Management Discussion and Analysis
Quarter Ended March 31st, 2018

BTB

Building on Quality

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INTRODUCTION

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the quarter ended March 31, 2018, 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 May 4, 2018 should be read together with the unaudited condensed consolidated interim financial statements and accompanying notes for the quarter ended March 31, 2018. 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 quarters ended March 31, 2018 and 2017. Additional information about the Trust, including the 2017 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 quarterly financial statements.

FORWARD-LOOKING STATEMENTS – CAVEAT

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

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate strategic acquisitions successfully, potential dilution, our ability to attract and retain key employees and executives, the financial position of lessees, our ability to refinance our debts upon maturity and to lease vacant space, our ability to complete developments on plan and on schedule and to raise capital to finance our growth, as well as changes in interest rates. We caution that the foregoing list of important factors likely to affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to BTB, investors and others should carefully consider these factors and other facts and uncertainties. Additional information about these factors can be found in the "Risks and Uncertainties" section of this 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," "funds from operations" ("FFO"), "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 February 2017.

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.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, which introduces a single model that applies to contracts with customers and came into effect on January 1, 2018 with retroactive application.

The adoption of the new standard did not have a material impact on the financial statements except for the presentation on a gross basis of property tax recoveries and property tax expenses related to certain single tenants who paid property taxes directly on behalf of the Trust.

The presentation on a gross basis instead of on a net basis results in the recognition of an additional amount in property tax recoveries in revenue, which will be offset by an increase to property tax expenses, therefore generating no incremental net operating income. Accordingly, rental income and operating expenses for the first quarter of 2017 were adjusted by $681 to align the presentation with the application of IFRS 15.

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 March 31, 2018, it owns 71 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 68 of the Trust’s 71 properties held as at March 31, 2018 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 real estate portfolio:

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of $)
As at March 31, 2018(1)	**71**	**5,377,059**	**745,415**

(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 on to 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 QUARTER ENDED MARCH 31, 2018

- As a result of acquisitions concluded at the end of 2017, increase in the value of investment properties from $641 million to $745 million;
- 12.6% increase in rental income and 16.3% increase in NOI because of accretive acquisitions in 2017;
- 1% increase in NOI[(1)] for same-property portfolio;
- 64.5% increase in net income and comprehensive income from $4.0 million to $6.6 million;
- 8.0% decrease in recurring payout ratio on FFO [(1)] to 88.9% and 6.9% decrease in AFFO [(1)] to 97.6%;
- Decrease in mortgage debt ratio from 58.0% to 56.1% and in overall debt rate from 65.3% to 64.2%;
- Slight decrease in occupancy rate to 89.3% after early lease termination of an industrial property tenant occupying an area of approximately 91,000 square feet;
- Increase in equity from $213M to $251M.

(1) Non-IFRS Financial Measures.

Property sales and purchases

- Further to the strategic repositioning strategy, the Trust sold four properties for a total consideration of $12.4 million. The net proceeds from the sale of these properties were applied against the Trust's credit facilities.
- The Trust purchased a recently build retail property located adjacent to its Delson retail property, for a purchase price of $1.8M.

Summary of significant items as at March 31, 2018

- 71 properties
- Approximately 5.4 million leasable square feet
- $763 million in assets
- $223 million in market capitalization

SELECTED FINANCIAL INFORMATION

As at March 31, 2018, the Trust owns 71 properties generating, on an annualized basis, revenues of approximately $85 million.

The following table presents highlights and selected financial information for the quarters ended March 31, 2018 and 2017:

Quarters ended March 31 (in thousands of dollars, except for ratios and per unit data)	Reference	2018 $	2017 $
Financial information			
Rental income	Page 20	**21,440**	19,046
Net operating income[1]	Page 21	**11,458**	9,848
Net income and comprehensive income	Page 23	**6,555**	3,984
Net property income from the same-property portfolio[1]	Page 23	**6,360**	6,299
Cash flows from operating activities	Page 23	**8,767**	5,417
Distributable income[1]	Page 24	**5,686**	4,943
Distributions	Page 24	**5,099**	4,456
Funds from operations (FFO)[1]	Page 26	**5,736**	4,611
Adjusted funds from operations (AFFO)[1]	Page 26	**5,222**	4,250
Total assets	Page 29	**762,634**	653,699
Investment properties	Page 29	**745,415**	640,582
Mortgage loans payable	Page 32	**425,276**	378,165
Convertible debentures	Page 33	**48,313**	47,811
Mortgage debt ratio	Page 35	***56.1%***	*58.0%*
Debt-equity ratio – convertible debentures	Page 35	***6.5%***	*7.6%*
Debt-equity ratio – acquisition line of credit	Page 35	***1.7%***	*–%*
Total debt ratio	Page 35	***64.2%***	*65.3%*
Weighted average interest rate on mortgage debt	Page 32	***3.80%***	*3.79%*
Unitholders' equity	Page 35	**251,265**	213,112
Market capitalization		**222,684**	202,642
Financial information per unit			
Units outstanding (000)	Page 35	**48,621**	42,483
Weighted average number of units outstanding (000)	Page 35	**48,533**	42,418
Net income and comprehensive income	Page 23	**13.5¢**	9.4¢
Distributable income[1]	Page 24	**11.7¢**	11.7¢
Distributions	Page 24	**10.5¢**	10.5¢
Payout ratio on distributable income[1]	Page 24	***89.7%***	*90.1%*
FFO[1]	Page 26	**11.8¢**	10.9¢
Payout ratio on FFO[1]	Page 26	***88.9%***	*96.6%*
AFFO[1]	Page 26	**10.8¢**	10.0¢
Payout ratio on AFFO[1]	Page 26	***97.6%***	*104.8%*
Unitholders' equity	Page 35	**5.17**	5.02
Market price		**4.58**	4.77
Tax on distributions			
Revenue	Page 37	*0.0%*	*0.0%*
Tax deferral	Page 38	*100%*	*100%*
Operational information			
Number of properties	Page 30	**71**	71
Leasable area (thousands of sq. ft.)	Page 30	**5,377**	5,108
Occupancy rate	Page 18	***89.3%***	*89.5%*
Increase in average lease renewal rate	Page 17	***0.5%***	*0.6%*
Retention rate	Page 18	***40.7%***	*67.0%*

(1) 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)	2018 Q-1	2017 Q-4	2017 Q-3	2017 Q-2	2017 Q-1	2016 Q-4	2016 Q-3	2016 Q-2
	$	$	$	$	$	$	$	$
Rental income	**21,440**	20,414	18,188	18,393	19,046	18,270[2]	18,264[2]	18,300[2]
Net operating income[1]	**11,458**	10,460	10,044	10,045	9,848	10,121	10,633	10,466
Net income and comprehensive income	**6,555**	15,498	4,327	4,362	3,984	9,130	5,422	3,982
Net income and comprehensive income per unit	**13.5¢**	33.0¢	10.1¢	10.3¢	9.4¢	21.6¢	13.0¢	11.4¢
Net cash from operating activities	**8,767**	14,121	14,121	8,749	5,417	13,250	10,342	9,549
Recurring distributable income[1]	**5,686**	4,916	4,883	4,979	4,943	5,047	5,285	4,924
Recurring distributable income per unit[1]	**11.7¢**	10.5¢	11.4¢	11.7¢	11.7¢	11.9¢	12.7¢	14.1¢
Funds from operations (FFO)[1]	**5,736**	4,865	4,902	4,884	4,611	4,808	3,994	4,692
FFO per unit[1]	**11.8¢**	10.3¢	11.5¢	11.5¢	10.9¢	11.4¢	9.6¢	13.4¢
Adjusted funds from operations (AFFO)[1]	**5,222**	4,370	4,370	4,463	4,250	4,485	4,733	4,333
AFFO per unit[1]	**10.8¢**	9.3¢	10.6¢	10.5¢	10.0¢	10.6¢	11.4¢	12.4¢
Distributions	**5,099**	5,079	4,483	4,469	4,456	4,442	4,449	3,897
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.
(2) Not adjusted to take into account IFRS 15. See page 12.

PERFORMANCE INDICATORS

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

REAL ESTATE PORTFOLIO

BTB owns 71 quality properties which have a fair value of $745 million representing a total leasable area of approximately 5.4 million square feet. A concise description of the properties owned as at March 31, 2018, can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of properties as at March 31, 2018

Operating segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	28	2,042,485	*84.9%*
Retail	19	1,300,093	*95.2%*
Industrial	20	1,496,228	*89.0%*
Mixed use	4	406,899	*94.3%*
Subtotal	69	5,245,705	***89.3%***
Properties under redevelopment	2	131,354	
Total	**71**	**5,377,059**	

Strategic deliberations

a) Sale of 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 mortgages and any remaining proceeds will be allocated to the acquisition of accretive properties. During the quarter, the Trust completed the following dispositions:

On January 19, 2018, the Trust disposed of the investment property "1863-1865 Autoroute Transcanadienne" in Dorval for $5.650 million. This property had been acquired in 2007 at a cost of $2.575 million, including acquisition costs.

On February 6, 2018, the Trust disposed of the investment property “2905 Marleau” in Cornwall for $0.49 million. This property had been acquired in 2007 for approximately $0.20 million, including acquisition costs.

On February 26, 2018, the Trust disposed of the investment property “1100 and 1108-1136 St-Joseph Blvd” in Drummondville for $3.075 million. This property had been acquired in 2008 at a cost of $3.398 million, including acquisition costs.

b) Property acquisitions

In February 2018, the Trust acquired a retail property adjacent to an already owned property located in the city of Delson, Québec, for a consideration of $1,865.

REAL ESTATE OPERATIONS

Leasing activities

The following table summarizes changes in available leasable area during the quarters ended March 31, 2018 and 2017.

Quarters ended March 31 (in square feet)	2018	2017
Available leasable area at beginning of quarter	**453,360**	472,105
Available leasable area purchased (sold)	**6,814**	(4,825)
Leasable area of expired leases	**236,477**	218,988
Leasable area of leases terminated before term	**112,499**(1)	37,032
Leasable area of renewed leases	**(141,948)**	(147,580)
Leasable area of new leases signed	**(107,708)**	(55,305)
Other	**85**	(4,429)
Available leasable area at end of quarter	**559,579**	515,986

(1) A tenant of an industrial property in the Cornwall area occupying an area of 91,000 square feet decided to exercise an early lease termination clause on February 28, 2018.

The average rental rate of expired and renewed leases increased 0.5% during the first quarter (2017: 0.6% increase).

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. Approximately 84,000 square feet of rental space is currently subject to firm lease agreements for occupancy over the next few months.

	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	%	%	%	%	%
Operating segment					
Office	**84.9**	85.2	84.7	85.1	83.5
Retail	**95.2**	96.3	96.2	94.5	93.4
Industrial	**89.0**	94.9	90.8	87.0	93.5
Mixed use	**94.3**	94.0	94.1	95.2	93.1
Total portfolio	**89.3**	91.4	90.0	88.6	89.5

	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	%	%	%	%	%
Geographic sector					
Laval and North Shore	**97.7**	97.7	97.7	97.7	97.7
Island of Montréal	**91.0**	91.5	90.5	91.1	89.8
Montréal South Shore	**94.6**	95.1	94.6	93.8	92.7
Québec City and surrounding area	**86.5**	85.7	85.0	85.2	83.3
Ottawa and surrounding area	**80.7**	92.6	86.4	79.7	90.1
Sherbrooke and surrounding area	**81.5**	81.9	81.9	81.3	78.5
Central Ontario	**100.0**	100.0	100.00	100.0	100.0
	89.3	91.4	90.0	88.6	89.5

	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	%	%	%	%	%
By province					
Québec	**91.0**	90.9	90.6	90.4	89.1
Ontario	**83.0**	93.5	88.0	82.1	91.2
Total portfolio	**89.3**	91.4	90.0	88.6	89.5

The overall occupancy rate is down by 2.1% since December 31, 2017 and down by 0.2% since March 31, 2017. It stood at 89.3% at the end of the first quarter of 2018.

The 2.1% decrease in the occupancy rate between December 31, 2017 and March 31, 2018 is reflected in the industrial segment and in the Ottawa area, Ontario. An industrial tenant occupying an area of 91,000 square feet decided to exercise an early lease termination clause on February 28, 2018. The Trust estimates the monthly shortfall resulting from this tenant's departure at approximately $33.

The effective occupancy rate as at March 31, 2018, without the effect of the firm lease agreements, is 87.7% (2017: 88.3%). Vacant space totalling more than 84,000 square feet as at March 31, 2018 is subject to firm lease agreements and will generate additional income in the next few months.

Retention rate

The renewal rate for leases that expired in the first quarter of 2018 was 40.7% (2017: 67.0%). As at March 31, 2018, 24.5% of the area expiring in 2018 was renewed (2017: 18.4%).

The decrease in the retention rate for the quarter was due to the exercising of a lease termination clause on February 28, 2018 by an industrial tenant occupying 91,000 square feet.

Lease maturity

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

	2018	2019	2020	2021	2022
Office					
Leasable area (sq. ft.)	182,894	288,083	170,853	225,249	295,318
Average lease rate/square foot ($)	$14.78	$13.69	$15.99	$12.64	$14.98
% of office portfolio	*9.0%*	*14.1%*	*8.4%*	*11.0%*	*14.5%*
Retail					
Leasable area (sq. ft.)	115,429	244,438	47,321	154,732	67,017
Average lease rate/square foot ($)	$12.40	$12.07	$16.92	$13.61	$16.26
% of retail portfolio	*8.9%*	*18.8%*	*3.64%*	*11.9%*	*5.2%*
Industrial					
Leasable area (sq. ft.)	67,519	29,584	30,860	568,439	131,751
Average lease rate/square foot ($)	$4.78	$6.54	$5.25	$5.72	$6.87
% of industrial portfolio	*4.5%*	*2.0%*	*2.1%*	*38.0%*	*8.8%*
Mixed use					
Leasable area (sq. ft.)	22,337	47,742	64,813	128,783	31,796
Average lease rate/square foot ($)	$15.19	$13.42	$14.82	$11.18	$15.46
% of mixed use portfolio	*5.5%*	*11.7%*	*16.0%*	*31.7%*	*7.8%*
Total portfolio					
Leasable area (sq. ft.)	388,179	609,847	313,847	1,077,203	525,882
Average lease rate/square foot ($)	$12.35	$12.67	$14.83	$8.95	$13.14
% of total portfolio	*7.4%*	*11.6%*	*6.0%*	*20.5%*	*10.0%*

Top 10 tenants

As at March 31, 2018, BTB managed more than 650 leases, with an average area of more than 8,000 square feet. The three largest tenants are Public Works Canada, West Safety Services Canada and Provigo Distribution Inc., accounting respectively for 6.1%, 2.2% and 2.1% of revenues, generated by a number of leases whose maturities are spread over time. More than 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 March 31, 2018. This contribution accounts for 21.8% of rental income for the quarter and 19.8% of leased area.

Client	% of revenue	% of leased area	Leased area (square feet)
Public Works Canada	6.1	3.9	205,836
West Safety Canada Inc.	2.2	1.2	61,845
Provigo Distribution Inc. (Loblaws)	2.0	2.1	107,642
Atis Portes et Fenêtres Corp.	1.7	4.8	251,878
Shoppers Realty Inc.	1.7	1.2	64,304
Société québécoise des infrastructures (SQI)	1.6	1.4	76,003
Strongco	1.6	1.6	81,442
Shire Pharma Canada ULC	1.5	0.7	34,920
Le Groupe SM inc.	1.4	2.1	109,185
Sail Plein Air	1.4	0.9	45,496
			1,038,551

OPERATING RESULTS

The following table summarizes financial results for the quarters ended March 31, 2018 and 2017. The table should be read in conjunction with our consolidated financial statements and the notes thereto.

Quarters ended March 31 (in thousands of dollars)			
		2018	2017
	Reference	**$**	$
Rental income	Page 20	**21,440**	19,046(2)
Operating expenses	Page 20	**9,982**	9,198(2)
Net operating income(1)	Page 21	**11,458**	9,848
Other income		**(9)**	(12)
Financial expenses	Page 21	**4,954**	4,876
Trust administration expenses	Page 22	**1,283**	1,132
Gain on disposal of an item of property and equipment	Page 22	**(1,192)**	—
Gain on write-off of debt	Page 23	**(133)**	—
Net gain on disposal of investment properties		—	(132)
Net income and comprehensive income	Page 23	**6,555**	3,984

(1) Non-IFRS financial measure
(2) Adjusted to reflect the retroactive implementation of IFRS 15. See page 12.

Rental income

BTB disposed of two properties during the quarter. However, the contribution of acquisitions completed in the third and fourth quarters of 2017 largely offsets the shortfall generated by the sold properties. BTB's rental income increased by $2,384 in the first quarter, up 12.6% from the same quarter of 2017.

In the first quarter of 2018, rent payable adjustments of $171 (2017: $55) were recorded on a straight-line basis.

BTB also recorded amortization of $738 (2017: $585) as a reduction in rental income, which represents amortization of lease incentives afforded to lessees.

Operating expenses

BTB recorded an increase in operating expenses of $784, or 8.5%, between the first quarter of 2018 and the first quarter of 2017. The increase, relating essentially to property taxes, resulted from acquisitions completed during the last two quarters of 2017. Maintenance, repairs and other operating costs were stable despite the growth of the property portfolio.

The following table shows the breakdown of operating expenses for the quarters ended March 31, 2018 and 2017.

Quarters ended March 31 (in thousands of dollars)	**2018**	2017
	$	$
Operating expenses		
Maintenance, repairs and other operating costs	**3,087**	3,092
Property taxes and public utilities	**6,895**	6,106(1)
Total operating expenses	**9,982**	9,198
% of rental income	***46.6***	*48.3*

(1) Adjusted to reflect the retroactive implementation of IFRS 15 – see page 12.

As a percentage of rental income, operating costs in the first quarter of 2018 decreased by 1.7% to 46.6%, compared to 48.3% for the same quarter of 2017.

Net operating income

Quarters ended March 31 (in thousands of dollars)	**2018**	2017
	$	$
Net operating income[1]	**11,458**	9,848
% of rental income	***53.4***	*51.7*

(1) Non-IFRS financial measure

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

Quarters ended March 31 (in thousands of dollars)	**2018**	2017
	$	$
Net operating income	**11,458**	9,848
Straight-line rental income adjustments	**(171)**	(55)
Adjustments related to amortization of lease incentives	**738**	585
Net operating income before rental income adjustments[1]	**12,025**	10,378
% of rental income on the basis of in-place leases	***54.6***	*53.0*

(1) Non-IFRS financial measure

Financial expenses

The following table shows the breakdown of financial expenses for the quarters ended March 31, 2018 and 2017:

Quarters ended March 31 (in thousands of dollars)	**2018**	2017
	$	$
Interest expense on mortgage loans payable	**4,148**	3,652
Interest expense on debentures	**874**	874
Interest expense on acquisition line of credit	**167**	15
Interest expense on operating line of credit and other interest expenses	**35**	23
Interest expenses	**5,224**	4,564
Accretion of effective interest	**246**	257
Accretion of non-derivative liability component of convertible debentures	**12**	11
Financial expenses before following item:	**5,482**	4,832
Fair value adjustment on derivative financial instruments (debenture conversion options and interest rate swap)	**(528)**	44
Financial expenses	**4,954**	4,876

Interest expenses increased by $660 during the first quarter of 2018 compared to the same quarter of 2017, mainly due to the financing of recent acquisitions which contributed to a $760 increase in interest expense on mortgage loans payable and the use of the line of credit for these acquisitions. Offsetting disposals generated an immaterial decrease for the quarter.

Financial expenses can be allocated among interest expenses amounting to $5,224 for the quarter (2017: $4,564) and non-monetary items. Non-monetary items include the accretion of effective interest and the liability component of convertible debentures and fair value adjustments on financial instruments. BTB recognized an increase in the value of derivative financial instruments of $528 (2017: $44 decrease) for the quarter. The increase, which generated the equivalent in income recorded as a reduction of financial expenses, was due to rising interest rates in Canadian markets over the last few months.

As at March 31, 2018, the average weighted contractual rate of interest on mortgage loans payable was 3.80%, 1 basis point higher than the rate in effect as at March 31, 2017. Interest rates on first-ranking mortgage financings ranged from 2.48% to 6.80% as at March 31, 2018. The weighted average term of financing in place as at March 31, 2018 was 6.3 years (5.8 years as at March 31, 2017).

Trust administration expenses

Quarters ended March 31 (in thousands of dollars)	2018	2017
	$	$
Administrative expenses	**1,145**	1,041
Amortization	**5**	15
Unit-based compensation	**133**	76
Trust administration expenses	**1,283**	1,132

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 periods 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 period to the next, or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

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

	Retail	Office	Industrial	Mixed use
As at March 31, 2018				
Capitalization rate	6.25% – 10.00%	6.25% – 8.50%	6.50% – 9.75%	6.75% – 7.50%
Terminal capitalization rate	6.25% – 8.00%	6.50% – 7.75%	7.00% – 9.50%	6.75% – 7.50%
Discount rate	7.25% – 8.75%	7.00% – 8.75%	7.75% – 10.50%	7.50% – 8.50%
As at March 31, 2017				
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%

The weighted average capitalization rate for the entire portfolio as at March 31, 2018 was 7.04% (March 31, 2017: 7.19%), down 1 basis point since December 31, 2017 and 15 basis points since March 31, 2017.

Management has estimated that the value of the real estate portfolio recorded in the balance sheet as at March 31, 2018 adequately represented its fair market value and that no material adjustment was required.

As at March 31, 2018, 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 $26.5 million.

Gain on disposal of an item of property and equipment

On February 1, 2018, the Trust disposed of the property “2155 Crescent Street” in Montreal for $3,150. This property houses the Trust’s head office and was therefore classified as an item of property and equipment rather than as an investment property. It was recorded in assets at its original cost and amortized over its estimated useful life of 40 years. The Trust realized a net gain of $1,192 on disposal of this property.

Gain on write-off of debt

Following the sale of two investment properties in 2015, the Trust committed to the purchaser to pay the rents on vacant spaces for several years and had accordingly recorded a liability. In March 2018, the parties agreed to terminate the Trust's commitment. The Trust wrote off the residual debt and realized a $133 gain.

Net income and comprehensive income

BTB generated net income of $6.6 million for the first quarter of 2018, up $2.6 million from $4.0 million in the first quarter of 2017, due to the significant contribution of acquisitions completed in 2017 and the $1.2 million gain on the sale of the Crescent property.

Quarters ended March 31 (in thousands of dollars, except for per unit data)	2018	2017
	$	$
Net income and comprehensive income	6,555	3,984
Per unit	13.5¢	9.4¢

Adjusted net income and comprehensive income

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

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

Quarters ended March 31 (in thousands of dollars, except for per unit data)	2018	2017
	$	$
Net income and comprehensive income	6,555	3,984
Volatile non-monetary items		
± Fair value adjustment on derivative financial instruments	(548)	44
Adjusted net income and comprehensive income(1)	6,007	4,028
Per unit	12.4¢	9.5¢

(1) Non-IFRS financial measure

This table shows an increase of 49.1% in quarterly adjusted net income, before the non-monetary items mentioned above. Quarterly adjusted net income per unit increased 30.5%. The gain on the sale of the Crescent property significantly contributed to the increases noted above.

OPERATING RESULTS – SAME-PROPERTY PORTFOLIO

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2017 and still owned as at March 31, 2018, but does not include the financial spin-offs of acquisitions and developments completed in 2017 and 2018, nor the results of properties subsequently sold during the same period.

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

Quarters ended March 31 (in thousands of dollars)	2018	2017	Δ %
	$	$	
Rental income	**18,815**	18,911	(0.5)
Operating expenses	**8,924**	9,031	(1.2)
Net operating income[(1)]	**9,891**	9,880	0.1
Interest expense on mortgage loans payable	**3,531**	3,581	(1.4)
Net property income[(1)]	**6,360**	6,299	
Increase in net property income from the same-property portfolio	***1.0***		

(1) Non-IFRS financial measure

Rental income of the same-property portfolio was slightly down by 0.5%, while net operating income and net property income were up by 0.1% and 1.0%, respectively, for the first quarter of 2018 compared to the same period of 2017, due to lower operating expenses and interest expenses on mortgage loans payable.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

The following table shows the calculation of distributable income.

Quarters ended March 31 (in thousands of dollars)	2018	2017
	$	$
Net income (loss) and comprehensive income (IFRS)	**6,555**	3,984
+ Amortization of property and equipment	**26**	41
- Gain on disposal of property and equipment	**(1,192)**	-
- Gain on write-off of debt	**(133)**	-
+ Unit-based compensation expense	**133**	76
+ Accretion of the liability component of convertible debentures	**12**	11
± Fair value adjustment on derivative financial instruments	**(528)**	44
+ Amortization of lease incentives	**738**	585
- Straight-line rental income adjustment	**(171)**	(55)
+ Accretion of effective interest	**246**	257
Distributable income[(1)]	**5,686**	4,943

(1) Non-IFRS financial measures

Distributions and per unit data

Quarters ended March 31 (in thousands of dollars, except for per unit data)	2018	2017
	$	$
Distributions		
Cash distributions	**4,452**	3,931
Distributions reinvested under the distribution reinvestment plan	**647**	525
Total distributions to unitholders	**5,099**	4,456
Percentage of reinvested distributions	***12.7%***	*11.8%*
Per unit data		
Distributable income	**11.7¢**	11.7¢
Distributions	**10.5¢**	10.5¢
Payout ratio [(1)]	***89.7%***	*90.1%*
Cash payout ratio[(2)]	***78.3%***	*79.5%*

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

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

Distributable income for the first quarter increased by $743, from $4,943 to $5,686, between 2017 and 2018. Distributable income per unit for the first quarter of 2018 was 11.7¢, unchanged from 2017.

Distributions to unitholders totalled 10.5¢ per issued unit for each quarter of 2018 and 2017.

The payout ratio for recurring distributable income was 89.7% in the first quarter of 2018 compared to 90.1% in the first quarter of 2017, a slight decrease resulting from the contribution of property acquisitions in 2017.

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

Quarters ended March 31 (in thousands of dollars)	**2018**	2017
	$	$
Cash flows from operating activities (IFRS)	**8,767**	5,417
+ Financial revenues	**9**	12
- Expenses related to disposal of investment properties	**-**	132
± Net change in non-cash operating items	**2,133**	3,946
- Interest expense on mortgage loans payable	**(4,148)**	(3,652)
- Interest expense on convertible debentures	**(874)**	(874)
- Interest expense on acquisition line of credit	**(167)**	(15)
- Interest expense on operating line of credit and other interest expenses	**(35)**	(23)
Distributable income	**5,686**	4,943

The following table, presented in accordance with CSA instructions, enables readers to assess the performance of distributed funds and reconcile them with cash flows and net income.

3-month periods ended March 31 and 12-month periods ended December 31 (in thousands of dollars)	**2018 (3 months)**	**2017 (3 months)**	2016 (3 months)	2017 (12 months)	2016 (12 months)
	$	**$**	$	$	$
Net cash flows from operating activities (IFRS)	**8,767**	5,417	6,709	38,448	39,850
- Interest paid	**(5,134)**	(4,380)	(5,429)	(18,593)	(20,630)
Net cash flows from operating activities	**3,633**	1,037	1,280	19,855	19,220
Net income	**6,555**	3,984	3,551	28,171	22,085
Total distributions	**5,099**	4,456	3,655	18,486	16,443
Surplus (deficit) of net cash flows from operating activities compared to total distributions	**(1,466)**	(3,419)	(2,375)	1,369	2,777
Surplus (deficit) of net income over total distributions	**1 456**	(472)	(104)	9,685	5,642

The Trust presented distributions in excess of net cash flows from operating activities (IFRS) of $1,466, net of interest paid for the quarter ended March 31, 2018 (2017: ($3,419) and 2016: ($2,375)). The surplus distributions resulted from the seasonality of activities for the period, specifically winter expenses and property taxes, most of which are paid in the first six months of the year but recovered from tenants over a 12-month period.

The Trust uses authorized lines of credit totalling $22 million to finance these surplus distributions. During the year ended December 31, 2017, the Trust presented a surplus of net cash flows from operating activities of $1,369 (2016 : $2,777), despite the surplus distributions during the first quarter. The Trust is confident that the same conditions will prevail at the end of fiscal 2018, that it will present adequate coverage of net cash flows over total distributions, and intends in this way to maintain the current level of distributions.

Distribution reinvestment plan

In the first quarter of 2018, 12.7% of distributions (2017: 11.8%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. Approximately $0.6 million (2017: $0.5 million) of the Trust's cash was thereby preserved through unit conversions

FUNDS FROM OPERATIONS (FFO)

The following table provides a reconciliation of net income and comprehensive income established according to IFRS and FFO for the quarters ended March 31, 2018 and 2017:

Quarters ended March 31 (in thousands of dollars, except for per unit data)	2018	2017
	$	$
Net income and comprehensive income (IFRS)	**6,555**	3,984
- Gains on disposal of property and equipment and other disposal expenses	**(1,192)**	(132)
+ Amortization of a property recognized at cost	**3**	8
+ Amortization of lease incentives	**738**	585
± Fair value adjustment on derivative financial instruments	**(528)**	44
+ Leasing payroll expenses	**160**	122
FFO(1)	**5,736**	4,611
FFO per unit	**11.8¢**	10.9¢
FFO payout ratio(2)	***88.9%***	*96.6%*
FFO cash payout ratio(3)	***77.6%***	*85.3%*

(1) Non-IFRS financial measure
(2) The FFO payout ratio corresponds to total distributions divided by FFO.
(3) The FFO cash payout ratio corresponds to cash distributions divided by FFO.

For the first quarter of 2018, FFO was 11.8¢, compared to 10.9¢ in 2017, an 8.3% increase. The payout ratio stood at 88.9% for the first quarter of 2018 compared to 96.6% for the same quarter of 2017, a significant increase of 7.7% due to the contribution of property acquisitions in 2017.

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

Quarters ended March 31 (in thousands of dollars)	2018	2017
	$	$
Cash flows from operating activities (IFRS)	**8,767**	5,417
+ Straight-line rental income adjustment	**171**	55
+ Financial revenues	**9**	12
+ Leasing payroll expenses	**160**	122
+ Gain on write-off of debt	**133**	—
± Net change in non-cash operating items	**2,133**	3,946
- Unit-based compensation expenses	**(133)**	(76)
- Interest on mortgage loans payable	**(4,148)**	(3,652)
- Interest on convertible debentures	**(874)**	(874)
- Interest on the acquisition line of credit	**(167)**	(15)
- Other interest expense and operating line of credit	**(35)**	(23)
- Accretion of the liability component of convertible debentures	**(12)**	(11)
- Accretion of effective interest	**(246)**	(257)
- Amortization of other property and equipment	**(22)**	(33)
FFO(1)	**5,736**	4,611

(1) Non-IFRS financial measure

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

The following table provides a reconciliation of FFO and AFFO for the quarters ended March 31, 2018 and 2017:

Quarters ended March 31 (in thousands of dollars, except for per unit data)	**2018**	2017
	$	$
FFO	**5,736**	4,611
± Straight-line rental income adjustment	**(171)**	(55)
+ Accretion of effective interest	**246**	257
+ Accretion of the liability component of convertible debentures	**12**	11
+ Amortization of other property and equipment	**23**	33
+ Unit-based compensation expenses	**133**	76
- Provision for non-recoverable maintenance expenditures	**(432)**	(367)
- Provision for unrecovered rental fees	**(325)**	(316)
AFFO(1)	**5,222**	4,250
AFFO per unit	**10.8¢**	10.0¢
AFFO payout ratio(2)	***97.6%***	*104.8%*
AFFO cash payout ratio(3)	***85.3%***	*92.5%*

(1) Non-IFRS financial measure
(2) The AFFO payout ratio corresponds to total distributions divided by AFFO.
(3) The AFFO cash payout ratio corresponds to cash distributions divided by AFFO.

AFFO per unit amounted to 10.8¢ in the first quarter of 2018 compared to 10.0¢ in 2017, an 8.0% increase. The AFFO payout ratio stood at 97.6% at the end of the first quarter of 2018, compared to 104.8% at the end of the first quarter of 2017, a 7.2% improvement reflecting the contribution of property acquisitions in 2017.

In calculating AFFO, the Trust deducts a provision for non-recoverable maintenance expenditures to take account of capital expenditures required to keep properties in good condition and total rental income, based on a review of industry practices and our expenditure forecasts for the next few years.

The following table compares the amount of the provision for non-recoverable maintenance expenditures to expenditures actually incurred during the current comparative period and in the last few years.

Periods ended (in thousands of dollars)	**March 31, 2018 (3 months)**	March 31, 2017 (3 months)	December 31, 2017 (12 months)	December 31, 2016 (12 months)
	$	$		$
Provision for non-recoverable maintenance expenditures	**432**	367	1,467	1,462
Non-recoverable maintenance expenditures	**317**	328	2,876	1,942

The Trust intends to achieve a balance between actual spending and the calculated provisions over the long term. Management suggests changes to the provision calculation bases, as required.

During the first quarter of 2017 and 2018, the provisions exceeded actual expenditures. However, for fiscal 2017, actual expenditures were substantially higher than the provision as significant amounts were spent on preparing tenant fit-outs following a decline in the occupancy rate. In 2016, $630 had been invested in redeveloping a property that was subsequently sold.

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

Quarters ended March 31 (in thousands of dollars, except for per unit data)	**2018**	2017
	$	$
Cash flows from operating activities (IFRS)	**8,767**	5,417
+ Financial revenues	**9**	12
+ Leasing payroll expenses	**160**	122
+ Gain on write-off of debt	**133**	—
± Net change in non-cash operating items	**2,133**	3,946
- Interest on mortgage loans payable	**(4,148)**	(3,652)
- Interest on convertible debentures	**(874)**	(874)
- Interest on the acquisition line of credit	**(167)**	(15)
- Other interest expense and operating line of credit	**(35)**	(23)
- Provision for maintenance expenditures	**(432)**	(367)
- Provision for rental fees	**(324)**	(316)
Adjusted funds from operations	**5,222**	4,250

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 ended March 31, 2018 and 2017.

Quarters ended March 31 (in thousands of dollars)	**Retail**		**Office**		**Industrial**		**General purpose**		**Total**
	$	*%*	$	*%*	$	*%*	$	*%*	$
Quarter ended March 31, 2018									
Investment properties	**229,451**	***30.8***	**336,139**	***45.1***	**118,342**	***15.9***	**61,483**	***8.2***	**745,415**
Rental income from properties	**6,195**	***28.9***	**10,661**	***49.7***	**2,637**	***12.3***	**1,947**	***9.1***	**21,440**
Net operating income(1)	**3,673**	***32.1***	**4,905**	***42.8***	**1,937**	***16.9***	**943**	***8.2***	**11,458**
Quarter ended March 31, 2017									
Investment properties	174,194	*27.2*	291,366	*45.5*	115,580	*18.0*	59,442	*9.3*	640,582
Rental income from properties	5,063	*26.6*	8,662	*45.5*	3,174	*16.7*	2,147	*11.2*	19,046
Net operating income(1)	2,897	*29.4*	3,669	*37.3*	2,188	*22.2*	1,094	*11.1*	9,848

(1) Non-IFRS financial measure

FINANCIAL POSITION

The following table presents a summary of the Trust's balance sheet as at March 31, 2018 and December 31, 2017. It should be read in conjunction with the Trust's consolidated financial statements and the notes thereto.

(in thousands of dollars)	Reference	March 31, 2018	December 31, 2017
		$	$
Assets			
Investment properties	Page 29	**745,415**	751,110
Amounts receivable from tenants and other receivables	Page 31	**5,316**	4,212
Other assets	Page 31	**8,093**	5,150
Cash and cash equivalents	Page 32	**3,810**	1,918
Total assets		**762,634**	762,390
Liabilities			
Mortgage loans payable	Page 32	**425,276**	428,382
Convertible debentures	Page 33	**48,313**	48,183
Bank loans	Page 34	**15,160**	18,130
Accounts payable and other liabilities	Page 35	**22,620**	18,748
Total liabilities		**511,369**	513,443
Equity			
Unitholders' equity	Page 35	**251,265**	248,947
Total liabilities and equity		**762,634**	762,390

The main changes in the balance sheet as at March 31, 2018 compared to the balance sheet as at December 31, 2017 reflect the disposal of investment properties and repayment of mortgage financing related to these transactions.

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 $745 million as at March 31, 2018 compared to $641 million as at March 31, 2017 and $751 million as at December 31, 2017.

Acquisitions

In February 2018, BTB purchased a retail property located in the city of Delson, Québec, for a consideration of $1,865.

Disposals

In January 2018, the Trust sold the property located at 1863-1865 Autoroute Transcanadienne in Dorval, Québec, for sale proceeds totalling $5.650 million.

In February 2018, the Trust sold the following properties:

- 2153-2155 Crescent Street in Montréal, Québec, for sale proceeds totalling $3.150 million. This property houses the head office of the Trust, which is currently renting under a short-term lease.
- 1100 and 1108-1136 Saint-Joseph Blvd. in Drummondville, Québec, for sale proceeds totalling $3.075 million.
- 2905 Marleau in Cornwall, Ontario, for sale proceeds totalling $490.

Summary by operating segment

As at March 31	2018			2017		
	Number of properties	**Leasable area (sq. ft.)**	**%**	**Number of properties**	**Leasable area (sq. ft.)**	**%**
Office	28	**2,042,485**	***38.9***	27	1,920,977	*38.9*
Retail	18	**1,300,093**	***24.8***	17	1,107,058	*22.4*
Industrial	19	**1,496,228**	***28.5***	19	1,499,783	*30.4*
Mixed use	4	**406,899**	***7.8***	5	406,650	*8.3*
Subtotal	69	**5,245,705**	***100.0***	68	4,934,468	*100.0*
Properties under redevelopment	**2**	**131,354**		3	173,665	
Total	**71**	**5,377,059**		71	5,108,133	

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 March 31, 2018 totalled $386, compared to $540 for the same quarter of 2017, of which $69 was recoverable (2017: $212). Capital expenditures do not include repair and maintenance costs. Capital expenditures vary from one quarter to another depending on the activities required or planned for each property.

Upon the signing of several leases, the Trust makes disbursements for leasehold improvements and incentives applicable to the leased areas to meet the specific needs of tenants, as well as leasing fees that are paid to independent brokers. These disbursements totalled $1,529 for the first quarter compared to $1,065 for the same quarter of 2017. 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 quarters ended March 31, 2018 and 2017.

Quarters ended March 31 (in thousands of dollars)	**2018**	2017
	$	$
Recoverable maintenance capital expenditures	**69**	212
Non-recoverable maintenance capital expenditures (1)	**317**	328
Total maintenance capital expenditures	**386**	540
Leasing fees and leasehold improvements	**1,529**	1,605
Total	**1,915**	2,145

(1) For the quarter, includes $0 related to investment properties under redevelopment (December 31, 2016: $154). For the cumulative period, includes $26 related to investment properties under redevelopment (December 31, 2016: $630).

The following table shows changes in the fair value of investment properties during the quarters ended March 31, 2018 and 2017.

Quarters ended March 31 (in thousands of dollars)	2018	2017
	$	$
Balance, beginning of period	**751,110**	645,485
Additions:		
Acquisitions	**1,893**	–
Dispositions	**(9,215)**	(7,000)
Capital expenditures net of grants	**386**	540
Leasing fees and leasehold improvements	**1,529**	1,605
Net changes in fair value of investment properties	**279**	482
Other non-monetary changes	**(567)**	(530)
Balance, end of period	**745,415**	640,582

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from $4,212 as at December 31, 2017 to $5,316 as at March 31, 2018. These amounts are summarized below:

(in thousands of dollars)	March 31, 2018	December 31, 2017
	$	$
Amounts receivable from tenants	**3,441**	2,721
Allowance for doubtful accounts	**(562)**	(460)
	2,879	2,261
Operating expenses to be recovered	**898**	457
Balance of sale receivable	**550**	600
Other receivables	**989**	894
Amounts receivable from tenants and other receivables	**5,316**	4,212

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)	March 31, 2018	December 31, 2017
	$	$
Property and equipment	**873**	**3,335**
Accumulated depreciation	**(688)**	**(1,235)**
	185	**2,100**
Prepaid expenses	**5,616**	**1,175**
Derivative financial instruments	**1,898**	**1,370**
Other	**394**	**505**
Other assets	**8,093**	**5,150**

The decline in value of property and equipment is due to the sale of the building housing the Trust's head office. The increase in value of prepaid expenses reflects the payment of municipal taxes, most of which are paid the beginning of the calendar year in Québec.

Cash

(in thousands of dollars)	March 31, 2018	December 31, 2017
	$	$
Cash and cash equivalents		
Free cash flow	**1,349**	1,918
Restricted cash	**2,461**	–
	3,810	1,918

CAPITAL RESOURCES

Long-term debt

The following table shows the balances of BTB's indebtedness as at March 31, 2018, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

As at March 31, 2018 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2018	—	36,605	3.92
2019	—	52,548	4.21
2020	49,700	25,592	5.92
2021	—	37,419	2.96
2022		38,857	3.46
2023 and thereafter	—	236,538	3.83
Total	**49,700**	**427,559**	**4.11**

Weighted average contractual interest rate

As at March 31, 2018, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.11%, i.e. 3.80% for mortgages payable and 7.03% for convertible debentures.

Mortgage loans payable

As at March 31, 2018, the Trust's mortgage loans payable amounted to $428 million compared to $380 million as at March 31, 2017, before deferred financing costs and valuation adjustments, a net increase of $48 million following the financing of acquisitions completed in 2017, certain refinancings and principal repayments on monthly payments and disposals.

The following table summarizes changes in mortgage loans payable during the first quarter ended March 31, 2018:

As at March 31, 2018 (in thousands of dollars)	$
Balance at beginning of the period	**430,603**
Mortgage loans contracted (at weighted average rate of 4.36%)	**15,320**
Balance repaid at maturity or upon disposal	**(15,186)**
Monthly principal repayments	**(3,178)**
Balance as at March 31, 2018	**427,559**

Note: Before unamortized financing costs and valuation adjustments.

As at March 31, 2018, the weighted average interest rate was 3.80%, compared to 3.79% for mortgage loans on the books as at March 31, 2017, an increase of 1 basis points. As at March 31, 2018, except for three loans with a cumulative balance of $ 21.4million, all mortgages payable bear interest at fixed rates ($341.8 million) or are coupled with an interest rate swap ($64.3 million).

The weighted average term of existing mortgage financings was 6.3 years as at March 31, 2018, and 5.8 years as at March 31, 2017, an increase of 0.5 years (6 months) in one year.

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

Except for one property under redevelopment valued at $0.3 million, and two properties partially securing the acquisition and operating lines of credit as at March 31, 2018, all of the Trust's other properties were mortgaged as at March 31, 2018. Unamortized loan financing costs totalled $2,960 and are amortized under the effective interest method over the term of the loans.

The following table, as at March 31, 2018, shows future mortgage loan repayments for the next few years:

As at March 31, 2018 (in thousands of dollars)	**Principal repayment**	**Balance at maturity**	**Total**	**% of total**
	$	**$**	**$**	
Maturity				
2018 (9 months)	8,703	35,916	44,619	10.4
2019	10,037	50,332	60,369	14.1
2020	10,169	23,558	33,727	7.9
2021	9,487	33,341	42,828	10.0
2022	8,714	33,097	41,811	9.8
2023 and thereafter	45,633	158,572	204,205	47.8
Total	**92,743**	**334,816**	**427,559**	**100.0**
+ Valuation adjustments on assumed loans			677	
- Unamortized financing costs			(2,960)	
Balance as at March 31, 2018			**425,276**	

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 March 31, 2018	**22,473**	**25,840**	**48,313**

(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.

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 on one property. The facility bears interest at the bank's base rate, plus 0.75%. As at March 31, 2018, $2.2 million of the operating credit facility had been used.

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 March 31, 2018, $13.0 million of the acquisition credit facility had been used.

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 March 31, 2018, December 31, 2017 and March 31, 2017.

(in thousands of dollars)	**March 31, 2018**	December 31, 2017	March 31,2017
	$	$	$
Free cash flow	**(1,349)**	(1,918)	(1,904)
Mortgage loans payable [(1)]	**427,559**	430,603	379,801
Convertible debentures [(1)]	**49,700**	49,700	49,700
Acquisition credit facility	**13,000**	16,650	—
Total long-term debt less free cash flow	**488,910**	495,035	427,597
Gross book value of the Trust less free cash flow	**761,973**	761,707	654,821
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	***56.1%***	*56.5%*	*58.0%*
Debt-equity ratio – convertible debentures	***6.5%***	*6.5%*	*7.6%*
Debt-equity ratio – acquisition line of credit	***1.7%***	*2.2%*	*—%*
Total debt ratio	***64.2%***	*65.0%*	*65.3%*

(1) Gross amounts

According to the table above, the mortgage debt ratio, excluding the convertible debentures and acquisition credit facility as at March 31, 2018, amounted to 56.1%, down 0.4% from December 31, 2017 and 1.9% from March 31, 2017. Including the convertible debentures and the acquisition credit facility, the overall debt ratio stood at 64.2%, down 0.8% from December 31, 2017 and 1.1% from March 31, 2017.

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 March 31, 2018, the interest coverage ratio stood at 2.21, up by 4 basis points from the first quarter of 2017.

Quarters ended March 31 (in thousands of dollars, except for the ratios)	**2018**	2017
	$	$
Net operating income	**11,509**	9,848
Interest expense, net of interest income[(1)]	**5,215**	4,551
Interest coverage ratio	***2.21***	*2.17*

(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)	**March 31, 2018**	December 31, 2017
	$	$
Trade and other payables	**20,473**	16,034
Distributions payable	**1,702**	1,695
Unit-based compensation	**445**	498
Operating expenses to be reimbursed	**—**	521
Accounts payable and other liabilities	**22,620**	18,748

Unitholders’ equity

Unitholders’ equity consists of the following:

(in thousands of dollars)	**March 31, 2018**	December 31, 2017
	$	$
Trust units	**244,977**	244,115
Cumulative profit	**99,043**	92,488
Cumulative distributions to unitholders	**(92,755)**	(87,656)
Unitholders’ equity	**251,265**	248,947

Distribution reinvestment plan

The Trust has 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, 157,825 units were issued during the first quarter of 2018 (2017: 117,063 units).

Units outstanding

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

Quarters ended March 31 (in number of units)	**2018**	2017
Units outstanding, beginning of quarter	**48,423,118**	42,342,373
Units issued	**—**	—
Distribution reinvestment plan	**157,825**	117,063
Awards - employee unit purchase plan	**9,691**	9,062
Awards - restricted unit compensation plan	**30,713**	14,035
Units outstanding, end of quarter	**48,621,347**	42,482,533
Weighted average number of units outstanding	**48,533,188**	42,418,459

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 March 31, 2018, 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 quarters ended March 31, 2018 and 2017.

Quarters ended March 31 (in number of units)	2018	2017
Deferred units outstanding, beginning of quarter	**12,330**	4,233
Deferred units issued	**16,763**	1,938
Deferred units outstanding, end of quarter	**29,093**	6,171

Restricted unit compensation plan

Under this plan, beneficiaries are awarded restricted units that become fully vested over a period 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 quarters ended March 31, 2018 and 2017.

Quarters ended March 31 (in number of units)	2018	2017
Restricted units outstanding, beginning of quarter	**115,628**	77,673
Restricted units issued	**12,544**	2,450
Restricted units cancelled	**(4,668)**	—
Restricted units settled	**(30,713)**	(14,035)
Restricted units outstanding, end of quarter	**92,791**	66,088

Employee unit purchase plan

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, a maximum of 3% to 7% of their base salary depending on their years of experience with the Trust. For each two units purchased by an employee, the Trust shall issue one unit from treasury. During the quarter ended March 31, 2018, 9,691 units were issued (2017: 9,062).

Off-balance sheet arrangements and contractual commitments

BTB does not have any other off-balance sheet arrangements or commitments 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 March 31, 2018, BTB complied with all of its loan commitments and was not in default with any covenant at the balance sheet date.

SUSTAINABLE DEVELOPMENT

In line with the principles of sustainable development, BTB incorporates environmental and social considerations into its business practices. Under BTB's Social Responsibility and Sustainable Development Policy, property is managed and operated so as to integrate sustainable development values into the Trust's activities, protect the health and well-being of employees and the communities where it operates, involve key shareholders in managing its environmental footprint, and demonstrate a commitment to transparency and continuous improvement of sustainability practices.

Ongoing improvement of properties through investment in environmental projects, among other things, is a top priority for BTB. The tangible results of BTB's responsible behaviour include BOMA BEST certification for 26 portfolio properties, publication of the Social Responsibility and Sustainable Development Policy, a sustainable development good practices guide for tenants, benchmarking of the real estate portfolio's energy performance, a partnership with a social reintegration organization for parking lot clean-up, development of Sentinelle client service and preventive maintenance software, and environmental risk management.

As mentioned above, BTB Real Estate Investment Trust contributes to sustainable development and is committed to mobilizing employees, tenants and suppliers to make it a reality. The Trust believes that its commitment to reduce its environmental footprint should be reflected not only across property operation, maintenance and management, but in everything it does. Accordingly, since September 2015, 26 properties in BTB's portfolio have received various levels of BOMA BEST certification, including Gold (2), Silver (3), Bronze (5) and Certified (16). This prestigious certification recognizing BTB's excellence in environmental property management was awarded by the Association des propriétaires et administrateurs d'immeubles - BOMA Québec, a leader in the real estate industry since 1927.

In future, BTB plans to continue improving the environmental footprint of its properties. Major projects, such as the Halles St-Jean energy efficiency project in St-Jean-sur-Richelieu, are in the works to optimize overall equipment performance and upgrade buildings. BTB also expects to keep its BOMA BEST certifications and achieve the highest level of performance for certain properties.

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 March 31, 2018, 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 ongoing basis in the future.

Nonetheless, there is no guarantee that BTB will continue to meet all the required conditions to be eligible for the REIT exception for 2018 or any other subsequent year.

TAXATION OF UNITHOLDERS

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

Quarters ended March 31	**2018**	2017
	%	*%*
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 January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The Trust adopted the amendments to IAS 7 in its financial statements for the first quarter of 2017, resulting in an additional disclosure.

b) Pending standards

IFRS 16, *Leases,* was issued but was not in effect for the quarter ended March 31, 2018, and was therefore not applied to this MD&A. It is described in more detail in the consolidated financial statements for the year ended December 31, 2017.

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 2017 Annual Information Form for the year ended December 31, 2017, 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 March 31, 2018, 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 March 31, 2018, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During the first quarter of 2018, 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 $428 million as at March 31, 2018, compared to $380 million as at March 31, 2017.
- Series E and F convertible debentures for a total par value of $49.7 million.
- Operating and acquisition lines of credit used as needed.
- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Administration expenses

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, 2017 and still owned as at March 31, 2018, but does not include the financial impacts from disposals, acquisitions and developments completed in 2017 and 2018, as well as the results of subsequently sold properties.

Net property income from the same-property portfolio

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

- 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.

Furthermore, the Trust deducts a provision for non-recoverable maintenance expenditures 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 maintenance expenditures 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¢ 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 not recovered directly in establishing the rent that the Trust will undertake. These disbursements consist of inducements paid or granted when leases are signed that are generally amortized over the term of the lease and are subject to an equivalent increase in rent per square foot, and of brokerage commissions and leasing payroll expenses.

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