

Building on an Industrious Strategy



2022 Management
Discussion and Analysis



Who We Are

Open-minded



Management Discussion & Analysis



Year ended December 31, 2022

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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, 2022 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 24, 2023, should be read together with the consolidated financial statements and accompanying notes for the year ended December 31, 2022. 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.sedar.com 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 accompanying notes 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 forward-looking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of the Trust’s strategy, the ability to complete and integrate strategic acquisitions successfully, potential dilution, the ability to attract and retain key employees and executives, the financial position of lessees, the ability to refinance our debts upon maturity, the ability to renew leases coming to maturity, and to lease vacant space, the ability to complete developments on plan and on schedule and to raise capital to finance the Trust’s growth, as well as changes in interest rates. The foregoing list of important factors likely to affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Trust, investors and others should carefully consider these factors and other facts and uncertainties. Additional information about these factors can be found in the “Risks and Uncertainties” section.

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

Non-IFRS Financial Measures

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

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



Non-IFRS measure	Definition	Reconciliation
Adjusted net income	Adjusted net income is a non-IFRS financial measure that starts with net income and comprehensive income and removes the effects of: (i) fair value adjustment of investment properties; (ii) fair value adjustment of derivative financial instruments; (iii) fair value adjustment of Class B LP units; and (iv) transaction costs incurred for acquisitions and dispositions of investment properties and early repayment fees. The Trust considers this to be a useful measure of operating performance, as fair value adjustments can fluctuate widely with the real estate market and transaction costs are non-recurring in nature.	Operating results – Adjusted net income
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”)	Adjusted EBITDA income is a non-IFRS financial measure that starts with net income and comprehensive income and removes the effects of certain adjustments, on a proportionate basis, including: (i) interest expense; (ii) taxes; (iii) depreciation of property and equipment; (iv) amortization of intangible assets; (v) fair value adjustments (including adjustments of investment properties, of financial instruments, of Class B LP units and of unit price adjustments related to unit-based compensation); (vi) transaction costs for acquisitions and dispositions of investment properties and early repayment fees; and (vii) straight-line rental revenue adjustments. The most directly comparable IFRS measure to Adjusted EBITDA is net income and comprehensive income. The Trust believes Adjusted EBITDA is a useful metric to determine its ability to service debt, to finance capital expenditures and to provide distributions to its Unitholders.	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”); Capital Resources – Interest coverage ratio; and Capital Resources – Debt service coverage ratio
Same-Property NOI	Same-Property NOI is a non-IFRS financial measure defined as net operating income (“NOI”) for the properties that the Trust owned and operated for the entire duration of both the current year and the previous year. The most directly comparable IFRS measure to same-property NOI is Operating Income. The Trust believes this is a useful measure as NOI growth can be assessed on its portfolio by excluding the impact of property acquisitions and dispositions of both the current year and previous year. The Trust uses the Same-Property NOI to indicate the profitability of its existing portfolio operations and the Trust’s ability to increase its revenues, reduce its operating costs and generate organic growth.	Operating results – Same-Property Portfolio
Funds from Operations (“FFO”) and Recurring FFO	FFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its January 2022 White Paper (“White Paper”). FFO is defined as net income and comprehensive income less certain adjustments, on a proportionate basis, including: (i) fair value adjustments on investment properties, class B LP units and derivative financial instruments; (ii) amortization of lease incentives; (iii) incremental leasing costs; and (iv) distribution on class B LP units. FFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. FFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. Recurring FFO is also a non-IFRS financial measure that starts with FFO and remove the impact of non-recurring items such as transaction cost on acquisitions and dispositions of investment properties and early repayment fees. The Trust believes FFO and recurring FFO are key measures of operating performance and allow the investors to compare its historical performance.	Funds from Operations (FFO); Cash Flows; Appendix 2; and Appendix 3

Non-IFRS measure	Definition	Reconciliation
Adjusted Funds from Operations (“AFFO”) and Recurring AFFO	AFFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its White Paper. AFFO is defined as FFO less: (i) straight-line rental revenue adjustment; (ii) accretion of effective interest; (iii) amortization of other property and equipment; (iv) unit-based compensation expenses; (v) provision for non-recoverable capital expenditures; and (vi) provision for unrecovered rental fees (related to regular leasing expenditures). AFFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. AFFO is also reconciled with the cash flows from operating activities, which is an IFRS measure. Recurring AFFO is also a non-IFRS financial measure that starts with AFFO and removes the impact of non-recurring items such as transaction costs on acquisitions and dispositions of investment properties and early repayment fees. The Trust considers AFFO and recurring AFFO to be useful measures of recurring economic earnings and relevant in understanding its ability to service its debt, fund capital expenditures and provide distributions to unitholders.	Adjusted Funds from Operations (AFFO); Cash Flows; Appendix 2; and Appendix 3
FFO and AFFO payout ratios and Recurring FFO and recurring AFFO payout ratios	FFO and AFFO payout ratios and recurring FFO and recurring AFFO payout ratios are non-IFRS financial measures used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its White Paper. These payout ratios are calculated by dividing the actual distributions per unit by FFO, AFFO and recurring FFO and recurring AFFO per unit in each period. The Trust considers these metrics a useful way to evaluate its distribution paying capacity.	Funds from Operations (FFO); Adjusted Funds from Operations (AFFO); Appendix 2; and Appendix 3
Total debt ratio	Total debt ratio is a non-IFRS financial measure of the Trust financial leverage, which is calculated by taking the total long-term debt less cash divided by total gross value of the assets of the Trust less cash. The Trust considers this metric useful as it indicates its ability to meet its debt obligations and its capacity for future additional acquisitions.	Capital Resources – Debt ratio
Interest Coverage Ratio	Interest coverage ratio is a non-IFRS financial measure which is calculated by taking the Adjusted EBITDA divided by interest expenses net of financial income (interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	Capital Resources – Interest coverage ratio
Debt Service Coverage Ratio	Debt service coverage ratio is a non-IFRS financial measure which is calculated by taking the Adjusted EBITDA divided by the Debt Service Requirements, which consists of principal repayments and interest expenses net of financial income (interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	Capital Resources – Debt service coverage ratio



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, 2022, it owned 73 properties, being industrial, off-downtown core office and necessity-based retail properties located in primary markets of the provinces of Québec, Ontario, Alberta, and Saskatchewan. Since its inception, the Trust has become an important property owner in the province of Québec, in Eastern Ontario and since December 2021, in Western Canada. The units and Series G and H convertible debentures are traded on the Toronto Stock Exchange under the symbols “BTB.UN”, “BTB.DB. G” and “BTB.DB.H”, respectively.

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

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

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of \$)
As at December 31, 2022	73	5,856,617	1,164,881

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

Objectives and Business Strategies

The Trust’s primary objective is to maximize total return to unitholders. 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, 2022

Rental revenue: Stood at \$31.5 million for the current quarter, which represents an increase of 17.5% compared to the same quarter of 2021. For the year 2022, the rental revenue totalled \$119.5 million, which represents an increase of 19.1% compared to the same period in 2021.

Net operating income (NOI): Stood at \$18.6 million for the current quarter, which represents an increase of 26.0% compared to the same quarter of 2021. For the year 2022, the total NOI was \$70.4 million, which represents an increase of 25.0% compared to the same period in 2021.

Same-property NOI⁽¹⁾: Increased by 7.1% for the fourth quarter of 2022 compared to the same period in 2021 mainly due to a combination of important leasing efforts made during the previous quarters resulting in an increase in the occupancy rate compared to the same quarter last year and the increase in the average lease renewal rates. For the year 2022, the same-property NOI⁽¹⁾ increased by 3.4% compared to last year.

Net income and comprehensive income: Totalled \$1.8 million for the quarter compared to \$23.2 million for the same period in 2021, representing a decrease of \$21.4 million that is attributed to the net adjustment to the fair value of investment properties. For the year, the net income and comprehensive income totalled \$38.2 million compared to \$41.6 million for the same period in 2021.

Recurring FFO⁽¹⁾: Was 11.8¢ per unit for the quarter compared to 11.0¢ per unit for the same period in 2021. For the year 2022, the recurring FFO⁽¹⁾ was 45.4¢ per unit compared to 42.1¢ per unit for the year 2021. Excluding the \$1.4 million of additional recoveries related to prior years recorded during the year 2021, the recurring FFO⁽¹⁾ per unit would have increased by 5.2¢ or 13.0% for the year 2022 compared to the same period in 2021.

Recurring FFO payout ratio⁽¹⁾: Was 63.6% for the quarter compared to 68.0% for the same period in 2021. For the year 2022, the recurring FFO payout ratio⁽¹⁾ was 66.1% compared to 71.2% for the year 2021.

Recurring AFFO⁽¹⁾: Was 10.0¢ per unit for the quarter compared to 9.4¢ per unit for the same period in 2021. For the year 2022, the recurring AFFO⁽¹⁾ was 40.9¢ per unit compared to 38.5¢ per unit for the year 2021. Excluding the \$1.4 million of additional recoveries related to prior years recorded during the year 2021, the recurring AFFO⁽¹⁾ per unit would have increased by 4.3¢ or 11.9% for the year 2022 compared to the same period in 2021.

Recurring AFFO payout ratio⁽¹⁾: Was 74.9% for the quarter compared to 80.0% for the same period in 2021. For the year 2022, the recurring AFFO payout ratio⁽¹⁾ was 73.3% compared to 77.9% for the year 2021.

Leasing activity: The Trust completed a total of 154,032 square feet of leases renewals and 49,568 square feet of new leases for the quarter. Due to the sustained leasing activity, the occupancy rate was at 93.2% at the end of the quarter. The increase in the average renewal rate for the quarter was 8.0% and for the cumulative 12-month period was 12.2%. For the year 2022, the Trust completed a total of 505,189 square feet of leases renewals and 167,602 square feet of new leases. Therefore, the total leasing activity for the year was 672,791 square feet.

Collection rate: was 99.3% of invoiced rent on a cumulative basis for 2022, which shows the strong fundamentals of the Trust’s portfolio.

Dispositions: On December 8, 2022, the Trust disposed of an office property located at 81-83 Turgeon Street, in Sainte-Thérèse, Québec, for total proceeds of \$4.6 million, excluding transaction costs and adjustments. On December 14, 2022, the Trust disposed of an office property located at 7001-7035, Saint-Laurent boulevard, in Montréal, Québec, for total proceeds of \$5.9 million, excluding transaction costs and adjustments. This is in line with the Trust’s plan to further concentrate its’ investments in the industrial asset class.

Liquidity position: The Trust held \$2.4 million of cash at the end of the quarter and \$38.1 million is available under its credit facilities⁽¹⁾⁽²⁾. The Trust has the option to increase its capacity under the credit facilities by \$20.0 million.

Debt metrics: The Trust concluded the quarter with a total debt ratio⁽¹⁾ of 58.5%, recording an improvement of 2.0% compared to December 31, 2021.

(1) This is a non-IFRS financial measure, refer to page 45.

(2) Credit facilities is a term used that reconciles with the bank loans as presented and defined in the Trust interim condensed consolidated financial statements.



Subsequent events

On February 2, 2023, the Trust concluded the acquisition of a Class A industrial property located at 9900 rue Irénée-Vachon, Mirabel (within the greater Montreal area), Québec. Acquired for the aggregate purchase price of \$28.0 million, excluding transaction costs. This acquisition was funded from the existing undrawn capacity on the Trust's bank loan and available liquidity. This fully leased property increased the total leasable area by 176,819 square feet.

On February 14, 2023, at the request of the holders, 150,000 Class B LP units were exchanged for the Trust units.

Summary of significant items as at December 31, 2022

- Total number of properties: 73
- Total leasable area: 5.9 million square feet
- Total asset value: \$1,179 million
- Market capitalization: \$311 million (unit price of \$3.65 as at December 31, 2022)

Selected Financial Information

The following table presents highlights and selected financial information for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

	Reference (page)	Quarter		Year	
		2022	2021	2022	2021
		\$	\$	\$	\$
Periods ended December 31 (in thousands of dollars, except for ratios and per unit data)					
Financial information					
Rental revenue	52	31,486	26,789	119,495	100,343
Net operating income (NOI)	52	18,624	14,776	70,430	56,336
Net income and comprehensive income	52	1,769	23,219	38,154	41,568
Adjusted net income ⁽¹⁾	62	8,366	7,075	33,601	25,771
Adjusted EBITDA ⁽¹⁾	63	16,347	13,435	64,409	51,999
NOI from the same-property portfolio ⁽¹⁾	64	13,840	12,924	52,462	50,737
Distributions	65	6,413	5,578	25,032	21,464
Recurring funds from operations (FFO) ⁽¹⁾	66	10,059	8,194	37,879	30,144
Recurring adjusted funds from operations (AFFO) ⁽¹⁾	67	8,550	6,962	34,137	27,568
Cash flow from operating activities	68	18,961	25,137	66,240	56,538
Total assets	71			1,179,340	1,129,901
Investment properties	54			1,164,881	1,110,971
Total long-term debt				691,508	687,070
Mortgage loans	73			636,111	605,210
Convertible debentures	74			41,942	42,819
Mortgage debt ratio ⁽²⁾	75			54.2%	54.0%
Total debt ratio ⁽¹⁾	75			58.5%	60.5%
Weighted average interest rate on mortgage debt				4.09%	3.49%
Unitholders' equity				462,072	404,425
Market capitalization				311,120	302,438
Financial information per unit					
Units outstanding (000)	77			85,238	74,127
Class B LP units outstanding (000)	76			347	347
Weighted average number of units outstanding (000)	77	85,158	74,022	83,091	71,188
Weighted average number of units and Class B LP units outstanding (000)	77	85,506	74,370	83,439	71,547
Net income and comprehensive income	52	2.1¢	31.2¢	45.7¢	58.1¢
Adjusted net income ⁽¹⁾	62	9.8¢	9.5¢	40.3¢	36.0¢
Distributions	65	7.5¢	7.5¢	30.0¢	30.0¢
Recurring FFO ⁽¹⁾	66	11.8¢	11.0¢	45.4¢	42.1¢
Payout ratio on recurring FFO ⁽¹⁾	66	63.6%	68.0%	66.1%	71.2%
Recurring AFFO ⁽¹⁾	67	10.0¢	9.4¢	40.9¢	38.5¢
Payout ratio on recurring AFFO ⁽¹⁾	67	74.9%	80.0%	73.3%	77.9%
Market price				3.65	4.08
Tax on distributions					
Tax deferral	80	100.0%	100.0%	100.0%	100.0%
Operational information					
Number of properties	48			73	75
Leasable area (thousands of sq. ft.)	48			5,857	6,037
Occupancy rate	57			93.2%	93.4%
Increase in average lease renewal rate	64	8.0%	7.4%	12.2%	5.5%

(1) This is a non-IFRS financial measure, refer to page 45.

(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 (in thousands of dollars, except for ratios and per unit data)	2022	2021	2020
	\$	\$	\$
Financial information			
Rental revenue	119,495	100,343	92,969
Net operating income	70,430	56,336	51,260
Fair value adjustment on investment properties	(8,201)	19,571	(8,375)
Net income (loss) and comprehensive income (loss)	38,154	41,568	2,919
Net cash from operating activities	66,240	56,538	46,145
Recurring FFO ⁽¹⁾	37,879	30,144	24,229
Recurring AFFO ⁽¹⁾	34,137	27,568	22,145
Distributions	25,032	21,464	21,513
Total assets	1,179,340	1,129,901	926,666
Long-term debt	678,053	648,029	532,955
Financial information per unit			
Net income and comprehensive income	45.7¢	58.1¢	4.6¢
Recurring FFO ⁽²⁾	45.4¢	42.1¢	38.3¢
Recurring AFFO ⁽³⁾	40.9¢	38.5¢	35.0¢
Distributions	30.0¢	30.0¢	34.0¢

(1) This is a non-IFRS financial measure, refer to page 45.

(2) This is a non-IFRS financial measure. The recurring FFO per unit ratio is calculated by dividing the recurring FFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(3) This is a non-IFRS financial measure. The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

Selected Quarterly Information

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

(in thousands of dollars except for per unit data)	2022 Q-4	2022 Q-3	2022 Q-2	2022 Q-1	2021 Q-4	2021 Q-3	2021 Q-2	2021 Q-1
	\$	\$	\$	\$	\$	\$	\$	\$
Rental revenue	31,486	29,962	28,979	29,068	26,789	23,988	26,034	23,532
Net operating income	18,624	17,974	17,598	16,234	14,776	13,572	15,574	12,414
Net income and comprehensive income	1,769	11,693	18,243	6,449	23,219	8,678	7,161	2,510
Net income and comprehensive income per unit	2.1¢	13.7¢	21.5¢	8.3¢	31.2¢	11.7¢	9.8¢	3.9¢
Cash from operating activities	18,961	20,359	15,516	11,404	25,137	10,090	8,162	13,149
Recurring funds from operations (FFO) ⁽¹⁾	10,059	9,785	9,718	8,317	8,194	7,018	9,202	5,730
Recurring FFO per unit ⁽²⁾	11.8¢	11.5¢	11.4¢	10.7¢	11.0¢	9.5¢	12.5¢	8.9¢
Recurring adjusted funds from operations (AFFO) ⁽¹⁾	8,550	8,674	9,311	7,602	6,962	6,453	8,647	5,506
Recurring AFFO per unit ⁽³⁾	10.0¢	10.2¢	11.0¢	9.7¢	9.4¢	8.7¢	11.8¢	8.6¢
Distributions ⁽⁴⁾	6,413	6,394	6,374	5,851	5,578	5,551	5,508	4,828
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 45.

(2) The recurring FFO per unit ratio is calculated by dividing the recurring FFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units outstanding at the end of the period).

(3) The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units outstanding at the end of the period).

(4) Includes distributions on Class B LP units.

Operating Performance Indicators

The 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 2022, BTB owned 73 properties, for a total fair value of \$1,165 million and representing a total leasable area of approximately 5.9 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, 2022

Operating segment	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)	In Place occupancy rate (%)
Industrial	27	1,645,319	100.0	100.0
Off-downtown core office	35	2,819,124	86.7	86.0
Necessity-based retail	11	1,392,175	98.2	97.9
Total portfolio	73	5,856,617	93.2	92.7

Geographic	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)	In Place occupancy rate (%)
Montreal	39	3,125,896	95.8	95.7
Québec City	11	1,380,146	84.0	83.5
Ottawa	11	805,157	94.4	92.5
Edmonton	8	321,947	99.1	99.1
Saskatoon	4	223,472	100.0	100.0
Total portfolio	73	5,856,617	93.2	92.7

Dispositions of investment properties

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

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

On September 19, 2022, the Trust disposed of a small office property located at 5878-5882 Sherbrooke Street East in Montréal, Québec, for total proceeds of \$4.4 million, excluding transaction costs and adjustments.

On December 8, 2022, the Trust disposed of an office property located at 81-83 Turgeon Street, in Sainte-Thérèse, Québec, for total proceeds of \$4.6 million, excluding transaction costs and adjustments.

On December 14, 2022, the Trust disposed of an office property located at 7001-7035, Saint-Laurent boulevard, in Montréal, Québec, for total proceeds of \$5.9 million, excluding transaction costs and adjustments.

Since the beginning of the year, the Trust has disposed of eight properties, totalling 535,406 square feet, being three off-downtown core office properties (55,278 square feet) and five industrial properties (480,128 square feet).

Acquisitions of investment properties

On January 7, 2022, the Trust acquired two class A office properties located at 979 Bank Street and 1031 Bank Street in the Glebe borough of Ottawa, Ontario, for the total consideration of \$38.1 million, excluding transaction costs and adjustments. The two properties increased the Trust's total leasable area by 116,226 square feet.

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

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

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

On September 8, 2022, the Trust acquired an industrial property located at 8743 50 Avenue NW in Edmonton, Alberta, for a total consideration of \$15.8 million, excluding transaction costs and adjustments. The property increased the Trust's total leasable area by 72,088 square feet.

Since the beginning of the year, the Trust has acquired six properties adding a total of 354,637 square feet to its leasable area comprised of two office properties (116,226 square feet) and four industrial properties (237,597 square feet). BTB is continuing to execute on its strategy of investing in the industrial segment where 67% of its acquisitions in the year were concluded.

Real Estate Operations

Portfolio occupancy

The following table summarizes the changes in occupied area for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in sq. ft.)	Quarter		Year	
	2022	2021	2022	2021
Occupied area at the beginning of the period⁽¹⁾	5,520,092	4,969,471	5,639,778	4,910,877
Purchased (sold) assets	(30,821)	648,914	(118,022)	747,914
Signed new leases	49,568	77,049	167,602	182,275
Tenant departures	(83,041)	(53,696)	(231,718)	(176,621)
Other ⁽²⁾	-	(1,961)	(1,842)	(24,668)
Occupied leasable area at the end of the period⁽¹⁾	5,455,798	5,639,777	5,455,798	5,639,777
Vacant leasable area at the end of the period	400,819	397,609	400,819	397,609
Total leasable area at the end of the period	5,856,617	6,037,386	5,856,617	6,037,386

(1) The occupied area includes in place and committed agreements.

(2) Other adjustments on the occupied area represent mainly area remeasurements.

Renewal activities

The following table summarizes the renewal rate for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in sq. ft.)	Quarter		Year	
	2022	2021	2022	2021
Leases expired at term	165,034	74,094	566,217	297,664
Renewed leases at term	87,399	41,799	356,454	211,918
Renewal rate	53.0%	56.4%	63.0%	71.2%

The Trust renewed 53.0% or 87,399 square feet out of the 165,034 square feet expiring during this quarter. Additionally, the Trust leased 13,690 square feet of the remaining 77,635 square feet that were not renewed this quarter. The recorded vacancy is mainly explained by the departure during the fourth quarter of 2022 of Investia Services Financiers Inc. (28,868 square feet) in Québec City and Bouthillette Parizeau Inc. (11,000 square feet) in Longueuil.

For the cumulative 12-month period, the Trust renewed 63.0% of the leases at the end of their term. Therefore, leases representing 209,763 square feet were not renewed during the year. The following is a list of the main departures: in Ottawa, Optelian Access Networks Corporation (23,204 square feet) departed during the first quarter; in Montréal, Réseau Admission ULC (13,684 square feet) departed during the second quarter (the Saint-Laurent boulevard property was sold on December 14, 2022); in Edmonton, Drive Products Inc. (30,297 square feet) departed during the third quarter; and, in Québec City, Investia Services Financiers Inc. (28,868 square feet) departed during the fourth quarter. There are on-going efforts by the Trust to replace tenants that didn't renew their leases.



In addition to the renewed leases at the expiration of their term during the quarter, the Trust renewed 66,633 square feet with existing tenants where their lease terms were to expire in 2023 or in later years, representing a total of 148,736 square feet of leases that were renewed in anticipation of their expiry during the year 2022.

The Trust renewed leases totalling 154,032 square feet during this quarter for a total of 505,189 square feet for the year.

Average lease renewal rate

The following table summarizes the average increase of rental rates for each operating segment for the periods ended December 31, 2022:

Operating segment	Quarter		Year	
	Renewals (Sq. ft.)	Increase (%)	Renewals (Sq. ft.)	Increase (%)
Industrial	-	0.0%	98,158	9.9%
Off-downtown core office	96,877	6.2%	306,567	14.1%
Necessity-based retail	57,154	11.3%	100,464	8.3%
Total	154,032	8.0%	505,189	12.2%

Since the beginning of the year, the Trust achieved a cumulative average increase of 12.2% in lease renewal rates across all its business segments. The off-downtown core office operating segment showed an increase in lease renewal rates of 14.1%, which is essentially attributable to leases at below market rent that were renewed at market rate.

Concluded new leases

During the quarter, the Trust leased 49,568 square feet to new tenants, leaving 400,819 square feet of leasable area available for lease at the end of the quarter. Of the concluded leases for 49,568 square feet, 7,673 square feet are “committed” lease agreements and tenants are in occupancy for 41,895 square feet.

During the quarter, leases for 15,461 square feet or 31.2% were concluded with off-downtown core office tenants and 34,107 square feet or 68.8% of the new leases were concluded in the necessity-based retail segment. For the year, the Trust concluded transactions with new tenants totaling 167,602 square feet.

Occupancy rates

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

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Operating segment	%	%	%	%	%
Industrial	100.0	100.0	100.0	99.0	97.0
Off-downtown core office	86.7	88.6	89.3	89.3	90.3
Necessity-based retail	98.2	96.2	96.2	95.0	95.1
Total portfolio	93.2	93.5	93.8	93.1	93.4
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Geographic sector	%	%	%	%	%
Montréal	95.8	95.1	95.1	94.1	94.4
Québec City ⁽¹⁾	84.0	87.0	88.2	88.4	88.9
Ottawa	94.4	94.8	94.8	93.8	93.7
Edmonton	99.1	99.1	100.0	100.0	100.0
Saskatoon	100.0	100.0	100.0	100.0	100.0
Total portfolio	93.2	93.5	93.8	93.1	93.4

(1) Excluding the Trois-Rivières property, the occupancy rate of the Québec City portfolio would have been 86.9%.

The occupancy rate at the end of the fourth quarter of 2022 stood at 93.2%, representing a 0.3% decrease compared to the prior quarter, and a 0.2% decrease compared to the same period in 2021. Furthermore, the in-place occupancy rate at the end of the year stood at 92.7%, representing a decrease of 0.4% compared to the prior quarter, and representing an increase of 1.2% compared to the same period in 2021.

Lease maturities

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

	2023	2024	2025	2026	2027
Industrial					
Leasable area (sq. ft.)	66,680	30,199	130,414	206,464	86,304
Average lease rate/square foot (\$) ⁽¹⁾	\$11.01	\$13.84	\$11.15	\$7.99	\$9.31
% of industrial portfolio	4.05%	1.84%	7.93%	12.55%	5.25%
Off-downtown core office					
Leasable area (sq. ft.)	317,398	308,050	261,727	396,386	293,341
Average lease rate/square foot (\$) ⁽¹⁾	\$14.55	\$15.08	\$15.32	\$14.69	\$17.68
% of office portfolio	11.26%	10.93%	9.28%	14.06%	10.41%
Necessity-based retail					
Leasable area (sq. ft.)	206,831	82,430	123,398	107,676	132,036
Average lease rate/square foot (\$) ⁽¹⁾	\$7.33	\$16.00	\$20.09	\$16.25	\$15.92
% of retail portfolio	14.86%	5.92%	8.86%	7.73%	9.48%
Total portfolio					
Leasable area (sq. ft.)	590,910	420,679	515,538	710,526	511,681
Average lease rate/square foot (\$) ⁽¹⁾	\$11.62	\$15.17	\$15.41	\$12.98	\$15.82
% of total portfolio	10.09%	7.18%	8.80%	12.13%	8.74%

(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, 2022, the Trust recorded a weighted average lease term of 5.9 years, compared to 5.9 years for the same period in 2021. In addition to securing future revenues for the Trust and solidifying its tenant base, the Trust's lease renewal strategy is also focused on ensuring longevity in the lease terms when appropriate. Moreover, the weighted average lease term was positively impacted by the acquisition of the four industrial properties leased on a long-term basis.

Top 10 clients

The Trust's three largest clients are the Government of Québec (off-downtown core office segment), the Government of Canada (off-downtown core office segment), and Walmart Canada inc. (necessity-based retail segment), representing respectively 5.8%, 5.3%, and 2.2% of rental revenue. The Trust's rental revenues are generated by multiple leases with these clients whose maturities are spread over time.

28.9% 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 clients as a percentage of revenue as at December 31, 2022. Their contribution accounts for 24.0% of rental revenue for the cumulative 12-month period and 21.8% of leased area:

Client	% of revenue	% of leased area	Leased area (sq. ft.)
Government of Québec	5.8	5.1	299,578
Government of Canada	5.3	4.3	251,850
Walmart Canada inc.	2.2	4.5	264,550
WSP Canada Inc.	2.0	2.0	118,585
Mouvement Desjardins	1.9	1.0	61,034
Intrado Life & Safety Canada, Inc.	1.4	1.1	61,576
Groupe BBA Inc.	1.4	0.8	48,478
Strongco	1.3	0.9	53,767
Germain Larivière Laval Inc.	1.3	1.2	69,270
Satcom Direct Avionics	1.3	0.8	48,676
	24.0	21.8	1,277,364

Operating Results

The following table summarizes the financial results for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021. 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	
	2022	2021	2022	2021
	\$	\$	\$	\$
Rental revenue	31,486	26,789	119,495	100,343
Operating expenses	12,862	12,013	49,065	44,007
Net operating income (NOI)	18,624	14,776	70,430	56,336
Net financial expenses and financial income	6,347	9,489	15,542	27,388
Administration expenses	2,331	1,530	7,437	6,842
Transaction costs	396	109	1,096	109
Fair value adjustment on investment properties	7,781	(19,571)	8,201	(19,571)
Net income and comprehensive income	1,769	23,219	38,154	41,568

Rental revenue

For the quarter, rental revenue increased by \$4.7 million or 17.5% compared to the same period last year. The increase consisted of the following:

- \$1.1 million decrease related to the dispositions made since Q4 2021;
- \$0.7 million increase due to a combination of a higher in place occupancy rate (+1.2% compared to last year) and higher average lease rate;
- \$5.1 million increase related to the acquisitions.

For the year 2022, rental revenue increased by \$19.2 million or 19.1% compared to the same period last year. The increase consisted of the following:

- \$3.5 million decrease related to the dispositions made since Q4 2021;
- \$1.4 million decrease related to the retrospective additional recoveries recognized during the second quarter in 2021;
- \$1.9 million increase due to a combination of a higher in place occupancy rate and higher average lease rate;
- \$22.2 million increase related to the acquisitions.

Operating expenses

The following table summarizes the Trust's operating expenses for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Operating expenses				
Maintenance, repairs and other operating costs	4,857	4,825	17,160	16,175
Energy	1,511	1,216	5,660	5,246
Property taxes and insurance	6,494	5,972	26,245	22,586
Total operating expenses	12,862	12,013	49,065	44,007
% of rental revenue	40.8%	44.8%	41.1%	43.9%

Operating expenses increased on a quarterly and cumulative basis mainly due to the new acquisitions and the increase of the cost of living. In addition, property taxes were affected by an increase in property values. Overall, the operating expenses as a percentage of revenues are lower as the Trust is increasing its investment in industrial properties (mostly triple net leases).



Financial expenses and income

The following table summarizes financial expenses for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Financial income	(225)	(158)	(624)	(739)
Interest on mortgage loans	6,515	4,881	23,947	18,742
Interest on convertible debentures	606	832	2,796	3,220
Interest on credit facilities	519	165	1,421	484
Other interest expense	66	62	286	247
Interest expense net of financial income	7,481	5,782	27,826	21,954
Distributions on Class B LP units	26	30	104	108
Mortgage early repayment fees	231	-	515	188
Net financial expenses before non-monetary items	7,738	5,812	28,445	22,250
Accretion of effective interest on mortgage loans and convertible debentures	336	275	1,127	1,301
Accretion of non-derivative liability component of convertible debentures	84	84	335	360
Net financial expenses before the following items:	8,158	6,171	29,907	23,911
Fair value adjustment on derivative financial instruments	(1,971)	3,297	(14,216)	3,246
Fair value adjustment on Class B LP units	160	21	(149)	231
Net financial expenses net of financial income	6,347	9,489	15,542	27,388

Financial income mainly consists of interest income generated from interest rate swap agreements and from a balance of sale granted by the Trust for a principal amount of \$3.0 million pursuant to the sale in 2019 of a retail property (the balance of sale was fully repaid by the borrower on August 16, 2022) and the cash on hand during the quarter.

Interest expense, net of financial income, increased by \$1.7 million for the quarter and by \$5.9 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 and the increase in the prime lending rate impacting floating interest rates of mortgages contracted in recent quarters and interest paid on the revolving credit facility.

On December 31, 2022, the average weighted contractual rate of interest on mortgage loans outstanding was 4.09%, 60 basis points higher than the average rate as at December 31, 2021 (3.49%). This increase is mainly due to the variable interest on mortgage loans for which the weighted average contractual rate increased by 357 basis points to 6.38% (2.81% as at December 31, 2021). The weighted average for fixed interest rate mortgage loans increased by 12 basis points to 3.73% (3.61% as at December 31, 2021). Interest rates on first-ranking mortgage loans ranged from 2.30% to 8.20% as at December 31, 2022, (2.37% to 6.80% as at December 31, 2021).

The weighted average term of mortgage loans in place as at December 31, 2022, was 4.0 years (4.7 years as at December 31, 2021).

Net financial expenses, net of financial income, described above, include non-monetary items. These non-monetary items are the accretion of effective interest on mortgage loans and on convertible debentures, the accretion of non-derivative liability component of convertible debentures and the fair value 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, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Corporate expenses	1,803	1,352	6,609	5,545
Expected credit losses	123	12	287	231
Unit-based compensation	405	166	541	1,066
Trust administration expenses	2,331	1,530	7,437	6,842

Corporate expenses increased by \$0.5 million or 33% for the quarter compared to the same period last year. For the year 2022, the increase consisted of the following: (i) the Trust incurred an additional \$0.5 million in performance compensation; and (ii) the total annual compensation of the CIO, hired during the second quarter of 2022. The Trust managed to maintain a stable level of corporate expenses at 5.5% of rental revenue, due to continuous cost control efforts although the Trust may make investments to support its growth.

Expected credit losses increased by \$0.1 million for the quarter and by \$0.1 million for the year 2022 compared to the same period last year. The steady amount of credit losses expense is due to higher collections, which is also reflected in the receivables balance at the end of the quarter.

Unit-based compensation increased by \$0.2 million for the quarter but decreased by \$0.5 million for the year 2022 compared to the same period last year. The increase for the quarter is due to the vesting of units under the restricted unit compensation plan. The decrease for the year is mainly explained by a reduction of the Trust's unit price, from \$4.09 on December 31, 2021 to \$3.64 on December 31, 2022, resulting in a reduction of \$0.5 million related to the cash-settled share-based retirement compensation plan compared to the same period last year.

Fair value adjustment of investment properties

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

On an annual basis, the Trust retains the services of independent external appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the Trust annually appraises a minimum of 60% of its portfolio, which includes the 15 most valuable properties, and the remaining ones are externally appraised on three-year rotation basis. In addition, as part of acquisitions, financing or refinancing transactions, or at the request of lenders, other properties are also independently appraised during the year. As at December 31, 2022, the Trust externally appraised 70.4% of its properties representing an aggregate amount of \$821.3 million.

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, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Industrial	11,477	13,889	29,854	13,889
Off-downtown core office	(18,639)	(1,894)	(31,842)	(1,894)
Necessity-based retail	(618)	7,576	(6,213)	7,576
Total change in fair value	(7,781)	19,571	(8,201)	19,571

The following tables summarize the significant assumptions used in the modelling process for both internal and external appraisals for the years ended 2022 and 2021:

As at December 31, 2022	Industrial	Off-downtown core office	Necessity-based retail
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%
As at December 31, 2021			
Capitalization rate	4.50% - 8.50%	5.25% - 8.50%	5.25% - 7.75%
Terminal capitalization rate	4.75% - 7.00%	5.50% - 7.50%	6.00% - 7.00%
Discount rate	5.75% - 7.50%	5.50% - 8.25%	6.50% - 7.50%
Weighted average capitalization rate	5.72%	6.41%	6.62%

The weighted average capitalization rate for the entire portfolio as at December 31, 2022, was 6.48% (6.33% as at December 31, 2021), 15 basis points higher compared to the same period last year.

Since December 31, 2021, BTB sold 8 properties at a weighted average capitalization rate of 6.78%. In addition, the trust acquired 6 properties (fair value of \$100.4 million as at December 31, 2022) at a weighted average capitalization rate of 5.80%.

As at December 31, 2022, the Trust has estimated that if an increase / decrease of 0.25% in the capitalization rate were applied to the overall portfolio, this variation would affect the fair value of its investment properties respectively by a reduction of \$43.9 million or an increase of \$47.4 million. The change in the capitalization rates is an appropriate proxy of the changes for the discount and terminal capitalization rates.

Adjusted net income⁽¹⁾

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

The following table summarizes the adjusted net income⁽¹⁾ before these non-recurring and volatile non-monetary items for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars, except for per unit)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income and comprehensive income	1,769	23,219	38,154	41,568
Non-recurring items:				
Transaction costs on dispositions of investment properties and mortgage early repayment fees	627	109	1,611	297
Fair value adjustment on investment properties	7,781	(19,571)	8,201	(19,571)
Fair value adjustment on derivative financial instruments	(1,971)	3,297	(14,216)	3,246
Fair value adjustment on Class B LP units	160	21	(149)	231
Adjusted net income⁽¹⁾	8,366	7,075	33,601	25,771
Per unit	9.8c	9.5c	40.3c	36.0c

(1) This is a non-IFRS financial measure, refer to page 45.

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, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars, except for per unit)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income being total comprehensive income for the period	1,769	23,219	38,154	41,568
Interest expense	7,706	5,940	28,450	22,693
Accretion of effective interest on mortgage loans and convertible debentures	336	275	1,127	1,301
Amortization of property and equipment	31	22	122	87
Lease incentive amortization	787	858	3,113	3,292
Fair value adjustment on investment properties	7,781	(19,571)	8,201	(19,571)
Fair value adjustment on derivative financial instruments	(1,971)	3,297	(14,216)	3,246
Fair value adjustment on Class B LP units	160	21	(149)	231
Unit-based compensation (Unit price remeasurement)	198	23	(182)	189
Transaction costs on dispositions of investment properties and mortgage early repayment fees	627	109	1,611	297
Straight-line lease adjustment	(1,077)	(758)	(1,822)	(1,334)
Adjusted EBITDA⁽¹⁾	16,347	13,435	64,409	51,999

(1) This is a non-IFRS financial measure, refer to page 45.

For the quarter, the Adjusted EBITDA⁽¹⁾ was \$16.3 million compared to \$13.4 million for the same quarter last year, representing an increase of 21.7%. For the year 2022, the Adjusted EBITDA⁽¹⁾ was \$64.4 million for the year 2022 compared to \$52.0 million for the year 2021, representing an increase of 23.9%. Both increases are mainly explained by the accretive acquisitions made since last year and a combination of a higher in place occupancy rate and higher average lease rate.

(1) This is a non-IFRS financial measure, refer to page 45.

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by the Trust on January 1, 2021, and that are still owned by the Trust on December 31, 2022. Therefore, it excludes all the acquired⁽²⁾ and disposed⁽³⁾ properties during the years 2021 and 2022.

The following table summarizes the results of the same-property NOI⁽¹⁾ for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2022	2021	Δ %	2022	2021	Δ %
	\$	\$		\$	\$	
Net operating income (NOI) as reported in the financial statements	18,624	14,776	26.0%	70,430	56,336	25.0%
NOI sourced from:						
Acquisitions	(4,753)	(1,358)		(17,242)	(1,597)	
Dispositions	(31)	(494)		(726)	(2,602)	
Retrospective additional recovery ⁽²⁾	-	-		-	(1,400)	
Same Property NOI⁽¹⁾	13,840	12,924	7.1%	52,462	50,737	3.4%
Same Property NOI⁽¹⁾ sourced from:						
Industrial	2,066	2,058	0.4%	8,350	7,973	4.7%
Off-downtown core office	7,299	6,482	12.6%	28,114	26,819	4.8%
Necessity-based retail	4,475	4,384	2.1%	15,998	15,945	0.3%
Same Property NOI⁽¹⁾	13,840	12,924	7.1%	52,462	50,737	3.4%

(1) This is a non-IFRS financial measure, refer to page 45.

(2) As mentioned in the Trust's Q2 2021 MD&A (dated August 6, 2021), section Operating Results – Rental Revenue, the Trust had retrospective additional recoveries of \$1.4 million. The same-property portfolio analysis excluded these elements for the 2021 figures.

For the quarter, same-property net operating income (NOI)⁽¹⁾ increased by \$0.9 million or 7.1%. The important leasing efforts made during the previous quarters resulted in an increase in occupancy rate compared to the same quarter last year and therefore generated additional revenues.

For the year 2022, same-property NOI⁽¹⁾ increased by \$1.7 million or 3.4% compared to the same period last year, which is explained by a combination of a higher in-place occupancy rates (1.2% increase compared to the same period for 2021) and an increase in average lease renewal rates of 12.2% for the period. For the cumulative period, the same-property NOI⁽¹⁾ sourced from industrial properties increased by 4.7%, off-downtown core office properties increased by 4.8% and necessity-based retail increased by 0.3%.

(1) This is a non-IFRS financial measure, refer to page 45.

(2) Refer to the Trust's consolidated financial statements dated February 24, 2023, note 3, section a) for the acquired properties details.

(3) Refer to the Trust's consolidated financial statements dated February 24, 2023, note 3, section b) for the disposed properties details.

Distributions

Distributions and per unit

The following table summarizes the distributions for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Distributions				
Cash distributions	5,535	4,774	21,700	18,378
Cash distributions – Class B LP units	26	26	104	108
Distributions reinvested under the distribution reinvestment plan	852	778	3,228	2,978
Total distributions to unitholders	6,413	5,578	25,032	21,464
Percentage of reinvested distributions ⁽¹⁾⁽²⁾	13.3%	13.9%	12.9%	13.9%
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 2021.

For the year 2022, 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, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars, except for per unit)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income and comprehensive income (IFRS)	1,769	23,219	38,154	41,568
Fair value adjustment on investment properties	7,781	(19,571)	8,201	(19,571)
Fair value adjustment on Class B LP units	160	21	(149)	231
Amortization of lease incentives	787	858	3,113	3,292
Fair value adjustment on derivative financial instruments	(1,971)	3,297	(14,216)	3,246
Leasing payroll expenses ⁽⁶⁾	682	208	1,243	784
Distributions - Class B LP units	26	30	104	108
Unit-based compensation (Unit price remeasurement) ⁽⁵⁾	198	23	(182)	189
FFO⁽¹⁾	9,432	8,085	36,268	29,847
Non-recurring item				
Transaction costs on disposition of investment properties and mortgage early repayment fees	627	109	1,611	297
Recurring FFO⁽¹⁾	10,059	8,194	37,879	30,144
FFO per unit⁽¹⁾⁽²⁾⁽³⁾	11.0¢	10.9¢	43.5¢	41.7¢
Recurring FFO per unit⁽¹⁾⁽²⁾⁽⁴⁾	11.8¢	11.0¢	45.4¢	42.1¢
FFO payout ratio⁽¹⁾	67.9%	68.9%	69.0%	71.9%
Recurring FFO payout ratio⁽¹⁾	63.6%	68.0%	66.1%	71.2%

(1) This is a non-IFRS financial measure, refer to page 45.

(2) Including Class B LP units.

(3) The FFO per unit ratio is calculated by dividing the FFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(4) The recurring FFO per unit ratio is calculated by dividing the recurring FFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the recurring FFO⁽¹⁾ and AFFO⁽¹⁾ 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, recurring FFO⁽¹⁾ was 11.8¢ per unit, compared to 11.0¢ per unit for the same quarter last year. The increase for the quarter is explained by: (i) the improvement of in-place occupancy rates across all business segments; (ii) the increase in average lease renewal rates by 8.0%; and (iii) the effect of accretive acquisitions concluded since the fourth quarter of last year.

For the year 2022, the recurring FFO⁽¹⁾ was 45.4¢ per unit, compared to 42.1¢ per unit for the year 2021. Moreover, excluding the retrospective \$1.4 million additional recovery recognized during the second quarter in 2021, the recurring FFO⁽¹⁾ would have increased by 5.2¢ or 13.0% per unit as compared to the same period in 2021.

The recurring FFO payout ratio⁽¹⁾ for the quarter stood at 63.6%, compared to 68.0% for the same quarter in 2021. For the year 2022, the recurring FFO payout ratio⁽¹⁾ stood at 66.1%, compared to 71.2% for the year 2021.

Adjusted Funds from Operations (AFFO)⁽¹⁾

The following table provides a reconciliation of FFO⁽¹⁾ and AFFO⁽¹⁾ for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
FFO⁽¹⁾	9,432	8,085	36,268	29,847
Straight-line rental revenue adjustment	(1,077)	(758)	(1,822)	(1,334)
Accretion of effective interest	336	275	1,127	1,301
Amortization of other property and equipment	31	22	122	87
Unit-based compensation expenses	206	143	721	877
Provision for non-recoverable capital expenditures ⁽²⁾	(630)	(539)	(2,390)	(2,007)
Provision for unrecovered rental fees ⁽²⁾	(375)	(375)	(1,500)	(1,500)
AFFO⁽¹⁾	7,923	6,853	32,526	27,271
Transaction costs on disposition of investment properties and mortgage early repayment fees	627	109	1,611	297
Recurring AFFO⁽¹⁾	8,550	6,962	34,137	27,568
AFFO per unit⁽¹⁾⁽²⁾⁽³⁾	9.3¢	9.2¢	39.0¢	38.1¢
Recurring AFFO per unit⁽¹⁾⁽²⁾⁽⁴⁾	10.0¢	9.4¢	40.9¢	38.5¢
AFFO payout ratio⁽¹⁾	80.8%	81.3%	77.0%	78.7%
Recurring AFFO payout ratio⁽¹⁾	74.9%	80.0%	73.3%	77.9%

(1) This is a non-IFRS financial measure, refer to page 45.

(2) Including Class B LP units.

(3) The AFFO per unit ratio is calculated by dividing the AFFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(4) The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

For the quarter, recurring AFFO⁽¹⁾ was 10.0¢ per unit, compared to 9.4¢ per unit for the same quarter last year.

For the year 2022, recurring AFFO⁽¹⁾ was 40.9¢ per unit, compared to 38.5¢ per unit for the year 2021. Moreover, excluding the retrospective \$1.4 million additional recovery recognized during the second quarter in 2021, the recurring AFFO⁽¹⁾ would have increased by 4.3¢ or 11.9% per unit as compared to the same period in 2021.

The recurring AFFO payout ratio⁽¹⁾ for the quarter stood at 74.9% compared to 80.0% for the same quarter last year. For the year 2022, the recurring AFFO payout ratio⁽¹⁾ stood at 73.3% compared to 77.9% for the year 2021.

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

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

(1) This is a non-IFRS financial measure, refer to page 45.

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

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

Years ended December 31 (in thousands of dollars)	2022 (12 months)	2021 (12 months)	2020 (12 months)
	\$	\$	\$
Provision for non-recoverable capital expenditures ⁽¹⁾	2,390	2,007	1,859
Non-recoverable capital expenditures	1,735	1,297	2,055

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

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

Cash Flows

The following table shows the Trust net distributions to unitholders compared to net cash flows from operating activities less interest paid for the years 2022, 2021 and 2020:

Years ended December 31 (in thousands of dollars)	2022 (12 months)	2021 (12 months)	2020 (12 months)
	\$	\$	\$
Net cash flows from operating activities	66,240	56,538	46,145
Interest paid	(27,925)	(21,755)	(21,787)
Net cash flows from operating activities less interest paid	38,315	34,783	24,358
Net distributions to unitholders	21,573	18,171	21,513
Surplus of net cash flows from operating activities less interest paid compared to net distributions to unitholders	16,742	16,612	2,845

The following table summarizes the reconciliation of net cash from operating activities presented in the financial statements, AFFO⁽¹⁾ and FFO⁽¹⁾ for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash flows from operating activities	18,961	25,137	66,240	56,538
Leasing payroll expenses	682	208	1,243	784
Transaction costs on purchase and disposition of investment properties and early repayment fees	(627)	(109)	(1,611)	(297)
Adjustments for changes in other working capital items	(2,523)	(11,604)	(1,293)	(3,934)
Financial income	225	158	624	739
Interest expenses	(7,706)	(5,940)	(28,450)	(22,693)
Provision for non-recoverable capital expenditures ⁽²⁾	(630)	(539)	(2,390)	(2,007)
Provision for non-recovered rental fees ⁽²⁾	(375)	(375)	(1,500)	(1,500)
Accretion of non-derivative liability component of convertible debentures	(84)	(84)	(337)	(360)
AFFO⁽¹⁾	7,923	6,853	32,526	27,271
Provision for non-recoverable capital expenditures ⁽²⁾	630	539	2,390	2,007
Provision for non-recovered rental fees ⁽²⁾	375	375	1,500	1,500
Straight-line rental revenue adjustment	1,077	758	1,822	1,334
Unit-based compensation expenses	(206)	(143)	(721)	(877)
Accretion of effective interest	(336)	(275)	(1,127)	(1,301)
Amortization of property and equipment	(31)	(22)	(122)	(87)
FFO⁽¹⁾	9,432	8,085	36,268	29,847

(1) This is a non-IFRS financial measure, refer to page 45.

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

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, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars)	Industrial		Off-downtown core office		Necessity-based retail		Total
	\$	%	\$	%	\$	%	\$
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

Quarter ended December 31, 2021							
Investment properties	283,568	25.5	575,216	51.8	252,187	22.7	1,110,971
Rental revenue from properties	3,246	12.1	15,900	59.4	7,643	28.5	26,789
Net operating income (NOI)	2,077	14.1	8,109	54.8	4,590	31.1	14,776

Periods ended December 31 (in thousands of dollars)	Industrial		Off downtown core office		Necessity-based retail		Total
	\$	%	\$	%	\$	%	\$

Year ended December 31, 2022							
Rental revenue from properties	22,910	19.2	68,794	57.5	27,791	23.3	119,495
Net operating income (NOI)	17,565	24.9	36,863	52.4	16,002	22.7	70,430

Year ended December 31, 2021							
Rental revenue from properties	13,672	13.6	58,034	57.9	28,637	28.5	100,343
Net operating income (NOI)	9,235	16.4	30,244	53.7	16,857	29.9	56,336

Industrial performance

The industrial segment continues to show good performance. The proportional fair value of industrial properties increased from 25.5% to 29.6% compared to the same period last year, due to the net acquisitions of industrial properties for \$31.5 million concluded since the same period in 2021 and the increase of \$30.2 million in fair value adjustment for the operating segment. The acquired properties are all fully occupied and have a positive impact on the occupancy rate, which stood at 100.0% at the end of the quarter, a 3.0% increase compared to the same period last year. For the year 2022, the proportional rental revenue from industrial properties increased by 5.6% compared to the same period last year, which is explained by a combination of the 9.9% increase in average renewal rate for the year and by the higher occupancy rate.

Off-downtown core office performance

The performance of the segment has been stable across the year, and it has been supported by the quality of its tenants. For the year 2022, the Trust concluded lease renewals for a total of 306,567 square feet with an increase in the average renewal rate of 14.1%. The percentage of net operating income (NOI) generated by the off-downtown core office segment was positively affected by the acquisitions of the two Alfred Nobel properties in Montréal and the two Bank Street properties in Ottawa. These acquisitions were accretive from a NOI standpoint, resulting in an increase compared to the same period last year from \$30.2 million to \$36.9 million. For the year 2022, the proportion of the net operating income (NOI) generated by the off-downtown core office segment decreased from 53.7% to 52.4% compared to the same period last year.

Necessity-based retail performance

The necessity-based retail segment continues to show good performance for the year as most of the properties are anchored or leased by necessity-based tenants. The occupancy rate in the necessity-based retail segment at the end of the year 2022 stood at 98.2%, an increase of 3.1% compared to the same period last year. The Trust was able to obtain 8.3% of increase in the average renewal rate for the year 2022. The proportion of the net operating income (NOI) generated by the necessity-based retail segment decreased from 29.9% to 22.7% 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 and off-downtown core office segments which increased the proportion of net operating income (NOI) of their respective segments.

Assets

Investment properties

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

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

The following table summarizes the changes in the fair value of investment properties for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Balance, beginning of period	1,179,869	923,638	1,110,971	903,870
Additions:				
Acquisitions	33	170,130	96,155	185,864
Dispositions	(10,502)	(4,450)	(42,679)	(4,450)
Capital expenditures	667	1,436	3,370	3,672
Leasing fees and capitalized lease incentives	2,305	746	6,551	4,402
Fair value adjustment on investment properties	(7,780)	19,571	(8,199)	19,571
Other non-monetary changes ⁽¹⁾	289	(100)	(1,288)	(1,958)
Balance, end of period	1,164,881	1,110,971	1,164,881	1,110,971

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

The fair value of its investment properties stood at \$1,165 million as at December 31, 2022, compared to \$1,111 million as at December 31, 2021. The increase of \$54.3 million is explained by: i) the previously mentioned acquisitions and dispositions for which the net impact increased the portfolio of investment properties by \$53.5 million (acquisitions of investment properties, including capitalized transactions cost, of \$96.2 million netted by dispositions of investment properties, excluding disposition costs, of \$42.7 million); (ii) additions of capital expenditures of \$3.4 million; (iii) the net impact of leasing fees and capitalized lease incentives of \$6.6 million; (iv) loss on other non-monetary changes of \$1.3 million; and (v) the loss on net changes in fair value of investment properties of \$8.2 million.

Improvements in investment properties

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

The following table summarizes capital expenditures, incentives, and leasing fees, for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Recoverable capital expenditures	350	1,357	1,635	2,375
Non-recoverable capital expenditures	317	79	1,735	1,297
Total capital expenditures	667	1,436	3,370	3,672
Leasing fees and leasehold improvements	2,305	746	6,551	4,402
Total	2,972	2,182	9,921	8,074

Receivables

The following table summarizes receivables for the periods ended December 31, 2022, and December 31, 2021:

(in thousands of dollars)	December 31, 2022	December 31, 2021
	\$	\$
Rent receivable	3,431	4,497
Allowance for expected credit losses	(1,011)	(944)
Net rent receivable	2,420	3,553
Unbilled recoveries	1,142	1,388
Other receivables	1,254	587
Receivables	4,816	5,528

Receivables reduced from \$5.5 million as at December 31, 2021, to \$4.8 million as at December 31, 2022. The reduction is mainly caused by a decrease of rent receivables impacted by the increase in efficiency with regards to collection.

Prepaid expenses, Deposits and Property and equipment

The following table summarizes the prepaid expenses, deposits and property and equipment for the periods ended December 31, 2022, and December 31, 2021:

(in thousands of dollars)	December 31, 2022	December 31, 2021
	\$	\$
Property and equipment	1,436	1,438
Accumulated depreciation	(1,114)	(992)
Net property and equipment	322	446
Prepaid expenses	1,234	1,811
Deposits	1,929	936
Other assets	3,485	3,193

Prepaid expenses, deposits and property and equipment increased from \$3.2 million as at December 31, 2021, to \$3.5 million as at December 31, 2022, which is explained by the increase in deposits related to future potential acquisitions (refer to the subsequent events section of this MD&A for more information).

Capital Resources

Long-term debt

The following table summarizes the balance of BTB's indebtedness on December 31, 2022, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

As at December 31, 2022 (in thousands of dollars)	Balance of convertible debentures ⁽¹⁾	Balance of mortgages payable ⁽¹⁾	Weighted average contractual interest rate
	\$	\$	%
Year of maturity			
2023	-	68,253	5.69
2024	24,000	109,991	4.52
2025	20,280	58,789	4.30
2026	-	118,913	3.32
2027	-	117,770	4.85
2028 and thereafter	-	164,725	3.62
Total	44,280	638,441	4.24

(1) Gross amounts.

The Trust has \$68.3 million of mortgages coming to maturity during the next year and is in process of refinancing. Historically, the Trust has always been able to refinance its existing mortgages and there is no indication that this would change.

Weighted average contractual interest rate

As at 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 6.46% for convertible debentures), representing an increase of 54 basis points compared to the same period last year. As at December 31, 2021, the weighted average contractual interest rate of the Trust's long-term debt stood at 3.70% (3.49% for mortgage loans and 6.48% for convertible debentures).

Mortgage loans

As at December 31, 2022, the Trust's total mortgage loans (excluding unamortized fair value adjustments and unamortized financing expenses) amounted to \$638.4 million compared to \$607.0 million as at December 31, 2021. The net increase of \$31.4 million includes \$59.8 million that relates to previously mentioned acquisitions where the Trust contracted or assumed mortgages and \$2.6 million on refinanced mortgages, reduced by \$10.8 million for mortgage reimbursement on previously mentioned dispositions and \$20.2 million of monthly principal repayments.

The following table summarizes the changes in mortgage loans payable for the periods ended December 31, 2022:

Period ended December 31, 2022 (in thousands of dollars)	Quarter	Year
	\$	\$
Balance at beginning⁽¹⁾	631,808	607,038
Mortgage loans contracted or assumed ⁽²⁾	35,456	88,422
Balance repaid at maturity or upon disposition ⁽³⁾	(23,750)	(36,809)
Monthly principal repayments ⁽⁴⁾	(5,073)	(20,210)
Balance as at December 31, 2022⁽¹⁾	638,441	638,441

(1) Before unamortized financing expenses and fair value assumption adjustments.

(2) This is a non-IFRS measure. Mortgage loans contracted or assumed are included in the Condensed Consolidated Interim Statements of Cash Flows within the *Mortgage loans, net of financing expenses*.

(3) This is a non-IFRS measure. Balance repaid at maturity or upon disposition are included in the Condensed Consolidated Interim Statements of Cash Flows within the following: *Repayment of mortgage loans and Net proceeds from disposition of investment properties*.

(4) This is a non-IFRS measure. Principal monthly repayments are included in the Condensed Consolidated Interim Statements of Cash Flows within *Repayment of mortgage loans*.

As at December 31, 2022, the weighted average mortgage interest rate was 4.09% compared to 3.49% for the same period last year, an increase of 60 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 357 basis points to 6.38% (2.81% as at December 31, 2021). In comparison, the weighted average for fixed interest rate increased by 12 basis point to 3.73% (3.61% as at December 31, 2021).

As at December 31, 2022, the majority of the Trust's mortgages payable bear interest at fixed rates (cumulative principal amount of \$552.3 million) or are subject to floating-to-fixed interest rate swaps (cumulative principal amount of \$52.0 million). However, the Trust has three loans that bear interest at floating rates (cumulative principal balance of \$34.1 million).

The weighted average term of existing mortgage loans was 4.0 years as at December 31, 2022, compared to 4.7 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, 2022 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	\$	\$	\$	
Maturity				
2023	18,507	67,587	86,094	13.5
2024	15,961	103,795	119,756	18.8
2025	13,626	52,853	66,479	10.4
2026	11,278	105,191	116,469	18.2
2027	7,472	108,932	116,404	18.2
2028 and thereafter	15,110	118,129	133,239	20.9
Total	81,954	556,487	638,441	100.0
Unamortized fair value assumption adjustments			564	
Unamortized financing expenses			(2,894)	
Balance as at December 31, 2022			636,111	

As at December 31, 2022, 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 periods ended December 31, 2022:

(in thousands of dollars)	Series G ⁽¹⁾⁽³⁾	Series H ⁽²⁾⁽³⁾	Total
Par value	24,000	20,280 ⁽⁴⁾	44,280
Contractual interest rate	6.00%	7.00%	
Effective interest rate	7.30%	8.28%	
Date of issuance	October 2019	September 2020	
Per-unit conversion price	5.42	3.64	
Date of interest payment	April 30 and October 31	April 30 and October 31	
Maturity date	October 2024	October 2025	
Balance as at December 31, 2022	23,443	18,499	41,942

(1) Redeemable by the Trust, under certain conditions, as of October 31, 2022, but before October 31, 2023, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series G conversion price and, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their principal amount plus accrued and unpaid interest.

(2) Redeemable by the Trust, under certain conditions, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series H conversion price and, as of October 31, 2024, but before October 31, 2025, at a redemption price equal to their principal amount plus accrued and unpaid interest.

(3) The Trust may, at its option and under certain conditions, elect to satisfy its obligation to pay the principal amount of the Series G and H debentures by issuing tradable units freely to Series G and H debenture holders.

(4) Conversion of \$9,720 of the Series H debenture since issuance. No conversion during the quarter and \$1,863 for the year 2022.

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, 2022, and December 31, 2021:

(in thousands of dollars)	December 31, 2022	December 31, 2021
	\$	\$
Cash and cash equivalents	(2,404)	(7,191)
Mortgage loans outstanding ⁽¹⁾	638,441	607,038
Convertible debentures ⁽¹⁾	43,170	44,564
Credit facilities	9,897	35,468
Total long-term debt less cash and cash equivalents⁽²⁾⁽³⁾	689,104	679,879
Total gross value of the assets of the Trust less cash and cash equivalents⁽²⁾⁽⁴⁾	1,178,049	1,124,690
Mortgage debt ratio (excluding convertible debentures and credit facilities) ⁽²⁾⁽⁵⁾	54.2%	54.0%
Debt ratio – convertible debentures ⁽²⁾⁽⁶⁾	3.7%	4.0%
Debt ratio – credit facilities ⁽²⁾⁽⁷⁾	0.8%	3.2%
Total debt ratio⁽²⁾	58.5%	60.5%

(1) Before unamortized financing expenses and fair value assumption adjustments.

(2) This is a non-IFRS financial measure, refer to page 45.

(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, 2022, the mortgage debt ratio⁽¹⁾ excluding the convertible debentures and credit facilities totalled 54.2%, an increase of 0.2% since December 31, 2021. As of December 31, 2022, the total debt ratio⁽²⁾, including the convertible debentures and credit facilities, net of cash and cash equivalents, decreased to 58.5%, a decrease of 2.0% since December 31, 2021. The decrease is driven by a partial repayment of the revolving credit facility in December 2022 with the funds received from the sale of two properties in the last quarter of the year.

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

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

(2) This is a non-IFRS financial measure, refer to page 45.

Interest coverage ratio

The following table summarizes the interest coverage ratio for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars, except for the ratios)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Adjusted EBITDA ⁽¹⁾	16,347	13,435	64,409	51,999
Interest expenses net of financial income ⁽²⁾	7,481	5,782	27,826	21,954
Interest coverage ratio ⁽³⁾	2.19	2.32	2.31	2.37

(1) This is a non-IFRS financial measure, refer to page 45.

(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, 2022, the interest coverage ratio stood at 2.31, a decrease of 6 basis points from the same period last year.

Debt service coverage ratio

The following table summarizes the debt service coverage ratio for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in thousands of dollars, except for the ratios)	Quarter		Year	
	2022	2021	2022	2021
	\$	\$	\$	\$
Adjusted EBITDA ⁽¹⁾	16,347	13,435	64,409	51,999
Interest expenses net of financial income ⁽²⁾	7,481	5,782	27,826	21,954
Principal repayments	5,073	3,984	20,210	12,270
Debt service requirements	12,554	9,766	48,036	34,224
Debt service coverage ratio ⁽³⁾	1.30	1.38	1.34	1.52

(1) This is a non-IFRS financial measure, refer to page 45.

(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.

Class B LP units

The following table summarizes the Class B LP units for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Period ended December 31, 2022 (in number of units)	Quarter		Year	
	Units	\$	Units	\$
Class B LP units outstanding, beginning of period	347,265	1,108	347,265	1,417
Fair value adjustment	-	160	-	(149)
Class B LP units outstanding, end of period	347,265	1,268	347,265	1,268

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

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

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, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in number of units)	Quarter		Year	
	2022	2021	2022	2021
Units outstanding, beginning of the period	84,985,440	73,797,811	74,126,971	63,439,435
Units issued pursuant to a public issue	-	-	9,584,100	7,809,650
Distribution reinvestment plan	252,839	195,100	872,983	752,280
Issued - employee unit purchase plan	-	-	11,915	14,351
Issued - restricted unit compensation plan	-	-	130,506	71,722
Issued - deferred unit compensation plan	-	-	-	-
Class B LP units exchanged into Trust units	-	-	-	50,000
Issued - conversion of convertible debentures	-	134,060	511,804	1,989,533
Units outstanding, end of the period	85,238,279	74,126,971	85,238,279	74,126,971
Weighted average number of units outstanding	84,900,129	73,664,818	82,402,375	70,242,615
Weighted average number of Class B LP units and units outstanding	85,247,394	74,012,083	82,749,640	70,600,991

On November 7, 2022, the Toronto Stock Exchange (the "TSX") approved the normal course issuer bid ("NCIB") program authorized by the Trust's Board of Trustees to repurchase for cancellation up to 5,838,023 units, from November 10, 2022 to November 9, 2023, representing approximately 7% of the Trust's outstanding units and of its public float. As of December 31, 2022, no units have been repurchased for cancellation under the NCIB.

Deferred unit compensation plan

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

The following table summarizes deferred units outstanding for the periods ended December 31, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in number of units)	Quarter		Year	
	2022	2021	2022	2021
Deferred units outstanding, beginning of the period	117,001	99,248	103,116	87,920
Trustees' compensation	2,377	2,162	9,558	8,484
Distributions paid in units	2,349	1,706	9,053	6,712
Deferred units outstanding, end of the period	121,727	103,116	121,727	103,116

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, 2022, and December 31, 2021, as well as the years ended 2022 and 2021:

Periods ended December 31 (in number of units)	Quarter		Year	
	2022	2021	2022	2021
Restricted units outstanding, beginning of the period	138,583	161,536	161,536	139,724
Granted	-	-	93,576	95,058
Cancelled	-	-	-	(1,524)
Settled	-	-	(116,529)	(71,722)
Restricted units outstanding, end of the period	138,583	161,536	138,583	161,536

Employee unit purchase plan

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

Off-balance sheet arrangements and contractual commitments

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

Income Taxes

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

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

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

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

As at December 31, 2022, BTB met all these conditions and qualified as a REIT. As a result, the SIFT trust tax rules don't apply to BTB. BTB's management intends to take the necessary steps to meet the conditions for the REIT Exception on an ongoing basis in the future.

Nonetheless, there is no guarantee that BTB will continue to meet all the required conditions to be eligible for the REIT exception for 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	2022	2021
	%	%
Taxable as other income	-	-
Tax deferred	100	100
Total	100	100

Accounting Policies and Estimates

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

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

Inflation and Interest Rates

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

Risks and Uncertainties

Numerous risks and uncertainties could cause BTB's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the "Risk Factors" section of BTB's 2022 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 Vice-President and Chief Financial Officer of BTB are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in Canadian Securities Administrators Multilateral Instrument 52-109.

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

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Vice President and Chief Financial Officer of BTB concluded that ICFR was effective as at December 31, 2022, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During the fourth quarter of 2022, management made no changes to internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.

APPENDIX 1 – Definitions

Class B LP Units

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

Rental revenue

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

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

Operating expenses

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

Net operating income (NOI)

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

Financial expenses

Financial expenses arise from the following loans and financing:

- Mortgage loans payable contracted or assumed totalling approximately \$638.4 million as at December 31, 2022, compared to \$495.8 as December 31, 2021.
- Series G and H convertible debentures for a total par value of \$44.3 million.
- Credit facilities used as needed.
- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Administration expenses

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

Fair value adjustment on investment properties

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

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

Management receives quarterly capitalization rate and discount rate data from external chartered valuers 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 valuers. To the extent that the externally provided capitalization rate ranges change from one reporting quarter to the next or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

Same-property portfolio

The same-property portfolio includes all the properties owned by the Trust as at January 1, 2021 and still owned as at December 31, 2022, but does not include the financial impacts from dispositions, acquisitions and developments completed in 2021 and 2022, 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 – Annual Reconciliations

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 years ended December 31, 2022, 2021 and 2020:

Years ended December 31 (in thousands of dollars, except for per unit)	2022	2021	2020
	\$	\$	\$
Net income and comprehensive income (IFRS)	38,154	41,568	2,919
Fair value adjustment on investment properties	8,201	(19,571)	8,375
Fair value adjustment on Class B LP units	(149)	231	(778)
Amortization of lease incentives	3,113	3,292	3,068
Fair value adjustment on derivative financial instruments	(14,216)	3,246	7,642
Leasing payroll expenses ⁽⁶⁾	1,243	784	616
Distributions – Class B LP units	104	108	157
Unit-based compensation (Unit price remeasurement) ⁽⁵⁾	(182)	189	-
FFO⁽¹⁾	36,268	29,847	21,999
Non-recurring item			
Transaction costs on disposition of investment properties and mortgage early repayment fees	1,611	297	2,230
Recurring FFO⁽¹⁾	37,879	30,144	24,229
FFO per unit⁽¹⁾⁽²⁾⁽³⁾	43.5¢	41.7¢	34.8¢
Recurring FFO per unit⁽¹⁾⁽²⁾⁽⁴⁾	45.4¢	42.1¢	38.3¢
FFO payout ratio⁽¹⁾	69.0%	71.9%	97.7%
Recurring FFO payout ratio⁽¹⁾	66.1%	71.2%	88.7%

(1) This is a non-IFRS financial measure, refer to page 45.

(2) Including Class B LP units.

(3) The FFO per unit ratio is calculated by dividing the FFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(4) The recurring FFO per unit ratio is calculated by dividing the recurring FFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the recurring FFO⁽¹⁾ and AFFO⁽¹⁾ starting Q2 2021. As a reference, the cumulative impact for the 12 months cumulative period in 2020 was positive \$373 or 0.1¢ per unit.

(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 45.

Adjusted Funds from Operations (AFFO)⁽¹⁾

The following table provides a reconciliation of FFO⁽¹⁾ and AFFO⁽¹⁾ for the years ended December 31, 2022, 2021 and 2020:

Years ended December 31 (in thousands of dollars except for per unit)	Year		
	2022	2021	2020
	\$	\$	\$
FFO⁽¹⁾	36,268	29,847	21,999
Straight-line rental revenue adjustment	(1,822)	(1,334)	(249)
Accretion of effective interest	1,127	1,301	1,244
Amortization of other property and equipment	122	87	100
Unit-based compensation expenses	721	877	181
Provision for non-recoverable capital expenditures ⁽¹⁾	(2,390)	(2,007)	(1,859)
Provision for unrecovered rental fees ⁽¹⁾	(1,500)	(1,500)	(1,500)
AFFO⁽¹⁾	32,526	27,271	19,916
Non-recurring item			
Transaction costs on disposition of investment properties and mortgage early repayment fees	1,611	297	2,230
Recurring AFFO⁽¹⁾	34,137	27,568	22,146
AFFO per unit⁽¹⁾⁽²⁾⁽³⁾	39.0¢	38.1¢	31.5¢
Recurring AFFO per unit⁽¹⁾⁽²⁾⁽⁴⁾	40.9¢	38.5¢	35.0¢
AFFO payout ratio ⁽¹⁾	77.0%	78.7%	108.0%
Recurring AFFO payout ratio ⁽¹⁾	73.3%	77.9%	97.1%

(1) This is a non-IFRS financial measure, refer to page 45.

(2) Including Class B LP units.

(3) The AFFO per unit ratio is calculated by dividing the AFFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(4) The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

Cash Flows

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

Years ended December 31 (in thousands of dollars)	Year		
	2022	2021	2020
	\$	\$	\$
Cash flows from operating activities	66,240	56,538	46,145
Leasing payroll expenses	1,243	784	616
Transaction costs on disposition of investment properties and mortgage early repayment fees	(1,611)	(297)	(2,230)
Adjustments for changes in other working capital items	(1,293)	(3,934)	1,465
Financial income	624	739	564
Interest expenses	(28,450)	(22,693)	(23,467)
Provision for non-recoverable capital expenditures ⁽²⁾	(2,390)	(2,007)	(1,859)
Provision for non-recovered rental fees ⁽²⁾	(1,500)	(1,500)	(1,500)
Accretion of non-derivative liability component of convertible debentures	(337)	(360)	(263)
AFFO⁽¹⁾	32,526	27,270	19,471
Provision for non-recoverable capital expenditures ⁽²⁾	2,390	2,007	1,859
Provision for non-recovered rental fees ⁽²⁾	1,500	1,500	1,500
Straight-line rental revenue adjustment	1,822	1,334	249
Unit-based compensation expenses	(721)	(877)	(181)
Accretion of effective interest	(1,127)	(1,301)	(1,244)
Amortization of property and equipment	(122)	(87)	(100)
FFO⁽¹⁾	36,268	29,846	21,554

(1) This is a non-IFRS financial measure, refer to page 45.

(2) Refer to AFFO section for detailed explanations.

APPENDIX 3 – Non-IFRS Financial Measures – Quarterly Reconciliation

Funds from Operations (FFO)⁽¹⁾

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

	2022	2022	2022	2022	2021	2021	2021	2021
	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
(in thousands of dollars, except for per unit)	\$	\$	\$	\$	\$	\$	\$	\$
Net income and comprehensive income (IFRS)	1,769	11,693	18,243	6,449	23,219	8,678	7,161	2,510
Fair value adjustment on investment properties	7,781	1,230	197	(1,007)	(19,571)	-	-	-
Fair value adjustment on Class B LP units	160	(142)	(233)	66	21	(18)	(52)	280
Amortization of lease incentives	787	773	818	735	858	780	777	877
Fair value adjustment on derivative financial instruments	(1,971)	(3,898)	(9,344)	997	3,297	(2,598)	733	1,814
Leasing payroll expenses ⁽⁶⁾	682	182	158	221	208	173	184	219
Distributions – Class B LP units	26	26	26	26	30	22	26	30
Unit-based compensation (Unit price remeasurement) ⁽⁵⁾	198	(172)	(285)	77	23	(19)	185	-
FFO⁽¹⁾	9,432	9,692	9,580	7,564	8,085	7,018	9,014	5,730
Non-recurring item								
Transaction costs on disposition of investment properties and mortgage early repayment fees	627	93	138	753	109	-	188	-
Recurring FFO⁽¹⁾	10,059	9,785	9,718	8,317	8,194	7,018	9,202	5,730
FFO per unit⁽¹⁾⁽²⁾⁽³⁾	11.0¢	11.4¢	11.3¢	9.7¢	10.9¢	9.5¢	12.3¢	8.9¢
Recurring FFO per unit⁽¹⁾⁽²⁾⁽⁴⁾	11.8¢	11.5¢	11.4¢	10.7¢	11.0¢	9.5¢	12.5¢	8.9¢
FFO payout ratio ⁽¹⁾	67.9%	65.9%	66.4%	77.2%	68.9%	79.0%	61.1%	84.0%
Recurring FFO payout ratio ⁽¹⁾	63.6%	65.2%	65.5%	70.2%	68.0%	79.0%	59.9%	84.0%

(1) This is a non-IFRS financial measure, refer to page 45.

(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 recurring FFO per unit ratio is calculated by dividing the recurring FFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the recurring FFO⁽¹⁾ and AFFO⁽¹⁾ 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.

Adjusted Funds from Operations (AFFO)⁽¹⁾

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

	2022	2022	2022	2022	2021	2021	2021	2021
	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
(in thousands of dollars, except for per unit)	\$	\$	\$	\$	\$	\$	\$	\$
FFO⁽¹⁾	9,432	9,692	9,580	7,564	8,085	7,018	9,014	5,730
Straight-line rental revenue adjustment	(1,077)	(521)	(74)	(150)	(758)	(88)	(91)	(397)
Accretion of effective interest	336	219	284	288	275	239	428	359
Amortization of other property and equipment	31	35	26	30	22	23	27	15
Unit-based compensation expenses	206	130	312	73	143	114	(24)	644
Provision for non-recoverable capital expenditures ⁽¹⁾	(630)	(599)	(580)	(581)	(539)	(478)	(519)	(471)
Provision for unrecovered rental fees ⁽¹⁾	(375)	(375)	(375)	(375)	(375)	(375)	(376)	(374)
AFFO⁽¹⁾	7,923	8,581	9,173	6,849	6,853	6,453	8,459	5,506
Non-recurring item								
Transaction costs on disposition of investment properties and mortgage early repayment fees	627	93	138	753	109	-	188	-
Recurring AFFO⁽¹⁾	8,550	8,674	9,311	7,602	6,962	6,453	8,647	5,506
AFFO per unit⁽¹⁾⁽²⁾⁽³⁾	9.3¢	10.1¢	10.8¢	8.8¢	9.2¢	8.7¢	11.5¢	8.6¢
Recurring AFFO per unit⁽¹⁾⁽²⁾⁽⁴⁾	10.0¢	10.2¢	11.0¢	9.7¢	9.4¢	8.7¢	11.8¢	8.6¢
AFFO payout ratio ⁽¹⁾	80.8%	74.4%	69.4%	85.3%	81.3%	85.9%	65.1%	87.4%
Recurring AFFO payout ratio ⁽¹⁾	74.9%	73.6%	68.3%	76.8%	80.0%	85.9%	63.7%	87.4%

(1) This is a non-IFRS financial measure, refer to page 45.

(2) Including Class B LP units.

(3) The AFFO per unit ratio is calculated by dividing the AFFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

(4) The recurring AFFO per unit ratio is calculated by dividing the recurring AFFO⁽¹⁾ by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).

