Building on an Industrious Strategy

First Quarterly Report 2023

BTB

2204 Walkley Street, Ottawa, ON

Our Mission

To provide environments that meet our clients' needs and contribute to realizing their potential.

Table of contents

A Word from our President and CEO, Michel Léonard

The industrial acquisitions of 2022 and the beginning of the year have contributed to the results we are disclosing today, confirming that our strategic repositioning is convincing. For example, our ownership of industrial properties resulted in a 13.2% increase in rental income and a 17.1% increase in net operating income. In addition, it is important to note that the payout ratio for recurring FFO is 64.1% and that for recurring AFFO is 72.4%, a decrease of 6.1% and 4.4% respectively compared to the first quarter of 2022.

The leasing department: epicenter of our success

Once again, the first quarter of 2023 shows sustained rental activity. Indeed, our occupancy rate remained stable at 93.2% while the average rent renewal rate increased by nearly 14%. These results reflect the sustained efforts of our entire leasing department, which successfully concluded lease renewal agreements for 58,375 square feet and new leases representing 67,200 square feet. We are pleased to welcome Giant Tiger who will occupy 24,704 square feet at our Gatineau, Québec property, as we also welcome many more clients. Finally, it is crucial to mention that 90% of our rental activity took place in the off-downtown core office segment, demonstrating the resilience of these properties.

As always, we make it a point of honor to find the best working environments for our clients while ensuring the sustainability of our revenues.

An overview of the results for the first quarter of 2023

As at March 31, 2023, our net and comprehensive income totaled $8.8 million, compared to $6.4 million for the same period in 2022, representing an increase of 37.5%. One of the reasons for this great improvement comes from the accretive acquisitions made during 2022.

Although we adjusted the value of our properties in the fourth quarter of 2022, our debt-to-equity ratio remains stable. BTB ended the quarter with a mortgage debt ratio of 53.6%, down 0.6% from December 31, 2022. Our intention to keep this ratio below 60% continues.

The total value of our assets is $1.2 billion for a total leasable area of 6.0 million square feet. We are proud to present such results today, guaranteeing success for the rest of the year.

Positive prospects for the future

We continue to pivot into the industrial property segment. Since 2020, we have nearly doubled our percentage of industrial asset holdings from 18% to 32% across our portfolio. Our latest investment in Québec is further proof of our well-founded direction. The acquisition of a 177,000 square foot industrial factory also anchors BTB's commitment to a more sustainable future given the activities carried out by our client within this property (production of batteries for electric buses and trucks) and its quality of construction, developed to be a reference in environmental sustainability (materials promoting energy recovery).

With this in mind, we will publish our first ESG report by the end of the year. Management continues to give the pulse on these critical issues, and our operational teams are busy gathering the necessary data. Our Board of Trustees is following a training program dedicated to deepening their knowledge of ESG criteria.

Great achievements await BTB in 2023 and our teams are working tirelessly to satisfy our investors, clients, employees and trustees, as has been the case in recent years.

Once again, I want to thank you all for your continued trust.

Our History

Over time, BTB has been able to evolve and seize the right opportunities. This year's strategic vision focuses on industrial assets. Here is an overview of our past achievements:

2005-2006
-
On September 8, 2005, Michel Léonard, accompanied by Jocelyn Proteau, founds a capital pool corporation called Capital ABTB. In 2006, the name is modified to BTB and is officially listed on the Toronto Venture Exchange under BTB.P. The company acquires its first property at 2900 Jacques-Bureau Street in Laval, Québec.

2006-2008
-
Mainly located in Montréal and in secondary markets, 44 properties are acquired by a team of five people. These first two inception years also mark by the first wave of acquisitions in both Ontario and Québec.

2010
-
The acquisition of the public company *CAGIM Immobilier* based in Quebec City marks BTB's significant expansion to the city. A total of six properties representing 1.5 million square feet are acquired.

2011-2012
-
BTB is listed on the Toronto Stock Exchange. Throughout these two years, BTB acquires nine industrial properties in the provinces of Ontario and Québec.

2017-2019
-
BTB repositions its portfolio by selling its assets located in secondary and tertiary markets. In order to meet the company's growth needs, BTB acquires its first building in downtown Montréal for $35 million and makes this building its head office.

2021
-
BTB acquires 10 industrial assets located in Western Canada for $94M, marking its expansion into two Canadian provinces. This acquisition also allows BTB to exceed the threshold of $1 billion in total asset value.

2022
-
BTB strikes hard by announcing the evolution of its corporate identity and its new growth objectives for the next five years: to reach $2 billion in total assets with a portfolio composition of 60% industrial assets, 30% off-downtown core office properties and 10% necessity-based retail properties. Simultaneously, BTB acquires six new properties, four of which are industrial assets.

Highlights

$1.2B
Total assets

74
Properties

6.0M sq. ft.
Total leasable area

93.2%
Occupancy rate

Rental income

Q1 2023:
$32.9M
Q1 2022: $29.1M

Same-property NOI

Q1 2023:
$16.0M
Q1 2022: $16.0M

Recurring funds from operations (FFO) per unit(1)

Q1 2023:
11.7¢
Q1 2022: 10.7¢

Recurring adjusted funds from operations (AFFO) payout ratio(1)

Q1 2023:
72.4%
Q1 2022: 76.8%

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

The year 2023 has begun favorably and has set the trend for the coming months. With specific objectives in mind and well-deployed operational systems, our teams were able to act in service of our portfolio's performance and adapt to each situation.

The conclusion of the first quarter of 2023 confirms this continued hard work with solid and positive results. Compared to the corresponding period of 2022, we see a 17.1% increase in net operating income (NOI), a 13.2% improvement in rental income and a recurring AFFO payout ratio of 72.4%, for a difference of 4.4%.

We are proud to end the quarter with the following highlights. Our business strategy is proving its worth and we are continuing our efforts in this direction.

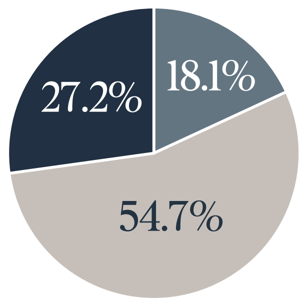
Asset Types

During the first quarter of 2023, we continued our expansion as we concluded the acquisition of an industrial property located in Mirabel (Québec), elevating our industrial exposure to 31.5%.

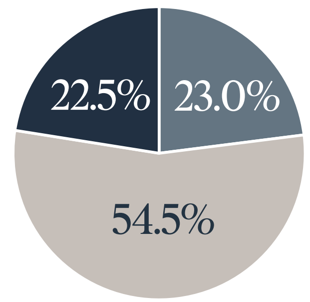
We closed the quarter with a total of 74 properties and 6.0 million square feet of leasable area across Canada in the regions of Montréal, Quebec City, Ottawa, Edmonton, and Saskatoon. On these pages you will find information about our asset breakdown by geographic location and by asset type.

We have also added a comparison to the same quarter of 2021 to better see the progress we've made in the past years towards our 2026 objective.

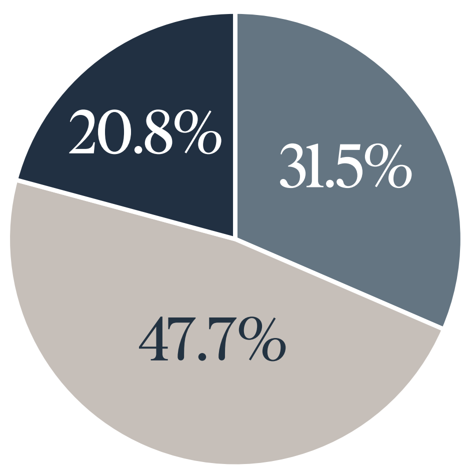
Q1 2021



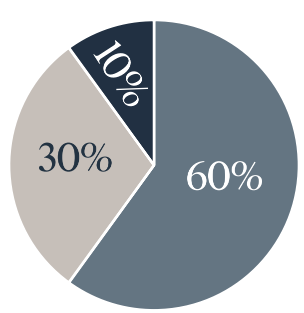
Q1 2022



Q1 2023



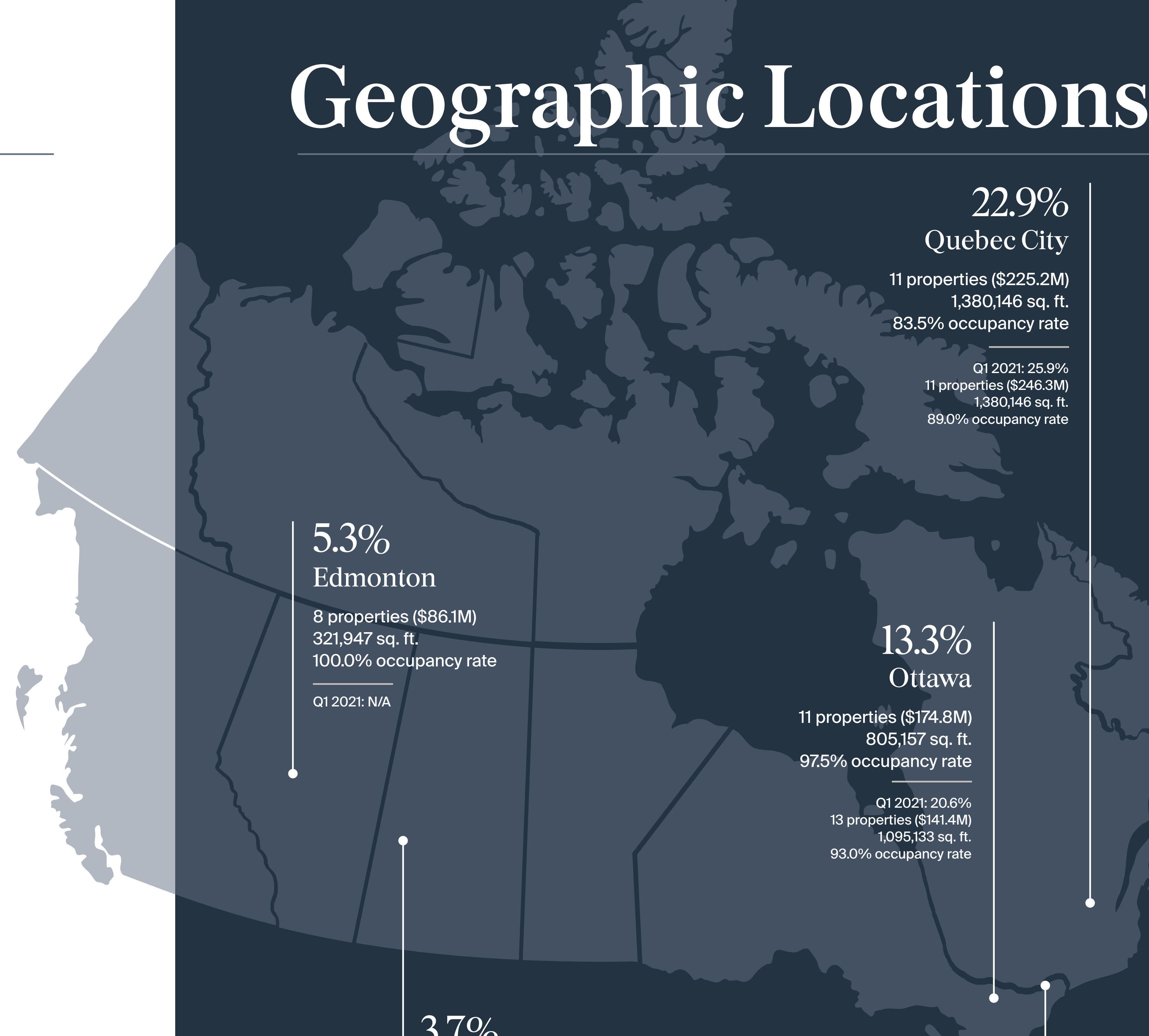
2026 Objective



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

Percentages are presented based on property value.

Geographic Locations



22.9%
Quebec City

11 properties ($225.2M)
1,380,146 sq. ft.
83.5% occupancy rate

Q1 2021: 25.9%
11 properties ($246.3M)
1,380,146 sq. ft.
89.0% occupancy rate

5.3%
Edmonton

8 properties ($86.1M)
321,947 sq. ft.
100.0% occupancy rate

Q1 2021: N/A

13.3%
Ottawa

11 properties ($174.8M)
805,157 sq. ft.
97.5% occupancy rate

Q1 2021: 20.6%
13 properties ($141.4M)
1,095,133 sq. ft.
93.0% occupancy rate

3.7%
Saskatoon

4 properties ($47.7M)
223,472 sq. ft.
100.0% occupancy rate

Q1 2021: N/A

54.8%
Montréal

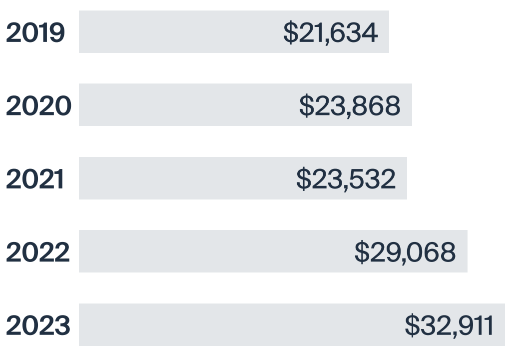
39 properties ($664.6M)
3,302,715 sq. ft.
95.0% occupancy rate

Q1 2021: 53.5%
40 properties ($517.3M)
2,848,396 sq. ft.
91.2% occupancy rate

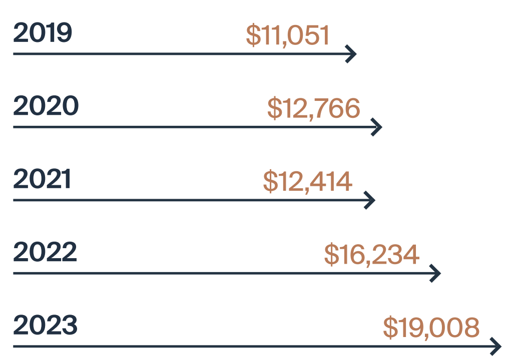
Percentages are presented based on total leasable area.

Key Metric Evolution*

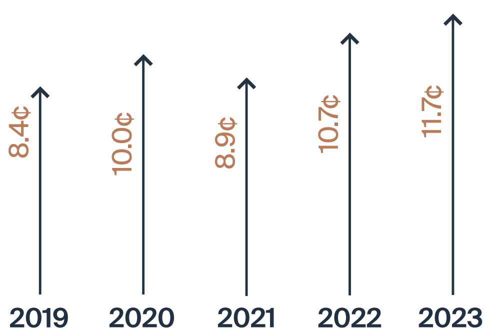
Rental revenue



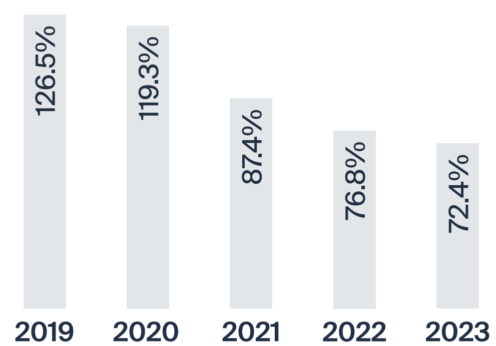
NOI



Recurring FFO per unit[1]

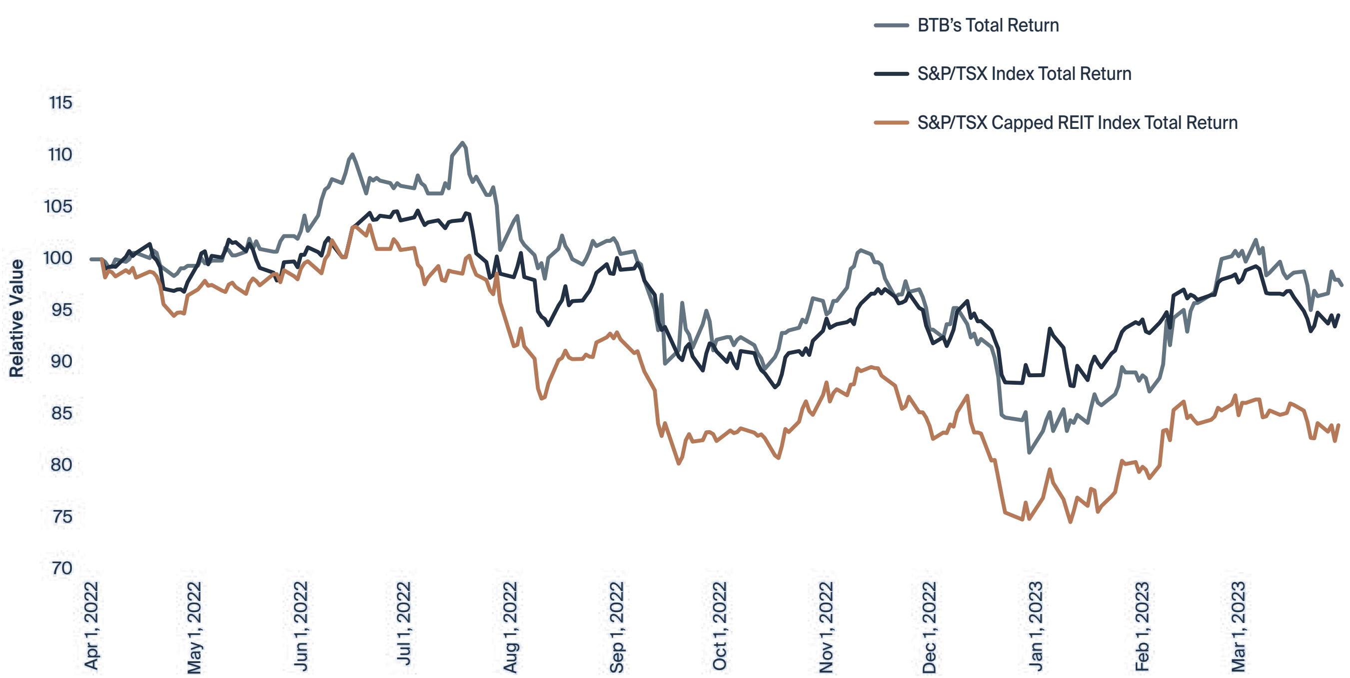


Recurring AFFO payout ratio[1]



*For the quarters ending on March 31, in thousands of dollars. (1) This is a non-IFRS financial measure, refer to page 35.

Performance on the markets



Approachable

Top 10 Clients

Québec
Canada
Walmart
WSP
Desjardins
Intrado
BBA
STRONGCO
GERMAIN LARIVIÈRE
SD satcom direct.

Above is a list of our top 10 clients based on revenue and leased area. They make up 22.2% of our total revenue and 21.8% of our total leased area, equalling 1,277,364 square feet.

ESG: Our Environmental Initiatives

In this year's quarterly reports, we will be exploring the three pillars of ESG, namely Environmental, Social and Governance initiatives. For this first quarter, we are focusing on the Environmental pillar, by spotlighting our most sustainable properties.

6655 Pierre-Bertrand Blvd, Quebec City, QC

BOMA BEST Silver Certification

This property is certified BOMA BEST Silver, meaning it abides by ecological standards for energy use, water consumption, air quality, waste management and more.

Energy Optimization with Hydro-Québec's Hilo program

This smart management service for remote energy offloading, which makes it possible to reduce the energy consumption of buildings, was implemented in this property in the fall of 2022.

Rooftop Beehive with Alvéole

BTB partners with Alvéole, the urban beekeeping company, to install beehives on the rooftops of BTB properties every summer. We currently have rooftop beehives at 14 of our properties including this one.

80 Aberdeen Street, Ottawa, ON

BOMA BEST Certification

This property is certified BOMA BEST, meaning it abides by ecological standards for energy use, water consumption, air quality, waste management and more.

Energy Conservation

Between 2019 and 2023, we saw a 28% reduction in electricity costs due to the installation of LED lights and motion sensors throughout this property.

Rooftop beehive with Alvéole

We currently have rooftop beehives at 14 of our properties including this one.

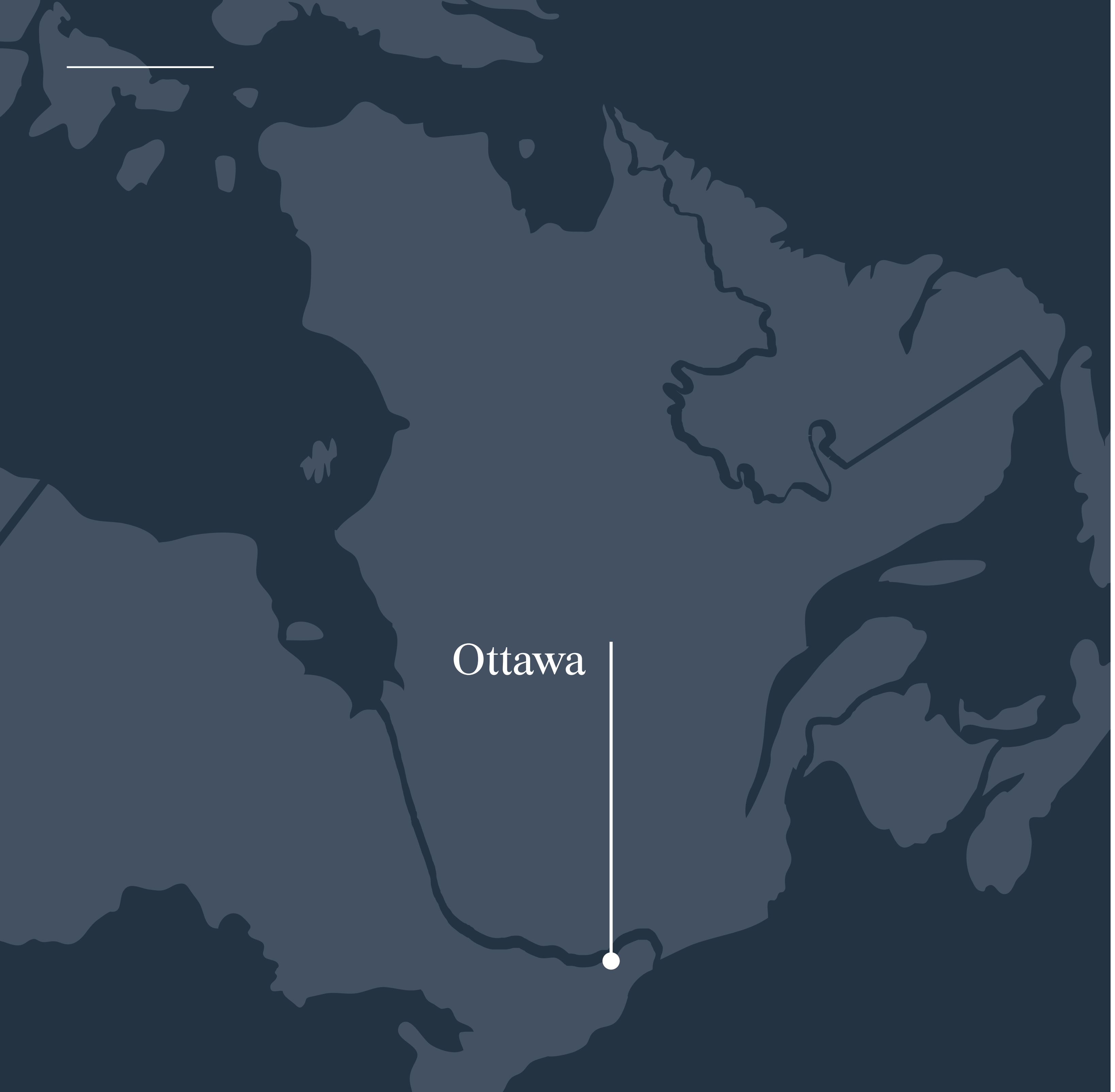
2250 Alfred-Nobel Blvd, Saint-Laurent, QC

Energy Conservation with Hydro-Québec's Efficient Solutions program

By replacing all parking lot lighting by LED lights at the end of 2022, this property now saves approximately 84,630 kWh per year. For CO2 reduction, that's the equivalent of planting 70 trees!

Rooftop beehive with Alvéole

We currently have rooftop beehives at 14 of our properties including this one.



Client Spotlights

At BTB, our tenants are more than tenants: they're our clients. We are entirely dedicated to providing them with the right space to fit their needs. Here are the stories of a few of our clients from the Ottawa region.

WSP Global Inc.

2611 Queensview Drive, Ottawa, ON

WSP is a Canadian company with American and British roots, providing management and consultancy services to the built and natural environment. Listed on the Toronto Stock Exchange, WSP is one of the largest professional services firms in the world with offices in more than 40 countries. Since 2012, WSP has continued to develop creative and sustainable engineering solutions for a future where society can thrive in their BTB-owned headquarters in Ottawa, Ontario.

Trinity Development Group Inc.

979 Bank Street, Ottawa, ON

Having recently moved into this office property and now occupying 3,662 square feet, Trinity Development is active in three segments of commercial real estate development: urban mixed-use centers, community centers and large format centers. In each, Trinity strives to create spaces that allow tenants and communities to grow.

CAA North & East Ontario

1031 Bank Street, Ottawa, ON

Occupying BTB's entire property at the gateway of Ottawa's historic Lansdowne Park development, CAA is one of the largest and oldest consumer-based organizations in Canada, providing peace of mind to over 6.9 million members through eight not-for-profit clubs (emergency roadside service, complete travel services, member savings and comprehensive insurance offerings).

A Dedicated Team

From accounting to legal, our employees are dedicated to satisfying our clients and investors.
Let's hear from our departments, each contributing in their own way to BTB's success.

Our Finance Team

Analytical, diligent, collaborative and forward-thinking

Our role includes producing all the financial reports published on the market, as well as managing all of BTB's mortgages, fair value assessments of our properties, acquisitions and dispositions, statistics for the leasing team as well as the budget processes within the company.

Their challenges

FL: We often serve as a link between different parties, whether it be internal parties such as our leasing and accounting departments, or external parties such as auditors and financial institutions. We must be able to effectively communicate information and act as a central point in these communications.

Team members:

Mathieu Bolté, Charles Dorais Bédard, Philippe Guindon, Francis Ladouceur, Katy Sedaghatian

What they like about their job

CDB: Although we have set rules and deadlines to follow, we have the freedom to introduce new projects that will benefit the REIT. Regardless of who has a new idea in my team, if the project makes sense, I give them the freedom to work on it, as well as guidance and support to ensure that they succeed.

PG: I am happy to be a part of such a great team. My colleagues in the finance department help me with my projects in a very proactive way, and I feel very supported in the team.

Their accomplishments

CDB: The automation of our financial reporting, which has made our process faster, more efficient, and also limits errors in our reports.

Their thoughts on BTB's strategy of increasing industrial assets

CDB: From a financial perspective, we think it's a great strategy. An industrial property is more efficient to manage from an accounting and from a management perspective. Additionally, it gives us the opportunity to branch out into different Canadian regions, which we already started doing in 2021 when we acquired our first portfolio in Western Canada.

FL: The industrial sector has been really booming in the past few years, so we're taking advantage of where the market is going. These assets have significant value, so it's great that we have quickly readjusted our strategy accordingly.

Finance

Market-ing

Our Marketing Team

Creativity, flexibility, openness, precision and team spirit

Our *raison d'être* is to promote the BTB brand by acting as an ambassador in all departments of the company. We serve three main groups: our clients, our investors and our employees. We ensure BTB's visibility in the real estate market through the scope of our activities: announcements, social networks, quarterly reports, newsletters, events, websites, signage for clients and much more.

Their challenges

PS: One of the big challenges is knowing how to prioritize projects and keep our department organized while staying abreast of the latest marketing trends.

VB: We work with many stakeholders on a daily basis, whether it be other departments, suppliers or clients. Coordinating these parties and satisfying everyone without sacrificing our brand's integrity is a challenge we must overcome for each project if we're to ensure a positive and inclusive outcome.

What they like about their job

PS: The freedom senior management gives us to be creative and come up with new marketing initiatives to implement.

VB: Our team being small, I am able to work on various projects rather than being specialized in one area of marketing. It allows me to keep learning and to fully express my creativity.

Their accomplishments

PS: The launch of our new website is the project of which I am most proud since my arrival in July 2022.

VB: Winning the Silver Summit International Award for our 2021 Annual Report.

Their collaboration with other departments

PS: The three departments we work with the most are Finance for the preparation of quarterly reports; Property Management for client communications and maintaining a strong brand image within our properties; and Leasing for all the advertising we do for all types of leasing activities.

Team members:

Vanessa Burns, Kimberly Sevilleja, Philippine Soulié

Authentic

Our Properties

Montréal

1327-1333 Ste-Catherine Street West and 1405-1411 Crescent Street, Montréal

5810 Sherbrooke Street East, Montréal[1]

2101 Sainte-Catherine Street West, Montréal

3761-3781 des Sources Blvd, Dollard-des-Ormeaux

11590-11800 de Salaberry Blvd, Dollard-des-Ormeaux[1]

1325 Hymus Blvd, Dorval

4105 Sartelon Street, St-Laurent

208-244 Migneron Street and 3400-3410 Griffith Street, St-Laurent

7777 Transcanada Highway, St-Laurent

2250 Alfred-Nobel Blvd, St-Laurent

2600 Alfred-Nobel Blvd, St-Laurent[2]

2344 Alfred-Nobel Blvd, St-Laurent[2]

7150 Alexander-Fleming Street, St-Laurent

6000 Kieran Street, St-Laurent

2425 Pitfield Blvd, St-Laurent

2665-2673 and 2681, Côte Saint-Charles, Saint-Lazare

3190 F.-X. Tessier Street, Vaudreuil-Dorion

9900 Irénée-Vachon Street, Mirabel

North Shore of Montréal

2900 Jacques-Bureau Street, Laval

4535 Louis B. Mayer Street, Laval

3695 Des Laurentides (Highway-15), Laval

3111 Saint-Martin Blvd West, Laval[2]

3131 Saint-Martin Blvd West, Laval

5791 Laurier Blvd, Terrebonne

2175 Des Entreprises Blvd, Terrebonne

2205-2225 Des Entreprises Blvd, Terrebonne

2005 Le Chatelier Street, Laval[2]

South Shore of Montréal

4890-4898 Taschereau Blvd, Brossard[1]

204 De Montarville Blvd, Boucherville[1]

32 Saint-Charles Street West, Longueuil[1]

50 Saint-Charles Street West, Longueuil

85 Saint-Charles Street West, Longueuil[1]

2111 Fernand-Lafontaine Blvd, Longueuil

2350 Chemin du Lac, Longueuil

1939-1979 F.-X. Sabourin Street, St-Hubert

145 Saint-Joseph Blvd, St-Jean-sur-Richelieu[1]

315-325 MacDonald Street, St-Jean-sur-Richelieu[1]

1000 Du Séminaire Blvd North, St-Jean-sur-Richelieu[1]

340-360, 370-380, 375 and 377-383 Sir-Wilfrid-Laurier Blvd, Mont-Saint-Hilaire

1465-1495 and 1011-1191 Saint-Bruno Blvd and 800 de l'Étang Street, Saint-Bruno-de-Montarville

Quebec City Area

6655 Pierre-Bertrand Blvd, Quebec City[1]

6700 Pierre-Bertrand Blvd, Quebec City[1]

909-915 Pierre-Bertrand Blvd, Quebec City

825 Lebourgneuf Blvd, Quebec City[1]

815 Lebourgneuf Blvd, Quebec City[1]

1170 Lebourgneuf Blvd, Quebec City[1]

625-675 De la Concorde Street, Lévis

1200-1252 De la Concorde Street, Lévis

191 D'Amsterdam Street, St-Augustin-de-Desmaures

175 De Rotterdam Street, St-Augustin-de-Desmaures

505 Des Forges Street and 1500 Royale Street, Trois-Rivières[1]

Ottawa Area

80 Aberdeen Street, Ottawa[1]

245 Menten Place, Ottawa[1]

1-9 and 10 Brewer Hunt Way and 1260-1280 Teron Rd, Ottawa

400 Hunt Club Rd, Ottawa

2200 Walkley Street, Ottawa[1]

2204 Walkley Street, Ottawa[1]

2611 Queensview Drive, Ottawa[2]

979 & 1031 Bank Street, Ottawa[2]

7 and 9 Montclair Blvd, Gatineau[1]

1100 Algoma Road, Ottawa

Edmonton

6909 - 42 Street, Leduc

1921 - 91 Street, Edmonton

18410 - 118A Avenue NW, Edmonton

18028 - 114 Avenue NW, Edmonton

28765 Acheson Road, Acheson

25616 - 117 Avenue NW, Acheson

3905 Allard Avenue, Edmonton

8743 50 Avenue NW, Edmonton

Saskatoon

3542 Millar Avenue, Saskatoon

318 - 68th Street, Saskatoon

3911 Millar Avenue, Saskatoon

3927 and 3931 Wanuskewin Road, Saskatoon

(1) BOMA BEST certified property (2) LEED certified property

Driven

Our Recent Acquisitions

The first quarter of 2023 has been marked by the acquisition of a Class A industrial property for which the construction was completed at the end of 2022. It is a state-of-the-art battery factory for motorized electric transport, such as trucks and buses, located at 9900 Irénée-Vachon Street, in Mirabel (Québec). Positioned in a key all-cargo industrial / transportation sector (YMX International Aerocity) near Mirabel airport, this property has been developed to be a benchmark of environmental sustainability, with materials that promote energy recovery such as a LED-controlled lighting system and a high-performance thermal insulation.

We continue to be active in targeting properties that correspond to our investment strategy and our objective to increase our percentage ownership of industrial assets across Canada.

9900 Irénée-Vachon Street Mirabel, QC

On February 2, 2023, we finalized the acquisition of this Class A industrial property, which is fully leased to Lion Electric, an innovative manufacturer of zero-emission vehicles. The company designs, develops, manufactures, and distributes fully electric school buses, minibuses and commercial trucks.

Purchase price: $28M*
Property type: industrial
Total leasable area: 176,819 sq.ft.

*Purchase price excluding transaction costs and adjustments.

Open-minded

Management Discussion & Analysis

Quarter ended March 31, 2023

Introduction

The purpose of this Management Discussion and Analysis ("MD&A") is to communicate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the period ended March 31, 2023 as well as its financial position on that date. The report presents a summary of some of the Trust's business strategies, and the business risks it faces. This MD&A, dated May 5, 2023, should be read together with the unaudited condensed financial statements and accompanying notes for the period ended March 31, 2023. It discusses significant information available up to the said date of this MD&A. The Trust's consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts. Additional information about the Trust is available on the Canadian Security Administrators ("CSA") website at www.sedar.com and on our website at www.btbreit.com.

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

Forward-Looking Statements – Caveat

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

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

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

Non-IFRS Financial Measures

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

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

The Trust

The Trust is an unincorporated open-ended real estate trust formed under and governed by the laws of the province of Québec pursuant to a trust agreement (as amended). The Trust began its real estate operations on October 3, 2006, and as of March 31, 2023, it owned 74 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 March 31, 2023	74	6,033,436	1,198,351

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 First Quarter Ended March 31, 2023

Rental revenue: Stood at $32.9 million for the current quarter, which represents an increase of 13.2% compared to the same quarter of 2022. The Trust recorded a non-cash adjustment related to a change in accounting estimate for a gross lease impacting positively the revenues by $1.4 million.

Net operating income (NOI): Stood at $19.0 million for the current quarter, which represents an increase of 17.1% compared to the same quarter of 2022. Same-property NOI increased by 0.1% for the first quarter of 2023 compared to the same period in 2022.

Net income and comprehensive income: Totalled $8.8 million for the quarter compared to $6.4 million for the same period in 2022, representing an increase of 37.5% that is driven by the accretive acquisitions made in 2022.

Recurring FFO(1): Was 11.7¢ per unit for the quarter compared to 10.7¢ per unit for the same period in 2022, representing an increase of 9.3% compared to the same period in 2022.

Recurring FFO payout ratio(1): Was 64.1% for the quarter compared to 70.2% for the same period in 2022.

Recurring AFFO(1): Was 10.3¢ per unit for the quarter compared to 9.7¢ per unit for the same period in 2022, representing an increase of 6.2% compared to the same period in 2022.

Recurring AFFO payout ratio(1): Was 72.4% for the quarter compared to 76.8% for the same period in 2022.

Leasing activity: The Trust completed a total of 58,375 square feet of leases renewals and 67,200 square feet of new leases for the quarter. The occupancy rate was maintained at 93.2% at the end of the quarter. The increase in the average renewal rate for the quarter was 13.9%.

Collection rate: Was 97.9% of invoiced rent during the first quarter of 2023, which shows the strong fundamentals of the Trust's portfolio.

Acquisitions: On February 2, 2023, the Trust acquired a class A industrial property located at 9900, Irénée-Vachon Street in the industrial sector of the Mirabel airport in Québec (176,819 square feet) and the revenue from this acquisition contributed to the first quarter financial results. The acquisition of this high quality sustainable industrial property allows the Trust to continue to build on it's growth strategy.

Liquidity position: The Trust held $1.7 million of cash at the end of the quarter and $22.9 million is available under its credit facilities(2). As of the date of this report, the Trust increased the available amount under its credit facilities by an additional $10.0 million, increasing the availability to $32.9 million with a remaining option to increase by a further $10.0 million.

Debt metrics: The Trust ended the quarter with a total debt ratio(1) of 59.1%, recording an increase of 0.6% compared to December 31, 2022. The Trust ended the quarter with a mortgage debt ratio(1) of 53.6%, a decrease of 0.6% compared to December 31, 2022.

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

Subsequent events

On April 28, 2023, the Trust secured an additional $10.0 million under the revolving credit facility increasing the capacity to $50.0 million.

On May 1, 2023, the Trust concluded the acquisition of a fully leased industrial property located at 8810, 48 Avenue NW, in Edmonton, Alberta for $7.4 million. As part of the transaction the Trust satisfied a portion of the purchase price through the issuance to the vendor of 550,000 Class B LP units at a price of $4.50 per unit and the balance of the purchase price will be funded via a mortgage. This fully leased property increased the total leasable area owned by the Trust by 83,292 square feet.

Summary of significant items as at March 31, 2023

- Total number of properties: 74
- Total leasable area: 6.0 million square feet
- Total asset value: $1,213 million
- Market capitalization: $307 million (unit price of $3.58 as at March 31, 2023)

Selected Financial Information

The following table presents highlights and selected financial information for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31, (in thousands of dollars, except for ratios and per unit data)		Quarter	
		2023	2022
	Reference (page)	$	$
Financial information			
Rental revenue	46	**32,911**	29,068
Net operating income (NOI)	45	**19,008**	16,234
Net income and comprehensive income	45	**8,802**	6,449
Adjusted net income(1)	49	**8,986**	7,258
Adjusted EBITDA(1)	50	**17,154**	15,142
NOI from the same-property portfolio(1)	51	**15,982**	15,964
Distributions	52	**6,443**	5,851
Recurring funds from operations (FFO)(1)	53	**10,033**	8,317
Recurring adjusted funds from operations (AFFO)(1)	54	**8,882**	7,602
Cash flow from operating activities	55	**15,657**	11,404
Total assets	57	**1,213,237**	1,182,836
Investment properties	42	**1,198,351**	1,127,373
Mortgage loans	59	**648,045**	617,420
Convertible debentures	60	**41,817**	41,981
Mortgage debt ratio(2)	61	**53.6%**	56.8%
Total debt ratio(1)	61	**59.1%**	60.3%
Weighted average interest rate on mortgage debt	59	**4.20%**	3.74%
Market capitalization		**307,002**	360,140
Financial information per unit			
Units outstanding (000)	63	**85,755**	84,342
Class B LP units outstanding (000)	62	**197**	347
Weighted average number of units outstanding (000)	63	**85,615**	77,665
Weighted average number of units and Class B LP units outstanding (000)	63	**85,912**	78,012
Net income and comprehensive income	45	**10.2¢**	8.3¢
Adjusted net income(1)	49	**10.5¢**	9.3¢
Distributions	52	**7.5¢**	7.5¢
Recurring FFO(1)	53	**11.7¢**	10.7¢
Payout ratio on recurring FFO(1)	53	**64.1%**	70.2%
Recurring AFFO(1)	54	**10.3¢**	9.7¢
Payout ratio on recurring AFFO(1)	54	**72.4%**	76.8%
Market price		**3.58**	4.27
Tax on distributions			
Tax deferral	65	**100.0%**	100.0%
Operational information			
Number of properties	42	**74**	73
Leasable area (thousands of sq. ft.)	42	**6,033**	5,704
Occupancy rate	42	**93.2%**	93.1%
Increase in average lease renewal rate	43	**13.9%**	13.5%

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

Selected Quarterly Information

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

(in thousands of dollars except for per unit data)	2023 Q-1	2022 Q-4	2022 Q-3	2022 Q-2	2022 Q-1	2021 Q-4	2021 Q-3	2021 Q-2
	$	$	$	$	$	$	$	$
Rental revenue	**32,911**	31,486	29,962	28,979	29,068	26,789	23,988	26,034
Net operating income	**19,008**	18,624	17,974	17,598	16,234	14,776	13,572	15,574
Net income and comprehensive income	**8,802**	1,769	11,693	18,243	6,449	23,219	8,678	7,161
Net income and comprehensive income per unit	**10.2¢**	2.1¢	13.7¢	21.5¢	8.3¢	31.2¢	11.7¢	9.8¢
Cash from operating activities	**15,657**	18,961	20,359	15,516	11,404	25,137	10,090	8,162
Recurring funds from operations (FFO)(1)	**10,033**	10,059	9,785	9,718	8,317	8,194	7,018	9,202
Recurring FFO per unit(1)(2)	**11.7¢**	11.8¢	11.5¢	11.4¢	10.7¢	11.0¢	9.5¢	12.5¢
Recurring adjusted funds from operations (AFFO)(1)	**8,882**	8,550	8,674	9,311	7,602	6,962	6,453	8,647
Recurring AFFO per unit(1)(3)	**10.3¢**	10.0¢	10.2¢	11.0¢	9.7¢	9.4¢	8.7¢	11.8¢
Distributions(4)	**6,446**	6,413	6,394	6,374	5,851	5,578	5,551	5,508
Distributions per unit(4)	**7.5¢**	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢	7.5¢

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

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 March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars)	Industrial		Off-downtown core office		Necessity-based retail		Total
	$	%	$	%	$	%	$
Quarter ended March 31, 2023							
Investment properties	**377,331**	**31.5**	**571,341**	**47.7**	**249,679**	**20.8**	**1,198,351**
Rental revenue from properties	**7,020**	**21.3**	**18,839**	**57.3**	**7,052**	**21.4**	**32,911**
Net operating income (NOI)	**5,341**	**28.1**	**9,646**	**50.7**	**4,021**	**21.2**	**19,008**
Quarter ended March 31, 2022							
Investment properties	259,258	23.0	614,473	54.5	253,642	22.5	1,127,373
Rental revenue from properties	5,373	18.5	16,976	58.4	6,719	23.1	29,068
Net operating income (NOI)	4,008	24.7	8,660	53.3	3,566	22.0	16,234

Industrial performance

The industrial segment continues to show good performance. The proportional fair value of industrial properties increased from 23.0% to 31.5% compared to the same period last year, due to the net acquisitions of industrial properties for $89.2 million made since the same period in 2022 and the increase of $28.8 million in fair value adjustment for the operating segment recorded in 2022. 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 1% increase compared to the same period last year. The proportional rental revenue from industrial properties increased by 2.8% compared to the same period last year, which is explained by a combination of the higher occupancy rate and previously mentioned acquisitions increasing the proportional share of revenue from the industrial segment.

Off-downtown core office performance

The performance of the segment has been stable quarter over quarter and it has been supported by the quality of its tenants. For the period ended March 31, 2023, the Trust contracted lease renewals for a total of 33,826 square feet square feet with an increase in the average renewal rate of 4.2%. The percentage of net operating income (NOI) generated by the off-downtown core office segment decreased by 2.6% due to the disposition of office properties and the acquisitions in the industrial segment increasing the industrial segment share in the portfolio. The Rental revenue from office properties was positively affected by the Trust's leasing efforts in the segment.

Necessity-based retail performance

The necessity-based retail segment continues to show good performance as most of the properties are anchored by necessity-based tenants. The occupancy rate in the necessity-based retail segment at the end of the first quarter 2023 stood at 95.9%, an increase of 0.9% compared to the same period last year. The Trust was able to obtain 38.9% of increase in the average rent renewal rate for the quarter. The proportion of the net operating income (NOI) generated by the necessity-based retail segment decreased from 22.0% to 21.2% compared to the same period last year, mainly due to the Trust not making any acquisitions within the necessity-based retail segment while acquiring properties in the industrial segment which increased the proportion of net operating income (NOI) of their respective segments.

Operating Performance Indicators

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

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

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

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

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

Real Estate Portfolio

At the end of the first quarter of 2023, BTB owned 74 properties, representing a total fair value of $1,198 million and a total leasable area of approximately 6.0 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 March 31, 2023

Operating segment	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)	In Place occupancy rate (%)
Industrial	28	1,822,138	100.0	100.0
Off-downtown core office	35	2,819,123	87.5	86.4
Necessity-based retail	11	1,392,175	95.9	95.5
Total portfolio	**74**	**6,033,436**	**93.2**	**92.6**

Geographic sector	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)	In Place occupancy rate (%)
Montreal	40	3,302,715	95.1	95.0
Quebec City	11	1,380,146	83.5	82.8
Ottawa	11	805,157	97.5	94.4
Edmonton	8	321,947	100.0	100.0
Saskatoon	4	223,472	100.0	100.0
Total portfolio	**74**	**6,033,436**	**93.2**	**92.6**

Dispositions of investment properties

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

Acquisitions of investment properties

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

Real Estate Operations

Portfolio occupancy

The following table summarizes the changes in occupied area for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in sq. ft.)	Quarter	
	2023	2022
Occupied area at the beginning of the period[1]	**5,455,798**	5,639,778
Purchased (sold) assets	**176,819**	(299,662)
Signed new leases	**67,200**	17,560
Tenant departures	**(75,268)**	(43,912)
Other[2]	**-**	(1,843)
Occupied leasable area at the end of the period[1]	**5,624,549**	5,311,921
Vacant leasable area at the end of the period	**408,887**	391,815
Total leasable area at the end of the period	**6,033,436**	5,703,736

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

Leasing activities

The following table summarizes the renewal percentage rate for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in sq. ft.)	Quarter	
	2023	2022
Leases expired at term	**110,662**	155,878
Renewed leases at term	**41,764**	119,138
Renewal rate	**37.7%**	76.4%

The Trust renewed 37.7% or 41,764 square feet out of the 110,662 square feet expiring during this quarter. Of the remaining 68,898 square feet that were not renewed this quarter, the Trust leased 11,823 square feet. The non-renewal of leases is mainly explained by the planned departure of Mobilia, representing 28,868 square feet leased on a temporary basis and vacated during the first quarter of 2023 in Saint-Bruno-de-Montarville and of Momentum Technologies Inc. (8,750 square feet) in Quebec City.

In addition to the renewed leases at the expiration of their term during the quarter, the Trust renewed 16,611 square feet with existing tenants where their lease terms were to expire later during 2023 or thereafter.

The Trust's leases renewal activity totals 58,375 square feet for this quarter.

Average lease renewal rate

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

	Quarter	
Operating segment	Renewals (Sq. ft.)	Increase (%)
Off-downtown core office	33,826	4.2%
Necessity-based retail	24,549	38.9%
Total	**58,375**	**13.9%**

During the quarter, the Trust achieved a cumulative average increase of 13.9% of the lease renewal rates across two business segments. The necessity-based retail operating segment showed an increase in lease renewal rate of 38.9%, which is essentially attributable to the renewal of a lease that have been contracted at below market rent and was renewed at market rate.

New leases

During the quarter, the Trust leased a total of 67,200 square feet to new tenants of which, 36,278 square are "committed" lease agreements, driven mainly by the contracting of a lease with Giant Tiger (24,704 square feet) in Gatineau, Québec, and the remaining 30,922 square feet represent "in place" tenants, thereby leaving 408,887 square feet of leasable area available for lease at the end of the quarter.

During the quarter, leases representing 60,966 square feet or 90.7% of the leasing activity, were contracted in the off-downtown core office segment with new tenants and 6,234 square feet or 9.3% of the new leases were contracted in the necessity-based retail segment.

Occupancy rates

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

	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Operating segment	%	%	%	%	%
Industrial	100.0	100.0	100.0	100.0	99.0
Off-downtown core office	87.5	86.7	88.6	89.3	89.3
Necessity-based retail	95.9	98.2	96.2	96.2	95.0
Total portfolio	93.2	93.2	93.5	93.8	93.1

	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Geographic sector	%	%	%	%	%
Montréal	95.1	95.8	95.1	95.1	94.1
Quebec City(1)	83.5	84.0	87.0	88.2	88.4
Ottawa	97.5	94.4	94.8	94.8	93.8
Edmonton	100.0	99.1	99.1	100.0	100.0
Saskatoon	100.0	100.0	100.0	100.0	100.0
Total portfolio	93.2	93.2	93.5	93.8	93.1

(1) Excluding the Trois-Rivières property, the occupancy rate of the Quebec City portfolio would have been 86.0%.

The occupancy rate at the end of the first quarter of 2023 was flat at 93.2%, compared to the prior quarter, and a slight 0.1% increase compared to the same period in 2022. Furthermore, the in-place occupancy rate at the end of the quarter stood at 92.6%, representing a slight decrease of 0.1% compared to the prior quarter, and representing a slight increase of 0.3% compared to the same period in 2022.

Lease maturities

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

	2023	2024	2025	2026	2027
Industrial					
Leasable area (sq. ft.)	66,680	30,199	130,414	206,464	86,304
Average lease rate/square foot ($)(1)	$11.01	$13.84	$11.15	$7.99	$10.14
% of industrial portfolio	3.66%	1.66%	7.16%	11.33%	4.74%
Off-downtown core office					
Leasable area (sq. ft.)	280,131	306,696	261,727	396,623	297,284
Average lease rate/square foot ($)(1)	$14.31	$15.72	$15.41	$14.70	$17.94
% of office portfolio	9.94%	10.88%	9.28%	14.07%	10.55%
Necessity-based retail					
Leasable area (sq. ft.)	144,166	86,012	133,248	107,676	132,036
Average lease rate/square foot ($)(1)	$8.89	$16.19	$18.61	$16.44	$16.00
% of retail portfolio	10.36%	6.18%	9.57%	7.73%	9.48%
Total portfolio					
Leasable area (sq. ft.)	**490,977**	**422,907**	**525,388**	**710,763**	**515,624**
Average lease rate/square foot ($)(1)	**$12.27**	**$15.68**	**$15.16**	**$13.02**	**$16.14**
% of total portfolio	**8.14%**	**7.01%**	**8.71%**	**11.78%**	**8.55%**

(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 March 31, 2023, the Trust maintained the same weighted average lease term of 6.2 years, compared to the same period in 2022. In addition to securing future revenues for the Trust and solidifying its tenant base, the Trust's lease renewal strategy is also focused on ensuring longevity in the lease terms when appropriate. Moreover, the weighted average lease term was positively impacted by the acquisition of an industrial property leased on a long-term basis.

Top 10 tenants

The Trust's three largest tenants remain the Government of Québec (off-downtown core office segment), the Government of Canada (off-downtown core office segment), and Walmart Canada inc. (necessity-based retail segment), representing respectively 5.3%, 4.8%, and 2.1% of rental revenue. The Trust's rental revenues are generated by multiple leases with these tenants whose maturities are spread over time.

28.7% of the Trust's total revenue is generated by leases signed with government agencies (federal, provincial, and municipal) and public companies, thus generating stable and high-quality cash flow for the Trust's operating activities.

The following table shows the contribution of the Trust's top 10 tenants as a percentage of revenue as at March 31, 2023. Their contribution accounts for 22.2% of rental revenue for the cumulative three-month period and 21.8% of leased area:

Client	% of revenue	% of leased area	Leased area (sq. ft.)
Government of Québec	5.3	5.0	299,578
Government of Canada	4.8	4.8	251,850
Walmart Canada inc.	2.1	4.4	264,550
WSP Canada Inc.	1.8	2.0	118,585
Mouvement Desjardins	1.8	1.0	61,034
Intrado Life & Safety Canada, Inc.	1.3	1.0	61,576
Groupe BBA Inc.	1.2	0.8	48,478
Strongco	1.2	0.9	53,767
Germain Larivière Laval Inc.	1.5	1.2	69,270
Satcom Direct Avionics	1.2	0.8	48,676
	22.2	**21.8**	**1,277,364**

Operating Results

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

Quarters ended March 31 (in thousands of dollars)	Quarter 2023	Quarter 2022
	$	$
Rental revenue	**32,911**	29,068
Operating expenses	**13,903**	12,834
Net operating income (NOI)	**19,008**	16,234
Net financial expenses and financial income	**8,091**	8,501
Administration expenses	**2,115**	1,822
Transaction costs	**-**	469
Fair value adjustment on investment properties	**-**	(1,007)
Net income and comprehensive income	**8,802**	6,449

Rental revenue

For the quarter, rental revenue increased by $3.8 million or 13.2% compared to the same period last year. The increase consisted of the following:

i. $0.7 million decrease related to the dispositions made since Q1 2022;

ii. $1.0 million increase due to a combination of higher lease renewal rates, stability of its occupancy rate, and a higher average lease rates;

iii. $1.4 million increase due to non-cash adjustment;

iv. $1.9 million increase related to the acquisitions made since Q1 2022.

Operating expenses

The following table summarizes the Trust's operating expenses for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2023	2022
	$	$
Operating expenses		
Maintenance, repairs and other operating costs	4,894	4,457
Energy	1,903	1,810
Property taxes and insurance	7,106	6,567
Total operating expenses	13,903	12,834
% of rental revenue	42.2%	44.2%

Operating expenses increased mainly due to the new acquisitions and the property taxes that were affected by an increase in property values. However, the operating expenses as a percentage of revenues are lower as the Trust is increasing its investment in industrial properties.

Financial expenses and income

The following table summarizes financial expenses for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2023	2022
	$	$
Financial income	(306)	(145)
Interest on mortgage loans	6,724	5,802
Interest on convertible debentures	709	732
Interest on credit facilities	344	307
Other interest expense	96	63
Interest expense net of financial income	7,567	6,759
Distributions on Class B LP units	22	26
Mortgage early repayment fees	-	284
Net financial expenses before non-monetary items	7,589	7,069
Accretion of effective interest on mortgage loans and convertible debentures	236	288
Accretion of non-derivative liability component of convertible debentures	82	81
Net financial expenses before the following items:	7,907	7,438
Fair value adjustment on derivative financial instruments	184	997
Fair value adjustment on Class B LP units	-	66
Net financial expenses net of financial income	8,091	8,501

Financial income mainly consists of interest income ($0.3 million) generated from interest rate swap agreements on mortgages.

Interest expense, net of financial income, increased by $0.8 million for the quarter compared with the same period last year. This is mainly due to the net increase in mortgage loans attributable to acquisitions, net of dispositions, of investment properties 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 March 31, 2023, the weighted average mortgage interest rate was 4.20%, 66 basis points higher than the average rate as at March 31, 2022 (3.54%). This increase is mainly due to the variable interest on mortgage loans for which the weighted average contractual rate increased by 373 basis points to 6.83% (3.10% as at March 31, 2022). The weighted average for fixed interest rate mortgage loans increased by 17 basis points to 3.78% (3.61% as at March 31, 2022). Interest rates on first-ranking mortgage loans ranged from 2.30% to 8.45% as at March 31, 2023, (2.30% to 6.80% as at March 31, 2022).

The weighted average term of mortgage loans in place as at March 31, 2023, was 3.8 years (4.5 years as at March 31, 2022).

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

Administration expenses

The following table summarizes the Trust's administration expenses for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2023	2022
	$	$
Corporate expenses	1,718	1,653
Expected credit losses	200	19
Unit-based compensation	197	150
Trust administration expenses	2,115	1,822

Corporate expenses increased by $0.1 million or 4% for the quarter compared to the same period last year. The Trust managed to reduce the level of corporate expenses by 0.2 % compared to the same period last year 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 $0.2 million for the quarter compared to the same period last year. The slight increase of credit losses expense is due to the minor write offs of accounts partially provisioned for.

Unit-based compensation increased by $0.5 million for the quarter 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.

Fair value adjustment of investment properties

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

On an annual basis, the Trust retains the services of independent external appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the Trust annually appraises a minimum of 60% of its portfolio, which includes the 15 most valuable properties, and the remaining ones are externally appraised on three-year rotation basis. In addition, as part of acquisitions, financing or refinancing transactions, or at the request of lenders, other properties are also independently appraised during the year. During the last quarter, the Trust had not externally appraised any of its properties.

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

The following tables summarize the changes in fair value of investment properties by segment for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2023	2022
	$	$
Industrial	-	1,007
Off-downtown core office	-	-
Necessity-based retail	-	-
Total change in fair value	-	1,007

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

As at March 31, 2023	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	5.85%	6.76%	6.84%
As at December 31, 2022			
Capitalization rate	4.75% - 6.75%	5.75% - 8.25%	5.50% - 8.00%
Terminal capitalization rate	4.75% - 7.50%	5.75% - 8.00%	5.50% - 8.00%
Discount rate	5.50% - 8.25%	6.25% - 8.75%	6.25% - 8.75%
Weighted average capitalization rate	5.75%	6.76%	6.84%

The weighted average capitalization rate for the entire portfolio as at March 31, 2023, was 6.49% (6.48% as at December 31, 2022), 1 basis points higher compared to the previous quarter.

Since December 31, 2022, BTB purchased 1 industrial property which increased the weighted average capitalization rate by 10 basis points.

As at March 31, 2023, the Trust has estimated that if an increase / decrease of 0.25% in the capitalization rate were applied to the overall portfolio, this variation would affect the fair value of its investment properties respectively by a reduction of $45.0 million or an increase of $48.7 million. The change in the capitalization rates is an appropriate proxy of the changes for the discount and terminal capitalization rates.

Adjusted net income

Net income and comprehensive income fluctuate from one quarter to the next based on 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 March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars, except for per unit)	Quarter	
	2023	2022
	$	$
Net income and comprehensive income	8,802	6,449
Non-recurring items:		
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	-	753
Fair value adjustment on investment properties	-	(1,007)
Fair value adjustment on derivative financial instruments	184	997
Fair value adjustment on Class B LP units	-	66
Adjusted net income[(1)]	8,986	7,258
Per unit	10.5¢	9.3¢

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

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

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 March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars, except for per unit)	Quarter	
	2023	2022
	$	$
Net income being total comprehensive income for the period	8,802	6,449
Interest expense	7,873	6,904
Accretion of effective interest on mortgage loans and convertible debentures	236	288
Amortization of property and equipment	23	30
Lease incentive amortization	728	735
Fair value adjustment on investment properties	-	(1,007)
Fair value adjustment on derivative financial instruments	184	997
Fair value adjustment on Class B LP units	-	66
Unit-based compensation (Unit price remeasurement)	(59)	77
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	-	753
Straight-line lease adjustment	(633)	(150)
Adjusted EBITDA[1]	17,154	15,142

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

For the quarter, the Adjusted EBITDA[1] was $17.2 million compared to $15.1 million for the same quarter last year, representing an increase of 13.3% mainly caused by the accretive acquisitions made since last year and a combination of the higher in place occupancy rate compared to the same period last year (0.01 % increase) and the higher average lease rate.

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

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by the Trust on January 1, 2022, and that are still owned by the Trust on March 31, 2023. Therefore, it excludes all the acquired[2][3] and disposed[2][3] properties during the years 2022 and 2023.

The following table summarizes the results of the same-property NOI[1] for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars)	Quarter		
	2023	2022	Δ%
	$	$	
Net operating income (NOI) as reported in the financial statements	19,008	16,234	17.1%
NOI sourced from:			
Acquisitions	(1,597)	-	
Dispositions	-	(270)	
Non-cash adjustment related to a change in accounting estimate	(1,429)	-	
Same Property NOI[1]	15,982	15,964	0.1%
Same Property NOI[1] sourced from:			
Industrial	3,750	3,939	-4.8%
Off-downtown core office	8,210	8,460	-3.0%
Necessity-based retail	4,022	3,565	12.8%
Same Property NOI[1]	15,982	15,964	0.1%

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

For the quarter, same-property net operating income (NOI)[1] remained stable. The continued leasing efforts and cost control measures made during the previous quarters resulted in a stabilized same-property NOI compared to the same quarter last year.

(1) This is a non-IFRS financial measure, refer to page 35.
(2) Refer to the Trust's condensed consolidated interim financial statements dated May 5, 2023, note 3, section a) for the acquired properties details.
(3) Refer to the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022, for the acquisitions and dispositions of the year 2022.

Distributions

Distributions and per unit

The following table summarizes the distributions for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2023	2022
	$	$
Distributions		
Cash distributions	5,575	5,050
Cash distributions – Class B LP units	22	26
Distributions reinvested under the distribution reinvestment plan	846	775
Total distributions to unitholders	6,443	5,851
Percentage of reinvested distributions(1)(2)	13.1%	13.2%
Per unit(2)		
Distributions	7.5¢	7.5¢

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

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

Funds from Operations (FFO)(1)

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO(1) for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars, except for per unit)	Quarter	
	2023	2022
	$	$
Net income and comprehensive income (IFRS)	8,802	6,449
Fair value adjustment on investment properties	-	(1,007)
Fair value adjustment on Class B LP units	-	66
Amortization of lease incentives	728	735
Fair value adjustment on derivative financial instruments	184	997
Leasing payroll expenses(6)	356	221
Distributions - Class B LP units	22	26
Unit-based compensation (Unit price remeasurement)(5)	(59)	77
FFO(1)	10,033	7,564
Non-recurring item		
Transaction costs on disposition of investment properties and mortgage early repayment fees	-	753
Recurring FFO(1)	10,033	8,317
FFO per unit(1)(2)(3)	11.7¢	9.7¢
Recurring FFO per unit(1)(2)(4)	11.7¢	10.7¢
FFO payout ratio(1)	64.1%	77.2%
Recurring FFO payout ratio(1)	64.1%	70.2%

(1) This is a non-IFRS financial measure, refer to page 35.
(2) Including Class B LP units.
(3) The FFO per unit ratio is calculated by dividing the FFO(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The recurring FFO per unit ratio is calculated by dividing the recurring FFO(1) by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the recurring FFO and AFFO starting Q2 2021.
(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 11.7¢ per unit, compared to 10.7¢ per unit for the same quarter last year representing an increase of 9.3% mainly caused by the previous explanations mentioned above.

The recurring FFO payout ratio(1) for the quarter stood at 64.1%, compared to 70.2% for the same quarter in 2022.

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

Adjusted Funds from Operations (AFFO)(1)

The following table provides a reconciliation of FFO(1) and AFFO(1) for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2023	2022
	$	$
FFO(1)	10,033	7,564
Straight-line rental revenue adjustment	(633)	(150)
Accretion of effective interest	236	288
Amortization of other property and equipment	23	30
Unit-based compensation expenses	256	73
Provision for non-recoverable capital expenditures(1)	(658)	(581)
Provision for unrecovered rental fees(1)	(375)	(375)
AFFO(1)	8,882	6,849
Transaction costs on disposition of investment properties and mortgage early repayment fees	-	753
Recurring AFFO(1)	8,882	7,602
AFFO per unit(1)(2)(3)	10.3¢	8.8¢
Recurring AFFO per unit(1)(2)(4)	10.3¢	9.7¢
AFFO payout ratio(1)	72.4%	85.3%
Recurring AFFO payout ratio(1)	72.4%	76.8%

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

For the quarter, recurring AFFO(1) was 10.3¢ per unit, compared to 9.7¢ per unit for the same quarter last year, an increase of 6.2%.

The recurring AFFO payout ratio(1) for the quarter stood at 72.4% compared to 76.8% for the same quarter last year.

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

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

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

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

Periods ended March 31 and 12-month periods ended December 31 (in thousands of dollars)	March 31, 2023 (3 months)	March 31, 2022 (3 months)	December 31, 2022 (12 months)	December 31, 2021 (12 months)
	$	$	$	$
Provision for non-recoverable capital expenditures(1)	658	581	2.390	2,007
Non-recoverable capital expenditures	476	475	1,735	1,297

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

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

Cash Flows

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

Periods ended March 31 and 12-month periods ended December 31 (in thousands of dollars)	2023 (3 months)	2022 (3 months)	2022 (12 months)	2021 (12 months)
	$	$	$	$
Net cash flows from operating activities	15,657	11,404	66,240	56,538
Interest paid	(7,388)	(6,851)	(27,925)	(21,755)
Net cash flows from operating activities less interest paid	8,269	4,553	38,315	34,783
Net distributions to unitholders	5,533	4,800	21,573	18,171
Surplus of net cash flows from operating activities less interest paid compared to net distributions to unitholders	2,736	(247)	16,742	16,612

The following table summarizes the reconciliation of net cash from operating activities presented in the financial statements, AFFO(1) and FFO(1) for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2023	2022
	$	$
Cash flows from operating activities	15,657	11,404
Leasing payroll expenses	356	221
Transaction costs on purchase and disposition of investment properties and early repayment fees	-	(753)
Adjustments for changes in other working capital items	1,551	3,774
Financial income	306	145
Interest expenses	(7,873)	(6,904)
Provision for non-recoverable capital expenditures(2)	(658)	(581)
Provision for non-recovered rental fees(2)	(375)	(375)
Accretion of non-derivative liability component of convertible debentures	(82)	(82)
AFFO(1)	8,882	6,849
Provision for non-recoverable capital expenditures(2)	658	581
Provision for non-recovered rental fees(2)	375	375
Straight-line rental revenue adjustment	633	150
Unit-based compensation expenses	(256)	(73)
Accretion of effective interest	(236)	(288)
Amortization of property and equipment	(23)	(30)
FFO(1)	10,033	7,564

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

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 March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2023	2022
	$	$
Balance, beginning of period	1,164,881	1,110,971
Additions:		
Initial recognition of right-of-use assets	3,133	-
Acquisitions	28,920	38,961
Dispositions	-	(25,991)
Capital expenditures	721	759
Leasing fees and capitalized lease incentives	785	2,251
Fair value adjustment on investment properties	-	1,007
Other non-monetary changes(1)	(89)	(585)
Balance, end of period	1,198,351	1,127,373

(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 $1,198 million as at March 31, 2023, compared to $1,165 million as at December 31, 2022. The increase of $33.5 million is mainly explained by the previously mentioned acquisition for which the net impact increased the portfolio of investment properties by $32.1 million (acquisitions of investment properties, including capitalized transactions cost, and initial recognition of right-of-use assets).

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 March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2023	2022
	$	$
Recoverable capital expenditures	245	284
Non-recoverable capital expenditures	476	475
Total capital expenditures	721	759
Leasing fees and leasehold improvements	785	2,251
Total	1,506	3,010

Receivables

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

(in thousands of dollars)	March 31, 2023	December 31, 2022
	$	$
Rent receivable	4,628	3,431
Allowance for expected credit losses	(829)	(1,011)
Net rent receivable	3,799	2,420
Unbilled recoveries	1,074	1,142
Other receivables	152	1,254
Receivables	5,025	4,816

Receivables increased from $4.8 million as at December 31, 2022, to $5.0 million as at March 31, 2023. The increase in receivables is in line with the Trust rental revenues increase and the positive impact of the reduction of the allowance for expected credit losses.

Prepaid expenses, Deposits and Property and equipment

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

(in thousands of dollars)	March 31, 2023	December 31, 2022
	$	$
Property and equipment	1,436	1,436
Accumulated depreciation	(1,137)	(1,114)
Net property and equipment	299	322
Prepaid expenses	3,690	1,234
Deposits	750	1,929
Other assets	4,739	3,485

Prepaid expenses, deposits and property and equipment decreased from $5.5 million as at December 31, 2022, to $4.7 million as at March 31, 2023, which is explained by the decrease in deposits on future acquisitions.

Capital Resources

Long-term debt

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

As at March 31, 2023 (in thousands of dollars)	Balance of convertible debentures[1]	Balance of mortgages payable[1]	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2023	-	67,859	6.09
2024	24,000	108,937	4.52
2025	19,917	58,243	4.29
2026	-	118,027	3.32
2027	-	116,915	5.10
2028 and thereafter	-	180,473	3.74
Total	43,917	650,454	4.34

(1) Gross amounts.

The Trust has $67.9 million of mortgages coming to maturity during the next nine months and is in process of concluding the 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 March 31, 2023, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.34% (4.20% for mortgage loans and 6.45% for convertible debentures), representing an increase of 60 basis points compared to the same period last year. As at March 31, 2022, the weighted average contractual interest rate of the Trust's long-term debt stood at 3.74% (3.54% for mortgage loans and 6.47% for convertible debentures).

Mortgage loans

As at March 31, 2023, the Trust's total mortgage loans (excluding unamortized fair value adjustments and unamortized financing expenses) amounted to $650.5 million compared to $638.4 million as at December 31, 2022. The net increase of $12.1 million includes $16.8 million that relates to previously mentioned acquisitions where the Trust contracted mortgages, reduced by $4.7 million of monthly principal repayments.

The following table summarizes the changes in mortgage loans payable for the periods ended March 31, 2023, and March 31, 2022:

Periods ended March 31 (in thousands of dollars)	2023	2022
	$	$
Balance at beginning[1]	638,441	607,038
Mortgage loans contracted or assumed[2]	16,800	24,801
Balance repaid at maturity or upon disposition[3]	-	(7,324)
Monthly principal repayments[4]	(4,787)	(4,960)
Balance as at March 31, 2023[1]	650,454	619,555

(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 March 31, 2023, the weighted average mortgage interest rate was 4.20% compared to 3.54% for the same period last year, an increase of 66 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 373 basis points to 6.83% (3.10% as at March 31, 2022). In comparison, the weighted average for fixed interest rate increased by 17 basis point to 3.78% (3.61% as at March 31, 2022).

As at March 31, 2023, the majority of the Trust's mortgages payable bear interest at fixed rates (cumulative principal amount of $561.9 million) or are subject to floating-to-fixed interest rate swaps (cumulative principal amount of $51.6 million). However, the Trust has four loans that bear interest at floating rates (cumulative principal balance of $37.0 million).

The weighted average term of existing mortgage loans was 3.8 years as at March 31, 2023, compared to 4.5 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 March 31, 2023 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2023 (9 months)	14,035	67,456	81,491	12.5
2024	16,224	103,795	120,019	18.5
2025	13,903	52,853	66,756	10.4
2026	11,568	105,191	116,759	18.0
2027	7,777	108,936	116,713	17.9
2028 and thereafter	15,189	133,527	148,716	22.9
Total	**78,696**	**571,758**	**650,454**	**100.0**
Unamortized fair value assumption adjustments			456	
Unamortized financing expenses			(2,865)	
Balance as at March 31, 2023			**648,045**	

As at March 31, 2023, the Trust was in compliance with all the contractual mortgage covenants to which it is subject.

Convertible debentures

The following table summarizes the convertible debentures for the period ended March 31, 2023:

(in thousands of dollars)	Series G[(1)(3)]	Series H[(2)(3)]	Total
Par value	24,000	19,917[(4)]	43,917
Contractual interest rate	6.00%	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 March 31, 2023	**23,514**	**18,303**	**41,817**

(1) Redeemable by the Trust, under certain conditions, as of October 31, 2022, but before October 31, 2023, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series G conversion price and, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their principal amount plus accrued and unpaid interest.
(2) Redeemable by the Trust, under certain conditions, as of October 31, 2023, but before October 31, 2024, at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series H conversion price and, as of October 31, 2024, but before October 31, 2025, at a redemption price equal to their principal amount plus accrued and unpaid interest.
(3) The Trust may, at its option and under certain conditions, elect to satisfy its obligation to pay the principal amount of the Series G and H debentures by issuing tradable units freely to Series G and H debenture holders.
(4) Conversion of $10,083 of the Series H debenture since issuance. Conversion of $383 during the quarter.

Debt ratio

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

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

(in thousands of dollars)	March 31, 2023	December 31, 2022	March 31, 2022
	$	$	$
Cash and cash equivalents	**(1,669)**	(2,404)	(40,666)
Mortgage loans outstanding[(1)]	**650,454**	638,441	619,555
Convertible debentures[(1)]	**42,912**	43,170	43,569
Credit facilities	**25,050**	9,897	35,318
Total long-term debt less cash and cash equivalents[(2)(3)]	**716,747**	689,104	657,776
Total gross value of the assets of the Trust less cash and cash equivalents[(2)(4)]	**1,212,704**	1,178,049	1,091,245
Mortgage debt ratio (excluding convertible debentures and credit facilities)[(2)(5)]	**53.6%**	54.2%	56.8%
Debt ratio – convertible debentures[(2)(6)]	**3.5%**	3.7%	4.0%
Debt ratio – credit facilities[(2)(7)]	**2.1%**	0.8%	3.2%
Total debt ratio[(2)]	**59.1%**	58.5%	60.3%

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

As of March 31, 2023, the mortgage debt ratio[(1)] excluding the convertible debentures and credit facilities totalled 53.6%, a decrease of 0.6% since December 31, 2022. As of March 31, 2023, the total debt ratio[(2)], including the convertible debentures and credit facilities, net of cash and cash equivalents, increased to 59.1%, an increase of 0.6% since December 31, 2022. The increase is driven by the property acquisitions made during the quarter which increased the use of the credit facilities.

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

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

Interest coverage ratio

The following table summarizes the interest coverage ratio for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars, except for the ratios)	Quarter	
	2023	2022
	$	$
Adjusted EBITDA(1)	17,154	15,142
Interest expenses net of financial income(2)	7,567	6,759
Interest coverage ratio(3)	2.27	2.24

(1) This is a non-IFRS financial measure, refer to page 35.
(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 quarter ended March 31, 2023, the interest coverage ratio stood at 2.27, an increase of 3 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 March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in thousands of dollars, except for the ratios)	Quarter	
	2023	2022
	$	$
Adjusted EBITDA(1)	17,154	15,142
Interest expenses net of financial income(2)	7,567	6,759
Principal repayments	4,787	3,984
Debt service requirements	12,354	10,743
Debt service coverage ratio(3)	1.39	1.41

(1) This is a non-IFRS financial measure, refer to page 35.
(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 period ended March 31, 2023:

Period ended March 31, 2023 (in number of units)	Quarter	
	Units	$
Class B LP units outstanding, beginning of period	347,265	1,268
Exchange into Trust units	(150,000)	(562)
Class B LP units outstanding, end of period	197,265	706

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 Quebec City.

On February 14, 2023, the holders of the class B LP units converted 150,000 units into units of the Trust.

Units outstanding

The following table summarizes the total number of units outstanding and the weighted number of units outstanding for the periods ended March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in number of units)	Quarter	
	2023	2022
Units outstanding, beginning of the period	85,238,279	74,126,971
Units issued pursuant to a public issue	-	9,584,100
Distribution reinvestment plan	233,199	195,987
Issued - employee unit purchase plan	6,995	11,605
Issued - restricted unit compensation plan	26,599	104,649
Issued – deferred unit compensation plan	-	–
Class B LP units exchanged into Trust units	150,000	–
Issued – conversion of convertible debentures	99,725	318,952
Units outstanding, end of the period	85,754,797	84,342,264
Weighted average number of units outstanding	85,614,589	77,664,646
Weighted average number of Class B LP units and units outstanding	85,911,854	78,011,911

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 March 31, 2023, 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 March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in number of units)	Quarter	
	2023	2022
Deferred units outstanding, beginning of the period	121,727	103,116
Trustees' compensation	2,470	2,048
Distributions paid in units	2,458	2,177
Deferred units outstanding, end of the period	126,655	107,341

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 March 31, 2023, and March 31, 2022:

Quarters ended March 31 (in number of units)	Quarter	
	2023	2022
Restricted units outstanding, beginning of the period	138,583	161,536
Granted	217,072	92,304
Settled	(26,601)	(90,671)
Restricted units outstanding, end of the period	329,054	163,169

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 March 31, 2023, BTB met all these conditions and qualified as a REIT. As a result, the SIFT trust tax rules don't apply to BTB. BTB's management intends to take the necessary steps to meet the conditions for the REIT Exception on an ongoing basis in the future.

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

Taxation of Unitholders

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

Quarters ended March 31	2023	2022
	%	%
Taxable as other income	-	-
Tax deferred	100	100
Total	100	100

Accounting Policies and Estimates

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based on historical experience and other assumptions that are considered reasonable under given circumstances. The result of the continual review of these estimates is the basis for exercising judgment on the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from these estimates. Critical judgments made by BTB in applying significant accounting policies, the most significant of which is the fair value of investment properties, are described in 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 2023 Annual Information Form for the year ended December 31, 2022, which is hereby incorporated by reference. Such risks and uncertainties include:

- Access to Capital and to Debt Financing
- Interest Rate Increases
- Ownership of Immovable Property
- Competition and Rising Property Prices
- Availability of Immovable Property for Acquisition
- Development Programs
- Recruitment and Retention of Employees and Executives
- Government Regulation
- Limit on Activities Under the Trust Agreement
- Tax Regulations
- Fluctuations in Cash Distributions
- Reliance on Single or Anchor Tenants
- Potential Unitholder Liability
- Conflicts of Interest
- Market Price of Units
- Legal Rights Relating to Units
- Dilution
- Environmental Matters
- Legal Risks
- General Uninsured Losses
- Retail Industry
- A possible economic recession
- Long-term effect of a global pandemic

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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

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

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Operating & Financial Officer of BTB concluded that ICFR was effective as at March 31, 2023, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

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

Appendix 1 – Definitions

Class B LP Units

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

Rental revenue

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

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

Operating expenses

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

Net operating income (NOI)

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

Financial expenses

Financial expenses arise from the following loans and financing:

- Mortgage loans payable contracted or assumed totalling approximately $650.5 million as at March 31, 2023, compared to $619.6 million as at March 31, 2022.
- Series G and H convertible debentures for a total par value of $43.9 million.
- Credit facilities used as needed.
- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Administration expenses

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

Fair value adjustment on investment properties

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

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

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

Same-property portfolio

The same-property portfolio includes all the properties owned by the Trust as at January 1, 2022 and still owned as at March 31, 2023, but doesn't include the financial impacts from dispositions, acquisitions and developments completed in 2022 and 2023, as well as the results of subsequently sold properties.

Net property income from the same-property portfolio

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

Appendix 2 – Non-IFRS Financial Measures – Definitions

Non-IFRS Measure	Definition	Reconciliation
Adjusted net income	Adjusted net income is a non-IFRS financial measure that starts with net income and comprehensive income and removes the effects of: (i) fair value adjustment of investment properties; (ii) fair value adjustment of derivative financial instruments; (iii) fair value adjustment of Class B LP units; and (iv) transaction costs incurred for acquisitions and dispositions of investment properties and early repayment fees. The Trust considers this to be a useful measure of operating performance, as fair value adjustments can fluctuate widely with the real estate market 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; 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; 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); and Appendix 3
Total debt ratio	Total debt ratio is a non-IFRS financial measure of the Trust financial leverage, which is calculated by taking the total long-term debt less cash divided by total gross value of the assets of the Trust less cash. The Trust considers this metric useful as it indicates its ability to meet its debt obligations and its capacity for future additional acquisitions.	Capital Resources – Debt ratio
Interest Coverage Ratio	Interest coverage ratio is a non-IFRS financial measure which is calculated by taking the Adjusted EBITDA divided by interest expenses net of financial income (interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	Capital Resources – Interest coverage ratio
Debt Service Coverage Ratio	Debt service coverage ratio is a non-IFRS financial measure which is calculated by taking the Adjusted EBITDA divided by the Debt Service Requirements, which consists of principal repayments and interest expenses net of financial income (interest expenses exclude early repayment fees, accretion of effective interest, distribution on Class B LP units, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments and Class B LP units). The Trust considers this metric useful as it indicates its ability to meet its interest cost obligations for a given period.	Capital Resources – Debt service coverage ratio

Appendix 3 – Non-IFRS Financial Measures – Quarterly Reconciliation

Funds from Operations (FFO)[1]

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

	2023 Q-1	2022 Q-4	2022 Q-3	2022 Q-2	2022 Q-1	2021 Q-4	2021 Q-3	2021 Q-2
(in thousands of dollars, except for per unit)	$	$	$	$	$	$	$	$
Net income and comprehensive income (IFRS)	8,802	1,769	11,693	18,243	6,449	23,219	8,678	7,161
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)
Amortization of lease incentives	728	787	773	818	735	858	780	777
Fair value adjustment on derivative financial instruments	184	(1,971)	(3,898)	(9,344)	997	3,297	(2,598)	733
Leasing payroll expenses[6]	356	682	182	158	221	208	173	184
Distributions – Class B LP units	22	26	26	26	26	30	22	26
Unit-based compensation (Unit price remeasurement)[5]	(59)	198	(172)	(285)	77	23	(19)	185
FFO[1]	10,033	9,432	9,692	9,580	7,564	8,085	7,018	9,014
Non-recurring item								
Transaction costs on disposition of investment properties and mortgage early repayment fees	-	627	93	138	753	109	-	188
Recurring FFO[1]	10,033	10,059	9,785	9,718	8,317	8,194	7,018	9,202
FFO per unit[1][2][3]	11.7¢	11.0¢	11.4¢	11.3¢	9.7¢	10.9¢	9.5¢	12.3¢
Recurring FFO per unit[1][2][4]	11.7¢	11.8¢	11.5¢	11.4¢	10.7¢	11.0¢	9.5¢	12.5¢
FFO payout ratio[1]	64.1%	67.9%	65.9%	66.4%	77.2%	68.9%	79.0%	61.1%
Recurring FFO payout ratio[1]	64.1%	63.6%	65.2%	65.5%	70.2%	68.0%	79.0%	59.9%

(1) This is a non-IFRS financial measure, refer to page 35.
(2) Including Class B LP units.
(3) The FFO per unit ratio is calculated by dividing the FFO[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(4) The recurring FFO per unit ratio is calculated by dividing the recurring FFO[1] by the Trust's unit outstanding at the end of the period (including the Class B LP units at outstanding at the end of the period).
(5) The impact of the unit price remeasurement on the deferred unit-based compensation plan has been considered in the calculation of the recurring FFO and AFFO starting Q2 2021.
(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 35.

Adjusted Funds from Operations (AFFO)[1]

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

	2023 Q-1	2022 Q-4	2022 Q-3	2022 Q-2	2022 Q-1	2021 Q-4	2021 Q-3	2021 Q-2
(in thousands of dollars, except for per unit)	$	$	$	$	$	$	$	$
FFO[1]	10,033	9,432	9,692	9,580	7,564	8,085	7,018	9,014
Straight-line rental revenue adjustment	(633)	(1,077)	(521)	(74)	(150)	(758)	(88)	(91)
Accretion of effective interest	236	336	219	284	288	275	239	428
Amortization of other property and equipment	23	31	35	26	30	22	23	27
Unit-based compensation expenses	256	206	130	312	73	143	114	(24)
Provision for non-recoverable capital expenditures[1]	(658)	(630)	(599)	(580)	(581)	(539)	(478)	(519)
Provision for unrecovered rental fees[1]	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(376)
AFFO[1]	8,882	7,923	8,581	9,173	6,849	6,853	6,453	8,459
Non-recurring item								
Transaction costs on disposition of investment properties and mortgage early repayment fees	-	627	93	138	753	109	-	188
Recurring AFFO[1]	8,882	8,550	8,674	9,311	7,602	6,962	6,453	8,647
AFFO per unit[1][2][3]	10.3¢	9.3¢	10.1¢	10.8¢	8.8¢	9.2¢	8.7¢	11.5¢
Recurring AFFO per unit[1][2][4]	10.3¢	10.0¢	10.2¢	11.0¢	9.7¢	9.4¢	8.7¢	11.8¢
AFFO payout ratio[1]	72.4%	80.8%	74.4%	69.4%	85.3%	81.3%	85.9%	65.1%
Recurring AFFO payout ratio[1]	72.4%	74.9%	73.6%	68.3%	76.8%	80.0%	85.9%	63.7%

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

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

8743 50 Avenue NW, Edmonton, AB

Condensed Consolidated Interim Financial Statements

Quarter ended March 31, 2023

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - in thousands of CAD dollars)

	Notes	As at March 31, 2023	As at December 31, 2022
		$	$
Assets			
Investment properties	3	1,198,351	1,164,881
Property and equipment		299	322
Derivative financial instruments	9	3,453	3,754
Prepaid expenses and deposits		4,440	3,163
Receivables	4	5,025	4,816
Cash and cash equivalents		1,669	2,404
Total assets		**1,213,237**	**1,179,340**
Liabilities and unitholders' equity			
Mortgage loans payable	5	648,045	636,111
Convertible debentures	6	41,817	41,942
Bank loans	7	25,050	9,897
Lease liabilities		7,334	4,203
Class B LP Units	8	706	1,268
Unit-based compensation	10	1,613	1,542
Derivative financial instruments	9	-	116
Trade and other payables		20,171	20,058
Distribution payable to unitholders		2,144	2,131
Total liabilities		**746,880**	**717,268**
Unitholders' equity		**466,357**	**462,072**
		1,213,237	**1,179,340**

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on May 5, 2023.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited - in thousands of CAD dollars)

	Notes	For the three-month periods ended March 31, 2023	2022
		$	$
Operating revenues			
Rental revenue	12	32,911	29,068
Operating expenses			
Public utilities and other operating expenses		6,797	6,267
Property taxes and insurance		7,106	6,567
		13,903	12,834
Net operating income		**19,008**	**16,234**
Financial income		306	145
Expenses			
Financial expenses		8,191	7,557
Distribution - Class B LP Units	8	22	26
Fair value adjustment – Class B LP Units	8	-	66
Net adjustment to fair value of derivative financial instruments		184	997
Net financial expenses	13	8,397	8,646
Administration expenses		2,115	1,822
Net change in fair value of investment properties and disposition expenses	3	-	(538)
Net income and comprehensive income for the period		**8,802**	**6,449**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

(Unaudited - in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distribution	Cumulative comprehensive income	Total
Balance as at January 1, 2023		395,960	(202,235)	268,347	462,072
Issuance of units, net of issuance expenses	11	1,904	-	-	1,904
Distribution to unitholders	11	-	(6,421)	-	(6,421)
		397,864	(208,656)	268,347	457,555
Comprehensive income		-	-	8,802	8,802
Balance as at March 31, 2023		397,864	(208,656)	277,149	466,357
Balance as at January 1, 2022		351,540	(177,308)	230,193	404,425
Issuance of units, net of issuance expenses	11	41,001	-	-	41,001
Distribution to unitholders	11	-	(5,825)	-	(5,825)
		392,541	(183,133)	230,193	439,601
Comprehensive income		-	-	6,449	6,449
Balance as at March 31, 2022		392,541	(183,133)	236,642	446,050

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - in thousands of CAD dollars)

		For the three-month periods ended March 31,	
	Notes	2023	2022
		$	$
Operating activities			
Net income for the period		8,802	6,449
Net change in fair value of investment properties and disposition expenses	3	-	(538)
Depreciation of property and equipment		23	30
Unit-based compensation	10	197	151
Straight-line lease adjustment	12	(633)	(150)
Lease incentive amortization	12	728	735
Financial income		(306)	(145)
Net financial expenses	13	8,397	8,646
		17,208	15,178
Adjustment for changes in other working capital items		(1,551)	(3,774)
Net cash from (used in) operating activities		15,657	11,404
Investing activities			
Acquisitions of investment properties net of mortgage loans assumed	3	(28,920)	(38,961)
Additions to investment properties	3	(1,512)	(3,051)
Net proceeds from dispositions of investment properties	3	-	19,973
Acquisition of property and equipment		-	(22)
Net cash (used in) from investing activities		(30,432)	(22,061)
Financing activities			
Mortgage loans, net of financing expenses		16,619	24,368
Repayment of mortgage loans		(4,787)	(6,735)
Bank loans		15,153	-
Repayment of bank loans		-	(150)
Lease liability payments		(2)	(4)
Net proceeds from unit issue		-	38,330
Net distribution to unitholders		(5,533)	(4,800)
Net distribution – Class B LP units	8	(22)	(26)
Interest paid		(7,388)	(6,851)
Net cash (used in) from financing activities		14,040	44,132
Net change in cash and cash equivalents		(735)	33,475
Cash and cash equivalents, beginning of period		2,404	7,191
Cash and cash equivalents, end of period		1,669	40,666

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three-months ended March 31, 2023 and 2022
(Unaudited - in thousands of CAD dollars, except unit and per unit amounts)

1. Reporting Entity

BTB Real Estate Investment Trust ("BTB") is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Quebec pursuant to a trust agreement and is domiciled in Canada. The address of BTB's registered office is 1411 Crescent Street, Suite 300, Montreal, Quebec, Canada. The condensed consolidated interim financial statements of BTB for the three-month periods ended March 31, 2023 and 2022 comprise BTB and its wholly-owned subsidiaries (together referred to as the "Trust") and the Trust's interest in joint operations.

2. Basis of Preparation

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Trust's consolidated financial statements for the year ended December 31, 2022.

The accounting policies applied by the Trust in these unaudited condensed interim financial statements are the same as those applied by the Trust in its consolidated financial statements for the year ended December 31, 2022.

These condensed consolidated interim financial statements were approved by the Board of Trustees on May 5, 2023.

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

3. Investment Properties

	Three-month period ended March 31,
	2023
	$
Balance beginning of period	1,164,881
Initial recognition of right-of-use assets	3,133
Acquisitions of investment properties (note 3(a))	28,920
Capital expenditures	721
Capitalized leasing fees	148
Capitalized lease incentives	643
Lease incentives amortization	(728)
Straight-line lease adjustment	633
Balance end of period	**1,198,351**

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

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

At March 31, 2023, no independent external appraisals were obtained for investment properties (December 31, 2022 - $821,315).

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

	Industrial	Off-downtown core office	Necessity-based retail
As at March 31, 2023			
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	5.85%	6.76%	6.84%
As at December 31, 2022			
Capitalization rate	4.75% -6.75%	5.75% - 8.25%	5.50% - 8.00%
Terminal capitalization rate	4.75% - 7.50%	5.75% - 8.00%	5.50% - 8.00%
Discount rate	5.50% - 8.25%	6.25% - 8.75%	6.25% - 8.75%
Weighted average capitalization rate	5.75%	6.76%	6.84%

The following table provides a sensitivity analysis of the fair value of investment properties for changes in the weighted average capitalization rate as at March 31, 2023, which is representative of the sensitivity to changes in the discount rate and terminal capitalization rate as at March 31, 2023.

Capitalization rate sensitivity		
Increase (decrease)	**Fair Value**	**Change in fair value**
	$	$
(0.50)%	1,299,905	101,554
(0.25)%	1,247,007	48,656
Base rate	1,198,351	-
0.25%	1,153,315	(45,036)
0.50%	1,111,620	(86,731)

(a) Acquisitions

The fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during the three-month periods ended March 31, 2023, were as follows:

Fair value recognized on acquisition							
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including acquisition costs**	**Mortgage loan assumed**	**Acquisition costs**	**Net consideration**
			%	$	$	$	$
February 2023	Industrial	Mirabel, QC	100	28,920	-	-	28,920
Total				**28,920**	**-**	**-**	**28,920**

(b) Dispositions

There were no dispositions during the three-month period ended March 31, 2023.

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

Three-month periods ended March 31,	2023	2022
	$	$
Net changes in fair value of investment properties (note 3)	-	1,007
Disposition expenses (note 3 (b))	-	(469)
	-	**538**

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

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

4. Receivables

	As at March 31, **2023**	As at December 31, **2022**
	$	$
Rents receivable	4,628	3,431
Allowance for expected credit losses	(829)	(1,011)
Net rents receivable	3,799	2,420
Unbilled recoveries	1,074	1,142
Other receivables	152	1,254
Total	**5,025**	**4,816**

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

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

5. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $1,164,744 as at March 31, 2023 (December 31, 2022 – $1,140,753).

	As at March 31, **2023**	As at December 31, **2022**
	$	$
Fixed rate mortgage loans payable	561,852	552,275
Floating rate mortgage loans payable	88,602	86,166
Unamortized fair value assumption adjustments	456	564
Unamortized financing expenses	(2,865)	(2,894)
Mortgage loans payable	**648,045**	**636,111**
Short-term portion	81,491	86,094
Weighted average interest rate	4.20%	4.09%
Weighted average term to maturity (years)	3.76	3.97
Range of annual rates	2.30% - 8.45%	2.30% - 8.20%

As at March 31, 2023, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	$	$	$
2023[1]	14,035	67,456	81,491
2024	16,224	103,795	120,019
2025	13,903	52,853	66,756
2026	11,568	105,191	116,759
2027	7,777	108,936	116,713
Thereafter	15,189	133,527	148,716
	78,696	**571,758**	**650,454**
Unamortized fair value assumption adjustments			456
Unamortized financing expenses			(2,865)
			648,045

(1) For the nine-month period remaining

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

Transaction date	Original principal amount	Effective fixed interest rate	Settlement basis	Maturity date	Outstanding amount	
					As at March 31, 2023	As at December 31, 2022
	$	%			$	$
March 2013[1]	7,150	4.12	Monthly	April 2023	4,100	4,250
June 2016	13,000	3.45	Quarterly	June 2026	10,551	10,649
November 2017	23,200	3.88	Monthly	November 2027	21,157	21,331
November 2017	23,075	3.90	Monthly	December 2027	19,899	20,068
Total	**66,425**				**55,707**	**56,298**

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

6. Convertible Debentures

As at March 31, 2023, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	$		
Series G	24,000	6.00	7.30	5.42	Semi-annual	October 2024
Series H	19,917	7.00	8.28	3.64	Semi-annual	October 2025

	Series G	Series H	Total
	$	$	$
As at March 31, 2023			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	-	781	781
	24,000	28,090	52,090
Conversion options exercised by holders	-	(9,178)	(9,178)
	24,000	18,912	42,912
Unamortized financing expenses	(486)	(609)	(1,095)
Non-derivative liability component	**23,514**	**18,303**	**41,817**
Conversion and redemption options liability (asset) component at fair value	**(505)**	**40**	**(465)**

	Series G	Series H	Total
	$	$	$
As at December 31, 2022			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	-	709	709
	24,000	28,018	52,018
Conversion options exercised by holders	-	(8,848)	(8,848)
	24,000	19,170	43,170
Unamortized financing expenses	(557)	(671)	(1,228)
Non-derivative liability component	**23,443**	**18,499**	**41,942**
Conversion and redemption options liability component at fair value	**88**	**28**	**116**

Series G

As of March 31, 2023, no conversion options have been exercised by holders on debentures.

Series H

As of March 31, 2023, conversion options have been exercised by holders on debentures representing a nominal amount of $10,083 (December 31, 2022 – $9,720).

7. Bank Loans

The Trust has access to two credit facilities. The first is an acquisition line of credit in the amount of $8,000. This line of credit bears interest at a rate of 1% above the prime rate. As at March 31, 2023, $900 was due under the acquisition line of credit (December 31, 2022 – $900). The line of credit is secured by an immoveable second rank hypothec on five properties having a fair value of $92,775.

The second is a revolving credit facility in the amount of $40,000 with an accordion option of up to an additional $20,000. This revolving credit facility bears interest at a rate of 1% above the prime rate or 2.25% above the Bankers' Acceptance rate. As at March 31, 2023, $24,150 was due under the revolving credit facility (December 31, 2022 - $8,997).

The revolving credit facility is secured by an immoveable first rank hypothec on one property having a fair value of $21,022 and by negative pledge of a selection of borrowing base properties having a fair value of $132,412.

8. Class B LP Units

	Three-month period ended March 31, 2023		Year ended December 31, 2022	
	Units	$	Units	$
Units outstanding, beginning of period	347,265	1,268	347,265	1,417
Exchange into Trust units	(150,000)	(562)	-	-
Fair value adjustment	-	-	-	(149)
Units outstanding, end of period	**197,265**	**706**	**347,265**	**1,268**

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

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

Three-month periods ended March 31,	2023	2022
	$	$
Distribution to Class B LP unitholders	22	26
Distribution per Class B LP unit	0.075	0.075

9. Fair Value Measurement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include the fair value of cash and cash equivalents, restricted cash, receivables, balance of sale, trade and other payables and distribution payable to unitholders, which approximated their carrying amount as at March 31, 2023 because of their short-term maturity or because they bear interest at current market rates.

As at March 31, 2023	Carrying amount			Fair value
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 6)	(465)	-	-	(465)
Interest rate swap asset	(2,988)	-	(2,988)	-
Class B LP Units (note 8)	706	706	-	-
For which fair values are disclosed				
Mortgage loans payable (note 5)	650,454	-	612,645	-
Convertible debentures, including their conversion and redemption features (note 6)	41,352	42,718	-	-
Bank loans (note 7)	25,050	-	25,050	-

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

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

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

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

Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

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

	Conversion and redemption options of convertible debentures
	$
Three-months period ended March 31, 2023	
Balance beginning of period	116
Change for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	(581)
Balance end of period	**(465)**

The following table provides a sensitivity analysis for the volatility applied in fair value measurement of the conversion and redemption options of convertible debentures at March 31, 2023:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50)%	(530)	20.01
March 31, 2023	(465)	20.51
0.50%	(400)	21.01

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

10. Unit-based Compensation

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

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

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

For the three-month period ended March 31,	2023	2022
	Deferred units	Deferred units
Outstanding, beginning of period	121,727	103,116
Trustees' compensation	2,470	2,048
Distributions paid in units	2,458	2,177
Outstanding, end of period	**126,655**	**107,341**

As at March 31, 2023, the liability related to the plan was $449 (December 31, 2022 - $446). The related expense recorded in profit or loss amounted to $3, for the three-month period ended March 31, 2023 (for the three-month period ended March 31, 2022 – expense of $49).

(b) Employee unit purchase plan

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

As at March 31, 2023, the liability related to the plan was $26 (December 31, 2022 -$54). The related revenue recorded in profit and loss amounted to $1 for the three-month period March 31, 2023 (for the three-month period ended March 31, 2022 - expense of $14). The 6,995 units related to 2022 purchases were issued in February 2023 (11,605 units related to 2021 purchases).

(c) Restricted unit compensation plan

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

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

Three-month period ended March 31,	2023	2022
	Restricted units	Restricted units
Outstanding, beginning of period	138,583	161,536
Granted	217,072	92,304
Settled	(26,601)	(90,671)
Outstanding, end of period	**329,054**	**163,169**

As at March 31, 2023, the liability related to the plan was $528 (December 31, 2022 - $446). The related expense recorded in profit and loss amounted to $181 for the three-month period March 31, 2023 (for the three-month period ended March 31, 2022 – expense of $58).

(d) Cash settled share-based retirement compensation plan

As at March 31, 2023, the long-term obligation related to the plan was $610. The related expense recorded in profit and loss amounted to $14 for the three-month period ended March 31, 2023 (for the three-month period ended March 31, 2022 – expense of $57).

11. Trust Units Issued and Outstanding

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

Trust units issued and outstanding are as follows:

	Three-month period ended March 31, 2023	
	Units	$
Trust units outstanding, beginning of period	85,238,279	395,960
Issue pursuant to the distribution reinvestment plan (a)	233,199	847
Issue pursuant to the employee unit purchase plan (note 10 (b))	6,995	27
Issue pursuant to the restricted unit compensation plan (note 10 (c))	26,599	99
Class B LP units exchange into Trust units	150,000	590
Issue pursuant to conversion of convertible debentures (note 6)	99,725	341
Trust units outstanding, end of period	**85,754,797**	**397,864**

(a) Distribution reinvestment plan

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

(b) Distributions

Three-month periods ended March 31,	2023	2022
	$	$
Distribution to unitholders	6,387	5,825
Distribution per Trust unit	0.075	0.075

(c) Normal course issuer bid ("NCIB")

As of March 31, 2023, no units have been repurchased for cancellation.

12. Rental Revenues

Three-month periods ended March 31,	2023	2022
	$	$
Base rent and other lease generated revenues	21,054	17,957
Property tax and insurance recoveries	6,173	5,576
	27,227	23,533
Operating expenses recoveries and other revenues	5,779	6,120
Lease incentive amortization	(728)	(735)
Straight-line lease adjustment	633	150
	32,911	**29,068**

13. Net Financial Expenses

Three-month periods ended March 31,	2023	2022
	$	$
Interest on mortgage loans payable	6,724	5,802
Interest on convertible debentures	709	732
Interest on bank loans	344	307
Interest on lease liabilities	79	53
Other interest expense	17	10
Accretion of non-derivative liability component of convertible debentures	82	81
Accretion of effective interest on mortgage loans payable and convertible debentures	236	288
Distribution - Class B LP Units	22	26
Fair value adjustment – Class B LP Units	-	66
Early repayment fees of a mortgage loan	-	284
Net adjustment to fair value of derivative financial instruments	184	997
	8,397	**8,646**

14. Expenses by Nature

Three-month periods ended March 31,	2023	2022
	$	$
Depreciation	23	30
Employee compensation and benefits expense	2,773	2,531

15. Earnings per Unit

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

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

Three-month periods ended March 31,	2023	2022
	$	$
Net income	8,802	6,449
Weighted average number of trust units outstanding – basic	85,911,854	78,012,000
Earnings per unit – basic	**0.10**	**0.08**

16. Liquidity Risk Management

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

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

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

Some mortgage loans include subjective and restrictive covenant clauses under which the Trust must comply with financial conditions and ratios. As at March 31, 2023, the Trust was in compliance with all the covenants to which it was subject.

17. Operating Segments

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

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

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

	Industrial	Off-downtown core office	Necessity-based retail	Total
	$	$	$	$
Three-month period ended March 31, 2023				
Investment properties	377,331	571,341	249,678	**1,198,351**
Rental revenue from properties	7,020	18,839	7,052	**32,911**
Net operating income	5,341	9,646	4,021	**19,008**
Three-month period ended March 31, 2022				
Investment properties	259,258	614,473	253,642	**1,127,373**
Rental revenue from properties	5,373	16,976	6,719	**29,068**
Net operating income	4,008	8,660	3,566	**16,234**

18. Commitments and Contingencies

Litigation

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

19. Subsequent events

On May 1, 2023, the Trust completed the purchase of a fully leased industrial property in Edmonton (Alberta) for $7,350. As part of the transaction, the Trust satisfied a portion of the purchase price through the issuance to the vendor of 550,000 Class B limited partnership units at a price of $4.50 per unit.

Executive Team & Board of Trustees

Michel Léonard
President, Chief Executive Officer & Trustee

Mathieu Bolté
Executive Vice President, COO & CFO

Jocelyn Proteau
Chair of the Board & Trustee(2)

Jean-Pierre Janson
Vice-Chair of the Board & Trustee(2)

Lucie Ducharme
President, Human Resources and Governance Committees & Trustee(1)(2)

Luc Martin
President, Audit Committee & Trustee(1)

Fernand Perreault
President, Investment Committee & Trustee(3)

Christine Marchildon
Trustee(2)

Sylvie Lachance
Trustee(3)

(1) Member of the Audit Committee
(2) Member of the Human Resources and Governance Committee
(3) Member of the Investments Committee

Unitholders Information

Head office
BTB Real Estate Investment Trust
1411 Crescent Street, Suite 300
Montréal, Québec, H3G 2B3
T 514 286-0188
www.btbreit.com

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

Transfer agent
Computershare Investor Services
1500 Robert-Bourassa Blvd
7th floor, Montréal, Québec, H3A 3S8
Canada
T 514 982-7555
T Toll free: 1 800-564-6253
F 514 982-7850
service@computershare.com

Taxability of distributions
In 2022, for all Canadian unitholders, the distributions were fiscally treated as follow:
- Other revenues: 0%
- Fiscal Deferral: 100%

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

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

Annual General Meeting
June 12th, 2023
11:00 a.m. (EDT)
Mount Royal Club
Livestream available:
https://bit.ly/3Ns3LO9

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

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