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Management Discussion and Analysis

Quarter ended December 31, 2016

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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 year ended December 31, 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 March 10, 2017, should be read together with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2016 and 2015. It discusses any significant information available up to the date of this MD&A. The Trust's consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts. Per unit amounts are calculated using the weighted average number of trust units outstanding for the periods and years ended December 31, 2016, and 2015. Additional information about the Trust, including the 2016 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 Management Discussion and Analysis and the annual 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”and “recurring distributable income,” “funds from operations” ("FFO") and “recurring funds from operations” ("FFO"), “adjusted funds from operations” ("AFFO") and “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 December 31, 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 December 31, 2016 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 December 31, 2016[(1)]	**72**	**5,143,955**	**645,485**

(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 and/or to make accretive acquisitions.

HIGHLIGHTS OF THE YEAR ENDED DECEMBER 31, 2016

Slight increase

- In rental income, net operating income[1], recurring distributable income[1], recurring funds from operations (FFO)[1], recurring adjusted funds from operations (AFFO)[1] and total assets.

(1) Non-IFRS financial measures.

Slight decrease

- In net income of the same-property portfolio.

Reduction

- In the total debt ratio and the average interest rate on mortgage debt.

Leasing activities

- More than 520,000 square feet of leases renewed and new leases signed during the year.
- 5.6% increase in the average rental rate of renewed leases during the year.

Financing activities

- $9.9 million in financings, with an average term of 4.2 years and an average rate of 3.59%.
- $87.2 million in refinancings, with terms varying from 1 year to 10 years, for a weighted average term of 7.5 years, as well as fixed rates of 2.88% to 4.11% and a weighted average rate of 3.50%. These refinancings allowed for an equity take-out of approximately $16 million.

Summary of significant items as at December 31, 2016

- 72 properties
- More than 5.1 million leasable square feet
- $658 million in assets
- $189 million in market capitalization

SELECTED FINANCIAL INFORMATION

As at December 31, 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 quarters and years ended December 31, 2016, and December 31, 2015:

Periods ended December 31 (in thousands of dollars, except for ratios and per unit data)	Reference	Quarter 2016 $	Quarter 2015 $	Year 2016 $	Year 2015 $
Financial information					
Rental income	Page 11	**18,270**	18,539	**73,384**	72,892
Net operating income(1)	Page 12	**10,121**	10,020	**41,339**	41,294
Net income and comprehensive income	Page 14	**9,130**	(2,124)	**22,085**	8,669
Net property income from the same-property portfolio(1)	Page 15	**5,498**	5,566	**23,236**	24,060
Recurring distributable income(1)	Page 16	**5,047**	4,211	**19,711**	18,733
Distributions	Page 17	**4,442**	3,640	**16,444**	14,478
Recurring Funds from operations (FFO)(1)	Page 18	**4,808**	3,710	**17,710**	16,333
Recurring adjusted funds from operations (AFFO)(1)	Page 19	**4,485**	3,588	**17,391**	17,165
Total assets	Page 21			**658,462**	633,082
Investment properties	Page 21			**645,485**	622,651
Mortgage loans payable	Page 24			**384,350**	366,596
Convertible debentures	Page 26			**47,692**	68,866
Mortgage liability ratio	Page 26			***59.1%***	*58.4%*
Debt-equity ratio – convertible debentures	Page 26			***7.6%***	*11.5%*
Debt-equity ratio – acquisition line of credit	Page 26			***—%***	*1.6%*
Total debt ratio	Page 26			***65.7%***	*70.9%*
Weighted average interest rate on mortgage debt	Page 24			***3.79%***	*3.95%*
Unitholders' equity	Page 28			**212,963**	174,359
Market capitalization				**189,270**	153,050
Financial information per unit					
Units outstanding (000)	Page 28			**42,342**	34,705
Weighted average number of units outstanding (000)	Page 28	**42,283**	34,649	**38,546**	34,450
Net income and comprehensive income	Page 14	**21.6¢**	(6.1¢)	**57.3¢**	25.2¢
Recurring distributable income(1)	Page 17	**11.9¢**	12.2¢	**51.1¢**	54.4¢
Distributions	Page 17	**10.5¢**	10.5¢	**42.0¢**	42.0¢
Recurring payout ratio on distributable income(1)	Page 17	***88.0%***	*86.4%*	***83.4%***	*77.3%*
Recurring FFO(1)	Page 18	**11.4¢**	10.7¢	**45.9¢**	49.8¢
Recurring payout ratio on FFO(1)	Page 18	***92.4%***	*98.1%*	***92.8%***	*88.6%*
Recurring AFFO(1)	Page 19	**10.6¢**	10.4¢	**45.1¢**	47.2¢
Recurring payout ratio on AFFO(1)	Page 19	***99.0%***	*101.4%*	***94.5%***	*89.0%*
Unitholders' equity	Page 28			**5.04**	5.02
Market price				**4.47**	4.41
Tax on distributions					
Revenue	Page 30			*0.0%*	*0.0%*
Tax deferral	Page 30			*100%*	*100%*
Operational information					
Number of properties	Page 22			**72**	71
Leasable area (thousands of sq. ft.)	Page 8			**5,144**	5,095
Occupancy rate	Page 9			***90.5%***	*91.7%*
Increase in average lease renewal rate	Page 9	***10.1%***	*10.0%*	***5.6%***	*5.8%*

(1) Non-IFRS financial measures. See appropriate sections for definition and reconciliation to the closest IFRS measure.

SIGNIFICANT EVENTS

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 1.2¢ per quarter and significantly increased the various payout ratios.

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.

SELECTED ANNUAL INFORMATION

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

Years ended December 31 (in thousands of dollars, except for ratios and per unit data)	2016	2015	2014
	$	$	$
Rental income	**73,384**	72,892	67,170
Net operating income(1) (5)	**41,339**	41,294	37,983
Fair value adjustment on investment properties	**6,200**	(5,223)	(1,860)
Net income	**22,085**	8,669	12,883
Recurring distributable income(5)	**19,711**	18,733	16,626
Recurring FFO(2) (5)	**17,710**	17,164	15,226
Recurring AFFO(3) (5)	**17,391**	16,260	14,363
Distributions	**16,443**	14,478	12,953
Total assets	**658,462**	633,082	586,737
Long-term debt	**432,042**	445,262	395,129
Financial information per unit			
Net income	**57.3¢**	25.2¢	41.0¢
Recurring distributable income(5)	**51.1¢**	54.4¢	52.9¢
Recurring FFO(2) (5)	**45.9¢**	49.8¢	48.5¢
Recurring AFFO(3) (5)	**45.1¢**	47.2¢	45.7¢
Distributions	**42.0¢**	42.0¢	40.8¢
Payout ratio for recurring distributable income (4) (5)	***83.4%***	*77.3%*	*77.9%*

(1) Defined as rental income from investment properties less operating expenses.
(2) See "Funds from operations" on page 35 for reconciliation to net income.
(3) See "Adjusted funds from operations" on page 35 for reconciliation to FFO and net income.
(4) Represents total distributions divided by recurring distributable income.
(5) Non-IFRS financial measures. See appropriate sections for definition and reconciliation to the closest IFRS measure.

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-4	2016 Q-3	2016 Q-2	2016 Q-1	2015 Q-4	2015 Q-3	2015 Q-2	2015 Q-1
	$	$	$	$	$	$	$	$
Rental income	18,270	18,264	18,300	18,550	18,539	18,421	17,603	18,329
Net operating income[(1)]	10,121	10,633	10,466	10,119	10,020	10,958	10,184	10,132
Net income (loss) and comprehensive income	9,130	5,422	3,982	3,551	(2,124)	3,669	3,724	3,400
Net income (loss) and comprehensive income per unit	21.6¢	13.0¢	11.4¢	10.2¢	(6.1¢)	10.6¢	10.8¢	9.9¢
Recurring distributable income[(1)]	5,047	5,285	4,924	4,455	4,211	5,286	4,739	4,497
Recurring distributable income per unit[(1)]	11.9¢	12.7¢	14.1¢	12.8¢	12.2¢	15.3¢	13.8¢	13.1¢
Recurring funds from operations (FFO)[(1)]	4,808	3,994	4,692	4,216	3,710	4,321	4,420	4,066
Recurring FFO per unit[(1)]	11.4¢	9.6¢	13.4¢	12.1¢	10.7¢	12.5¢	12.9¢	11.9¢
Recurring adjusted funds from operations (AFFO)[(1)]	4,485	4,733	4,333	3,840	3,588	4,663	4,132	3,876
Recurring AFFO per unit[(1)]	10.6¢	11.4¢	12.4¢	11.0¢	10.4¢	13.5¢	12.0¢	11.3¢
Distributions	4,442	4,449	3,897	3,655	3,640	3,628	3,615	3,596
Distributions per unit	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢	10.5¢

(1) Non-IFRS financial measures. See appropriate sections for definition and reconciliation to the closest IFRS measure.

PERFORMANCE INDICATORS

The indicators used to measure BTB's financial performance are presented and explained in Appendix 1.

REAL ESTATE PORTFOLIO

BTB owns 72 quality properties which have a fair value of $646 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 properties acquired during fiscal 2016 are described on page 21 of this MD&A.

Summary of properties as at December 31, 2016

Operating segment	**Number of properties**	**Leasable area (sq. ft.)**	**Occupancy rate (%)**
Office	27	1,920,977	*85.8*
Retail	17	1,107,058	*94.0*
Industrial	19	1,499,783	*94.1*
Mixed use	6	442,472	*96.4*
Subtotal	69	**4,970,290**	***91.1***
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.

REAL ESTATE OPERATIONS

Leasing activities

The following table summarizes changes in available leasable area during the periods ended December 31, 2016 and 2015.

Periods ended December 31 (in square feet)	Quarter		Year	
	2016	2015	**2016**	2015
Available leasable area at beginning of period	**444,999**	462,131	**408,243**	340,348
Available leasable area purchased (sold)	—	(22,119)	—	(19,053)
Leasable area of properties under redevelopment	—	(8,020)	—	(8,020)
Leasable area of expired leases	**166,111**	29,651	**520,883**	427,668
Leasable area of leases terminated before term	**5,575**	7,297	**61,705**	150,399
Leasable area of renewed leases	**(70,766)**	(15,286)	**(319,392)**	(248,567)
Leasable area of new leases signed	**(73,404)**	(37,027)	**(200,332)**	(224,399)
Other	**(410)**	(8,384)	**998**	(10,133)
Available leasable area at end of period	**472,105**	408,243	**472,105**	408,243

The average rental rate of expired and renewed leases rose 10.1% during the fourth quarter (2015: 10.0%). For the year, the average rate increased by 5.6% (2015: 5.8%). The increase in the average rental rate was particularly significant in the "Office" segment, standing at 9.2% for the year.

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:

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
	%	**%**	**%**	**%**	**%**
Operating segment					
Office	84.5	85.5	85.3	85.8	85.8
Retail	94.0	93.9	92.7	92.1	92.5
Industrial	94.1	94.4	95.6	97.1	97.1
Mixed use	95.8	96.3	96.3	95.6	96.3
Total portfolio	90.5	91.0	91.0	91.5	91.7

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
	%	**%**	**%**	**%**	**%**
Geographic sector					
Laval and North Shore	97.4	97.4	97.4	97.2	96.9
Island of Montréal	89.3	86.5	86.2	86.2	85.5
Montréal South Shore	91.9	92.3	91.3	91.9	92.5
Québec City and surrounding area	89.4	90.7	89.6	90.1	89.9
Ottawa and surrounding area	88.8	92.5	94.7	95.2	96.7
Sherbrooke and surrounding area	79.5	79.5	78.4	81.1	80.6
Central Ontario	100.0	100.0	100.0	100.0	100.0
	90.5	91.0	91.0	91.5	91.7

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
	%	**%**	**%**	**%**	**%**
By province					
Québec	90.6	90.4	89.6	90.1	89.9
Ontario	90.1	93.3	95.5	96.0	97.2
Total portfolio	90.5	91.0	91.0	91.5	91.7

The overall occupancy rate is down by 0.5% since September 30, 2016, and by 1.2% since December 31, 2015. It stood at 90.5% at the end of the fourth quarter of 2016.

The office segment is down 1.0% since September 30, 2016, and 1.3% since December 31, 2015. In geographical terms, the Québec City and Ottawa areas posted a quarterly and annual decrease.

The "1001 Sherbrooke Est" and "Henri-Bourassa" properties in Montréal, "50 St-Charles" on the Montréal South Shore, "Complexe de Léry" classified in the Québec City area and "Aberdeen" in Ottawa are office buildings with an occupancy rate below 75%, which explains essentially the segment's rate below that of the portfolio. The "René-Patenaude" property in the Sherbrooke area also had a 15% occupancy rate for several quarters and affects the occupancy rate of the Sherbrooke area.

Retention rate

The renewal rate for leases expired in 2016 was 61.0%.

Lease maturity

The following table shows the lease maturity profile for the next five years:

	2017	2018	2019	2020	2021
Office					
Leasable area (sq. ft.)	157,971	181,798	326,519	116,015	282,513
Average lease rate/square foot ($)	$12.51	$13.00	$13.97	$14.45	$12.37
% of office portfolio	*8.2%*	*9.5%*	*17.0%*	*6.0%*	*14.7%*
Retail					
Leasable area (sq. ft.)	80,060	149,723	182,934	68,956	86,878
Average lease rate/square foot ($)	$13.21	$12.41	$11.79	$14.09	$12.75
% of retail portfolio	*7.2%*	*13.5%*	*16.5%*	*6.2%*	*7.9%*
Industrial					
Leasable area (sq. ft.)	517,954	5,399	94,482	24,062	440,803
Average lease rate/square foot ($)	$4.35	$5.78	$3.75	$5.43	$6.34
% of industrial portfolio	*34.6%*	*0.4%*	*6.3%*	*1.6%*	*29.4%*
Mixed use					
Leasable area (sq. ft.)	45,415	28,424	49,955	80,513	114,480
Average lease rate/square foot ($)	$12.83	$15.00	$13.52	$2.54	$9.58
% of mixed use portfolio	*10.3%*	*6.4%*	*11.3%*	*18.2%*	*25.9%*
Total portfolio					
Leasable area (sq. ft.)	801,401	365,344	653,890	289,546	924,674
Average lease rate/square foot ($)	$7.32	$6.34	$4.87	$3.81	$5.41
% of total portfolio	*16.1%*	*7.4%*	*13.2%*	*5.8%*	*18.6%*

Top 10 tenants

As at December 31, 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%, 2.5% 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 December 31, 2016:

	% of revenue	Leased area (square feet)
Client		
Public Works Canada	5.8	205,836
Société québécoise des infrastructures (SQI)	2.5	122,112
Provigo Distribution Inc. (Loblaws)	2.2	107,642
Atis Portes et Fenêtres Corp.	1.9	219,941
Shoppers Realty Inc.	1.8	64,304
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	1.5	70,242

OPERATING RESULTS

The following table summarizes financial results for the quarters and years ended December 31, 2016, and December 31, 2015. The table should be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31 (in thousands of dollars)		Quarter		Year	
		2016	2015	**2016**	2015
	Reference	**$**	$	**$**	$
Rental income	Page 11	**18,270**	18,539	**73,384**	72,892
Operating expenses	Page 12	**8,149**	8,519	**32,045**	31,598
Net operating income[1]	Page 12	**10,121**	10,020	**41,339**	41,294
Other income	Page 12	**(59)**	(19)	**(307)**	(52)
Financial expenses	Page 13	**4,088**	5,948	**21,431**	23,203
Trust administration expenses	Page 13	**1,177**	992	**4,330**	4,044
Fair value adjustment to investment properties	Page 14	**(4,215)**	5,223	**(6,200)**	5,223
Expenses for abandoned transaction		**—**	—	**—**	207
Net income and comprehensive income	Page 14	**9,130**	(2,124)	**22,085**	8,669

(1) Non-IFRS financial measure

Rental income

BTB acquired a property during the first quarter of 2016 and disposed of four properties in the fourth quarter of 2015. Due to the net effect of these transactions, rental income decreased by $269 for the fourth quarter compared to the same quarter of 2015, and increased by $492 for fiscal 2016 compared to fiscal 2015.

BTB recovers operating expenses of the properties in question from most tenants. The decrease in operating expenses recorded in the fourth quarter of 2016 compared to the same period of 2015, as presented below, explains most of the decrease in revenues in the fourth quarter of 2016.

In the fourth quarter of 2016, rent adjustments of $2 (2015: payables of $141) were recorded on a straight-line basis. For the year ended December 31, 2016, these adjustments totalled $246 (2015: $702).

In the fourth quarter of 2016, BTB recorded amortization of $610 (2015: $552) as a reduction in rental income, which represents amortization of lease incentives afforded to lessees. For the year ended December 31, 2016, these adjustments totalled $2,177 (2015: $2,084).

Operating expenses

BTB recorded a decrease in operating expenses of $370 or 4.3% between the fourth quarter of 2015 and the fourth quarter of 2016, and an increase of $447 or 1.4% for the year compared to last year.

The following table shows the breakdown of operating expenses for the periods ended December 31, 2016, and 2015.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Operating expenses				
Maintenance, repairs and other operating costs	**3,058**	3,418	**11,558**	11,748
Property taxes and public utilities	**5,091**	5,101	**20,487**	19,850
Total operating expenses	**8,149**	8,519	**32,045**	31,598
% of rental income	***44.6***	*46.0*	***43.7***	*43.3*

The decrease in maintenance, repairs and other operating costs in the fourth quarter of 2016 compared to the fourth quarter of 2015 was due to the sale of four properties in 2015 and effective budgetary cost management in the fourth quarter of 2016.

Net operating income

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net operating income[1]	**10,121**	10,020	**41,339**	41,294
% of rental income	***55.4***	*54.0*	***56.3***	*56.7*

(1) Non-IFRS financial measure

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net operating income	**10,121**	10,020	**41,339**	41,294
Straight-line rental income adjustments	**2**	(141)	**(246)**	(702)
Adjustments related to amortization of lease incentives	**610**	552	**2,177**	2,084
Net operating income before rental income adjustments[1]	**10,733**	10,431	**43,270**	42,676
% of rental income on the basis of in-place leases	***56.8***	*55.0*	***57.5***	*57.5*

(1) Non-IFRS financial measure

Other income

In addition to interest income in the amount of $27 (2015: $19), the Trust earned income of $32 from a dispute settlement during the quarter.

Financial expenses

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Interest expense on mortgage loans payable	**3,658**	3,688	**14,582**	14,360
Interest expense on debentures	**874**	1,412	**4,471**	5,228
Interest expense on acquisition line of credit	**94**	212	**519**	675
Interest expense on operating line of credit and other interest expenses	**34**	38	**128**	125
Interest expenses	**4,660**	5,350	**19,700**	20,388
Early repayment fees	**—**	—	**—**	625
Impact of early redemption of Series D convertible debentures	**—**	—	**1,088**	—
Accretion of effective interest	**240**	378	**1,074**	1,273
Accretion of non-derivative liability component of convertible debentures	**11**	178	**192**	629
Financial expenses before following item:	**4,911**	5,906	**22,054**	22,915
Fair value adjustment on derivative financial instruments (debenture conversion options and interest rate swap)	**(823)**	42	**(623)**	288
Financial expenses	**4,088**	5,948	**21,431**	23,203

Financial expenses decreased by $690 during the fourth quarter of 2016 and by $688 for fiscal 2016 compared to the same periods of fiscal 2015, mainly due to the repayment of Series D debentures on August 2, 2016 and partial repayment of the acquisition line of credit using the proceeds of the unit issue in June 2016.

Financial expenses can be allocated among interest expenses amounting to $4,660 for the quarter (2015: $5,350) and $19,700 for the year (2015: $20,388) 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 and fair value adjustments on financial instruments. To this effect, during the third 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. Lastly, geopolitical instability over the last few months has led to greater interest rate volatility and higher bond yields, resulting in a value gain of $833 on our interest rate swaps during the quarter ended December 31, 2016.

As at December 31, 2016, the average weighted contractual rate of interest on mortgage loans payable was 3.79%, 16 basis points lower than the rate in effect at December 31, 2015. For 33 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 December 31, 2016. The weighted average term of financing in place as at December 31, 2016, was 5.9 years (5.5 years as at December 31, 2015).

Trust administration expenses

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Administrative expenses	**1,075**	907	**4,063**	3,696
Amortization	**15**	17	**61**	69
Unit-based compensation	**87**	68	**206**	279
Trust administration expenses	**1,177**	992	**4,330**	4,044

Fair value adjustment on investment properties

At year-end, the Trust uses professional valuators to perform an independent external valuation of a portion of its portfolio. A sample of the portfolio's largest properties and approximately a third of the remaining properties were subject to an independent external valuation. As at December 31, 2016, 63% (2015: 63%) of the portfolio's market value was subject to an independent external valuation. However, as at December 31, 2016, 16 properties with a total fair value of $82 million had not been subject to an independent external valuation over the past three years. Most of these 16 properties are single-tenant properties with long-term leases located in stable markets, or small lower-value properties.

Market conditions in the Trust's geographic market remained relatively stable during the fourth quarter and fiscal 2016.

Nonetheless, management determined that a fair value adjustment to the portfolio as at December 31, 2016 was required. Accordingly, management recognized an impairment gain of $6,200 as at December 31, 2016 (2015: impairment of $5,223).

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 December 31, 2016				
Capitalization rate	6.25% – 10.00%	6.50% – 8.50%	6.50% – 9.75%	6.75% – 7.75%
Terminal capitalization rate	6.75% – 8.00%	6.75% – 8.75%	7.00% – 7.75%	7.00% – 7.75%
Discount rate	7.25% – 8.75%	7.50% – 9.25%	7.50% – 8.50%	7.50% – 8.25%
As at December 31, 2015				
Capitalization rate	6.25% – 10.00%	6.50% – 9.25%	6.50% – 9.75%	7.25% – 8.25%
Terminal capitalization rate	7.00% – 8.50%	6.75% – 7.75%	7.75% – 9.75%	7.50% – 8.00%
Discount rate	7.75% – 9.00%	7.50% – 8.50%	8.25% – 10.50%	8.00% – 8.50%

The weighted average capitalization rate for the entire portfolio as at December 31, 2016, was 7.20% (December 31, 2015: 7.34%), down 14 basis points since December 31, 2015.

As at December 31, 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 $23 million.

Net income and comprehensive income

BTB generated net income of $9.1 million for the fourth quarter of 2016, up $11.2 million compared to a $2.1 million loss in the fourth quarter of 2015. For the year, net income totalled $22.1 million, up $13.4 million from 2015. At the end of fiscal 2015, the Trust had recognized a $5.2 million impairment; in 2016, the Trust recognized a $6.2 million appreciation in value, a difference of more than $11 million.

Periods ended December 31	Quarter		Year	
(in thousands of dollars, except for per unit data)	**2016**	2015	**2016**	2015
	$	$	**$**	$
Net income (loss) and comprehensive income	**9,130**	(2,124)	**22,085**	8,669
Per unit	**21.6¢**	(6.1¢)	**57.3¢**	25.2¢

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 December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income (loss) and comprehensive income	**9,130**	(2,124)	**22,085**	8,669
Volatile non-monetary items				
± Fair value adjustment on investment properties	**(4,215)**	5,223	**(6,200)**	5,223
± Fair value adjustment on derivative financial instruments	**(823)**	42	**(623)**	288
Adjusted net income and comprehensive income(1)	**4,092**	3,141	**15,262**	14,180
Per unit	**9.7¢**	9.1¢	**39.6¢**	41.2¢

(1) Non-IFRS financial measure

This table shows an increase of 30.3% in quarterly adjusted net income and an increase of 7.6% in annual adjusted net income, before the non-monetary items mentioned above. Quarterly adjusted net income per unit increased 6.6% and annual adjusted net income per unit decreased 3.6%.

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 December 31 (in thousands of dollars)	Quarter			Year		
	2016	2015	*Δ%*	**2016**	2015	*Δ%*
	$	$		**$**	$	
Rental income	**15,863**	16,185	(2.0)	**64,143**	65,557	(2.2)
Operating expenses	**7,162**	7,334	(2.3)	**28,100**	28,357	(0.9)
Net operating income(1)	**8,701**	8,851	(1.7)	**36,043**	37,200	(3.1)
Interest expense on mortgage loans payable	**3,203**	3,285	(2.5)	**12,807**	13,140	(2.5)
Net property income(1)	**5,498**	5,566	(1.2)	**23,236**	24,060	(3.4)
Decrease in net property income from the same-property portfolio	***(1.2)%***			***(3.4)%***		

(1) Non-IFRS financial measure

A lower occupancy rate in the office segment largely explains the decrease in the same-property portfolio's performance. In addition, some premises subject to firm lease agreements have yet to generate income. The same-property portfolio has therefore also seen a temporary decrease in income-producing area.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

The following table shows the calculation of distributable income.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income (loss) and comprehensive income (IFRS)	**9,130**	(2,124)	**22,085**	8,669
± Fair value adjustment on investment properties	**(4,215)**	5,223	**(6,200)**	5,223
+ Amortization of property and equipment	**37**	35	**170**	158
+ Unit-based compensation expense	**87**	68	**206**	279
+ Accretion of the liability component of convertible debentures	**11**	178	**192**	629
± Fair value adjustment on derivative financial instruments	**(823)**	42	**(623)**	288
+ Amortization of lease incentives	**610**	552	**2,177**	2,084
± Straight-line rental income adjustment	**2**	(141)	**(246)**	(702)
+ Accretion of effective interest	**240**	378	**1,074**	1,273
+ Impact of early redemption of Series D convertible debentures	**—**	—	**1,088**	—
Distributable income[4]	**5,079**	4,211	**19,923**	17,901
Unusual Item				
Dispute settlement[1]	**(32)**	—	**(212)**	—
Early repayment fees[2]	**—**	—	**—**	625
Expenses for abandoned transaction[3]	**—**	—	**—**	207
Recurring distributable income[4]	**5,047**	4,211	**19,711**	18,733

(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) Non-IFRS financial measure

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 December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**13,250**	12,157	**39,850**	38,238
+ Financial revenues	**27**	19	**95**	52
± Net change in non-cash operating items	**(3,538)**	(2,615)	**(322)**	624
- Interest expense on mortgage loans payable	**(3,658)**	(3,688)	**(14,582)**	(14,360)
- Interest expense on convertible debentures	**(874)**	(1,412)	**(4,471)**	(5,228)
- Interest expense on acquisition line of credit	**(94)**	(212)	**(519)**	(675)
- Interest expense on operating line of credit and other interest expenses	**(34)**	(38)	**(128)**	(125)
- Early repayment fees	**—**	—	**—**	(625)
Distributable income	**5,079**	4,211	**19,923**	17,901

Distributions and per unit data

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Distributions				
Cash distributions	**3,927**	3,154	**14,474**	12,668
Distributions reinvested under the distribution reinvestment plan	**515**	486	**1,970**	1,810
Total distributions to unitholders	**4,442**	3,640	**16,444**	14,478
Percentage of reinvested distributions	***11.6%***	*13.4%*	***12.0%***	*12.5%*
Per unit data				
Distributable income	**12.0¢**	12.2¢	**51.7¢**	52.0¢
Recurring distributable income	**11.9¢**	12.2¢	**51.1¢**	54.4¢
Distributions	**10.5¢**	10.5¢	**42.0¢**	42.0¢
Payout ratio (1)	***88.0%***	*86.4%*	***83.4%***	*77.3%*
Cash payout ratio(2)	***77.8%***	*74.9%*	***73.4%***	*67.6%*

(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.

The decrease in distributable income and distributable income per unit, and in the payout ratios, was due to the issuance of 7.2 million units at $4.55 for net proceeds of $31 million and the early repayment of Series D debentures in the amount of $23 million, bearing interest at 7.25%, and $6.1 million of the acquisition line of credit bearing interest at 5.95%. Management considers that these transactions reduced the per-unit ratios by 1.2¢ per quarter and significantly increased the payout ratios.

Distribution reinvestment plan

In the fourth quarter of 2016, 11.6% of distributions (2015: 13.4%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. Approximately $2.0 million (2015: $1.8 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 following table provides a reconciliation of net income and comprehensive income established according to IFRS and FFO for the periods ended December 31, 2016, and 2015:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income and comprehensive income (IFRS)	**9,130**	(2,124)	**22,085**	8,669
- Fair value adjustment on investment properties	**(4,215)**	5,223	**(6,200)**	5,223
+ Amortization of a property recognized at cost	**15**	17	**61**	69
+ Amortization of lease incentives	**610**	552	**2,177**	2,084
± Fair value adjustment on derivative financial instruments	**(823)**	42	**(623)**	288
+ Leasing payroll expenses	**123**	—	**422**	—
FFO[6]	**4,840**	3,710	**17,922**	16,333
Unusual item				
Dispute settlement[1]	**(32)**	—	**(212)**	—
Early repayment fees[2]	**—**	—	**—**	625
Expenses for abandoned transaction[3]	**—**	—	**—**	207
Recurring FFO[6]	**4,808**	3,710	**17,710**	17,165
FFO per unit	**11.4¢**	10.7¢	**46.5¢**	47.4¢
Recurring FFO per unit	**11.4¢**	10.7¢	**45.9¢**	49.8¢
Recurring FFO payout ratio[4]	***92.4%***	*98.1%*	***92.8%***	*88.6%*
Recurring FFO cash payout ratio[5]	***81.7%***	*85.0%*	***81.7%***	*77.6%*

(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
(6) Non-IFRS financial measure

For the year, recurring FFO per unit was 45.9¢ compared to 49.8¢ in 2015, a 7.8% decrease. The payout ratio stood at 92.8% for fiscal 2016 compared to 88.6% for fiscal 2015. The performance of recurring FFO, recurring FFO per unit and the payout ratios was affected by the issuance of 7.2 million units at $4.55 for net proceeds of $31 million and the early repayment of Series D debentures in the amount of $23 million, bearing interest at 7.25%, and $6.1 million of the acquisition line of credit bearing interest at 5.95%. Management considers that these transactions reduced the per-unit ratios by 1.2¢ per quarter and significantly increased the payout ratios.

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 in July 2016. 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 $19,010 and $18,798 respectively. FFO and recurring FFO per unit would have been 49.3¢ and 48.8¢ respectively. The payout and cash payout ratios would have been 87.5% and 77.0% respectively.

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**15,250**	12,157	**41,850**	38,238
± Straight-line rental income adjustment	**(2)**	141	**246**	702
+ Financial revenues	**27**	19	**95**	52
+ Amortization of a property recognized at cost	**15**	17	**61**	69
+ Leasing payroll expenses	**123**	—	**422**	—
± Net change in working capital items	**(5,538)**	(2,615)	**(2,322)**	624
- Unit-based compensation expenses	**(87)**	(68)	**(206)**	(279)
- Interest on mortgage loans payable	**(3,658)**	(3,688)	**(14,582)**	(14,360)
- Interest on convertible debentures	**(874)**	(1,412)	**(4,471)**	(5,228)
- Interest on the acquisition line of credit	**(94)**	(212)	**(519)**	(675)
- Other interest expense and operating line of credit	**(34)**	(38)	**(128)**	(125)
- Accretion of the liability component of convertible debentures	**(11)**	(178)	**(192)**	(629)
- Accretion of effective interest	**(240)**	(378)	**(1,074)**	(1,273)
- Early repayment fees	**—**	—	**—**	(625)
- Impact of early redemption of Series D convertible debentures	**—**	—	**(1,088)**	—
- Amortization of property and equipment	**(37)**	(35)	**(170)**	(158)
FFO[1]	**4,840**	3,710	**17,922**	16,333

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

The following table provides a reconciliation of FFO and AFFO for the quarters and years ended December 31, 2016, and 2015:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
FFO	**4,840**	3,710	**17,922**	16,333
± Straight-line rental income adjustment	**2**	(141)	**(246)**	(702)
+ Accretion of effective interest	**240**	378	**1,074**	1,273
+ Accretion of the liability component of convertible debentures	**11**	178	**192**	629
+ Amortization of other property and equipment	**22**	18	**109**	89
+ Unit-based compensation expenses	**87**	68	**206**	279
+ Impact of early redemption of Series D convertible debentures	**—**	—	**1,088**	—
- Provision for non-recoverable capital expenses	**(365)**	(371)	**(1,462)**	(1,456)
- Provision for rental fees	**(320)**	(252)	**(1,280)**	(1,017)
AFFO[6]	**4,517**	3,588	**17,603**	15,428
Unusual items				
Dispute settlement[1]	**(32)**	—	**(212)**	—
Early repayment fees[2]	**—**	—	**—**	625
Expenses for abandoned transaction[3]	**—**	—	**—**	207
Recurring AFFO[6]	**4,485**	3,588	**17,391**	16,260
AFFO per unit	**10.7¢**	10.4¢	**45.7¢**	44.8¢
Recurring AFFO payout ratio	**10.6¢**	10.4¢	**45.1¢**	47.2¢
Recurring AFFO payout ratio[4]	***99.0%***	*101.4%*	***94.5%***	*89.0%*
Recurring AFFO cash payout ratio[5]	***87.6%***	*87.9%*	***83.2%***	*77.9%*

(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.
(6) Non-IFRS financial measure

Recurring AFFO was up $897 for the quarter and $1,131 on a cumulative basis. Recurring AFFO per unit amounted to 10.6¢ compared to 10.4¢ in 2015, and the payout ratio stood at 99.0% compared to 101.4% for the fourth quarter of 2015.

Despite these improvements, the performance of recurring AFFO, recurring AFFO per unit and the payout ratios was affected by the issuance of 7.2 million units at $4.55 for net proceeds of $31 million and the early repayment of Series D debentures in the amount of $23 million, bearing interest at 7.25%, and $6.1 million of the acquisition line of credit bearing interest at 5.95%. Management considers that these transactions reduced the per-unit ratios by 1.2¢ per quarter and significantly increased the payout ratios.

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 December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**13,250**	12,157	**39,850**	38,238
+ Financial revenues	**27**	19	**95**	52
+ Leasing payroll expenses	**123**	—	**422**	—
± Net change in non-cash operating items	**(3,538)**	(2,615)	**(322)**	624
- Interest on mortgage loans payable	**(3,658)**	(3,688)	**(14,582)**	(14,360)
- Interest on convertible debentures	**(874)**	(1,412)	**(4,471)**	(5,228)
- Interest on the acquisition line of credit	**(94)**	(212)	**(519)**	(675)
- Other interest expense and operating line of credit	**(34)**	(38)	**(128)**	(125)
- Early repayment fees	**—**	—	**—**	(625)
- Provision for non-recoverable capital expenses	**(365)**	(371)	**(1,462)**	(1,456)
- Provision for rental fees	**(320)**	(252)	**(1,280)**	(1,017)
Adjusted funds from operations	**4,517**	3,588	**17,603**	15,428

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 quarters and years ended December 31, 2016, and 2015.

Quarters ended December 31 (in thousands of dollars)	**Retail**		**Office**		**Industrial**		**General purpose**		**Total**
	$	*%*	$	*%*	$	*%*	$	*%*	$
Quarter ended December 31, 2016									
Investment properties	173,965	*27.0*	290,010	*44.9*	115,645	*17.9*	65,865	*10.2*	645,485
Rental income from properties	4,770	*26.1*	8,803	*48.2*	2,582	*14.1*	2,115	*11.6*	18,270
Net operating income[(1)]	2,782	*27.5*	4,157	*41.1*	2,116	*20.9*	1,066	*10.5*	10,121
Quarter ended December 31, 2015									
Investment properties	167,513	*26.9*	276,063	*44.3*	116,950	*18.8*	62,125	*10.0*	622,651
Rental income from properties	4,836	*26.1*	8,923	*48.1*	2,539	*13.7*	2,241	*12.1*	18,539
Net operating income[(1)]	2,850	*28.4*	4,075	*40.7*	2,086	*20.8*	1,009	*10.1*	10,020

Years ended December 31 (in thousands of dollars)	**Retail**		**Office**		**Industrial**		**General purpose**		**Total**
	$	*%*	$	*%*	$	*%*	$	*%*	$
Year ended December 31, 2016									
Rental income from properties	19,213	*26.2*	35,238	*48.0*	10,366	*14.1*	8,567	*11.7*	73,384
Net operating income[(1)]	11,467	*27.7*	16,869	*40.8*	8,521	*20.6*	4,482	*10.9*	41,339
Year ended December 31, 2015									
Rental income from properties	19,015	*26.1*	33,963	*46.6*	10,605	*14.5*	9,309	*12.8*	72,892
Net operating income[(1)]	11,567	*28.0*	16,380	*39.7*	8,795	*21.3*	4,552	*11.0*	41,294

(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.

FINANCIAL POSITION

The following table presents a summary of the Trust's balance sheet as at December 31, 2016, and December 31, 2015. It should be read in conjunction with the Trust's consolidated annual financial statements and the notes thereto.

(in thousands of dollars)	Reference	**December 31, 2016**	December 31, 2015
	Reference	**$**	$
Assets			
Investment properties	Page 21	**645,485**	622,651
Amounts receivable from tenants and other receivables	Page 23	**2,489**	1,981
Other assets	Page 24	**3,821**	4,261
Cash, cash equivalents and restricted cash	Page 24	**6,667**	4,189
Total assets		**658,462**	633,082
Liabilities			
Mortgage loans payable	Page 24	**384,350**	366,596
Convertible debentures	Page 26	**47,692**	68,866
Bank loans	Page 26	**—**	9,800
Accounts payable and other liabilities	Page 27	**13,457**	13,461
Total liabilities		**445,499**	458,723
Equity			
Unitholders' equity	Page 28	**212,963**	174,359
Total liabilities and equity		**658,462**	633,082

The main changes in the balance sheet as at December 31, 2016, compared to the balance sheet as at December 31, 2015 reflect the acquisition of a property and recognition of an appreciation in value on the portfolio, mortgage financings related to the acquisition, mortgage refinancings during the year, and the unit issue completed on June 30, 2016.

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 three jointly-controlled investment properties.

The fair value of investment properties stood at $645 million as at December 31, 2016 compared to $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.

On November 1, 2016, the Trust acquired a section of a 7,927-square-foot office building attached to a building already owned by the Trust, for $458, including acquisition fees.

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 related debt and any remaining proceeds will later be allocated to the acquisition of accretive properties. There were no disposals during the year ended December 31, 2016.

Summary by operating segment

As at December 31	2016			2015		
	Number of properties	Leasable area (sq. ft.)	%	Number of properties	Leasable area (sq. ft.)	%
Office	**27**	**1,920,977**	***38.6***	26	1,871,995	*38.1*
Retail	**17**	**1,107,058**	***22.3***	17	1,106,951	*22.5*
Industrial	**19**	**1,499,783**	***30.2***	19	1,490,887	*30.4*
Mixed use	**6**	**442,472**	***8.9***	6	442,473	*9.0*
Subtotal	**69**	**4,970,290**	***100.0***	68	4,912,306	*100.0*
Properties under redevelopment	**3**	**173,665**		3	182,560	
Total	**72**	**5,143,955**		71	5,094,866	

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 December 31, 2016, totalled $1,024 compared to $623 for the same quarter of 2015, of which $287 was recoverable. These expenditures totalled $2,682 for the entire year (2015: $4,046), of which $740 was recoverable (2015: $1,183). 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 $968 for the fourth quarter and $4,088 for the year ended December 31, 2016, compared to $652 and $3,142 for the same periods 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 December 31, 2016, and 2015.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Recoverable maintenance capital expenditures	**287**	39	**740**	1,469
Grants	**—**	(154)	**—**	(286)
Recoverable maintenance capital expenditures net of grants	**287**	(115)	**740**	1,183
Non-recoverable maintenance capital expenditures	**737**(1)	738	**1,942**(2)	2,863
Total maintenance capital expenditures	**1,024**	623	**2,682**	4,046
Leasing fees and leasehold improvements	**968**	652	**4,088**	3,142
Total	**1,992**	1,275	**6,770**	7,188

(1) Includes $154 related to investment properties under redevelopment (December 31, 2015: $320).
(2) Includes $630 related to investment properties under redevelopment (December 31, 2015: $325).

The following table shows changes in the fair value of investment properties during the periods ended December 31.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2016	2015	**2016**	2015
	$	$	**$**	$
Balance, beginning of period	**639,432**	639,787	**622,651**	571,462
Additions:				
Acquisitions	**458**	—	**11,795**	63,383
Dispositions	**—**	(13,053)	**—**	(13,053)
Capital expenditures net of grants	**1,024**	623	**2,682**	4,046
Leasing fees and leasehold improvements	**968**	652	**4,088**	3,142
Fair value gains (losses)	**4,215**	(4,947)	**6,200**	(4,947)
Other non-monetary changes	**(612)**	(411)	**(1,931)**	(1,382)
Balance, end of period	**645,485**	622,651	**645,485**	622,651

Investment properties under redevelopment

The Trust decided to invest amounts in redeveloping and repositioning one property:

- **1863-1865 Transcanadienne, Montréal – Québec** - This industrial property is currently completely vacant. The Trust has so far invested approximately $978 to repurpose this property.

The Trust is considering investing amounts in redeveloping and repositioning two properties:

- **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 reposition the other section, which is currently subject to a few short-term leases.
- **100, 1ère rue Ouest, Thetford Mines – Québec –** The Trust is currently considering various repositioning scenarios.

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from $1,981 as at December 31, 2015, to $2,489 as at December 31, 2016. The increase is mainly due to arrears of $405 on rent from a tenant refinancing its business. Excluding this situation, the value of amounts receivable from tenants, net of the allowance for doubtful accounts, was similar to that of December 31, 2015. These amounts are summarized below:

(in thousands of dollars)	**December 31, 2016**	December 31, 2015
	$	$
Amounts receivable from tenants	**1,619**	1,125
Allowance for doubtful accounts	**(432)**	(329)
	1,187	796
Recovery from unbilled tenants	**—**	105
Balance of sale receivable	**600**	600
Other receivables	**702**	480
Amounts receivable from tenants and other receivables	**2,489**	1,981

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)	**December 31, 2016**	December 31, 2015
	$	$
Property and equipment	**3,259**	3,203
Accumulated depreciation	**(1,081)**	(911)
	2,178	2,292
Prepaid expenses	**983**	1,285
Derivative financial instruments	**242**	—
Other	**418**	684
Other assets	**3,821**	4,261

Cash, cash equivalents and restricted cash

(in thousands of dollars)	**December 31, 2016**	December 31, 2015
	$	$
Available cash	**6,667**	4,138
Restricted cash	**—**	51
Cash, cash equivalents and restricted cash	**6,667**	4,189

CAPITAL RESOURCES

Long-term debt

The following table shows the balances of BTB's indebtedness as at December 31, 2016, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

As at December 31, 2016 (in thousands of dollars)	**Balance of convertible debentures**	**Balance of mortgages payable**	**Weighted average contractual interest rate**
	$	**$**	**%**
Year of maturity			
2017	—	66,181	3.84
2018	—	40,294	3.83
2019	—	41,038	3.57
2020	49,700	24,818	5.92
2021		38,783	2.96
2022 and thereafter	—	174,967	4.01
Total	**49,700**	**386,081**	**4.16**

Weighted average contractual interest rate

As at December 31, 2016, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.16%, i.e. 3.79% for mortgages payable and 7.03% for convertible debentures.

Mortgage loans payable

As at December 31, 2016, the Trust's mortgage loans payable amounted to $386 million compared to $368 million as at December 31, 2015, before deferred financing costs and valuation adjustments, an increase of $18 million due to acquisition financings completed in 2016, certain refinancings and principal repayments on monthly payments and disposals.

As at December 31, 2016, the weighted average interest rate was 3.79%, compared to 3.95% for mortgage loans on the books as at December 31, 2015, a drop of 16 basis points. As at December 31, 2016, except for a loan balance of $4,370, 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 5.9 years as at December 31, 2016, and 5.5 years as at December 31, 2015, an increase of 5 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 fourth quarter and the year ended December 31, 2016:

As at December 31, 2016 (in thousands of dollars)	Quarter $	Year $
Balance at beginning of the period	**375,616**	**367,953**
Mortgage loans contracted or assumed	**61,000**	**87,716**
Balance repaid at maturity or upon disposal	**(47,569)**	**(57,750)**
Monthly principal repayments	**(2,965)**	**(11,838)**
Balance as at December 31, 2016	**386,081**	**386,081**

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 December 31, 2016, all of the Trust's other properties were mortgaged as at December 31, 2016. Unamortized loan financing costs totalled $2,756 and are amortized under the effective interest method over the term of the loans.

The following table, as at December 31, 2016, shows future mortgage loan repayments for the next few years:

As at December 31, 2016 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2017	10,868	64,670	75,538	19.6
2018	9,080	38,091	47,171	12.2
2019	7,729	37,873	45,602	11.8
2020	7,278	21,849	29,127	7.5
2021	6,480	33,341	39,821	10.3
2022 and thereafter	37,820	111,002	148,822	38.6
Total	**79,255**	**306,826**	**386,081**	**100.0**
+ Valuation adjustments on assumed loans			845	
- Unamortized financing costs			(2,576)	
Balance as at December 31, 2016			**384,350**	

During the year, the Trust entered into two new financing agreements totalling $9.9 million with an average term of 4.2 years and an average rate of 3.59%. The Trust also entered into seven refinancing agreements totalling $87.2 million. These agreements are for terms of one to ten years, with a weighted average term of 7.5 years, and fixed rates ranging from 2.88% to 4.11%, with a weighted average rate of 3.50%. These refinancings allowed an equity take-out of approximately $16 million.

Convertible debentures

(in thousands of dollars)	Series E[(1) (3)]	Series F[(2) (3)]	Total
Par value	23,000	26,700	
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 December 31, 2016	**22,182**	**25,510**	**47,692**

(1) Redeemable by the Trust, under certain conditions, as of March 31, 2016, but before March 31, 2018, 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.

(2) Redeemable by the Trust, under certain conditions, as of December 31, 2018, but before December 31, 2019, 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.

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

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

Bank loan – operating credit facility

BTB has 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 December 31, 2016, the operating credit facility was unused.

Bank loans – acquisition credit facility

BTB has 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 December 31, 2016, the acquisition credit facility was unused.

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 December 31, 2016, and 2015.

(in thousands of dollars)	**December 31, 2016**	December 31, 2015
	$	**$**
Free cash flow	**(6,667)**	(4,138)
Mortgage loans payable [(1)]	**386,081**	367,953
Convertible debentures [(1)]	**49,700**	72,700
Acquisition credit facility	**—**	9,800
Total long-term debt less free cash flow	**429,114**	446,315
Gross book value of the Trust less free cash flow	**652,876**	629,855
Mortgage liability ratio (excluding convertible debentures and acquisition credit facility)	***59.1%***	*58.4%*
Debt-equity ratio – convertible debentures	***7.6%***	*11.5%*
Debt-equity ratio – acquisition line of credit	***—%***	*1.6%*
Total debt ratio	***65.7%***	*70.9%*

(1) Gross amounts.

According to the table above, the mortgage liability ratio, excluding the convertible debentures and acquisition credit facility as at December 31, 2016, amounted to 59.1%, up 0.7% from December 31, 2015. Including the convertible debentures and the acquisition credit facility, the overall debt ratio stood at 65.7%, down 5.2% from December 31, 2015.

The Trust seeks to finance its acquisitions with mortgage debt ratios of 60% to 65% because the cost of financings is lower than the capital cost of the Trust's equity.

Interest coverage ratio

For the quarter ended December 31, 2016, the interest coverage ratio stood at 2.18, up 30 basis points from the fourth quarter of 2015. For fiscal 2016, the ratio improved eight basis points. These improvements are the result of the July 31, 2016 redemption of Series D debentures, that reduced interest expenses.

Periods ended December 31 (in thousands of dollars, except for the ratios)	**Quarter**		**Year**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net operating income	**10,121**	10,020	**41,339**	41,294
Interest expense, net of interest income[(1)]	**4,633**	5,331	**19,605**	20,336
Interest coverage ratio	***2.18***	*1.88*	***2.11***	*2.03*

(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)	**December 31 2016**	December 31 2015
	$	$
Trade and other payables	**11,691**	11,693
Distributions payable	**1,482**	1,215
Unit-based compensation	**284**	173
Derivative financial instruments	**—**	380
Accounts payable and other liabilities	**13,457**	13,461

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	December 31, 2016	December 31, 2015
	$	$
Trust units	217,816	184,853
Cumulative profit	64,317	42,232
Cumulative distributions to unitholders	(69,170)	(52,726)
Unitholders' equity	212,963	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, 119,006 units were issued during the fourth quarter of 2016 (2015: 114,253 units) and 455,342 units were issued during the year (2015: 408,625 units). Close to $2 million in cash has thereby been preserved under this plan.

Units outstanding

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

Periods ended December 31	Quarter		Year	
(in number of units)	2016	2015	2016	2015
Units outstanding, beginning of quarter	42,223,367	34,590,898	34,705,151	34,133,967
Units issued				
Public offering	—	—	7,159,342	—
Distribution reinvestment plan	119,006	114,253	455,342	408,625
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	42,342,373	34,705,151	42,342,373	34,705,151
Weighted average number of units outstanding	42,283,216	34,648,520	38,546,160	34,449,596

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 December 31, 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 December 2016 and 2015.

Periods ended December 31 (in number of units)	Quarter		Year	
	2016	2015	**2016**	2015
Deferred units outstanding, beginning of period	**2,226**	—	**—**	—
Deferred units issued	**2,007**	—	**4,233**	—
Deferred units settled	**—**	—	**—**	—
Deferred units outstanding, end of period	**4,233**	—	**4,233**	—

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 December 31, 2016, and 2015.

Periods ended December 31 (in number of units)	Quarter		Year	
	2016	2015	**2016**	2015
Restricted units outstanding, beginning of period	**77,673**	51,083	**51,083**	39,816
Restricted units issued	**—**	—	**42,919**	62,868
Restricted units cancelled	**—**	—	**(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 2016 quarter, no units were issued (December 31, 2015: nil). During fiscal 2016, 8,340 units were issued.

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 December 31, 2016, BTB complied with all of its loan commitments and was not in default with any covenant at the balance sheet date, except for the following: due to the low occupancy rate of one of its properties, the Trust does not meet the debt service coverage ratio for this loan, which must be at least 1.25. As at December 31, 2016, this ratio was 1.01. The balance of the loan as at December 31, 2016 was $5,302. The fair value of the mortgaged properties at the same date was $9,100. The Trust has always met the other loan provisions and has never been late on a monthly payment. The Trust believes that this default will be corrected in the normal course of business.

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 December 31, 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 December 31	**2016**	2015
	%	%
Taxable as other income	**—**	—
Tax deferred	***100***	*100*
Total	***100***	*100*

ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based on historical experience and other assumptions that are considered reasonable under given circumstances. The result of the continual review of these estimates is the basis for exercising judgment on the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from these estimates. Critical judgments made by BTB in applying significant accounting policies, the most significant of which is the fair value of investment properties, are described in Note 2 to the consolidated financial statements.

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

NEW ACCOUNTING POLICIES

a) Change in accounting policy

In 2016, the Trust adopted the amendments to IAS 1 “Financial Statement Presentation” and IFRS 11 “Joint Arrangements.” The application of these amendments has no impact on the Trust`s financial statements.

b) Pending standards

The following standards have been issued but were not in effect for the year ended December 31, 2016, and were therefore not applied to this MD&A. They are described in more detail in the consolidated financial statements for the year ended December 31, 2016.

(i) IFRS 9, *Financial Instruments*
(ii) IFRS 15, *Revenues from Contracts with Customers*
(iii) IFRS 16, *Leases*
(iv) Amendment to IAS 7, *Cash Flow Statements*
(v) Amendment to IAS 40, *Investment Property*

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 2016 Annual Information Form for the year ended December 31, 2016, which is hereby incorporated by reference. Such risks and uncertainties include:

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

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 December 31, 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 December 31, 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 fiscal 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 1 – PERFORMANCE INDICATORS

- **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.

APPENDIX 2 – DEFINITIONS

Rental income

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

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.

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.

Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans payable contracted or assumed totalling approximately $386 million as at December 31, 2016, compared to $368 million as at December 31, 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.

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.

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.

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 impacts from disposals, acquisitions and developments completed in 2015 and 2016.

Net property income from the same-property portfolio

Net property income from the same-property portfolio provides an indication of the profitability of existing portfolio operations and 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.

Distributable income

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.

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.

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.

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