | 31,486 | **127,826** | 119,495 |
| Operating expenses | **12,667** | 12,862 | **52,447** | 49,065 |
| Net operating income (NOI) | **19,255** | 18,624 | **75,379** | 70,430 |
| Net financial expenses and financial income | **10,894** | 6,347 | **33,203** | 15,542 |
| Administration expenses | **2,110** | 2,331 | **7,496** | 7,437 |
| Transaction costs | **37** | 396 | **83** | 1,096 |
| Fair value adjustment on investment properties | **4,480** | 7,781 | **(2,001)** | 8,201 |
| Net income and comprehensive income | **1,734** | 1,769 | **36,598** | 38,154 |

### Rental revenue

For the quarter, rental revenue increased by $0.4 million or 1.4% compared to the same period last year, with an increase of $1.0 million related to acquisitions made in 2023 net of dispositions made in 2022; a decrease in straight line rent of $0.9 million and the remaining $0.3 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 year 2023, rental revenue increased by $8.3 million or 7.0% compared to the same period last year, which is predominantly due to the cumulative impact of acquisitions made in 2023 and important leasing efforts throughout the year.

### Operating expenses

The following table summarizes the Trust's operating expenses for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| Operating expenses | | | | |
| Maintenance, repairs and other operating costs | **4,252** | 4,857 | **18,025** | 17,160 |
| Energy | **1,146** | 1,511 | **5,868** | 5,660 |
| Property taxes and insurance | **7,269** | 6,494 | **28,554** | 26,245 |
| **Total operating expenses** | **12,667** | 12,862 | **52,447** | 49,065 |
| ***% of rental revenue*** | **39.7%** | 40.8% | **41.0%** | 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 decreased by 0.1% for the year compared to the same period last year, the decrease 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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| **Financial income** | **(611)** | (225) | **(1,833)** | (624) |
| Interest on mortgage loans | **7,149** | 6,515 | **27,426** | 23,947 |
| Interest on convertible debentures | **708** | 606 | **2,835** | 2,796 |
| Interest on credit facilities | **730** | 519 | **2,478** | 1,421 |
| Other interest expense | **110** | 66 | **418** | 286 |
| **Interest expense net of financial income** | **8,086** | 7,481 | **31,324** | 27,826 |
| Distributions on Class B LP units | **52** | 26 | **172** | 104 |
| Mortgage early repayment fees | **-** | 231 | **-** | 515 |
| **Net financial expenses before non-monetary items** | **8,138** | 7,738 | **31,496** | 28,445 |
| Accretion of effective interest on mortgage loans and convertible debentures | **310** | 336 | **1,095** | 1,127 |
| Accretion of non-derivative liability component of convertible debentures | **92** | 84 | **355** | 335 |
| **Net financial expenses before the following items:** | **8,540** | 8,158 | **32,946** | 29,907 |
| Fair value adjustment on derivative financial instruments | **2,396** | (1,971) | **1,233** | (14,216) |
| Fair value adjustment on Class B LP units | **(42)** | 160 | **(976)** | (149) |
| **Net financial expenses net of financial income** | **10,894** | 6,347 | **33,203** | 15,542 |

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 $0.6 million for the quarter and by $3.5 million for the year 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 the year, and the interest paid on the revolving credit facility impacted by the increase in the prime lending rate.

On December 31, 2023, the weighted average mortgage interest rate was 4.37%, 28 basis points higher than the average rate as at December 31, 2022 (4.09%). This increase is mainly due to the variable interest on mortgage loans for which the weighted average contractual rate increased by 53 basis points to 6.91% (6.38% as at December 31, 2022). The cumulative balance of the Trust's loans subject to a variable interest rate was $74.9 million. The weighted average for fixed interest rate mortgage loans increased by 30 basis points to 4.03% (3.73% as at December 31, 2022). Interest rates on first-ranking mortgage loans ranged from 2.37% to 8.95% as at December 31, 2023, (2.30% to 8.20% as at December 31, 2022).

The weighted average term of mortgage loans in place as at December 31, 2023, was 3.2 years (4.0 years as at December 31, 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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| Corporate expenses | **2,038** | 1,804 | **6,832** | 6,611 |
| Expected credit losses | **(76)** | 123 | **219** | 287 |
| Unit-based compensation | **148** | 404 | **445** | 539 |
| **Trust administration expenses** | **2,110** | 2,331 | **7,496** | 7,437 |

Corporate expenses increased by $0.2 million or 13% for the quarter and for the year 2023 compared to the same period last year. The Trust managed to reduce the level of corporate expenses to 5.3% of rental revenue on a cumulative 12-month period, a reduction of 0.2 % compared to the same period last year.

Expected credit losses decreased by $0.2 million for the quarter and decreased by $0.1 million for the year 2023 compared to the same period last year. The decrease in expected credit losses expense is due to an overall reduction in accounts receivable balance which decreased by $1.5 million compared to the same period last year.

Unit-based compensation decreased by $0.3 million for the quarter and $0.1 million for the year 2023, the decrease is due to a decrease in the Trust's unit price. The unit price as of December 31, 2023 was $2.93 compared to $3.65 as of December 31, 2022.

### 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 of December 31st 2023, the Trust externally appraised 75% of its properties, for an aggregate amount of $905 million. For the year, a gain of $2 million in net changes in fair value has been recorded reflecting an increase in capitalization rates across the 3 asset classes netted by the updated cash flow assumptions which were impacted by an increase in market rents for industrial assets and increased renewal rates for specific properties.

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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars) | Quarter | | Year | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $ | $ | $ | $ |
| Industrial | (7,427) | 11,477 | 32,503 | 29,854 |
| Off-downtown core office | (1,208) | (18,639) | (27,508) | (31,842) |
| Necessity-based retail | 4,155 | (618) | (2,994) | (6,213) |
| **Total change in fair value** | **(4,480)** | **(7,781)** | **2,001** | **(8,201)** |

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 December 31, 2023 | Industrial | Off-downtown core office | Necessity-based retail |
|---|---|---|---|
| Capitalization rate | **5.25% - 7.75%** | **6.25% - 8.25%** | **5.75% - 7.75%** |
| Terminal capitalization rate | **5.25% - 8.00%** | **6.25% - 8.50%** | **6.00% - 8.00%** |
| Discount rate | **6.00% - 8.50%** | **6.75% - 9.00%** | **6.50% - 8.75%** |
| Weighted average capitalization rate | **6.09%** | **7.01%** | **7.06%** |
| 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 December 31, 2023, was 6.67% (6.48% as at December 31, 2022), 19 basis points higher compared to December 31, 2022.

As at December 31, 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 $44.0 million or an increase of $47.5 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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31<br>(in thousands of dollars, except for per unit) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| **Net income and comprehensive income** | **1,734** | 1,769 | **36,598** | 38,154 |
| Transaction costs on acquisitions and dispositions of investment properties and early repayment fees | **37** | 627 | **83** | 1,611 |
| Fair value adjustment on investment properties | **4,480** | 7,781 | **(2,001)** | 8,201 |
| Fair value adjustment on derivative financial instruments | **2,396** | (1,971) | **1,233** | (14,216) |
| Fair value adjustment on Class B LP units | **(42)** | 160 | **(976)** | (149) |
| **Adjusted net income[1]** | **8,605** | 8,366 | **34,937** | 33,601 |
| Per unit | **9.9¢** | 9.8¢ | **40.5¢** | 40.3¢ |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.

Adjusted net income increased by $0.2 million for the quarter and $1.3 million for the year compared to the same periods last year mainly due to a decrease in transaction costs and positive variance of $10.2 million driven by net change in fair value of investment properties (gain of $2.0 million for the year 2023 compared to a loss of $8.2 million for the year 2022.)

(1) This is a non-IFRS financial measure, refer to page 2 and 37.

# 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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars, except for per unit) | Quarter | | Year | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $ | $ | $ | $ |
| **Net income being total comprehensive income for the period** | **1,734** | 1,769 | **36,598** | 38,154 |
| Interest expense | **8,697** | 7,706 | **33,157** | 28,450 |
| Accretion of effective interest on mortgage loans and convertible debentures | **310** | 336 | **1,095** | 1,127 |
| Amortization of property and equipment | **20** | 31 | **99** | 122 |
| Lease incentive amortization | **641** | 787 | **2,783** | 3,113 |
| Fair value adjustment on investment properties | **4,480** | 7,781 | **(2,001)** | 8,201 |
| Fair value adjustment on derivative financial instruments | **2,396** | (1,971) | **1,233** | (14,216) |
| Fair value adjustment on Class B LP units | **(42)** | 160 | **(976)** | (149) |
| Unit-based compensation (Unit price remeasurement) | **(11)** | 198 | **(389)** | (182) |
| Transaction costs on acquisitions and dispositions of investment properties and early repayment fees | **37** | 627 | **83** | 1,611 |
| Straight-line lease adjustment | **(197)** | (1,077) | **(1,963)** | (1,822) |
| **Adjusted EBITDA(1)** | **18,065** | 16,347 | **69,719** | 64,409 |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.

For the quarter, the Adjusted EBITDA(1) increased to $18.1 million compared to $16.3 million for the same quarter last year. For the year 2023, Adjusted EBITDA was $69.7 million compared to $64.4 million for the same period in 2022, representing an increase of 8.24%.

(1) This is a non-IFRS financial measure, refer to page 2 and 37.

# 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 December 31, 2023. Therefore, it excludes all the acquired[2][3] and disposed[2][3] properties during the years 2022 and 2023 and straight-line rent.

The following table summarizes the results of the same-property NOI[1] for the periods, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars) | Quarter | | | Year | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Δ % | 2023 | 2022 | Δ % |
| | $ | $ | | $ | $ | |
| Net operating income (NOI) as reported in the financial statements | 19,255 | 18,624 | 3.4% | 75,379 | 70,430 | 7.0% |
| Straight line rent | 197 | 1,077 | | 1,963 | 1,822 | |
| NOI less straight line rent | 19,058 | 17,547 | 8.6% | 73,416 | 68,608 | 7.0% |
| NOI sourced from: | | | | | | |
| Acquisitions | (1,343) | (296) | | (5,685) | (1,670) | |
| Dispositions | 54 | (166) | | (12) | (1,336) | |
| Corporation | (133) | (263) | | 42 | (27) | |
| Non-cash adjustment related to a change in accounting estimate and other specific items | - | (270) | | (1,229) | (423) | |
| Same Property NOI[1] | 17,636 | 16,552 | 6.6% | 66,533 | 65,152 | 2.1% |
| Same Property NOI[1] sourced from: | | | | | | |
| Industrial | 4,543 | 4,506 | 0.8% | 16,757 | 16,385 | 2.3% |
| Off-downtown core office | 8,519 | 7,906 | 7.7% | 32,503 | 33,219 | -2.2% |
| Necessity-based retail | 4,574 | 4,138 | 10.5% | 17,273 | 15,549 | 11.1% |
| Same Property NOI[1] | 17,636 | 16,550 | 6.6% | 66,533 | 65,152 | 2.1% |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.

Compared to the same quarter last year, same-property net operating income (NOI)[1] increased by 6.6% and for the year, same-property net operating income (NOI)[1] increased by 2.1%.

For the quarter, the increase of 0.8% in the industrial segment compared to the same quarter last year is due to an increase in rental spreads for in-place leases. For the year, the industrial segment increased by 2.3%.

For the quarter, the increase of 7.7% in the off-downtown core office segment compared to the same quarter last year has been positively affected by the average lease renewal rate of 3.5% for the quarter. For the year, the off-downtown core office segment decreased by -2.2% due to a reduction of 150 bps of the in-place occupancy rate for the segment, mainly driven by a decrease in the in-place occupancy for the Quebec City office properties. The Trust is actively increasing the leasing efforts and strategy for this geographic sector. During the quarter, due to increased leasing efforts in the Québec city region, the Trust leased 28,000 square feet to a major Quebec based accounting firm, increasing the Québec city region committed occupancy rate to 83.9%.

For the quarter, the increase of 10.5% in the necessity-based retail segment compared to the same quarter last year is due to strong leasing efforts. For the year, the necessity-based retail segment increased by 11.1%. due to an increase in renewal rates of 9.9% for the year.

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(2) Refer to the Trust's consolidated financial statements dated February 21, 2024, 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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31<br>(in thousands of dollars, except for per unit data) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| **Distributions** | | | | |
| Cash distributions | **5,610** | 5,535 | **22,376** | 21,700 |
| Cash distributions – Class B LP units | **49** | 26 | **172** | 104 |
| Distributions reinvested under the distribution reinvestment plan | **885** | 852 | **3,455** | 3,228 |
| **Total distributions to unitholders** | **6,547** | 6,413 | **26,003** | 25,032 |
| Percentage of reinvested distributions[(1)(2)] | **13.5%** | 13.3% | **13.3%** | 12.9% |
| **Per unit[(2)]** | | | | |
| Distributions | **7.5¢** | 7.5¢ | **30.0¢** | 30.0¢ |

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

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

For the year 2023, the monthly distributions paid to unitholders totalled 30.0¢ per unit, unchanged from last year.

# Funds from Operations (FFO)[1]

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO[1] for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars, except for per unit) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| **Net income and comprehensive income (IFRS)** | **1,734** | 1,769 | **36,598** | 38,154 |
| Fair value adjustment on investment properties | **4,480** | 7,781 | **(2,001)** | 8,201 |
| Fair value adjustment on Class B LP units | **(42)** | 160 | **(976)** | (149) |
| Amortization of lease incentives | **641** | 787 | **2,783** | 3,113 |
| Fair value adjustment on derivative financial instruments | **2,396** | (1,971) | **1,233** | (14,216) |
| Leasing payroll expenses[6] | **401** | 682 | **1,443** | 1,243 |
| Distributions - Class B LP units | **52** | 26 | **172** | 104 |
| Unit-based compensation (Unit price remeasurement)[5] | **(11)** | 198 | **(389)** | (182) |
| **FFO[1]** | **9,651** | 9,432 | **38,863** | 36,268 |
| Transaction costs on disposition of investment properties and mortgage early repayment fees | **37** | 627 | **83** | 1,611 |
| **FFO Adjusted[1]** | **9,688** | 10,059 | **38,946** | 37,879 |
| **FFO per unit[1][2][3]** | **11.1¢** | 11.0¢ | **45.0¢** | 43.5¢ |
| **FFO Adjusted per unit[1][2][4]** | **11.1¢** | 11.8¢ | **45.1¢** | 45.4¢ |
| FFO payout ratio[1] | **67.5%** | 67.9% | **66.6%** | 69.0% |
| FFO Adjusted payout ratio[1] | **67.2%** | 63.6% | **66.5%** | 66.1% |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(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 11.1¢ per unit, compared to 11.8¢ per unit for the same quarter last year representing a decrease of 5.9%.

For the year, FFO Adjusted[1] was 45.1¢ per unit, compared to 45.4¢ per unit for the year 2022 representing a decrease of 0.1%. FFO Adjusted increased by $1.1 million which was driven by an NOI increase of $2.7 million due to acquisitions net of dispositions; NOI increase of $1.4 million due to leasing efforts and stability of occupancy rates offset by an increase in financial expenses net of financial income of $3.0 million. Despite the increase of FFO adjusted for the year 2023, the FFO adjusted per unit has decreased by 0.3¢ due to 3.2 million additional weighted average number of units outstanding reducing the per unit value compared to the same period in 2022.

The FFO Adjusted payout ratio[1] for the quarter stood at 67.2%, compared to 63.6% for the same quarter in 2022. For the year 2023, the FFO Adjusted[1] payout ratio[1] stood at 66.5%, compared to 66.1% for the year 2022.

(1) This is a non-IFRS financial measure, refer to page 2 and 37.

# Adjusted Funds from Operations (AFFO)[1]

The following table provides a reconciliation of FFO[1] and AFFO[1] for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31<br>(in thousands of dollars, except for per unit data) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| **FFO[1]** | **9,651** | 9,432 | **38,863** | 36,268 |
| Straight-line rental revenue adjustment | **(197)** | (1,077) | **(1,963)** | (1,822) |
| Accretion of effective interest | **310** | 336 | **1,095** | 1,127 |
| Amortization of other property and equipment | **20** | 31 | **99** | 122 |
| Unit-based compensation expenses | **159** | 206 | **836** | 721 |
| Provision for non-recoverable capital expenditures[1] | **(639)** | (630) | **(2,557)** | (2,390) |
| Provision for unrecovered rental fees[1] | **(375)** | (375) | **(1,500)** | (1,500) |
| **AFFO[1]** | **8,929** | 7,923 | **34,873** | 32,526 |
| Transaction costs on disposition of investment properties and mortgage early repayment fees | **37** | 627 | **83** | 1,611 |
| **AFFO Adjusted[1]** | **8,966** | 8,550 | **34,956** | 34,137 |
| **AFFO per unit[1][2][3]** | **10.2¢** | 9.3¢ | **40.4¢** | 39.0¢ |
| **AFFO Adjusted per unit[1][2][4]** | **10.3¢** | 10.0¢ | **40.5¢** | 40.9¢ |
| AFFO payout ratio[1] | **72.9%** | 80.8% | **74.2%** | 77.0% |
| AFFO Adjusted payout ratio[1] | **72.6%** | 74.9% | **74.1%** | 73.3% |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(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 10.3¢ per unit, compared to 10.0¢ per unit for the same quarter last year, an increase of 2.7%

For the year 2023, the AFFO Adjusted[1] was 40.5¢ per unit, compared to 40.9¢ per unit, a decrease of 0.1% compared to the year 2022. Despite an increase of AFFO adjusted for the year of 0.8$ million, the FFO Adjusted[1] per unit has decreased due to an increase of 3.2 million in weighted average number of units outstanding reducing the per unit value.

The AFFO Adjusted payout ratio[1] for the quarter stood at 72.6% compared to 74.9% for the same quarter last year. For the year 2023, the AFFO Adjusted payout ratio[1] stood at 74.1% compared to 73.3% for the year 2022.

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.

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(2) This is a non-IFRS financial measure as defined in this page.

The Trust also deducts a provision for unrecovered rental fees[1] 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.

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:

| Years ended December 31<br>(in thousands of dollars) | **December 31, 2023** | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| | **$** | $ | $ |
| Provision for non-recoverable capital expenditures[1] | **2,557** | 2,007 | 1,859 |
| Non-recoverable capital expenditures | **3,858** | 1,297 | 2,055 |

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

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

# Cash Flows

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

| Years ended December 31<br>(in thousands of dollars) | **2023** | 2022 | 2021 |
|---|---|---|---|
| | **$** | $ | $ |
| **Net cash flows from operating activities** | **70,852** | 66,240 | 66,240 |
| Interest paid | **(31,324)** | (27,925) | (27,925) |
| **Net cash flows from operating activities less interest paid** | **39,528** | 38,315 | 38,315 |
| Net distributions to unitholders | **22,292** | 21,573 | 21,573 |
| **Surplus of net cash flows from operating activities less interest paid compared to net distributions to unitholders** | **17,236** | 16,742 | 16,742 |

(1) This is a non-IFRS financial measure as defined in this page.

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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars) | Quarter | | Year | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $ | $ | $ | $ |
| Cash flows from operating activities | 21,560 | 18,961 | 70,852 | 66,240 |
| Leasing payroll expenses | 401 | 682 | 1,443 | 1,243 |
| Transaction costs on purchase and disposition of investment properties and early repayment fees | (37) | (627) | (83) | (1,611) |
| Adjustments for changes in other working capital items | (3,803) | (2,523) | (1,605) | (1,293) |
| Financial income | 611 | 225 | 1,833 | 624 |
| Interest expenses | (8,697) | (7,706) | (33,157) | (28,450) |
| Provision for non-recoverable capital expenditures[2] | (639) | (630) | (2,557) | (2,390) |
| Provision for non-recovered rental fees[2] | (375) | (375) | (1,500) | (1,500) |
| Accretion of non-derivative liability component of convertible debentures | (92) | (84) | (353) | (337) |
| AFFO[1] | 8,929 | 7,923 | 34,873 | 32,526 |
| Provision for non-recoverable capital expenditures[2] | 639 | 630 | 2,557 | 2,390 |
| Provision for non-recovered rental fees[2] | 375 | 375 | 1,500 | 1,500 |
| Straight-line rental revenue adjustment | 197 | 1,077 | 1,963 | 1,822 |
| Unit-based compensation expenses | (159) | (206) | (836) | (721) |
| Accretion of effective interest | (310) | (336) | (1,095) | (1,127) |
| Amortization of property and equipment | (20) | (31) | (99) | (122) |
| FFO[1] | 9,651 | 9,432 | 38,863 | 36,268 |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(2) This is a non-IFRS financial measure, refer to AFFO section for detailed explanations.

# 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.

(1) This is a non-IFRS financial measure, refer to page 2 and 37.

The following table summarizes the changes in the fair value of investment properties for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars) | Quarter | | Year | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $ | $ | $ | $ |
| Balance, beginning of period | 1,207,090 | 1,179,869 | 1,164,881 | 1,110,971 |
| Additions: | | | | |
| Initial recognition of right-of-use assets | - | - | 3,133 | - |
| Acquisitions | - | 33 | 36,306 | 96,155 |
| Dispositions | - | (10,502) | - | (42,679) |
| Capital expenditures | 3,800 | 667 | 7,510 | 3,370 |
| Leasing fees and capitalized lease incentives | 1,556 | 2,305 | 4,910 | 6,551 |
| Fair value adjustment on investment properties | (4,480) | (7,780) | 2,001 | (8,199) |
| Net transfer to finance lease | - | - | (10,399) | - |
| Other non-monetary changes[(1)] | (444) | 289 | (820) | (1,288) |
| Balance, end of period | 1,207,522 | 1,164,881 | 1,207,522 | 1,164,881 |

(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 $1,208 million as at December 31, 2023, compared to $1,165 million as at December 31, 2022. The increase of $43 million is mainly explained by the previously mentioned acquisitions 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 $2 million net change in fair value. It is also attributable to $8 million of capital expenditures and $4 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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars) | Quarter | | Year | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $ | $ | $ | $ |
| Recoverable capital expenditures | 1,672 | 350 | 2,600 | 1,635 |
| Non-recoverable capital expenditures | 1,076 | 317 | 3,858 | 1,735 |
| Total capital expenditures | 2,748 | 667 | 6,458 | 3,370 |
| Leasing fees and leasehold improvements | 1,556 | 2,305 | 4,910 | 6,551 |
| Total | 4,304 | 2,972 | 11,368 | 9,921 |

## Finance 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 recognized 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 December 31, 2023, and sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

| | Finance lease receivable | 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 December 31, 2023** | |
|---|---|
| Beginning balance undiscounted finance lease | 13,379 |
| Received lease payments | 382 |
| | 12,997 |
| Beginning balance unearned finance income at inception | (2,980) |
| Earned finance income | 439 |
| | (2,541) |
| **Finance lease receivable** | 10,456 |

| | **Lease payments** |
|---|---|
| | $ |
| 2024 | 916 |
| 2025 | 916 |
| 2026 | 11,165 |
| Total | 12,997 |
| Unearned finance income | 2,541 |
| **Finance lease receivable** | 10,456 |

## Receivables

The following table summarizes receivables for the years ended December 31, 2023 and December 31, 2022:

| (in thousands of dollars) | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Rent receivable | **2,201** | 3,431 |
| Allowance for expected credit losses | **(731)** | (1,011) |
| Net rent receivable | **1,470** | 2,420 |
| Unbilled recoveries | **1,572** | 1,142 |
| Other receivables | **230** | 1,254 |
| Receivables | **3,272** | 4,816 |

Receivables decreased from $4.8 million as at December 31, 2022, to $3.3 million as at December 31, 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 years ended December 31, 2023 and December 31, 2022:

| (in thousands of dollars) | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Property and equipment | **1,484** | 1,436 |
| Accumulated depreciation | **(1,213)** | (1,114) |
| Net property and equipment | **271** | 322 |
| Prepaid expenses | **1,185** | 1,234 |
| Deposits | **1,337** | 1,929 |
| Other assets | **2,793** | 3,485 |

Prepaid expenses, deposits and property and equipment decreased from $3.5 million as at December 31, 2022, to $2.8 million as at December 31, 2023, which is explained by a decrease in deposits related to future potential acquisitions.

# Capital Resources

## Long-term debt

The following table summarizes the balance of BTB's indebtedness on December 31, 2023, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

| As at December 31, 2023 (in thousands of dollars) | Balance of convertible debentures[1] | Balance of mortgages payable[1] | Weighted average contractual interest rate |
|---|---|---|---|
| | $ | $ | % |
| Year of maturity | | | |
| 2024 | 24,000 | 145,402 | 5.40 |
| 2025 | 19,917 | 56,575 | 4.31 |
| 2026 | - | 118,924 | 3.41 |
| 2027 | - | 114,309 | 5.26 |
| 2028 | - | 86,961 | 4.61 |
| 2029 and thereafter | - | 118,254 | 3.62 |
| **Total** | **43,917** | **640,425** | **4.50** |

(1) Gross amounts.

The Trust has $145.4 million of mortgages coming to maturity in the next twelve months. The Trust as of the date of this report has commitment letters from financial institutions for the refinancing of $53.1 million and is in the process of negotiating the remaining 2024 mortgages coming to maturity. Furthermore, the Trust has always been able to refinance its existing mortgages and debentures. There is no indication that this would change.

## Weighted average contractual interest rate

As at December 31, 2023, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.50% (4.37% for mortgage loans and 6.45% for convertible debentures), representing an increase of 26 basis points compared to the same period last year. As at December 31, 2022, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.24% (4.09% for mortgage loans and 6.45% for convertible debentures).

## Mortgage loans

As at December 31, 2023, the Trust's total mortgage loans (excluding unamortized fair value adjustments and unamortized financing expenses) amounted to $640.4 million compared to $638.4 million as at December 31, 2022. The net increase of $2.0 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 $18.2 million of monthly principal repayments.

The following table summarizes the changes in mortgage loans payable for the period ended December 31, 2023:

| Periods ended December 31, 2023 (in thousands of dollars) | Quarter | Year |
|---|---|---|
| | $ | $ |
| **Balance at beginning**(1) | **644,147** | 638,441 |
| Mortgage loans contracted or assumed(2) | **13,500** | 49,349 |
| Balance repaid at maturity or upon disposition(3) | **(12,316)** | (27,940) |
| Monthly principal repayments(4) | **(4,906)** | (19,425) |
| **Balance as at December 31, 2023**(1) | **640,425** | 640,425 |

(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 Consolidate 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 Consolidated 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 Consolidated Statements of Cash Flows within *Repayment of mortgage loans.*

As at December 31, 2023, the weighted average mortgage interest rate was 4.37% compared to 4.09% for the same period last year, an increase of 28 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 53 basis points to 6.91% (6.38% as at December 31, 2022). In comparison, the weighted average for fixed interest rate increased by 30 basis point to 4.03% (3.73% as at December 31, 2022).

As at December 31, 2023, the majority of the Trust's mortgages payable bear interest at fixed rates (cumulative principal amount of $565.5 million) or are subject to floating-to-fixed interest rate swaps (cumulative principal amount of $50.3 million). However, the Trust has four loans that bear interest at floating rates (cumulative principal balance of $24.6 million).

The weighted average term of existing mortgage loans was 3.2 years as at December 31, 2023, compared to 3.97 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 December 31, 2023 (in thousands of dollars) | Principal repayment | Balance at maturity | Total | % of total |
|---|---|---|---|---|
| | $ | $ | $ | |
| **Maturity** | | | | |
| 2024 | 17,037 | 143,241 | 160,278 | 25.0 |
| 2025 | 14,521 | 52,853 | 67,374 | 10.5 |
| 2026 | 12,358 | 108,601 | 120,959 | 18.9 |
| 2027 | 8,455 | 100,506 | 108,961 | 17.0 |
| 2028 | 4,690 | 77,485 | 82,175 | 12.8 |
| 2029 and thereafter | 10,571 | 90,107 | 100,678 | 15.7 |
| **Total** | **67,632** | **572,793** | **640,425** | **100.0** |
| Unamortized fair value assumption adjustments | | | 160 | |
| Unamortized financing expenses | | | (2,505) | |
| **Balance as at December 31, 2023** | | | **638,080** | |

As at December 31, 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 December 31, 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 December 31, 2023** | **23,731** | **18,729** | **42,460** |

(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 $383 during the year.

## 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 December 31, 2023, and 2022 and December 31 2022:

| (in thousands of dollars) | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Cash and cash equivalents | **(912)** | (2,404) |
| Mortgage loans outstanding[(1)] | **640,425** | 638,441 |
| Convertible debentures[(1)] | **43,185** | 43,170 |
| Credit facilities | **36,359** | 9,897 |
| **Total long-term debt less cash and cash equivalents[(2)(3)]** | **719,057** | 689,104 |
| **Total gross value of the assets of the Trust less cash and cash equivalents[(2)(4)]** | **1,227,949** | 1,178,049 |
| Mortgage debt ratio (excluding convertible debentures and credit facilities)[(2)(5)] | **52.2%** | 54.2% |
| Debt ratio – convertible debentures[(2)(6)] | **3.5%** | 3.7% |
| Debt ratio – credit facilities[(2)(7)] | **3.0%** | 0.8% |
| **Total debt ratio[(2)]** | **58.6%** | 58.5% |

(1) Before unamortized financing expenses and fair value assumption adjustments.
(2) This is a non-IFRS financial measure, refer to page 2 and 37.
(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 December 31, 2023, the mortgage debt ratio[1] excluding the convertible debentures and credit facilities totalled 52.2%, a decrease of 202 basis points since December 31, 2022. As of December 31, 2023, the total debt ratio[2], including the convertible debentures and credit facilities, net of cash and cash equivalents, increased to 58.6%, an increase of 8 basis points since December 31, 2022, driven by property acquisitions made throughout the year which increased the use of the credit facilities.

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

### Interest coverage ratio

The following table summarizes the interest coverage ratio for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31<br>(in thousands of dollars, except for the ratios) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| Adjusted EBITDA[1] | **18,065** | 16,347 | **69,719** | 64,409 |
| Interest expenses net of financial income[2] | **8,086** | 7,481 | **31,324** | 27,826 |
| Interest coverage ratio[3] | **2.23** | 2.19 | **2.23** | 2.31 |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(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 year ended December 31, 2023, the interest coverage ratio stood at 2.23, a decrease of 8 basis points from the same period last year.

(1) This is a non-IFRS financial measure as defined in this page.
(2) This is a non-IFRS financial measure, refer to page 2 and 37.

## Debt service coverage ratio

The following table summarizes the debt service coverage ratio for the periods ended December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in thousands of dollars, except for the ratios) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$** | $ | **$** | $ |
| Adjusted EBITDA[1] | **18,065** | 16,347 | **69,719** | 64,409 |
| Interest expenses net of financial income[2] | **8,086** | 7,481 | **31,324** | 27,826 |
| Principal repayments | **4,906** | 5,073 | **19,425** | 20,210 |
| Debt service requirements | **12,992** | 12,554 | **50,749** | 48,036 |
| Debt service coverage ratio[3] | **1.39** | 1.30 | **1.37** | 1.34 |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(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 year ended December 31, 2023, the debt service coverage ratio stood at 1.37, an increase of 3 basis points from the same period last year.

## Class B LP units

The following table summarizes the Class B LP units for the period and the year ended December 31, 2023:

| Period ended December 31, 2023 (in number of units) | Quarter | | Year | |
|---|---|---|---|---|
| | **Units** | $ | **Units** | $ |
| Class B LP units outstanding, beginning of period | **697,265** | 2,085 | **347,265** | 1,268 |
| Issuance of Class B LP Units - Acquisition | **-** | - | **550,000** | 2,475 |
| Exchange into Trust units | **-** | - | **(200,000)** | (724) |
| Fair value adjustment | **-** | (42) | **-** | (976) |
| **Class B LP units outstanding, end of period** | **697,265** | 2,043 | **697,265** | 2,043 |

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 Québec 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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in number of units) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| **Units outstanding, beginning of the period** | **86,371,361** | 84,985,440 | **85,238,279** | 74,126,971 |
| Units issued pursuant to a public issue | **-** | - | **-** | 9,584,100 |
| Distribution reinvestment plan | **304,009** | 252,839 | **1,083,135** | 872,983 |
| Issued - employee unit purchase plan | **2,680** | - | **11,635** | 11,915 |
| Issued - restricted unit compensation plan | **27,851** | - | **73,127** | 130,506 |
| Issued – deferred unit compensation plan | **-** | - | **-** | - |
| Class B LP units exchanged into Trust units | **-** | - | **200,000** | - |
| Issued – conversion of convertible debentures | **-** | - | **99,725** | 511,804 |
| **Units outstanding, end of the period** | **86,705,901** | 85,238,279 | **86,705,901** | 85,238,279 |
| Weighted average number of units outstanding | **86,590,971** | 85,158,447 | **85,857,847** | 83,091,393 |
| Weighted average number of Class B LP units and units outstanding | **87,288,236** | 85,505,712 | **86,289,487** | 83,438,658 |

As of December 31, 2023, no units have been repurchased for cancellation under the normal course issuer bid ("NCIB") which expired on November 9, 2023.

## 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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31 (in number of units) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| **Deferred units outstanding, beginning of the period** | **138,334** | 111,717 | **121,727** | 103,116 |
| Trustees' compensation | **9,497** | 5,133 | **17,684** | 9,558 |
| Distributions paid in units | **3,581** | 4,877 | **12,001** | 9,053 |
| **Deferred units outstanding, end of the period** | **151,412** | 121,727 | **151,412** | 121,727 |

## 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 December 31, 2023, and December 31, 2022, as well as the years ended 2023 and 2022:

| Periods ended December 31<br>(in number of units) | Quarter | | Year | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Restricted units outstanding, beginning of the period | **310,377** | 163,169 | **138,583** | 161,536 |
| Granted | **7,230** | 1,272 | **224,302** | 93,576 |
| Cancelled | **(2,914)** | - | **(2,914)** | - |
| Settled | **(27,851)** | (25,858) | **(73,129)** | (116,529) |
| Restricted units outstanding, end of the period | **286,842** | 138,583 | **286,842** | 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 December 31, 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:

| Years ended December 31 | **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, 2023, and 2022.

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, 2023, 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 December 31, 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 fourth 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 $640.4 million as at December 31, 2023, compared to $619.6 million as December 31, 2022.
- Series G and H convertible debentures for a total par value of $43.9 million as at December 31, 2023.
- 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 December 31, 2023, but does not include the financial impacts from dispositions, acquisitions and developments completed in 2022 and 2023, as well as the results of subsequently sold properties.

### Net operating income (NOI) from the same-property portfolio

Net operating income (NOI) 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 of the same portfolio.

# Appendix 2 – Non-IFRS Financial Measures – Quarterly Reconciliation

## Funds from Operations (FFO)[1]

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

| | 2023 Q-4 | 2023 Q-3 | 2023 Q-2 | 2023 Q-1 | 2022 Q-4 | 2022 Q-3 | 2022 Q-2 | 2022 Q-1 |
|---|---|---|---|---|---|---|---|---|
| (in thousands of dollars, except for per unit) | $ | $ | $ | $ | $ | $ | $ | $ |
| Net income and comprehensive income (IFRS) | 1,734 | 15,216 | 10,846 | 8,802 | 1,769 | 11,693 | 18,243 | 6,449 |
| Fair value adjustment on investment properties | 4,480 | (6,481) | - | - | 7,781 | 1,230 | 197 | (1,007) |
| Fair value adjustment on Class B LP units | (42) | (159) | (775) | - | 160 | (142) | (233) | 66 |
| Amortization of lease incentives | 641 | 664 | 750 | 728 | 787 | 773 | 818 | 735 |
| Fair value adjustment on derivative financial instruments | 2,396 | (584) | (763) | 184 | (1,971) | (3,898) | (9,344) | 997 |
| Leasing payroll expenses[6] | 401 | 359 | 327 | 356 | 682 | 182 | 158 | 221 |
| Distributions – Class B LP units | 52 | 56 | 42 | 22 | 26 | 26 | 26 | 26 |
| Unit-based compensation (Unit price remeasurement)[5] | (11) | (87) | (232) | (59) | 198 | (172) | (285) | 77 |
| FFO[1] | 9,651 | 8,984 | 10,195 | 10,033 | 9,432 | 9,692 | 9,580 | 7,564 |
| Transaction costs on disposition of investment properties and mortgage early repayment fees | 37 | 46 | - | - | 627 | 93 | 138 | 753 |
| FFO Adjusted[1] | 9,688 | 9,030 | 10,195 | 10,033 | 10,059 | 9,785 | 9,718 | 8,317 |
| FFO per unit[1][2][3] | 11.1¢ | 10.3¢ | 11.8¢ | 11.7¢ | 11.0¢ | 11.4¢ | 11.3¢ | 9.7¢ |
| FFO Adjusted per unit[1][2][4] | 11.1¢ | 10.4¢ | 11.8¢ | 11.7¢ | 11.8¢ | 11.5¢ | 11.4¢ | 10.7¢ |
| FFO payout ratio[1] | 67.5% | 72.9% | 63.8% | 64.1% | 67.9% | 65.9% | 66.4% | 77.2% |
| FFO Adjusted payout ratio[1] | 67.2% | 72.5% | 63.8% | 64.1% | 63.6% | 65.2% | 65.5% | 70.2% |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(2) Including Class B LP units.
(3) This is a non-IFRS financial measure. 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) This is a non-IFRS financial measure. 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 2 and 37.

## 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-4 | 2023 Q-3 | 2023 Q-2 | 2023 Q-1 | 2022 Q-4 | 2022 Q-3 | 2022 Q-2 | 2022 Q-1 |
|---|---|---|---|---|---|---|---|---|
| (in thousands of dollars, except for per unit) | **$** | $ | $ | $ | $ | $ | $ | $ |
| FFO[1] | **9,651** | 8,984 | 10,195 | 10,033 | 9,432 | 9,692 | 9,580 | 7,564 |
| Straight-line rental revenue adjustment | **(197)** | (842) | (291) | (633) | (1,077) | (521) | (74) | (150) |
| Accretion of effective interest | **310** | 271 | 278 | 236 | 336 | 219 | 284 | 288 |
| Amortization of other property and equipment | **20** | 33 | 23 | 23 | 31 | 35 | 26 | 30 |
| Unit-based compensation expenses | **159** | 184 | 237 | 256 | 206 | 130 | 312 | 73 |
| Provision for non-recoverable capital expenditures[1] | **(639)** | (626) | (634) | (658) | (630) | (599) | (580) | (581) |
| Provision for unrecovered rental fees[1] | **(375)** | (375) | (375) | (375) | (375) | (375) | (375) | (375) |
| AFFO[1] | **8,929** | 7,629 | 9,433 | 8,882 | 7,923 | 8,581 | 9,173 | 6,849 |
| Transaction costs on disposition of investment properties and mortgage early repayment fees | **37** | 46 | - | - | 627 | 93 | 138 | 753 |
| AFFO Adjusted[1] | **8,966** | 7,675 | 9,433 | 8,882 | 8,550 | 8,674 | 9,311 | 7,602 |
| AFFO per unit[1][2][3] | **10.2¢** | 8.8¢ | 10.9¢ | 10.3¢ | 9.3¢ | 10.1¢ | 10.8¢ | 8.8¢ |
| AFFO Adjusted per unit[1][2][4] | **10.3¢** | 8.8¢ | 10.9¢ | 10.3¢ | 10.0¢ | 10.2¢ | 11.0¢ | 9.7¢ |
| AFFO payout ratio[1] | **72.9%** | 85.8% | 69.0% | 72.4% | 80.8% | 74.4% | 69.4% | 85.3% |
| AFFO Adjusted payout ratio[1] | **72.6%** | 85.3% | 69.0% | 72.4% | 74.9% | 73.6% | 68.3% | 76.8% |

(1) This is a non-IFRS financial measure, refer to page 2 and 37.
(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 2 and 37.