BTB

BTB Real Estate Investment Trust

Quarter ended September 30, 2016

Condensed Consolidated Interim Financial Statements

Building Trust

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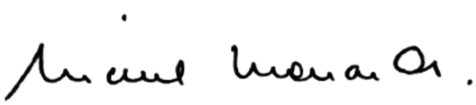
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - in thousands of CAD dollars)

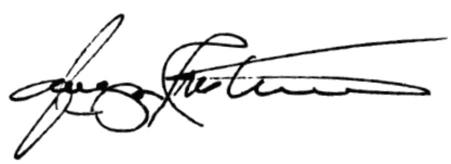
	Notes	As at September 30, **2016**	As at December 31, **2015**
		$	$
ASSETS			
Investment properties	3, 4, 5	639,432	622,651
Property and equipment	6	2,191	2,292
Restricted cash	7	2,000	51
Other assets	8	4,668	1,969
Receivables	9	2,145	1,981
Cash and cash equivalents		384	4,138
Total assets		**650,820**	**633,082**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	10	374,266	366,596
Convertible debentures	11	47,575	68,866
Bank loans	12	8,070	9,800
Derivative financial instruments	13	581	380
Unit-based compensation	14	197	173
Trade and other payables		10,888	11,693
Distributions payable to unitholders		1,477	1,215
Total liabilities		**443,054**	**458,723**
Unitholders' equity		**207,766**	**174,359**
		650,820	**633,082**

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on November 3, 2016.



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 September 30, 2016	2015	For the nine-month periods ended September 30, 2016	2015
		$	$	$	$
Operating revenues					
Rental revenues from properties	16	18,264	18,421	55,114	54,353
Operating expenses					
Property taxes and public utilities		4,941	4,786	15,396	14,749
Other operating costs		2,690	2,677	8,500	8,330
		7,631	7,463	23,896	23,079
Net operating income		**10,633**	**10,958**	**31,218**	**31,274**
Other revenue					
Dispute settlement		180	—	180	—
Expenses					
Finance costs		6,136	6,194	17,075	16,976
Net adjustment to fair value of derivative financial instruments		40	102	200	246
Net financing costs	17	6,176	6,296	17,275	17,222
Trust administration expenses		1,200	970	3,153	3,052
Expenses for abandoned transaction	18	—	23	—	207
		3,437	**3,669**	**10,970**	**10,793**
Net changes in fair value of investment properties		1,985	—	1,985	—
Net income being total comprehensive income for the period		**5,422**	**3,669**	**12,955**	**10,793**

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

(Unaudited - in thousands of CAD dollars)

For the nine-month period ended September 30, 2016	Notes	Unitholders' contributions	Cumulative distributions	Cumulative comprehensive income	Total
Balance at January 1, 2016		**184,853**	**(52,726)**	**42,232**	**174,359**
Issuance of units	15	32,454	—	—	32,454
Distributions to unitholders	15	—	(12,002)	—	(12,002)
		217,307	(64,728)	42,232	194,811
Comprehensive income		—	—	12,955	12,955
Balance as at September 30, 2016		**217,307**	**(64,728)**	**55,187**	**207,766**

For the nine-month period ended September 30, 2015					
Balance at January 1, 2015		**182,284**	**(38,248)**	**33,563**	**177,599**
Issuance of units		2,099	—	—	2,099
Distributions to unitholders	15	—	(10,839)	—	(10,839)
		184,383	(49,087)	33,563	168,859
Comprehensive income		—	—	10,793	10,793
Balance as at September 30, 2015		**184,383**	**(49,087)**	**44,356**	**179,652**

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 September 30,		For the nine-month periods ended September 30,	
	Notes	**2016**	**2015**	**2016**	**2015**
		$	$	$	$
Operating activities					
Net income for the period		5,422	3,669	12,955	10,793
Adjustment for:					
Increase in fair value of investment properties		(1,985)	—	(1,985)	—
Depreciation of property and equipment	6	44	34	133	123
Unit-based compensation		55	20	119	211
Straight-line lease adjustment	16	(58)	(179)	(248)	(561)
Lease incentive amortization	16	553	534	1,567	1,532
Net financing costs	17	6,176	6,296	17,275	17,222
		10,207	10,374	29,816	29,320
Net change in non-cash operating items		135	(675)	(3,216)	(3,239)
Net cash from operating activities		**10,342**	**9,699**	**26,600**	**26,081**
Investing activities					
Additions to investment properties	3, 4	(1,825)	(29,649)	(15,737)	(67,460)
Additions to property and equipment	6	(2)	(17)	(32)	(60)
Net cash used in investing activities		**(1,827)**	**(29,666)**	**(15,769)**	**(67,520)**
Financing activities					
Mortgage loans, net of financing costs		(24)	47,586	26,337	71,421
Repayment of mortgage loans		(3,011)	(25,062)	(19,052)	(30,518)
Bank loans, net of financing costs		8,070	6,379	11,770	18,959
Repayment of bank loans		—	—	(13,500)	—
Repayment of convertible debentures		(23,000)	—	(23,000)	—
Net proceeds from issue of units		2,453	—	30,910	333
Net distributions to unitholders		(3,940)	(3,166)	(10,290)	(9,521)
(Addition) Reduction to restricted cash		51	163	(1,949)	1,667
Interest paid		(5,371)	(6,370)	(15,811)	(16,232)
Net cash (used in) from financing activities		**(24,772)**	**19,530**	**(14,585)**	**36,109**
Net decrease in cash and cash equivalents		**(16,257)**	**(437)**	**(3,754)**	**(5,330)**
Cash and cash equivalents, beginning of period		**16,641**	**1,535**	**4,138**	**6,428**
Cash and cash equivalents, end of period		**384**	**1,098**	**384**	**1,098**

See accompanying notes to condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month periods ended September 30, 2016 and 2015
(Unaudited - in thousands of CAD dollars, except 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 2155, Crescent street, Montreal, Quebec, Canada. The consolidated financial statements of BTB for the nine-month periods ended September 30, 2016 and 2015 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 ("IAS") 34, Interim Financial Reporting 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 years ended December 31, 2015 and 2014.

The accounting policies applied by the Trust in these unaudited condensed consolidated interim financial statements are the same as those applied by the Trust in its consolidated financial statements for the year ended December 31, 2015.

These condensed consolidated interim financial statements were approved by the Board of Trustees on November 3, 2016.

(b) Basis of presentation and measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Investment properties are measured at fair value;
- Derivative financial instruments are measured at fair value;
- Unit-based compensation is measured using a fair value-based method of accounting.

The Trust presents its consolidated statements of financial position based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is BTB's functional currency. All financial information presented in Canadian dollars 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 International Financial Reporting Standards ("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.

The significant judgments made by management in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2015.

(e) Change in accounting policy

In 2016, the Trust adopted the amendments to IAS 1, *Presentation of Financial Statements* and to IFRS 11, *Joint Arrangements*. The application of the amendments had no impact on the Trust's consolidated financial statements.

(f) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year December 31, 2016, and have not been applied in preparing these condensed consolidated interim financial statements.

(i) IFRS 9, Financial Instruments ("IFRS 9")

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The new standard is effective for the Trust's annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014 the IASB issued IFRS 15 in replacement of IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard is effective for the Trust's annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(iii) IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. This standard would be effective for the Trust's annual periods beginning after January 1, 2019 with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

(Unaudited - in thousands of CAD dollars, except per unit amounts)

3. Investment Properties

	Nine-month period ended September 30, 2016	Year ended December 31, 2015
	$	$
Balance beginning of period	622,651	571,462
Acquisitions of investment properties (note 4)	11,337	63,383
Disposals of investment properties (note 5)	—	(13,053)
Capital expenditures	1,658	4,332
Government grants	—	(286)
Capitalized leasing fees	486	778
Capitalized lease incentives	2,634	2,364
Lease incentives amortization	(1,567)	(2,084)
Straight-line lease adjustment	248	702
Net changes in fair value of investment properties	1,985	(4,947)
Balance end of period	**639,432**	**622,651**

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 external valuation is determined by management based on its assessment of circumstances that in its view, may impact the value of a particular individual investment property. The fair value of the remaining investment properties is determined by management using internally generated valuations based on the Direct Capitalization method.

At September 30, 2016 external appraisals were obtained for investment properties with an aggregate fair value of $69,900 (December 31, 2015 - $394,213).

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

	Commercial	Office	Industrial	General purpose
As at September 30, 2016				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	6.50% - 9.75%	7.25% - 8.25%
Terminal capitalization rate	7.00% - 8.50%	6.75% - 7.75%	7.00% - 9.75%	7.50% - 8.00%
Discount rate	7.75% - 9.00%	7.25% - 8.50%	7.50% - 10.50%	8.00% - 8.50%
As at December 31, 2015				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	6.50% - 9.75%	7.25% - 8.25%
Terminal capitalization rate	7.00% - 8.50%	6.75% - 7.75%	7.75% - 9.75%	7.50% - 8.00%
Discount rate	7.75% - 9.00%	7.50% - 8.50%	8.25% - 10.50%	8.00% - 8.50%

During the first quarter of 2016, the classification of six investment properties was updated. The comparatives figures have been reclassified to conform to the current year's presentation.

Valuations determined by the Direct Capitalization method are most sensitive to changes in capitalization rate. An increase in the capitalization rate, other things being equal, will result in a decrease in fair value of the investment properties and vice-versa.

(Unaudited - in thousands of CAD dollars, except per unit amounts)

4. Acquisitions

(a) 2016 Asset acquisition

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2016 were as follows:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Mortgage loans payable**	**Trade and other payables, including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
February 2016	Office	Montreal, QC	100	11,000	—	41	10,959
Transaction costs				337	—	337	—
Total				**11,337**	**—**	**378**	**10,959**

(b) 2015 Asset acquisitions

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2015 were as follows:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Mortgage loans payable**	**Trade and other payables, including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
January 2015	Industrial	Ottawa, ON	100	12,525	—	—	12,525
January 2015	Commercial	Delson, QC	100	21,500	—	123	21,377
August 2015	Office	Ottawa, ON	100	8,560	—	(59)	8,619
August 2015	Office	Ottawa, ON	100	19,350	—	324	19,026
Transaction costs				1,448	—	1,448	—
Total				**63,383**	**—**	**1,836**	**61,547**

5. Disposals

(a) 2016 Asset Disposals

There were no disposals during the nine-month period ended September 30, 2016.

(b) 2015 Asset Disposals

The following table presents relevant information on disposals recognized in the consolidated financial statements during 2015:

Disposal date	**Property type**	**Location**	**Gross proceeds**	**Trade and other payables, including transaction costs**	**Balance of sale**	**Net proceeds**
			$	$		$
November 2015	Office	Boucherville, QC	2,945	(13)	—	2,932
November 2015	Office	St-Bruno-de-Montarville, QC	3,983	(4)	(600)	3,379
December 2015	General purpose	Laval, QC	3,125	(40)	—	3,085
December 2015	General purpose	Montreal, QC	3,000	(33)	—	2,967
Transaction costs*			—	(276)	—	(276)
Total			**13,053**	**(366)**	**(600)**	**12,087**

*Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs.

(Unaudited - in thousands of CAD dollars, except per unit amounts)

6. Property and Equipment

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
	$	$	$	$	$
Cost					
Balance at December 31, 2014	494	1,934	539	82	**3,049**
Additions	—	11	55	88	**154**
Balance at December 31, 2015	494	1,945	594	170	**3,203**
Additions	—	10	22	—	**32**
Balance at September 30, 2016	494	1,955	616	170	**3,235**
Accumulated Depreciation					
Balance at December 31, 2014		379	340	34	**753**
Depreciation for the year		69	72	17	**158**
Balance at December 31, 2015		448	412	51	**911**
Depreciation for the period		46	60	27	**133**
Balance at September 30, 2016		494	472	78	**1,044**
Net carrying amount					
Balance at December 31, 2015	494	1,497	182	119	**2,292**
Balance at September 30, 2016	494	1,461	144	92	**2,191**

7. Restricted Cash

Restricted cash consists of an amount of $2,000 (December 31, 2015- $51) provided in guarantee of mortgage loans. The restricted cash will become available at signature of a particular lease.

8. Other Assets

	As at September 30, **2016**	As at December 31, **2015**
	$	$
Prepaid expenses	4,239	1,285
Deposits	429	684
Total	**4,668**	**1,969**

(Unaudited - in thousands of CAD dollars, except per unit amounts)

9. Receivables

	As at September 30, **2016**	As at December 31, **2015**
	$	$
Rents receivable	1,621	1,125
Provision for doubtful accounts	(340)	(329)
Net rents receivable	1,281	796
Unbilled recoveries	(323)	105
Other receivables	587	480
Balance of sale (note 5)	600	600
Total	**2,145**	**1,981**

Balance of sale is comprised of one mortgage loan receivable bearing interest at an interest rate of 2.75%, payable semi-annually, maturing in November 2020.

10. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $632,546 as at September 30, 2016 (December 31, 2015– $616,301).

	As at September 30, **2016**	As at December 31, **2015**
	$	$
Fixed rate mortgage loans payable	356,408	361,450
Floating rate mortgage loans payable	19,208	6,503
Unamortized fair value assumption adjustments	879	1,026
Unamortized financing costs	(2,229)	(2,383)
Mortgage loans payable	**374,266**	**366,596**
Weighted average interest rate	3.81%	3.95%
Weighted average term to maturity (years)	5.04	5.48
Range of annual rates	2.77% - 6.80%	2.83% - 6.80%

As at September 30, 2016, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	**Principal maturity**	**Total**
	$	$	$
2016*	2,808	55,638	58,446
2017	9,324	57,226	66,550
2018	7,358	42,309	49,667
2019	5,901	37,872	43,773
2020	5,386	17,576	22,962
Thereafter	37,421	96,797	134,218
	68,198	**307,418**	**375,616**
Unamortized fair value assumption adjustments			879
Unamortized financing costs			(2,229)
			374,266

* For the three-month period remaining

(Unaudited - in thousands of CAD dollars, except per unit amounts)

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 13). The following table presents relevant information on interest rate swap agreements:

Transaction date	Original principal amount	Effective fixed interest rate	Settlement basis	Maturity date	Outstanding amount	
					As at September 30, **2016**	As at December 31, **2015**
	$	%			$	$
March 2013	7,150	4.02	Monthly	April 2023	6,306	6,503
June 2016	13,000	3.45	Quarterly	June 2026	12,902	—
Total	**20,150**				**19,208**	**6,503**

11. Convertible Debentures

As at September 30, 2016, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	$		
Series E	23,000	6.90	7.90	6.15	Semi-annual	March 2020
Series F	26,700	7.15	8.47	5.65	Semi-annual	December 2020

The components of the subordinated convertible debentures on the issue date were allocated as follows:

	Series E	Series F
	$	$
Non-derivative liability component	22,690	26,700
Conversion and redemption options liability component	310	—
	23,000	**26,700**

The accretion of the non-derivative liability component of the subordinated convertible debentures, which increases as of the initial allocation on the issuance date to the final amount repayable, is recorded under finance costs. The conversion and redemption options liability component is measured at fair value.

	Series E	Series F	Total
	$	$	$
As at September 30, 2016			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component	138	—	138
	22,828	26,700	49,528
Unamortized financing costs	(701)	(1,252)	(1,953)
Non-derivative liability component	**22,127**	**25,448**	**47,575**
Conversion and redemption options asset component at fair value	—	**(3)**	**(3)**

(Unaudited - in thousands of CAD dollars, except per unit amounts)

	Series D	Series E	Series F	Total
	$	$	$	$
As at December 31, 2015				
Non-derivative liability component upon issuance	21,346	22,690	26,700	70,736
Accretion of non-derivative liability component	932	106	—	1,038
	22,278	22,796	26,700	71,774
Unamortized financing costs	(651)	(828)	(1,429)	(2,908)
Non-derivative liability component	**21,627**	**21,968**	**25,271**	**68,866**
Conversion and redemption options (asset) liability component at fair value	**(5)**	**2**	**11**	**8**

Series D

In July 2011, the Trust issued Series D subordinated convertible, redeemable, unsecured debentures bearing 7.25% interest payable semi-annually and maturing in July 2018, in the amount of $23,000. In June 2016, the Trust sent a notice of redemption to the debentures holders to redeem all outstanding debentures. The debentures were redeemed for their nominal value on August 2, 2016. The excess of the redemption cost over the carrying amount of the debentures amounting to $1,088, that would have been otherwise amortized over time, was charged to net financing costs during the third quarter (see note 17).

Series E

In February 2013, the Trust issued Series E subordinated convertible, redeemable, unsecured debentures bearing 6.90% interest payable semi-annually and maturing in March 2020, in the amount of $23,000. The debentures are convertible at the holder's option at any time before March 2020, at a conversion price of $6.15 per unit ("Series E Conversion Price").

Until March 31, 2018, under certain conditions, the debentures are redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of March 31, 2018, but before March 31, 2020, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

Series F

In December 2015, the Trust issued Series F subordinated convertible, redeemable, unsecured debentures bearing 7.15% interest payable semi-annually and maturing in December 2020, in the amount of $26,700. The debentures are convertible at the holder's option at any time before December 2020, at a conversion price of $5.65 per unit ("Series F Conversion Price").

These debentures are not redeemable before December 31, 2018, except in the case of a change in control. As of December 31, 2018, but before December 31, 2019, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price.

(Unaudited - in thousands of CAD dollars, except per unit amounts)

As of December 31, 2019, but before December 31, 2020, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

12. Bank Loans

The Trust has access to an acquisition line of credit in the amount of $19,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at September 30, 2016, $6,000 was due under the acquisition line of credit (December 31, 2015 - $9,800).

The Trust also has access to an operating credit facility for a maximum amount of $3,000. This facility bears interest at a rate of 0.75% above the prime rate. As at September 30, 2016, $2,070 was due under the operating credit facility (December 31, 2015 - $nil).

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on three properties having a value of $8,165 and by an immoveable second rank hypothec on four properties having a value of $88,952.

13. 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, deposits, trade and other payables and distributions payable to unitholders, which approximated their carrying amount as at September 30, 2016 and December 31, 2015 because of their short-term maturity.

As at September 30, 2016	**Carrying amount**			**Fair value**
		Level 1	**Level 2**	**Level 3**
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 11)	(3)	—	—	(3)
Interest rate swap	584	—	584	—
For which fair values are disclosed				
Mortgage loans payable (note 10)	374,266	—	385,876	—
Convertible debentures, including their conversion and redemption features	47,572	51,257	—	—
Bank loans (note 12)	8,070	—	8,070	—

(Unaudited - in thousands of CAD dollars, except per unit amounts)

As at December 31, 2015	Carrying amount			Fair value
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 11)	8	—	—	8
Interest rate swap	372	—	372	—
For which fair values are disclosed				
Mortgage loans payable (note 10)	366,596	—	377,459	—
Convertible debentures, including their conversion and redemption features	68,874	72,012	—	—
Bank loans (note 12)	9,800	—	9,800	—

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 rate 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 bank loans was calculated by discounting cash flows from financial obligations using the period end market rate for similar instruments.

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 Trust's unit price 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
	$
Nine-month period ended September 30, 2016	
Balance beginning of period	8
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	(11)
Balance end of period	**(3)**

(Unaudited - in thousands of CAD dollars, except per unit amounts)

	Conversion and redemption options of convertible debentures
	$
Year ended December 31, 2015	
Balance beginning of year	(53)
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	61
Balance end of year	**8**

The following table provides a sensitivity analysis for the volatility applied in fair value measurement of the conversion and redemption options of convertible debentures at September 30, 2016:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	(59)	13.89
September 30, 2016	(3)	14.39
0.50%	56	14.89

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. In some cases, when the fair value of the redemption option component is increasing more than the fair value of the conversion option component, an increase in volatility will result in a decrease in fair value of the conversion and redemption options.

14. Unit-based Compensation

(a) Unit option plan

The Trust may grant options to its trustees, senior officers, investor relations consultants, and technical consultants. The maximum number of units reserved for issuance under the unit option plan is limited to 10% of the total number of issued and outstanding units. The trustees set the exercise price at the time that the units are granted under the plan; the exercise price may not be less than the discounted market price of the units as determined under the policies of the Toronto Stock Exchange on the date of grant. The options have a minimum term of five years as of the grant date and vest over a period of up to 18 months.

All of the outstanding options have been exercised during the year ended December 31, 2015. As a result, there is no option outstanding as at September 30, 2016 and December 31, 2015.

(b) 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.

(Unaudited - in thousands of CAD dollars, except per unit amounts)

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

For the nine-month periods ended September 30,	2016	2015
	Deferred units	Deferred units
Outstanding, beginning of period	—	—
Trustees' compensation	2,218	—
Distributions paid in units	8	—
Outstanding, end of period	**2,226**	—

As at September 30, 2016, the liability related to the plan was $10 (December 31, 2015 - $nil). The related expense recorded in profit and loss amounted to $10 for the nine-month period ended September 30, 2016 (no expense for the nine-month period ended September 30, 2015).

(c) 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 of their years of service with the Trust. For each two units purchased by an employee, the Trust issues one unit from treasury.

As at September 30, 2016, the liability related to the plan was $nil (December 31, 2015 - $37, representing a total of 8,340 units to issue). The related income recorded in profit and loss amounted to $2 for the nine-month period ended September 30, 2016 (for the nine-month periods ended September 30, 2015 - expense of $1). The 8,340 units related to 2015 purchases were issued in February 2016 (7,758 units related to 2014 purchases - February 2015).

(d) 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:

For the nine-month periods ended September 30,	2016	2015
	Restricted units	Restricted units
Outstanding, beginning of period	51,083	39,816
Granted	42,919	62,868
Cancelled	(2,131)	—
Vested / Settled	(14,198)	(51,601)
Outstanding, end of period	**77,673**	**51,083**

As at September 30, 2016, the liability related to the plan was $187 (December 31, 2015- $136). The related expense recorded in profit and loss amounted to $111 for the nine-month period ended September 30, 2016 (for the nine-month period ended September 30, 2015- $190). As part of settlement, the Trust issued 14,198 units under this plan for nine-month period ended September 30, 2016 (51,601 units for the nine-month period ended September 30, 2015).

15. 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 units are redeemable at the option of the holder, however they are presented as equity in accordance with IAS 32.

(Unaudited - in thousands of CAD dollars, except per unit amounts)

In June 2016, the Trust completed a public issue of 7,159,342 units, including the over-allotment option exercised in July, for total net proceeds of $30,910.

Trust units issued and outstanding are as follows:

	Nine-month period ended September 30, **2016**		Year ended December 31, **2015**	
	Units	$	Units	$
Units outstanding, beginning of period	34,705,151	184,853	34,133,967	182,284
Issue pursuant to a public issue	7,159,342	32,575	—	—
Unit issue costs	—	(1,665)	—	—
	41,864,493	215,763	34,133,967	182,284
Issue pursuant to the distribution reinvestment plan (a)	336,336	1,450	408,625	1,772
Issue pursuant to conversion of convertible debentures	—	—	29,200	144
Issue pursuant to the unit option plan (note 14 (a))	—	—	74,000	371
Issue pursuant to the employee unit purchase plan (note 14 (c))	8,340	35	7,758	37
Issue pursuant to the restricted unit compensation plan (note 14 (d))	14,198	59	51,601	245
Units outstanding, end of period	**42,223,367**	**217,307**	**34,705,151**	**184,853**

(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 discount of 3%.

(b) Distributions

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Distributions to unitholders	4,449	3,628	12,002	10,839
Distributions per unit	0.105	0.105	0.315	0.315

16. Rental Revenues from Properties

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Rental income contractually due from tenants	18,759	18,776	56,433	55,324
Lease incentive amortization	(553)	(534)	(1,567)	(1,532)
Straight-line lease adjustment	58	179	248	561
	18,264	**18,421**	**55,114**	**54,353**

(Unaudited - in thousands of CAD dollars, except per unit amounts)

17. Net Financing Costs

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Financial income	(19)	(12)	(68)	(33)
Interest on mortgage loans payable	3,627	3,625	10,924	10,672
Interest on convertible debentures	1,018	1,271	3,597	3,816
Interest on bank loans	78	196	437	475
Other interest expense	38	31	82	75
Accretion of non-derivative liability component of convertible debentures	32	151	181	451
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	274	307	834	895
Impact of early redemption of convertible debenture series D	1,088	—	1,088	—
Early repayment fees of a mortgage loan	—	625	—	625
Net adjustment to fair value of derivative financial instruments	40	102	200	246
	6,176	**6,296**	**17,275**	**17,222**

18. Expenses for abandoned transaction

For the nine-month period ended September 30, 2015, due diligence expenses of $207 were incurred for the proposed acquisition of a major property portfolio. As certain preliminary conditions were not met, management decided to terminate the acquisition project and write off any expenses incurred to date.

19. Expenses by Nature

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Depreciation	44	34	133	123
Employee benefits expense	1,473	1,066	4,212	2,927

20. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32 (see note 15), the Trust is not required to report a profit or loss per 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 units outstanding as follows:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Net income	5,422	3,669	12,955	10,793
Weighted average number of units outstanding – basic	41,604,665	34,535,232	37,138,698	34,382,559
Earnings per unit – basic	**0.13**	**0.11**	**0.35**	**0.31**

(Unaudited - in thousands of CAD dollars, except per unit amounts)

21. Operating Lease Income

The Trust as lessor enters into leases on its investment properties. Initial lease terms are generally between three and ten years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to terminate before the end of the lease term.

22. Operating Segments

For investment properties, discrete financial information is provided to the Chief Executive Officer (''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 commercial, office, industrial and general purpose segments.

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

- Commercial
- Office
- Industrial
- General purpose

	Commercial	Office	Industrial	General purpose	Total
	$	$	$	$	$
Three-month period ended September 30, 2016					
Investment properties	168,397	289,771	118,908	62,356	**639,432**
Rental revenue from properties	4,797	8,783	2,566	2,118	**18,264**
Net operating income	2,980	4,409	2,115	1,129	**10,633**
Three-month period ended September 30, 2015					
Investment properties	169,923	285,183	116,537	68,144	**639,787**
Rental revenue from properties	4,958	8,490	2,630	2,343	**18,421**
Net operating income	3,190	4,327	2,246	1,195	**10,958**

	Commercial	Office	Industrial	General purpose	Total
	$	$	$	$	$
Nine-month period ended September 30, 2016					
Rental revenue from properties	14,443	26,435	7,784	6,452	**55,114**
Net operating income	8,685	12,712	6,405	3,416	**31,218**
Nine-month period ended September 30, 2015					
Rental revenue from properties	14,179	25,040	8,066	7,068	**54,353**
Net operating income	8,717	12,305	6,709	3,543	**31,274**

During the first quarter of 2016, the classification of six investment properties was modified. The comparative figures have been reclassified to conform to the current year presentation.

(Unaudited - in thousands of CAD dollars, except per unit amounts)

23. Commitments and Contingencies

(a) Operating leases as lessee

The annual future payments required under operating leases expiring between 2017 and 2070 are as follows:

	Total
	$
Within one year*	58
Beyond one year but within five years	910
Beyond five years	14,508
	15,476

* For the three-month period remaining

The related expense recorded in profit and loss amounted to $174 for the nine-month period ended September 30, 2016 (for the nine-month period ended September 30, 2015- $134).

(b) Finance lease as lessee

The annual future payments required under finance leases expiring between 2018 and 2024 are as follows:

	As at September 30, **2016**			As at December 31, **2015**		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
	$	$	$	$	$	$
Within one year*	36	13	23	244	55	189
Beyond one year but within five years	534	144	390	534	144	390
Beyond five years	455	47	408	455	47	408
	1,025	**204**	**821**	**1,233**	**246**	**987**

* As at September 30, 2016, for the three-month period remaining

The present value of the minimum lease payments is recorded in Trade and other payables.

(c) Litigation

The Trust is involved in litigations and claims which arise from time to time in the normal course of business. These litigations 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.