BTB

BTB Real Estate Investment Trust

Quarter ended September 30, 2016

Management Discussion and Analysis

Building Trust

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INTRODUCTION

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the quarter ended September 30, 2016, as well as its financial position on that date. The report also presents the Trust's business strategies and the risk exposure it faces. This MD&A dated November 3, 2016, should be read together with the unaudited condensed consolidated interim financial statements and accompanying notes for the quarter ended September 30, 2016. It discusses any significant information available up to the date of this MD&A. The Trust's consolidated interim 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. Per unit amounts are calculated using the weighted average number of trust units outstanding for the periods ended September 30, 2016, and 2015. Additional information about the Trust, including the 2015 Annual Information Form, is available on the Canadian Security Administrators ("CSA") website at www.sedar.com and on our website at www.btbreit.com.

The Audit Committee and the Trust's Board of Trustees have approved the contents of this quarterly Management Discussion and Analysis and the quarterly financial statements.

FORWARD-LOOKING STATEMENTS CAVEAT

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make forward-looking statements in this MD&A, other filings with Canadian regulators, reports to unitholders and other communications. These forward-looking statements include statements regarding our future objectives, strategies to achieve our objectives, as well as statements with respect to our 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. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate strategic acquisitions successfully, potential dilution, our ability to attract and retain key employees and executives, the financial position of lessees, our ability to refinance our debts upon maturity and to lease vacant space, our ability to complete developments on plan and on schedule and to raise capital to finance our growth, as well as changes in interest rates. We caution that 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 BTB, 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 of this quarterly MD&A.

BTB cannot assure investors that actual results will be consistent with any forward-looking statements and BTB 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

“Net operating income, ” “net operating income of the same-property portfolio”, “distributable income”, “recurring distributable income” and “pro forma recurring distributable income,” “funds from operations ("FFO"),” “recurring funds from operations ("FFO")” and “pro forma recurring funds from operations ("FFO"),” “adjusted funds from operations ("AFFO"),” “recurring adjusted funds from operations ("AFFO")” and “pro forma recurring adjusted funds from operations ("AFFO"),” “adjusted net income and comprehensive income” and “net property income” and per unit information, if applicable, are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. These measures are used by BTB to improve the investing public’s understanding of operating results and the Trust’s performance. IFRS are International Financial Reporting Standards defined and issued by the IASB, in effect as at the date of this MD&A.

These measures cannot be compared to similar measures used by other issuers. However, BTB presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations, as revised in April 2014.

Securities regulations require that these measures be clearly defined, that they be readily comparable to the most similar IFRS measures, and that they not be assigned greater weight than IFRS measures.

THE TRUST

BTB is an unincorporated open-ended real estate trust formed and governed under the laws of the Province of Québec pursuant to a trust agreement. BTB began its real estate operations on October 3, 2006, and up to September 30, 2016, it has acquired and owns 72 retail, office and industrial properties in primary and secondary markets. BTB is an important real estate owner in geographical markets in Québec and eastern Ontario. The units and Series E and F convertible debentures are traded on the Toronto Stock Exchange under the symbols "BTB.UN", "BTB.DB.E", and "BTB.DB.F", respectively.

Most of the Trust's properties are managed internally, with 69 of the Trust's 72 properties held as at September 30 entirely managed by the Trust's employees. Management's objective is to resume, when favourable circumstances prevail, internal management of the Trust's properties under agreements between the Trust and its external managers, thereby achieving savings in management and operating fees through centralized and improved property management.

The following table provides a summary of the property portfolio:

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of $)
As at September 30, 2016[(1)]	**72**	**5,143,955**	**639,432**

(1) These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb, a 75% interest in a 140,824 square-foot building in Québec City and a 50% interest in two buildings totalling 74,940 square feet in Gatineau, Québec.

BTB's management is entirely internalized and no service agreements or asset management agreements are in force between BTB and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders.

OBJECTIVES AND BUSINESS STRATEGIES

BTB's primary objective is to maximize total returns to unitholders. Returns include cash distributions and long-term appreciation in the value of 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 acquisition strategies in order to increase distributable income and therefore fund distributions.

(iii) Optimize the value of its assets through dynamic management of its properties in order to maximize the long-term value of its units. Strategically, BTB has purchased and seeks to acquire properties with low vacancy rates, good lessee quality, superior locations, low lease turnover potential and properties that are well maintained and require a minimum of future capital expenditures.

BTB's management also regularly performs a strategic portfolio assessment to determine whether it is financially advisable to hold onto certain investments. BTB may dispose of certain assets if their size, location and/or profitability do not meet the Trust's current criteria.

In such cases, BTB expects to use the proceeds from the sale of assets to reduce debt.

HIGHLIGHTS OF THE THIRD QUARTER OF 2016

Increase

- 1.5% in recurring AFFO [1]

(1) Non-IFRS financial measures

Improvement

- In the total debt ratio to 66.1%, down 440 basis points from one year ago and 480 basis points since December 31, 2015
- In the weighted average interest rate on mortgage debt from 3.93% to 3.81%

Leasing activities

- Close to 70,000 square feet of leases renewed and new leases signed
- 3.71% increase in the average rental rate of expired and renewed leases for the quarter and 4.21% since the beginning of the year
- 55.5% of leases expiring in 2016 were renewed

Financing activities

- On July 15, 2016, the Trust's authorized credit facilities were renewed, the operating credit facility increasing to $3 million and the acquisition credit facility to $19 million.

Capital activities

- On July 19, 2016, the syndicate of underwriters partially exercised the overallotment option on the June 2016 issue and 565,342 units were issued at a unit price of $4.55 for net proceeds of approximately $2.4 million.
- On August 2, 2016, the Trust redeemed Series D convertible debentures in the amount of $23 million, reducing the Trust's overall debt rate by more than 400 basis points, to 66.1% as at September 30, 2016.

Summary of significant items as at September 30, 2016

- 72 properties
- More than 5.1 million leasable square feet
- $650 million in assets
- $195 million in market capitalization

SELECTED FINANCIAL INFORMATION

As at September 30, 2016, the Trust owns 72 properties generating, on an annualized basis, revenues of close to $75 million.

The following table presents highlights and selected financial information for the three and nine-month periods ended September 30, 2016, and September 30, 2015:

Periods ended September 30 (in thousands of dollars, except for ratios and per unit data)		Quarter		Cumulative (9 months)	
		2016	2015	**2016**	2015
	Reference	**$**	$	**$**	$
Financial information					
Rental income	Page 16	**18,264**	18,421	**55,114**	54,353
Net operating income[1]	Page 17	**10,633**	10,958	**31,218**	31,274
Net income and comprehensive income	Page 21	**5,422**	3,669	**12,955**	10,793
Net property income from the same-property portfolio[1]	Page 21	**6,038**	6,242	**17,738**	18,493
Recurring Distributable income[1]	Page 22	**5,285**	5,286	**14,664**	14,522
Distributions	Page 23	**4,449**	3,628	**12,001**	10,839
Recurring Funds from operations (FFO)[1]	Page 24	**3,994**	4,969	**12,902**	13,455
Recurring adjusted funds from operations (AFFO)[1]	Page 25	**4,733**	4,663	**12,906**	12,672
Total assets	Page 29			**650,820**	650,005
Investment properties	Page 31			**639,432**	639,787
Mortgage loans payable	Page 33			**374,266**	371,760
Convertible debentures	Page 34			**47,575**	66,057
Mortgage liability ratio	Page 35			***57.6%***	*57.3%*
Debt-equity ratio – convertible debentures	Page 35			***7.6%***	*10.6%*
Debt-equity ratio – acquisition line of credit	Page 35			***0.9%***	*2.8%*
Total debt ratio	Page 35			***66.1%***	*70.7%*
Weighted average interest rate on mortgage debt	Page 33			***3.81%***	*3.93%*
Unitholders' equity	Page 36			**207,766**	179,652
Market capitalization				**194,648**	147,011
Financial information per unit					
Units outstanding (000)	Page 37			**42,223**	34,591
Weighted average number of units outstanding (000)	Page 37	**41,605**	34,535	**37,139**	34,383
Net income and comprehensive income	Page 21	**13.0¢**	10.6¢	**34.9¢**	31.4¢
Recurring distributable income[1]	Page 22	**12.7¢**	15.3¢	**39.5¢**	42.2¢
Distributions	Page 23	**10.5¢**	10.5¢	**31.5¢**	31.5¢
Recurring payout ratio on distributable income[1]	Page 23	***84.2%***	*68.6%*	***81.8%***	*74.6%*
Recurring cash payout ratio on distributable income[1]	Page 23	***74.8%***	*59.8%*	***71.9%***	*65.5%*
Recurring FFO[1]	Page 24 and 14	**9.6¢**	14.4¢	**34.7¢**	39.1¢
Recurring cash payout ratio on FFO[1]	Page 24 and 14	***99.0%***	*63.6%*	***81.7%***	*70.7%*
Recurring AFFO [1]	Page 26	**11.4¢**	13.5¢	**34.8¢**	36.9¢
Recurring cash payout ratio on AFFO[1]	Page 26	***83.5%***	*67.8%*	***81.7%***	*75.1%*
Unitholders' equity	Page 37			**4.92**	5.19
Market price				**4.61**	4.25
Tax on distributions					
Revenue	Page 40			*0.0%*	*0.0%*
Tax deferral	Page 40			*100%*	*100%*
Operational information					
Number of properties	Page 30			**72**	75
Leasable area (thousands of sq. ft.)	Page 31			**5 144**	5,239
Occupancy rate	Page 28			***91.0%***	*91.0%*
Increase in average lease renewal rate	Page 28	***3.71%***	*5.59%*	***4.11%***	*4.91%*

(1) Non-IFRS financial measures

SIGNIFICANT EVENT

On June 30, 2016, and July 19, 2016, on the exercising of the overallotment option, the Trust issued approximately 7.2 million units at $4.55 by public subscription, for approximately $31 million in proceeds, net of underwriting fees and issue expenses.

The proceeds of issue were used to redeem the Series D debentures in the amount of $23 million bearing interest at 7.25% and a portion of the acquisition line of credit in the amount of $6.1 million bearing interest at 5.95%.

These transactions reduced the Trust's overall debt rate by 400 basis points.

These transactions also reduced the per-unit ratios by approximately 1.0¢ per quarter and increased the various payout ratios by approximately 9.0%.

These transactions also resulted in the write-off of unamortized financing expenses and the liability component of the convertible debenture. This write-off, a non-recurring transaction totalling $1,088, is not, in accordance with REALpac's recommendations, adjusted into the calculation of FFO. If it had been taken into account, FFO and recurring FFO would have increased by 2.6¢ per unit for the quarter and the various quarterly payout ratios would have increased by 22.5%.

Management considers that the long-term benefits of the reduced debt rate outweigh the consequences of the deterioration in the various per-unit and payout ratios.

The following table presents certain performance indicators as established in this MD&A, and the same indicators on a pro forma basis without the effects of the significant event.

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Recurring distributable income (as established)[1] (page 22)	**5,285**	5,286	**14,664**	14,522
Per unit	**12.7¢**	15.3¢	**39.5¢**	42.2¢
Payout ratio	**84.2%**	68.6%	**81.8%**	74.6%
Pro forma recurring distributable income[1] (Appendix)	**4,916**	5,286	**14,295**	14,522
Per unit	**14.0¢**	15.3¢	**40.8¢**	42.2¢
Payout ratio	**75.3%**	68.6%	**76.9%**	74.6%
Recurring FFO (as established)[1] (page 25)	**3,994**	4,969	**12,902**	13,455
Per unit	**9.6¢**	14.4¢	**34.7¢**	39.1¢
Payout ratio	**111.4%**	73.0%	**93.0%**	80.5%
Pro forma recurring FFO[1] (Appendix)	**4,629**	4,969	**13,537**	13,455
Per unit	**13.2¢**	14.4¢	**38.7¢**	39.1¢
Payout ratio	**79.9%**	73.0%	**81.3%**	80.5%
Recurring AFFO (as established)[1] (page 25)	**4,733**	4,663	**12,906**	12,672
Per unit	**11.4¢**	13.5¢	**34.8¢**	36.9¢
Payout ratio	**94.0%**	77.8%	**93.0%**	85.5%
Pro forma recurring AFFO[1] (Appendix)	**4,364**	4,663	**12,537**	12,672
Per unit	**12.4¢**	13.5¢	**35.8¢**	36.9¢
Payout ratio	**84.8%**	77.8%	**87.7%**	85.5%

(1) Non-IFRS financial measures

SELECTED QUARTERLY INFORMATION

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

(in thousands of dollars except for per unit data)	**2016 Q-3**	2016 Q-2	2016 Q-1	2015 Q-4	2015 Q-3	2015 Q-2	2015 Q-1	2014 Q-4
	$	**$**	**$**	$	$	$	$	$
Rental income	18,264	18,300	18,550	18,539	18,421	17,603	18,329	17,558
Net operating income[(1)]	10,633	10,466	10,119	10,020	10,958	10,184	10,132	10,008
Net income (loss) and comprehensive income	5,422	3,982	3,551	(2,124)	3,669	3,724	3,400	(1,405)
Net income (loss) and comprehensive income per unit	13.0¢	11.4¢	10.2¢	(6.1¢)	10.6¢	10.8¢	9.9¢	(4.1¢)
Recurring distributable income[(1)]	5,285	4,924	4,455	4,211	5,286	4,739	4,497	4,734
Recurring distributable income per unit[(1)]	12.7¢	14.1¢	12.8¢	12.2¢	15.3¢	13.8¢	13.1¢	13.9¢
Recurring funds from operations (FFO)[(1)]	3,994	4,692	4,216	3,710	4,321	4,420	4,066	4,214
Recurring FFO per unit[(1)]	9.6¢	13.4¢	12.1¢	10.7¢	12.5¢	12.9¢	11.9¢	12.4¢
Recurring adjusted funds from operations (AFFO)[(1)]	4,733	4,333	3,840	3,588	4,663	4,132	3,876	4,153
Recurring AFFO per unit[(1)]	11.4¢	12.4¢	11.0¢	10.4¢	13.5¢	12.0¢	11.3¢	12.2¢
Distributions	4,449	3,897	3,655	3,640	3,628	3,615	3,596	3,581
Distributions per unit	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢

(1) Non-IFRS financial measures

REAL ESTATE PORTFOLIO

BTB owns 72 quality properties which have a fair value of $639 million representing a total leasable area of more than 5 million square feet. A concise description of the properties owned as at December 31, 2015, can be found in the Trust's Annual Information Form available at www.sedar.com. The property acquired during the first quarter of 2016 is described on page 31 of this MD&A.

Summary of properties as at September 30, 2016

Operating segment	**Number of properties**	**Leasable area (sq. ft.)**	**Occupancy rate (%)**
Office	27	1,920,977	*85.5*
Retail	17	1,107,058	*93.9*
Industrial	19	1,499,783	*94.4*
Mixed use	6	442,472	*96.3*
Subtotal	69	**4,970,290**	***91.0***
Properties under redevelopment	3	**173,665**	
Total	**72**	**5,143,955**	

On January 1, 2016, the Trust reclassified some properties to better reflect the current mix of tenant activities.

PERFORMANCE INDICATORS

The following indicators are used to measure the financial performance of BTB:

- **Net operating income of the same-property portfolio**, which provides an indication of the profitability of existing portfolio operations and BTB's ability to increase its revenues, reduce its operating costs and generate organic growth;
- **Distributable income per unit**, which enables investors to determine the stability of distributions;
- **Funds from operations (FFO) per unit**, which provide an indication of BTB's ability to generate cash flow;
- **Adjusted funds from operations (AFFO) per unit**, which takes into account other non-cash items as well as investments in rental fees and capital expenditures, and which may vary substantially from one year to the next;
- The **payout ratios,** which enable investors to assess the stability of distributions against distributable income, FFO and AFFO**.**
- The **debt-equity ratio**, which is used to assess BTB's financial integrity and its capacity for additional acquisitions;
- The **interest coverage ratio**, which is used to measure BTB's ability to use operating results to pay interest on its debt using its operating revenues;
- The **occupancy rate**, which provides an indication of the optimization of rental space and the potential revenue gain from the Trust's property portfolio;
- The **retention rate,** which is used to assess the Trust's ability to renew leases and retain tenants;
- The **increase in average rate of renewed leases**, which measures organic growth and the Trust's ability to increase its rental income.

More detailed definitions and analyses of each of these indicators are provided in the appropriate sections.

OPERATING RESULTS

The following table summarizes financial results for the periods ended September 30, 2016, and September 30, 2015. The table should be read in conjunction with our condensed consolidated interim financial statements and the notes thereto.

Periods ended September 30 (in thousands of dollars)		Quarter		Cumulative (9 months)	
		2016	2015	**2016**	2015
	Reference	**$**	$	**$**	$
Rental income	Page 17	**18,264**	18,421	**55,114**	54,353
Operating expenses	Page 17	**7,631**	7,463	**23,896**	23,079
Net operating income[(1)]	Page 18	**10,633**	10,958	**31,218**	31,274
Other revenues	Page 19	**(199)**	(12)	**(248)**	(33)
Financial expenses	Page 19	**6,195**	6,308	**17,343**	17,255
Trust administration expenses	Page 20	**1,200**	970	**3,153**	3,052
Fair value adjustment to investment properties	Page 21	**(1,985)**	—	**(1,985)**	—
Expenses for abandoned transaction		**—**	23	**—**	207
Net income and comprehensive income	Page 22	**5,422**	3,669	**12,955**	10,793

(1) Non-IFRS financial measure

Rental income

BTB acquired properties during fiscal 2015 and the first quarter of 2016. BTB also disposed of four properties in the fourth quarter of 2015. Due to the net effect of these transactions, rental income decreased by $157 or 0.9% for the third quarter of 2016 compared to the same quarter of 2015, and increased by $761 or 1.4% for the 2016 cumulative period compared to the same period of 2015.

In the third quarter of 2016, rent adjustments of $58 (2015: $179) were recorded on a straight-line basis. For the nine-month period, these adjustments totalled $248 (2015: $561).

In the third quarter of 2016, BTB recorded amortization of $553 (2015: $534) as a reduction in rental income, which represents amortization of lease incentives afforded to lessees. For the nine-month period, amortization totalled $1,567 (2015: $1,532).

Rental income 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 income 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

BTB recorded an increase in operating expenses of $168 or 2.3% between the third quarter of 2015 and the third quarter of 2016 and of $817 or 3.5% for the cumulative period. Maintenance, repairs and other operating costs and energy expenses increased approximately 0.5% for the quarter from 2015 to 2016. The sale of four properties in the fourth quarter of 2015 helped maintain the increase at this level. However, property taxes increased significantly during the period. BTB annually reviews the property values of its properties and, if any are considered too high, files an objection with the municipalities concerned.

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 BTB 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 BTB's leases are net rental leases under which tenants are required to pay their share of the properties' operating expenses. BTB pays particular attention to compliance with existing leases and the recovery of these operating expenses.

The following table shows the breakdown of operating expenses for the periods ended September 30, 2016, and 2015.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Operating expenses				
Maintenance, repairs and other operating costs	**2,690**	2,677	**8,500**	8,330
Property taxes and public utilities	**4,941**	4,786	**15,396**	14,749
Total operating expenses	**7,631**	7,463	**23,896**	23,079
% of rental income	***41.8***	*40.5*	***43.4***	*42.5*

Net operating income

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

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net operating income[1]	**10,633**	10,958	**31,218**	31,274
% of rental income	***58.2***	*59.5*	***56.6***	*57.5*

(1) Non-IFRS financial measure

The Trust acquired properties during 2015 and the first quarter of 2016. The Trust also disposed of four properties in the fourth quarter of 2015. As a result of these transactions, net operating income decreased $325 for the quarter and $56 for the cumulative period. However, as a percentage of revenues, net operating income decreased 1.3% for the third quarter of 2016 compared to 2015 and 0.9% for the cumulative period.

Net operating income is reduced by non-cash rental income adjustments. Before adjustments, net operating income was as follows:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net operating income	**10,633**	10,958	**31,218**	31,274
Straight-line rental income adjustments	**(58)**	(179)	**(248)**	(561)
Adjustments related to amortization of lease incentives	**553**	534	**1,567**	1,532
Net operating income before rental income adjustments[(1)]	**11,128**	11,313	**32,537**	32,245
% of rental income on the basis of in-place leases	***59.3***	*60.3*	***57.7***	*58.3*

(1) Non-IFRS financial measure

Other income

In addition to interest income in the amount of $19 (2015: $125), the Trust earned income from a dispute settlement of $180.

Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans payable contracted or assumed totalling approximately $376 million as at September 30, 2016, compared to $373 million as at September 30, 2015. The increase resulted from the financing of acquisitions and refinancing of certain properties during the last 12 months.
- Series E and F convertible debentures for a total par value of $49.7 million. Series D convertible debentures were redeemed on August 2, 2016.
- Operating and acquisition lines of credit used as needed, which allowed primarily for the acquisition of properties during fiscal 2015 and 2016.
- 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.

The following table shows the breakdown of financial expenses for the reporting periods:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Interest expense on mortgage loans payable	**3,627**	3,625	**10,924**	10,672
Interest expense on debentures	**1,018**	1,271	**3,597**	3,816
Interest expense on acquisition line of credit	**77**	189	**425**	463
Interest expense on operating line of credit and other interest expenses	**39**	38	**94**	87
Interest expenses	**4,761**	5,123	**15,040**	15,038
Early repayment fees	**—**	625	**—**	625
Impact of early redemption of Series D convertible debentures	**1,088**	—	**1,088**	—
Accretion of effective interest	**274**	307	**834**	895
Accretion of non-derivative liability component of convertible debentures	**32**	151	**181**	451
Financial expenses before following item:	**6,155**	6,206	**17,143**	17,009
Fair value adjustment on derivative financial instruments (debenture conversion options and interest rate swap)	**40**	102	**200**	246
Financial expenses	**6,195**	6,308	**17,343**	17,255

Before recognition of fair value adjustments on derivative financial instruments (debenture conversion options and interest rate swap), financial expenses decreased by $51 during the third quarter of 2016 compared to the same quarter in 2015, and increased by $134 during the cumulative period.

Financial expenses can be allocated among interest expenses amounting to $4,761 for the quarter (2015: $5,123) and $15,040 for the nine-month period (2015: $15,038) and non-monetary items. Non-monetary items include, but are not limited to, the accretion of effective interest and the liability component of convertible debentures totalling $1,394 for the quarter (2015: $458) and $2,103 for the cumulative period (2015: $1,346), fair value adjustments on derivative financial instruments in the amount of $40 for the quarter (2015: $102) and $200 for the cumulative nine-month period (2015: $246). During the quarter, the Trust incurred special charges totalling $1,088, which would have been recognized in the future, i.e. $515 as accretion of effective interest and $573 as accretion of the liability component, following the redemption on August 2, 2016, of the Series D convertible debentures. Also, the fair value adjustments result from changes in the value of the Trust's units on stock exchanges during the reporting periods and changes in the value of conversion options and interest rate swaps compared with the amounts recorded at the end of previous quarters.

As at September 30, 2016, the average weighted contractual rate of interest on mortgage loans payable was 3.81%, 12 basis points lower than the rate in effect at September 30, 2015. For 32 consecutive quarters, the weighted average interest rate has remained stable or declined. Interest rates on first-ranking mortgage financings ranged from 2.77% to 6.80% as at September 30, 2016. The weighted average term of financing in place as at September 30, 2016, was 5.0 years (5.5 years as at September 30, 2015).

Trust administration expenses

Trust administration expenses include administrative costs such as payroll expenses and professional fees associated with executive and administrative staff, the compensation plan for trustees, legal and auditing services, expenses related to listed fund status, insurance costs, office expenses and bad debts and related legal fees. Trust 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.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Administrative expenses	**1,130**	934	**2,988**	2,789
Amortization	**15**	16	**46**	52
Unit-based compensation	**55**	20	**119**	211
Trust administration expenses	**1,200**	970	**3,153**	3,052

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 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.

As part of the refinancing of certain properties, the Trust had independent appraisals done. Based on these appraisals, the Trust recorded an increase in value of $1,985 on these properties. This increase was recognized during the quarter.

The following tables highlight the significant assumptions used in the modelling process for both internal and external appraisals:

	Retail	Office	Industrial	Mixed use
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 September 30, 2015				
Capitalization rate	6.25% – 10.00%	6.50% – 9.25%	6.50% – 10.00%	7.25% – 8.25%
Terminal capitalization rate	7.00% – 8.25%	7.00% – 7.75%	7.25% – 9.75%	7.50% – 7.50%
Discount rate	7.75% – 9.00%	7.50% – 8.50%	7.50% – 10.50%	8.00% – 8.25%

The weighted average capitalization rate for the entire portfolio as at September 30, 2016, was 7.32% (September 30, 2015: 7.39%), down 7 basis points since September 30, 2015.

As at September 30, 2016, BTB has estimated that a 0.25% change in the capitalization rate applied to the overall portfolio would change the fair value of the investment properties by approximately $21.9 million.

Net income and comprehensive income

BTB generated net income of $5.4 million for the third quarter of 2016, up $1.8 million or 48% compared to the same quarter of 2015. For the cumulative period, net income totalled $12.9 million, up $2.3 million or 20% from 2015.

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income and comprehensive income	**5,422**	3,669	**12,955**	10,793
Per unit	**13.0¢**	10.6¢	**34.9¢**	31.4¢

Adjusted net income and comprehensive income

Net income and comprehensive income fluctuate from one quarter to another based on certain highly volatile monetary items. Consequently, the fair value of derivative financial instruments and the fair value of the property portfolio fluctuate based on the stock market volatility of BTB units, the forward interest rate curve and the discount and capitalization rates of the property portfolio.

The following table presents adjusted net income and comprehensive income before these volatile non-monetary items.

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income and comprehensive income	**5,422**	3,669	**12,955**	10,793
Volatile non-monetary items				
± Fair value adjustment on investment properties	**(1,985)**	—	**(1,985)**	—
± Fair value adjustment on derivative financial instruments	**40**	102	**200**	246
Adjusted net income and comprehensive income(1)	**3,477**	3,771	**11,170**	11,039
Per unit	**8.4¢**	10.9¢	**30.1¢**	32.1¢

(1) Non-IFRS financial measure

This table shows a decrease of 7.8% in quarterly adjusted net income and an increase of 1.2% for the cumulative period, before the non-monetary items mentioned above. Quarterly adjusted net income and comprehensive income per unit decreased 22.9%.

OPERATING RESULTS – SAME-PROPERTY PORTFOLIO

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2015, but does not include the financial spin-offs of disposals, acquisitions and developments completed in 2015 and 2016.

The following table summarizes the results of the same-property portfolio.

Periods ended September 30 (in thousands of dollars)	Quarter			Cumulative (9 months)		
	2016	2015	*Δ%*	**2016**	2015	*Δ%*
	$	$		**$**	$	
Rental income	**15,897**	16,280	(2.4)	**48,280**	49,372	(2.2)
Operating expenses	**6,742**	6,747	—	**20,938**	21,023	(0.4)
Net operating income(1)	**9,155**	9,533	(4.0)	**27,342**	28,349	(3.6)
Interest expense on mortgage loans payable	**3,117**	3,291	(5.3)	**9,604**	9,856	(2.6)
Net property income(1)	**6,038**	6,242		**17,738**	18,493	
Increase (decrease) in net property income from the same-property portfolio	***(3.4)%***			***(4.1)%***		

(1) Non-IFRS financial measures

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

Rental income from the same-property portfolio decreased 2.4% in the third quarter ended September 30, 2016, compared to the third quarter ended September 30, 2015. For the nine-month periods ended on the same dates, it decreased 2.2%.

Operating expenses of the same-property portfolio were stable for the third quarter of 2016 compared to the same quarter of 2015 and down 0.4% for the cumulative period.

Net operating income from the same-property portfolio was down 4.0% for the third quarter of 2016 compared to the same quarter of 2015 and 3.6% for the cumulative period.

Interest expense on mortgage loans payable in the same-property portfolio decreased by 5.3% in the third quarter of 2016 and 2.6% for the cumulative nine-month period compared to the same periods of 2015, due to the refinancing of loans that matured at more advantageous rates, despite increased financing on certain properties.

Net income from the same-property portfolio was down 3.4% for the third quarter of 2016 and 4.1% since the beginning of the year compared to the same periods of 2015.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

The notion of "distributable income" does not constitute financial information as defined by IFRS. It is, however, a measurement that is frequently used by investors in real estate trusts. In our opinion, distributable income is an effective tool for assessing the Trust's performance.

We define distributable income as net income determined under IFRS, before fair value adjustments of investment properties and derivative financial instruments, accretion of the liability component of convertible debentures, rental income arising from the recognition of leases on a straight-line basis, the amortization of lease incentives, the accretion of effective interest and certain other non-cash items. The following table shows the calculation of distributable income.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income (loss) and comprehensive income (IFRS)	**5,422**	3,669	**12,955**	10,793
- Fair value adjustment on investment properties	**(1,985)**	—	**(1,985)**	—
+ Amortization of property and equipment	**44**	34	**133**	123
+ Unit-based compensation expense	**55**	20	**119**	211
+ Accretion of the liability component of convertible debentures	**32**	151	**181**	451
+ Fair value adjustment on derivative financial instruments	**40**	102	**200**	246
+ Amortization of lease incentives	**553**	534	**1,567**	1,532
- Straight-line rental income adjustment	**(58)**	(179)	**(248)**	(561)
+ Accretion of effective interest	**274**	307	**834**	895
+ Impact of early redemption of Series D convertible debentures	**1,088**	—	**1,088**	—
Distributable income	**5,465**	4,638	**14,844**	13,690
Unusual Item				
Dispute settlement(1)	**(180)**	—	**(180)**	—
Early Repayment fees(2)	**—**	625	**—**	625
Expenses for abandoned transaction(3)	**—**	23	**—**	207
Recurring distributable income	**5,285**	5,286	**14,664**	14,522

(1) Income from a dispute settlement

(2) Early repayment fees incurred for a transaction as part of a refinancing before term

(3) Due diligence expenses incurred for an unrealized acquisition

The following table shows the reconciliation of distributable income (non-IFRS financial measure) and cash flows from operating activities presented in the financial statements.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**10,342**	9,699	**26,600**	26,081
+ Financial revenues	**19**	12	**68**	33
+ Net change in non-cash operating items	**(135)**	675	**3,216**	3,239
- Interest expense on mortgage loans payable	**(3,627)**	(3,625)	**(10,924)**	(10,672)
- Interest expense on convertible debentures	**(1,018)**	(1,271)	**(3,597)**	(3,816)
- Interest expense on acquisition line of credit	**(77)**	(189)	**(425)**	(463)
- Interest expense on operating line of credit and other interest expenses	**(39)**	(38)	**(94)**	(87)
- Early repayment fees	**—**	(625)	**—**	(625)
Distributable income	**5,465**	4,638	**14,844**	13,690

Distributions and per unit data

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Distributions				
Cash distributions	**3,954**	3,159	**10,547**	9,514
Distributions reinvested under the distribution reinvestment plan	**495**	469	**1,454**	1,325
Total distributions to unitholders	**4,449**	3,628	**12,001**	10,839
Percentage of reinvested distributions	***11.1%***	*12.9%*	***12.1%***	*12.2%*
Per unit data				
Distributable income	**13.1¢**	13.4¢	**40.0¢**	39.8¢
Recurring distributable income	**12.7¢**	15.3¢	**39.5¢**	42.2¢
Distributions	**10.5¢**	10.5¢	**31.5¢**	31.5¢
Payout ratio (1)	***84.2%***	*68.6%*	***81.8%***	*74.6%*
Cash payout ratio(2)	***74.8%***	*59.8%*	***71.9%***	*65.5%*

(1) The payout ratio corresponds to total distributions divided by recurring distributable income.

(2) The cash payout ratio corresponds to cash distributions divided by recurring distributable income.

Recurring distributable income for the third quarter was stable, going from $5,286 in 2015 to $5,285 in 2016. For the cumulative period, the increase represents $142.

Recurring distributable income per unit was 12.7¢ for the quarter compared to 15.3¢ for the same quarter of 2015, and fell from 42.2¢ to 39.5¢ for the cumulative period. The deterioration in the per-unit and payout ratios was partially due to the unit issue on June 30, 2016, and the use of capital. These transactions reduced the per-unit ratios by approximately 0.6¢ for the quarter and increased the payout ratios for the quarter by approximately 6%. See “Significant event” on page 14.

The payout ratio for recurring distributable income was 84.2% in the third quarter of 2016 compared to 68.6% in the third quarter of 2015, and 81.8% for the 2016 cumulative period compared to 74.6% for 2015, reflecting a surplus of distributable income over distributions.

Distributions to unitholders totalled 10.5¢ per issued unit, for each quarter of 2016 and 2015.

Distribution reinvestment plan

In the third quarter of 2016, 11.1% of distributions (2015: 12.9%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. Approximately $1.4 million (2015: $1.3 million) of the Trust’s cash has thereby been preserved through unit conversions since the beginning of the year.

Until April 15, 2016, the plan’s discount rate was 5%. As of May 16, 2016, the rate was lowered to 3% in line with the discount offered by most Canadian REITs.

FUNDS FROM OPERATIONS (FFO)

The notion of funds from operations ("FFO") does not constitute financial and accounting information as defined by IFRS. It is, however, a measurement that is frequently used by real estate companies and real estate investment trusts. The following is a list of some of the adjustments to net income, calculated according to IFRS, which are items that create volatility:

- Fair value adjustment on investment properties
- Amortization of properties that continue to be recognized at acquisition cost (Trust's head office)
- Amortization of lease incentives
- Fair value adjustment on derivative financial instruments
- Leasing payroll expenses *(starting in 2016)*

Our calculation method is consistent with the method recommended by REALpac, but may differ from measures used by other real estate investment trusts. Consequently, this method may not be comparable to methods used by other issuers.

The following table provides a reconciliation of net income and comprehensive income established according to IFRS and FFO for the periods ended September 30, 2016, and 2015:

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income and comprehensive income (IFRS)	**5,422**	3,669	**12,955**	10,793
- Fair value adjustment on investment properties	**(1,985)**	—	**(1,985)**	—
+ Amortization of a property recognized at cost	**15**	16	**46**	52
+ Amortization of lease incentives	**553**	534	**1,567**	1,532
± Fair value adjustment on derivative financial instruments	**40**	102	**200**	246
+ Leasing payroll expenses	**129**	—	**299**	—
FFO	**4,174**	4,321	**13,082**	12,623
Unusual item				
Dispute settlement(1)	**(180)**	—	**(180)**	—
Early repayment fees(2)	**—**	625	**—**	625
Expenses for abandoned transaction(3)	**—**	23	**—**	207
Recurring FFO	**3,994**	4,969	**12,902**	13,455
FFO per unit	**10.0¢**	12.5¢	**35.2¢**	36.7¢
Recurring FFO per unit	**9.6¢**	14.4¢	**34.7¢**	39.1¢
Recurring FFO payout ratio(4)	***111.4%***	*73.0%*	***93.0%***	*80.5%*
Recurring FFO cash payout ratio(5)	***99.0%***	*63.6%*	***81.7%***	*70.7%*

(1) Income from a dispute settlement
(2) Early repayment fees incurred for a transaction as part of a refinancing before term.
(3) Due diligence expenses incurred for an unrealized acquisition.
(4) The recurring FFO payout ratio corresponds to total distributions divided by recurring FFO.
(5) The recurring FFO cash payout ratio corresponds to cash distributions divided by recurring FFO.

Recurring FFO decreased by 19.6% for the third quarter of 2016 compared to 2015. Recurring FFO per unit for the third quarter amounted to 9.6¢ in 2016 compared to 14.4¢ in 2015. The recurring FFO payout ratio stood at 99.0% for the third quarter of 2016 compared to 73.1% for the same quarter of 2015. See "Significant event" on page 14.

The reconciliation of FFO and recurring FFO does not take account of the write-offs of unamortized financing costs and unamortized liability component of convertible debentures related to the early redemption of the Series D debentures. If they had been taken into account, these write-offs in the amount of $1,088 would have increased FFO and recurring FFO correspondingly to $5,262 and $5,082 respectively. FFO and recurring FFO per unit would have been 12.6¢ and 12.2¢ respectively. The payout and cash payout ratios would have been 87.5% and 77.8% respectively.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

The notion of adjusted funds from operations ("AFFO") is widely used by real estate companies and real estate investment trusts. It is an additional measure to assess the Trust's performance and its ability to maintain and increase distributions in the long term. However, AFFO is not a financial or accounting measure prescribed by IFRS. The method of computing may differ from those used by other companies or real estate investment trusts and may not be used for comparison purposes.

BTB defines AFFO as its FFO, adjusted to take into account other non-cash items that impact comprehensive income and do not enter into the calculation of FFO, including:

- Straight-line rental income adjustment
- Accretion of effective interest following amortization of financing expenses
- Accretion of the liability component of convertible debentures
- Amortization of other property and equipment
- Unit-based compensation expenses
- Impact of early redemption of convertible debentures

Furthermore, the Trust deducts a provision for non-recoverable capital expenses in calculating AFFO. The Trust allocates significant amounts to the regular maintenance of its properties in an attempt to reduce capital expenses as much as possible. The allocation for non-recoverable capital expenses is calculated on the basis of 2% of rental revenues.

The Trust also deducts a provision for rental fees in the amount of approximately 25¢ (2015: 20¢) per square foot 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 that the Trust will undertake. These disbursements consist of inducements paid or granted when leases are signed, and of brokerage commissions and leasing payroll expenses.

The following table provides a reconciliation of FFO and AFFO for the periods ended September 30, 2016, and 2015:

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
FFO	**4,174**	4,321	**13,082**	12,623
- Straight-line rental income adjustment	**(58)**	(179)	**(248)**	(561)
+ Accretion of effective interest	**274**	307	**834**	895
+ Accretion of the liability component of convertible debentures	**32**	151	**181**	451
+ Amortization of other property and equipment	**29**	18	**87**	71
+ Unit-based compensation expenses	**55**	20	**119**	211
+ Impact of early redemption of Series D convertible debentures	**1,088**	—	**1,088**	—
- Provision for non-recoverable capital expenses	**(361)**	(368)	**(1,097)**	(1,085)
- Provision for rental fees	**(320)**	(255)	**(960)**	(765)
AFFO	**4,913**	4,015	**13,086**	11,840
Unusual items				
Dispute settlement(1)	**(180)**	—	**(180)**	—
Early repayment fees(2)	—	625	—	625
Expenses for abandoned transaction(3)	—	23	—	207
Recurring AFFO	**4,733**	4,663	**12,906**	12,672
AFFO per unit	**11.8¢**	11.6¢	**35.2¢**	34.4¢
Recurring AFFO payout ratio	**11.4¢**	13.5¢	**34.8¢**	36.9¢
Recurring AFFO payout ratio(4)	***94.0%***	*77.8%*	***93.0%***	*85.5%*
Recurring AFFO cash payout ratio(5)	***83.5%***	*67.7%*	***81.7%***	*75.1%*

(1) Income from a dispute settlement
(2) Early repayment fees incurred for a transaction as part of a refinancing before term.
(3) Due diligence expenses incurred for an unrealized acquisition.
(4) The recurring AFFO payout ratio corresponds to total distributions divided by recurring AFFO.
(5) The recurring AFFO cash payout ratio corresponds to cash distributions divided by recurring AFFO.

Recurring AFFO was up $70 for the quarter and $234 for the cumulative period. Recurring AFFO per unit amounted to 14.4¢ compared to 13.5¢ in 2015, and the payout ratio stood at 94.0% compared to 77.8% for the third quarter of 2015. See "Significant event" on page 14.

The following table provides a reconciliation of AFFO (non-IFRS financial measure) and cash flows from operating activities presented in the financial statements.

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**10,342**	9,699	**26,600**	26,081
+ Financial revenues	**19**	12	**68**	33
+ Leasing payroll expenses	**129**	—	**299**	—
± Net change in non-cash operating items	**(135)**	675	**3,216**	3,239
- 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 the acquisition line of credit	**(77)**	(189)	**(425)**	(463)
- Other interest expense and operating line of credit	**(39)**	(38)	**(94)**	(87)
- Early repayment fees	**—**	(625)	**—**	(625)
- Provision for non-recoverable capital expenses	**(361)**	(368)	**(1,097)**	(1,085)
- Provision for rental fees	**(320)**	(255)	**(960)**	(765)
Adjusted funds from operations	**4,913**	4,015	**13,086**	11,840

SEGMENTED INFORMATION

The Trust's operations are derived from four categories of properties located in Québec and Ontario. The following tables present each category's contribution to revenues and net operating income for the periods ended September 30, 2016, and 2015.

Quarters ended September 30 (in thousands of dollars)	**Retail**		**Office**		**Industrial**		**General purpose**		**Total**
	$	*%*	$	*%*	$	*%*	$	*%*	$
Quarter ended September 30, 2016									
Investment properties	168,397	*26.3*	289,771	*45.3*	118,908	*18.6*	62,356	*9.8*	639,432
Rental income from properties	4,797	*26.3*	8,783	*48.1*	2,566	*14.0*	2,118	*11.6*	18,264
Net operating income[1]	2,980	*28.0*	4,409	*41.5*	2,115	*19.9*	1,129	*10.6*	10,633
Quarter ended September 30, 2015									
Investment properties	169,923	*26.6*	285,183	*44.5*	116,537	*18.2*	68,144	*10.7*	639,787
Rental income from properties	4,958	*26.9*	8,490	*46.1*	2,630	*14.3*	2,343	*12.7*	18,421
Net operating income[1]	3,190	*29.1*	4,327	*39.5*	2,246	*20.5*	1,195	*10.9*	10,958

Periods ended September 30 (in thousands of dollars)	**Retail**		**Office**		**Industrial**		**General purpose**		**Total**
	$	*%*	$	*%*	$	*%*	$	*%*	$
Nine-month period ended September 30, 2016									
Rental income from properties	14,443	*26.2*	26,435	*48.0*	7,784	*14.1*	6,452	*11.7*	55,114
Net operating income[1]	8,685	*27.8*	12,712	*40.8*	6,405	*20.5*	3,416	*10.9*	31,218
Nine-month period ended September 30, 2015									
Rental income from properties	14,179	*26.1*	25,040	*46.1*	8,066	*14.8*	7,068	*13.0*	54,353
Net operating income[1]	8,717	*27.9*	12,305	*39.3*	6,709	*21.5*	3,543	*11.3*	31,274

(1) Non-IFRS financial measure

On January 1, 2016, the Trust reclassified some properties to better reflect the current mix of tenant activities. The comparative figures were reclassified to conform to the current period presentation.

REAL ESTATE OPERATIONS

Leasing activities

The following table summarizes changes in available leasable area during the periods ended September 30.

Periods ended September 30 (in square feet)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
Available leasable area at beginning of period	**445,333**	454,476	**408,243**	340,348
Available leasable area purchased (sold)	**—**	—	**—**	3,066
Leasable area of expired leases	**59,385**	83,226	**354,772**	398,017
Leasable area of leases terminated before term	**10,625**	48,151	**56,130**	143,102
Leasable area of renewed leases	**(28,635)**	(56,811)	**(248,626)**	(233,281)
Leasable area of new leases signed	**(41,500)**	(66,710)	**(126,928)**	(187,372)
Other	**(209)**	(201)	**1,408**	(1,749)
Available leasable area at end of period	**444,999**	462,131	**444,999**	462,131

Approximately 60,000 square feet of leases expired during the quarter, close to 30,000 square feet of which were renewed. 10,000 square feet of leases were terminated before term and close to 41,500 square feet were leased to new tenants.

At the end of the first three quarters, approximately 355,000 square feet expired, almost 250,000 square feet of which were renewed. 56,000 square feet were vacated early, while close to 127,000 square feet were leased to new tenants.

The average rental rate of expired and renewed leases rose 3.71% during the third quarter (2015: 5.59%). For the cumulative nine-month period, the average rate increased by 4.21% (2015: 4.91%). The increase in the average rental rate was particularly significant in the “Office” segment, standing at 7.81% for the cumulative period.

Occupancy rates

The following tables provide occupancy rates by operating segment and geographic sector based on firm lease agreements signed as at the date of this report:

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
	%	**%**	**%**	**%**	**%**
Operating segment					
Office	85.5	85.3	85.8	85.8	83.6
Retail	93.9	92.7	92.1	92.5	92.1
Industrial	94.4	95.6	97.1	97.1	96.6
Mixed use	96.3	96.3	95.6	96.3	96.1
Total portfolio	91.0	91.0	91.5	91.7	91.0

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
	%	**%**	**%**	**%**	**%**
Geographic sector					
Laval and North Shore	97.4	97.4	97.2	96.9	96.1
Island of Montréal	86.5	86.2	86.2	85.5	85.0
Montréal South Shore	92.3	91.3	91.9	92.5	91.5
Québec City and surrounding area	90.7	89.6	90.1	89.9	89.4
Ottawa and surrounding area	92.5	94.7	95.2	96.7	95.9
Sherbrooke and surrounding area	79.5	78.4	81.1	80.6	79.5
Central Ontario	100.0	100.0	100.0	100.0	100.0
	91.0	91.0	91.5	91.7	91.0

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
	%	%	%	%	%
By province					
Québec	90.4	89.6	90.1	89.9	89.3
Ontario	93.3	95.5	96.0	97.2	96.5
Total portfolio	91.0	91.0	91.5	91.7	91.0

The overall occupancy rate is down by 0.6% since both June 30, 2016, and September 30, 2015. It stood at 90.4% at the end of the third quarter of 2016.

Retention rate

The renewal rate for leases expiring in 2016 was 55.5% for the third quarter.

Lease maturity

The following table shows the lease maturity profile for the next quarters of 2016 and the next few years:

	2016	2017	2018	2019	2020	2021
Office						
Leasable area (sq. ft.)	179,978	137,812	190,977	323,088	116,181	229,631
Average lease rate/square foot ($)	$14.36	$13.37	$12.69	$14.17	$15.31	$12.48
% of office portfolio	*9.37%*	*7.17%*	*9.94%*	*16.82%*	*6.05%*	*11.95%*
Retail						
Leasable area (sq. ft.)	41,028	105,610	132,609	182,531	67,440	81,680
Average lease rate/square foot ($)	$8.47	$12.89	$14.03	$11.82	$13.36	$12.69
% of retail portfolio	*3.71%*	*9.54%*	*11.98%*	*16.49%*	*6.09%*	*7.38%*
Industrial						
Leasable area (sq. ft.)	0	539,683	5,399	94,482	24,062	440,803
Average lease rate/square foot ($)	$0.00	$4.86	$5.78	$3.75	$5.43	$6.34
% of industrial portfolio	*0.00%*	*35.98%*	*0.36%*	*6.30%*	*1.60%*	*29.39%*
Mixed use						
Leasable area (sq. ft.)	36,574	34,163	29,874	49,955	80,513	104,065
Average lease rate/square foot ($)	$10.67	$16.33	$15.86	$13.52	$19.66	$12.03
% of mixed use portfolio	*8.27%*	*7.72%*	*6.75%*	*11.29%*	*18.20%*	*23.52%*
Total portfolio						
Leasable area (sq. ft.)	257,580	817,268	358,859	650,056	288,196	856,179
Average lease rate/square foot ($)	$12.89	$7.81	$13.34	$11.94	$15.24	$9.29
% of total portfolio	*5.18%*	*16.44%*	*7.22%*	*13.08%*	*5.80%*	*17.23%*

Top 10 tenants

As at September 30, 2016, BTB managed more than 600 leases, with an average area of more than 8,000 square feet. The three largest tenants are Public Works Canada, Société québécoise des infrastructures (SQI) and Provigo Distribution Inc., accounting respectively for 5.8%, 3.0% and 2.2% of revenues, generated by a number of leases whose maturities are spread over time. Approximately 34% of the Trust’s total revenues are generated by leases entered into with government agencies (federal, provincial and municipal) and public companies, ensuring stable and high-quality cash flows for the Trust’s operating activities.

The following table shows the contribution of the Trust's top 10 tenants as a percentage of revenues as at September 30, 2016:

	% of revenue	Leased area (square feet)
Client		
Public Works Canada	5.8	205,836
Société québécoise des infrastructures (SQI)	3.0	122,112
Provigo Distribution Inc. (Loblaws)	2.2	107,642
Shoppers Realty Inc.	2.2	64,304
Atis Portes et Fenêtres Corp.	1.9	219,941
Strongco	1.7	81,442
Flextronics	1.7	48,731
Le Groupe SM inc.	1.5	109,185
Germain Larivière Inc.	1.5	101,194
CSSS Haut-Richelieu-Rouville	1.4	70,242

FINANCIAL POSITION

The following table presents the Trust's balance sheet as at September 30, 2016, and December 31, 2015. It should be read in conjunction with the Trust's condensed consolidated interim financial statements and the notes thereto.

(in thousands of dollars)	Reference	**September 30, 2016**	December 31, 2015
	Reference	**$**	$
Assets			
Investment properties	Page 31	**639,432**	622,651
Amounts receivable from tenants and other receivables	Page 32	**2,145**	1,981
Other assets	Page 32	**6,859**	4,261
Cash, cash equivalents and restricted cash	Page 32	**2,384**	4,189
Total assets		**650,820**	633,082
Liabilities			
Mortgage loans payable	Page 33	**374,266**	366,596
Convertible debentures	Page 34	**47,575**	68,866
Bank loans	Page 35	**8,070**	9,800
Accounts payable and other liabilities	Page 36	**13,143**	13,461
Total liabilities		**443,054**	458,723
Equity			
Unitholders' equity	Page 36	**207,766**	174,359
Total liabilities and equity		**650,820**	633,082

The main changes in the balance sheet as at September 30, 2016, compared to the balance sheet as at December 31, 2015, reflect the acquisition of a property, the related mortgage and bank financings, the unit issue completed on June 30, 2016, and the allocation of the proceeds of issue.

ASSETS

Investment properties

Over the years, BTB has fuelled its growth through high-quality property acquisitions based on strict selection criteria, while maintaining an appropriate allocation among four activity segments: office, retail, industrial and mixed use properties.

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 jointly-controlled investment properties.

The fair value of investment properties stood at $639 million as at September 30, 2016, compared to $640 million as at September 30, 2015, and $623 million as at December 31, 2015.

Acquisition of investment properties

On February 15, 2016, BTB acquired an office building located in downtown Montréal for $11 million. The property, entirely leased to a single tenant under a long-term lease, has a leasable area of 52,500 square feet.

There were no acquisitions during the second and third quarters of 2016.

Proposed disposals of investment properties

Following strategic deliberations, the Trust has agreed to sell certain assets when the circumstances are right. The proceeds of disposal from the sale of these assets will be used to repay debt. There were no disposals during the nine-month period ended September 30, 2016.

Summary by operating segment

As at September 30	**2016**			2015		
	Number of properties	**Leasable area (sq. ft.)**	**%**	**Number of properties**	**Leasable area (sq. ft.)**	**%**
Office	**27**	**1,920,977**	***38.6***	28	1,956,849	*38.3*
Retail	**17**	**1,107,058**	***22.3***	18	1,163,620	*22.8*
Industrial	**19**	**1,499,783**	***30.2***	19	1,490,887	*29.2*
Mixed use	**6**	**442,472**	***8.9***	8	501,172	*9.7*
Subtotal	**69**	**4,970,290**	***100.0***	73	5,112,528	*100.0*
Properties under redevelopment	**3**	**173,665**		2	126,546	
Total	**72**	**5,143,955**		75	5,239,074	

Investments in investment properties held

BTB invests in permanent capital improvement projects to preserve the quality of infrastructure and services provided to tenants. These disbursements include value-maintenance investments corresponding to expenditures required to keep properties in their current operating condition, as well as property improvement and redevelopment projects intended to increase leasable area, occupancy rates or rental space quality. In some cases, capital expenditures can be recovered from rent.

Capital expenditures for the quarter ended September 30, 2016, totalled $776 compared to $944 for the same quarter of 2015, of which $173 for the quarter was recoverable (2015: $239). Capital expenditures do not include repair and maintenance costs. Capital expenditures vary from one quarter to another depending on the activities required or planned for each property.

Upon the signing of several leases, the Trust makes disbursements for leasehold improvements and incentives applicable to the leased areas to meet the specific needs of tenants, as well as leasing fees that are paid to independent brokers. These disbursements totalled $1,049 for the quarter ended September 30, 2016, compared to $1,060 for the same quarter of 2015. The leasing fees and leasehold improvements apply to both new tenants and tenants whose leases are renewed for all properties. The amount of leasing fees and leasehold improvements varies depending on the renewal schedule, vacancy rates and tenancy profile.

The following table summarizes expenditures in maintenance capital expenditures, as well as incentives and leasing fees, for the periods ended September 30, 2016, and 2015.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Recoverable maintenance capital expenditures	**173**	239	**453**	1,298
Non-recoverable maintenance capital expenditures	**603**(1)	705	**1,205**(2)	2,125
Total maintenance capital expenditures	**776**	944	**1,658**	3,423
Leasing fees and leasehold improvements	**1,049**	1,060	**3,120**	2,490
Total	**1,825**	2,004	**4,778**	5,913

(1) Includes $177 related to investment properties under redevelopment.
(2) Includes $476 related to investment properties under redevelopment.

The following table shows changes in the fair value of investment properties during the periods ended September 30.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Balance, beginning of period	**636,117**	609,725	**622,651**	571,462
Additions:				
Acquisitions	**—**	28,413	**11,337**	63,383
Capital expenditures net of grants	**776**	944	**1,658**	3,423
Leasing fees and leasehold improvements	**1,049**	1,060	**3,120**	2,490
Fair value gains	**1,985**	—	**1,985**	—
Other non-monetary changes	**(495)**	(355)	**(1,319)**	(971)
Balance, end of period	**639,432**	639,787	**639,432**	639,787

Investment properties under redevelopment

The Trust decided to invest significant amounts in redeveloping and repositioning three properties:

- **1863-1865 Transcanadienne, Montréal – Québec** - This industrial property is currently completely vacant. The Trust has so far invested approximately $650 to repurpose this property.
- **805 Boundary Road, Cornwall – Ontario** - The Trust plans to divide this industrial property into two, with one section fully rented under a long-term lease with Canada Post. The Trust plans to significantly redevelop the other section, which is subject to a few short-term leases. If the Trust proceeds with its project, it intends to invest approximately $1 million.
- **100, 1ère rue Ouest, Thetford Mines – Québec –** The Trust is considering completely demolishing this building and redeveloping this property into a modern retail business site.

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from $1,981 as at December 31, 2015, to $2,145 as at September 30, 2016. The increase is mainly due to the determination and charging of rental adjustments to actual property operating costs. The value of amounts receivable from tenants, net of the allowance for doubtful accounts, was similar to that of September 30, 2015. These amounts are summarized below:

(in thousands of dollars)	**September 30, 2016**	December 31, 2015	September 30, 2015
	$	$	$
Amounts receivable from tenants	**1,621**	1,125	1,501
Allowance for doubtful accounts	**(340)**	(329)	(268)
	1,281	796	1,233
Recovery from unbilled tenants	**—**	105	—
Excess of recoveries over chargeable amounts	**(323)**	—	(14)
Balance of sale receivable	**600**	600	—
Other receivables	**587**	480	489
Amounts receivable from tenants and other receivables	**2,145**	1,981	1,708

Other assets

Other assets include property and equipment net of accumulated depreciation required for the Trust's operations, prepaid expenses and derivative financial instruments in debit positions. They are summarized below:

(in thousands of dollars)	**September 30, 2016**	December 31, 2015	September 30, 2015
	$	$	$
Property and equipment	**3,235**	3,203	3,109
Accumulated depreciation	**(1,044)**	(911)	(876)
	2,191	2,292	2,233
Prepaid expenses	**4,239**	1,285	4,484
Derivative financial instruments	**—**	—	25
Other	**429**	684	620
Other assets	**6,859**	4,261	7,362

Prepaid expenses mainly consist of municipal and school taxes, which extend over the Trust's fiscal year but are almost fully paid as at September 30 of each year.

Cash, cash equivalents and restricted cash

(in thousands of dollars)	**September 30, 2016**	December 31, 2015
	$	$
Available cash	**384**	4,138
Restricted cash	**2,000**	51
Cash, cash equivalents and restricted cash	**2,384**	4,189

CAPITAL RESOURCES

Long-term debt

The following table shows the balances of BTB's indebtedness as at September 30, 2016, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

As at September 30, 2016 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2016	—	55,962	3.71
2017	—	59,211	3.85
2018	—	45,194	3.74
2019	—	41,352	3.57
2020	49,700	20,012	6.12
2021 and thereafter	—	153,885	3.91
Total	**49,700**	**375,616**	**4.19**

Weighted average contractual interest rate

As at September 30, 2016, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.19%, i.e. 3.81% for mortgages payable and 7.03% for convertible debentures.

Mortgage loans payable

As at September 30, 2016, the Trust's mortgage loans payable amounted to $376 million compared to $373 million as at September 30, 2015, before deferred financing costs and valuation adjustments, an increase of $3 million due to acquisition financings completed in 2015 and for the quarters in 2016, certain refinancings and principal repayments on monthly payments and disposals.

As at September 30, 2016, the weighted average interest rate was 3.81%, compared to 3.93% for mortgage loans on the books as at September 30, 2015, a drop of 12 basis points. As at September 30, 2016, all mortgages payable bear interest at fixed rates or are coupled with an interest rate swap.

The weighted average term of existing mortgage financings was 5.0 years as at September 30, 2016, and 5.5 years as at September 30, 2015, a decrease of 6 months in one year.

BTB spreads the terms of its mortgages over many years in order to mitigate the risk associated with renewing them.

The following table summarizes changes in mortgage loans payable during the third quarter ended September 30, 2016:

As at September 30, 2016 (in thousands of dollars)	Quarter	Cumulative (9 months)
	$	$
Balance at beginning of quarter	**378,628**	**367,953**
Mortgage loans contracted or assumed	—	**26,716**
Balance repaid at maturity or upon disposal	—	**(10,181)**
Monthly principal repayments	**(3,012)**	**(8,872)**
Balance as at September 30, 2016	**375,616**	**375,616**

Note: Before unamortized financing costs and valuation adjustments.

Except for two properties under redevelopment valued at $4.6 million, and a property partially securing the acquisition and operating lines of credit as at September 30, 2016, all of the Trust's other properties were mortgaged as at September 30, 2016. Unamortized loan financing costs totalled $2,229 and are amortized under the effective interest method over the term of the loans.

The following table, as at September 30, 2016, shows future mortgage loan repayments for the next few years:

As at September 30, 2016 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2016 (3 months)	2,808	55,638	58,446	15.6
2017	9,324	57,226	66,550	17.7
2018	7,358	42,309	49,667	13.2
2019	5,901	37,872	43,773	11.7
2020	5,386	17,576	22,962	6.1
2021 and thereafter	37,421	96,797	134,218	35.7
Total	**68,198**	**307,418**	**375,616**	**100.0**
+ Valuation adjustments on assumed loans			879	
- Unamortized financing costs			(2,229)	
Balance as at September 30, 2016			**374,266**	

In the third quarter of 2016, the Trust entered into no new financing or refinancing agreements.

However, the Trust is negotiating or has signed letters of agreement with the current and new lenders for the refinancing of six loans totalling approximately $53 million on nine properties. These refinancings should significantly reduce the current interest rates and allow an estimated equity take-out of approximately $12 million.

Convertible debentures

(a) Series D

The Series D convertible debentures were redeemed on August 2, 2016.

(b) Series E

In February 2013, the Trust issued Series E convertible, unsecured, subordinated debentures, bearing 6.90% interest, in the amount of $23 million. Interest is payable semi-annually and the debentures mature on March 31, 2020. The debentures are convertible at the option of the holder at any time no later than March 31, 2020, subject to certain conditions. The conversion price is $6.15 per unit (the "Series E conversion price"). As at September 30, 2016, the closing market price of BTB units was $4.61.

As of March 31, 2016, but before March 31, 2018, under certain conditions, the debentures will be redeemable by the Trust 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 E conversion price and, as of March 31, 2018, but before March 31, 2020, to a price equal to their principal amount plus accrued, unpaid interest.

The Trust may, at its option and subject to certain conditions, elect to satisfy its obligation to pay the principal amount of the Series E debentures by issuing freely tradable units to Series E debenture holders.

On the date of issuance, the debentures were recorded as a $22.7 million non-derivative liability component and a $0.3 million derivative financial instrument component.

(c) Series F

In December 2015, the Trust issued Series F subordinated, convertible, unsecured debentures, bearing 7.15% interest, in the amount of $26.7 million. Interest is payable semi-annually and the debentures mature on December 31, 2020. The debentures are convertible at the holder's option at any time before December 31, 2020, subject to certain conditions. The conversion price is $5.65 per unit (the "Series F conversion price"). As at September 30, 2016, the closing market price of BTB units was $4.61.

As of March 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 initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series F conversion price and, as of December 31, 2019, but before December 31, 2020, at a redemption price equal to their principal amount plus accrued and unpaid interest.

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

(in thousands of dollars)	**Series E**	**Series F**	**Total**
Contractual interest rate	6.90%	7.15%	
Effective interest rate	7.90%	8.47%	
Date of issuance	February 2013	December 2015	
Per-unit conversion price	$6.15	$5.65	
Date of interest payment	March 31 and September 30	June 30 and December 31	
Maturity date	March 2020	December 2020	
Balance as at September 30, 2016	**22,127**	**25,448**	**47,575**

Bank loan – operating credit facility

BTB had an operating credit facility of $3 million with a Canadian chartered bank. The credit facility is partially secured by a first-ranking collateral mortgage on three properties, a second-ranking collateral mortgage on three properties, and by a third-ranking mortgage. The facility bears interest at the bank's base rate, plus 0.75%. As at September 30, 2016, the balance of the operating credit facility was $2.1 million.

Bank loans – acquisition credit facility

BTB had an acquisition credit facility of $19 million with a Canadian chartered bank. The credit facility is partially secured by a first-ranking collateral mortgage on three properties, a second-ranking collateral mortgage on three properties, and a third-ranking mortgage on one property. The facility bears interest at the bank's base rate, plus 3.25%. As at September 30, 2016, the balance of the acquisition credit facility was $6.0 million.

Debt ratio

Under the terms of its trust agreement, the Trust cannot contract a mortgage loan if, after having contracted the said loan, the total debt exceeds 75% of the gross carrying amount of the Trust. When establishing this calculation, the convertible debentures are not considered in the calculation of total indebtedness. Moreover, also under its trust agreement, in case of default with respect to this condition, the Trust has 12 months from the date of recognizing this default to perform the transactions necessary to remedy the situation.

The following table presents the Trust's debt ratios as at September 30, 2016, and 2015 and December 31, 2015.

(in thousands of dollars)	**September 30, 2016**	September 30, 2015	December 31, 2015
	$	**$**	**$**
Free cash flow	**(384)**	(1,098)	(4,138)
Mortgage loans payable [(1)]	**375,616**	373,143	367,953
Convertible debentures [(1)]	**49,700**	68,854	72,700
Acquisition credit facility	**6,000**	18,100	9,800
Total long-term debt	**430,932**	458,999	446,315
Gross book value of the Trust less free cash flow	**651,864**	650,881	629,855
Mortgage liability ratio (excluding convertible debentures and acquisition credit facility)	***57.6%***	*57.3%*	*58.4%*
Debt-equity ratio – convertible debentures	***7.6%***	*10.6%*	*11.5%*
Debt-equity ratio – acquisition line of credit	***0.9%***	*2.8%*	*1.6%*
Total debt ratio	***66.1%***	*70.5%*	*70.9%*

(1) Gross amounts.

According to the table above, the mortgage liability ratio, excluding the convertible debentures and acquisition credit facility as at September 30, 2016, amounted to 57.6%, down 0.8% from December 31, 2015, and up 0.3% from September 30, 2015. Including the convertible debentures and the acquisition credit facility, the overall debt ratio stood at 66.1%, down 4.8% from December 31, 2015, and 4.4% from September 30, 2015.

The Trust seeks to finance its acquisitions with mortgage debt ratios of 60% to 70% because the cost of financings is lower than the capital cost of the Trust's equity.

Interest coverage ratio

The Trust calculates its interest coverage ratio by dividing net operating income by interest expense net of interest income. The interest coverage ratio is used to assess BTB's ability to pay interest on its debt using its operating revenues. For the quarter ended September 30, 2016, the interest coverage ratio stood at 2.04, equal to that of the third quarter of 2015. This ratio shows the Trust's financial strength and ability to cover the cost of its debt.

Periods ended September 30 (in thousands of dollars, except for the ratios)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net operating income	**10,633**	10,958	**31,218**	31,274
Interest expense, net of interest income(1)	**4,742**	5,111	**14,972**	15,005
Interest coverage ratio	***2.24***	*2.14*	***2.09***	*2.08*

(1) Interest expense excludes accretion of effective interest, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments.

Accounts payable and other liabilities

(in thousands of dollars)	**September 30 2016**	December 31 2015
	$	**$**
Trade and other payables	**10,888**	11,693
Distributions payable	**1,477**	1,215
Unit-based compensation	**197**	173
Derivative financial instruments	**581**	380
Accounts payable and other liabilities	**13,143**	13,461

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	**September 30, 2016**	December 31, 2015
	$	$
Trust units	**217,307**	184,853
Cumulative profit	**55,187**	42,232
Cumulative distributions to unitholders	**(64,728)**	(52,726)
Unitholders' equity	**207,766**	174,359

Distribution reinvestment plan

On October 1, 2011, the Trust implemented a distribution reinvestment plan under which unitholders may elect to receive distributions in units, with a 3% discount on their market value. Under the program, 109,677 units were issued during the third quarter of 2016 (2015: 109,604 units) and 336,336 have been issued since the beginning of the year (2015: 294,372).

Units outstanding

On July 19, 2016, the syndicate of underwriters partially exercised the overallotment option on the June 2016 issue: 565,342 units were issued for net proceeds of approximately $2.4 million.

The following table summarizes units issued during the reporting periods and the weighted number of units for the same periods.

Periods ended September 30	Quarter		Cumulative (9 months)	
(in number of units)	**2016**	2015	**2016**	2015
Units outstanding, beginning of quarter	**41,548,348**	34,481,294	**34,705,151**	34,133,967
Units issued				
Public offering	**565,342**	—	**7,159,342**	—
Distribution reinvestment plan	**109,677**	109,604	**336,336**	294,372
Awards - employee unit purchase plan	—	—	**8,340**	7,758
Awards - restricted unit compensation plan	—	—	**14,198**	51,601
Unit options exercised	—	—	—	74,000
Conversion of Series C debentures	—	—	—	29,200
Units outstanding, end of quarter	**42,223,367**	34,590,898	**42,223,367**	34,590,898
Weighted average number of units outstanding	**41,604,665**	34,535,232	**37,138,698**	34,382,559

Unit options

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 may not exceed 10% of the total number of issued and outstanding units. The trustees have and will set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the quoted market price of the units, as determined under a related agreement. The options have a maximum term of five years from the date of grant. The purpose of granting unit options is to encourage the holder to acquire an ownership interest that increases over time and provides a financial incentive for the holder to consider the long-term interests of BTB and its unitholders. As at September 30, 2016, there were no unit options outstanding.

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 during the periods ended September 2016 and 2015.

Periods ended September 30	Quarter		Cumulative (9 months)	
(in number of units)	**2016**	2015	**2016**	2015
Deferred units outstanding, beginning of period	**325**	—	—	—
Deferred units issued	**1,901**	—	**2,226**	—
Deferred units settled	—	—	—	—
Deferred units outstanding, end of period	**2,226**	—	**2,226**	—

Restricted unit compensation plan

Under this plan, beneficiaries are awarded restricted units that become fully vested over a quarter of up to three years. The purpose of the plan is to encourage senior officers and selected employees to achieve the Trust's long-term growth objectives and align their interests with the interests of unitholders. The plan is also an executive retention tool.

The following table summarizes restricted units outstanding during the periods ended September 30, 2016, and 2015.

Periods ended September 30 (in number of units)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
Restricted units outstanding, beginning of period	**36,885**	51,083	**51,083**	39,816
Restricted units issued	**42,919**	—	**42,919**	62,868
Restricted units cancelled	**(2,131)**		**(2,131)**	
Restricted units settled	**—**	—	**(14,198)**	(51,601)
Restricted units outstanding, end of period	**77,673**	51,083	**77,673**	51,083

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, a maximum of 3% to 7% of their base salary depending on their years of experience with the Trust. For each two units purchased by an employee, the Trust shall issue one unit from treasury. During the quarter, no units were issued (September 30, 2015: nil).

Off-balance sheet arrangements and contractual commitments

BTB does not have any other off-balance sheet arrangements that have or are likely to have an impact on its operating results or financial position, specifically its cash position and sources of financing. During the quarter ended September 30, 2016, BTB complied with all of its loan commitments and was not in default with any covenant at the balance sheet date.

INCOME TAXES

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The trustees intend 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 is not 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 “non-portfolio 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, disposals of “real or immovable properties” that are capital properties, dividends, royalties and disposals 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 disposals 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,” an 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 September 30, 2016, BTB met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to BTB. BTB’s management intends to take the necessary steps to meet the conditions for the REIT Exception on an on-going 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 2016 or any other subsequent year.

TAXATION OF UNITHOLDERS

For Canadian unitholders, distributions are qualified as follows for taxation purposes:

Quarters ended September 30	**2016**	2015
	%	%
Taxable as other income	**—**	—
Tax deferred	***100***	*100*
Total	***100***	*100*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

BTB's significant accounting policies and estimates are described in Note 3 to the audited annual consolidated financial statements for the year ended December 31, 2015, and in the unaudited condensed consolidated interim financial statements and accompanying notes for the quarter ended September 30, 2016, incorporated by reference herein.

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 2015 Annual Information Form for the year ended December 31, 2015, which is hereby incorporated by reference. Such risks and uncertainties include:

- Access to Capital or Ability to Renegotiate Debt Fnancing
- Ownership of Immovable Property
- Competition and Rising Property Prices
- Availability of Immovable Property for Acquisition
- Feasbility of Completing 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
- Potential Conflicts of Interest
- Market Price of Units
- Legal Rights Relating to Units
- Dilution
- Environmental Matters
- Legal Risks
- General Uninsured Losses
- Retail Industry
- Interest Rate Increases

BTB has not identified any significant changes to the risks and uncertainties to which it is exposed in its business.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer concluded that the DC&P were effective as at the end of the quarter ended September 30, 2016, 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 Financial Officer of BTB concluded that ICFR was effective as at the end of the quarter ended September 30, 2016, 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 third quarter of 2016, 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 –PRO FORMA PERFORMANCE INDICATORS

Calculation of recurring distributable income on the basis that the June 30, 2016 unit issue and allocation of the proceeds did not take place.

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Recurring distributable income (as established)[1]	**5,285**	5,286	**14,664**	14,522
- Interest on Series D convertible debentures (2 months)	**(278)**	—	**(278)**	—
- Interest on acquisition line of credit	**(91)**	—	**(91)**	—
Pro formal recurring distributable income[1]	**4,916**	5,286	**14,295**	14,522
Pro forma units outstanding (weighted average)	**35,100**	34,535	**35,100**	34,383
Per unit	**14.0 ¢**	15.3 ¢	**40.8 ¢**	42.2 ¢
Payout ratio	**75.3 %**	68.6 %	**76.9 %**	74.6 %

(1) Non-IFRS financial measure

The following table provides a reconciliation of the pro forma recurring distributable income (non-IFRS measure) and cash flows from operating activities as presented in the financial statements.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**10,342**	9,699	**26,600**	26,081
+ Finance income	**19**	12	**68**	33
+ Net change in non-cash operating items	**(135)**	675	**3,216**	3,239
- Interest expense on mortgage loans payable	**(3,627)**	(3,625)	**(10,924)**	(10,672)
- Interest expense on convertible debentures	**(1,018)**	(1,271)	**(3,597)**	(3,816)
- Interest expense on acquisition line of credit	**(77)**	(186)	**(425)**	(463)
- Interest expense on operating line of credit and other interest expenses	**(39)**	(38)	**(94)**	(87)
- Early repayment fees	—	(625)	—	(625)
Distributable income[1]	**5,465**	4,638	**14,844**	13,690
+ Early repayment fees	—	625	—	625
+ Expenses for abandoned transaction	—	23	—	207
- Dispute settlement	**(180)**	—	**(180)**	—
Recurring distributable income[1]	**5,285**	5,286	**14,664**	14,522
- Interest on Series D convertible debentures (2 months)	**(278)**	—	**(278)**	—
- Interest on acquisition line of credit	**(91)**	—	**(91)**	—
Pro forma recurring distributable income[1]	**4,916**	5,286	**14,295**	14,522

(1) Non-IFRS financial measure

Calculation of recurring funds from operations (FFO) on the basis that the June 30, 2016 unit issue and allocation of the proceeds did not take place.

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Recurring FFO (as established)[1]	**3,994**	4,969	**12,902**	13,455
- Interest on Series D convertible debentures (2 months)	**(278)**	—	**(278)**	—
- Interest on acquisition line of credit	**(91)**	—	**(91)**	—
- Accretion of the liability component of Series D convertible debentures	**(44)**	—	**(44)**	—
- Accretion of effective interest on Series D convertible debentures	**(40)**	—	**(40)**	—
+ Reversal of the write-off of unamortized financing expenses and the liability component of convertible debentures	**1,088**	—	**1,088**	—
Pro forma recurring FFO[1]	**4,629**	4,969	**13,537**	13,455
Pro forma units outstanding (weighted average)	**35,100**	34,535	**35,100**	34,383
Per unit	**13.2¢**	15.3¢	**40.8¢**	42.2¢
Payout ratio	**79.9%**	68.6%	**76.9%**	74.6%

(1) Non-IFRS financial measure

The following table provides a reconciliation of the pro forma recurring funds from operations (FFO) (non-IFRS measure) and cash flows from operating activities as presented in the financial statements.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**10,342**	9,699	**26,600**	26,081
+ Straight-line rental income adjustment	**58**	179	**248**	561
+ Finance income	**19**	12	**68**	33
+ Amortization of a property recognized at cost	**15**	16	**46**	52
+ Leasing payroll expenses	**129**	—	**299**	—
± Net change in working capital items	**(135)**	675	**3,216**	3,239
- Unit-based compensation expenses	**(55)**	(20)	**(119)**	(211)
- Interest expense on mortgage loans payable	**(3,627)**	(3,625)	**(10,924)**	(10,672)
- Interest expense on convertible debentures	**(1,018)**	(1,271)	**(3,597)**	(3,816)
- Interest expense on acquisition line of credit	**(77)**	(189)	**(425)**	(463)
- Other interest expense and operating line of credit	**(39)**	(38)	**(94)**	(87)
- Accretion of liability component of convertible debentures	**(32)**	(151)	**(181)**	(451)
- Accretion of effective interest	**(274)**	(307)	**(834)**	(895)
- Early repayment fees	—	(625)	—	(625)
- Impact of early repayment of series D convertible debentures	**(1,088)**	—	**(1,088)**	—
- Amortization of property and equipment	**(44)**	(34)	**(133)**	(123)
FFO[1]	**4,174**	4,321	**13,082**	12,623
+ Early repayment fees	—	625	—	625
+ Expenses for abandoned transaction	—	23	—	207
- Dispute settlement	**(180)**	—	**(180)**	—
Recurring FFO[1]	**3,994**	4,969	**12,902**	13,455
- Interest on Series D convertible debentures (2 months)	**(278)**	—	**(278)**	—
- Interest on acquisition line of credit	**(91)**	—	**(91)**	—
- Accretion of the liability component of Series D convertible debentures	**(44)**	—	**(44)**	
- Accretion of effective interest on Series D convertible debentures	**(40)**	—	**(40)**	
+ Reversal of the write-off of unamortized financing expenses and the liability component of Series D debentures	**1,088**	—	**1,088**	
Pro forma recurring FFO[1]	**4,629**	4,969	**13,537**	13,455

(1) Non-IFRS financial measure

Calculation of recurring adjusted funds from operations (AFFO) on the basis that the June 30, 2016 unit issue and allocation of the proceeds did not take place.

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Recurring distributable income (as established)[1]	**4,733**	4,663	**12,906**	12,672
- Interest on Series D convertible debentures (2 months)	**(278)**	—	**(278)**	—
- Interest on acquisition line of credit	**(91)**	—	**(91)**	—
Pro forma recurring AFFO [1]	**4,364**	4,663	**12,537**	12,672
Pro forma units outstanding (weighted average)	**35,100**	34,535	**35,100**	34,383
Per unit	**12.4¢**	13.5¢	**35.8¢**	36.9¢
Payout ratio	**84.8%**	77.8%	**87.7%**	85.5%

(1) Non-IFRS financial measures

The following table provides a reconciliation of the pro forma recurring adjusted funds from operations (AFFO) (non-IFRS measure) and the cash flows from operating activities as presented in the financial statements.

Periods ended September 30 (en milliers de dollars)	Quarter		Cumulative (9 months)	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**10,342**	9,699	**26,600**	26,081
+ Finance income	**19**	12	**68**	33
+ Leasing payroll expenses	**129**	—	**299**	—
± Net change in working capital items	**(135)**	675	**3,216**	3,239
- Interest expense on mortgage loans payable	**(3,627)**	(3,625)	**(10,924)**	(10,672)
- Interest expense on convertible debentures	**(1,018)**	(1,271)	**(3,597)**	(3,816)
- Interest expense on acquisition line of credit	**(77)**	(189)	**(425)**	(463)
- Other interest expense and operating line of credit	**(39)**	(38)	**(94)**	(87)
- Early repayment fees	**—**	(625)	**—**	(625)
- Provision for non-recoverable capital expenses	**(361)**	(368)	**(1,097)**	(1,085)
- Provision for rental fees	**(320)**	(255)	**(960)**	(765)
AFFO[1]	**4,913**	4,015	**13,086**	11,840
+ Early repayment fees	**—**	625	**—**	625
+ Expenses for abandoned transaction	**—**	23	**—**	207
- Dispute settlement	**(180)**	—	**(180)**	—
Recurring AFFO[1]	**4,733**	4,663	**12,906**	12,672
- Interest on Series D convertible debentures (2 months)	**(278)**	—	**(278)**	—
- Interest on acquisition line of credit	**(91)**	—	**(91)**	—
Pro forma recurring AFFO[1]	**4,364**	4,663	**12,537**	12,672

(1) Non-IFRS financial measure