Our tenants, clients above all

BTB

Management Discussion and Analysis
Quarter Ended March 31st, 2019

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Quarter Ended March 31, 2019

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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, 2019, 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 10, 2019 should be read together with the unaudited condensed consolidated interim financial statements and accompanying notes for the quarter ended March 31, 2019. 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, 2019 and 2018. Additional information about the Trust, including the 2018 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 reviewed the contents of this Management Discussion and Analysis and the quarterly financial statements and the Trust's Board of Trustees have approved them.

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 2019. The FFO calculations for the cumulative period and prior periods have been corrected to conform to the White Paper.

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 March 31, 2019, it owns 65 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 62 of the Trust's 65 properties held as at March 31, 2019 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, 2019[1]	**65**	**5,268,746**	**818,422**

(1) These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb 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 First Quarter Ended March 31, 2019

The following results for the first quarter of 2019 show a positive trend and are encouraging, but their impact will only materialize over the next few quarters:

- Occupancy rate is up from 89.3% to 91.7%. More than 200,000 square feet are leased and committed for future occupancy. As of the third quarter of 2019, they will generate additional income of $525 or 1.0¢ per unit, specifically related to the conclusion of a lease with a new tenant to replace the bankrupt "Pharmetics". This bankruptcy contributed to a revenue shortfall and additional expenses of $375 or 0.7¢ for the first quarter of 2019;
- Increase in rental income (1.0%) despite a reduction of the Trust's total leasable area caused by the disposition of properties in the portfolio;
- Significant decrease in the Trust's total debt ratio from 64.2% to 61.4% and mortgage debt ratio from 56.1% to 54.3%. This decrease affects the results and will free up several million dollars in leverage for future acquisitions of accretive property;
- Significant increase in the average rental rate of renewed leases by 5.6%, which will contribute to an increase in income of the same-property portfolio in the coming quarters;
- 10% increase in total assets and in the value of the Trust's real estate portfolio.

Sale of properties

- In January 2019, the Trust disposed of the property located at "15-41 Georges-Gagné Blvd. South", in Delson, Québec, for total proceeds of $22.5 million.
- In March 2019, the Trust disposed of a retail condominium located at "37 Georges-Gagné Blvd. South", in Delson, Québec, for proceeds totalling $1.95 million.

Summary of significant items as at March 31, 2019

- 65 properties
- Approximately 5.3 million square feet
- $843 million total asset value
- $265 million market capitalization

Subsequent events

- On May 7, 2019, the Trust disposed of the property located on Antonio-Barbeau Street in Montréal, Québec for $7.1 million. This property was acquired in 2007 for $4 million.
- On May 10, 2019, the Trust acquired a 65,000 square foot industrial building in St-Laurent (Québec) for $11.9 million.

Selected Financial Information

The following table presents highlights and selected financial information for the quarters ended March 31, 2019 and 2018:

Quarters ended March 31 (in thousands of dollars, except for ratios and per unit data)		Quarter	
		2019	2018
	Reference (page)	$	$
Financial information			
Rental income	23	**21,634**	21,440
Net operating income[1]	24	**11,051**	11,458
Net income and comprehensive income	27	**1,381**	6,555
Net property income from the same-property portfolio[1]	28	**5,888**	6,251
Cash flows from operating activities	29	**8,216**	8,767
Distributable income[1]	28	**5,268**	5,686
Distributions	29	**5,881**	5,099
Recurring funds from operations (FFO)[1]	31	**4,679**	5,736
Recurring adjusted funds from operations (AFFO)[1]	32	**4,623**	5,222
Total assets	35	**842,677**	762,634
Investment properties	35	**818,422**	745,415
Mortgage loans payable	38	**453,169**	425,276
Convertible debentures	39	**48,856**	48,313
Mortgage debt ratio	40	***54.3%***	*56.1%*
Debt-equity ratio – convertible debentures	40	***5.9%***	*6.5%*
Debt-equity ratio – acquisition line of credit	40	***1.8%***	*1.7%*
Total debt ratio	40	***61.4%***	*64.2%*
Weighted average interest rate on mortgage debt	38	***3.97%***	*3.80%*
Unitholders' equity	41	**294,887**	251,265
Market capitalization		**265,433**	222,684
Financial information per unit			
Units outstanding (000)	42	**55,530**	48,621
Class B LP units outstanding (000)	41	**532**	—
Weighted average number of units outstanding (000)	42	**55,442**	48,533
Weighted average number of units and Class B LP units outstanding (000)	42	**55,974**	—
Net income and comprehensive income	27	**2.5¢**	13.5¢
Distributable income[1]	28	**9.4¢**	11.7¢
Distributions	29	**10.5¢**	10.5¢
Payout ratio on distributable income[1]	29	***111.6%***	*89.7%*
Recurring FFO[1]	31	**8.4¢**	11.8¢
Payout ratio on recurring FFO[1]	31	***125.6%***	*88.9%*
Recurring AFFO[1]	32	**8.3¢**	10.8¢
Payout ratio on recurring AFFO[1]	32	***127.1%***	*97.6%*
Unitholders' equity	41	**5.31**	5.17
Market price		**4.78**	4.58
Tax on distributions			
Revenue	44	***0.0%***	*0.0%*
Tax deferral	44	***100%***	*100%*
Operational information			
Number of properties	20	**65**	71
Leasable area (thousands of sq. ft.)	20	**5,269**	5,377
Occupancy rate	21	***91.7%***	*89.3%*
Increase in average lease renewal rate	21	***5,6%***	*0.5%*

(1) Non-IFRS financial measures. See appropriate sections for reconciliation to the closest IFRS measure and definition in Appendix 2.

Summary of the First Quarter Results 2019

Improvements

1) For the first quarter of 2019, the committed occupancy rate increased by 2.4%, from 89.3% to 91.7%. This ratio includes firm lease agreements committed as of the end of the quarter and may not yet generate revenues. More than 200,000 square feet were leased for occupancy scheduled for later this year. For example, as of July 1, 2019, we anticipate those leases will generate additional income of $525 for the third quarter and $635 for the fourth quarter. The revenues generated from these leases will improve the current situation by more than 1¢ per unit for the third quarter and 1.1¢ per unit for the fourth quarter.

2) The total debt ratio saw a reduction from 64.2% to 61.4% and the mortgage debt ratio also went down from 56.1% to 54.3%. More specifically, the mortgage debt ratio decreased by 1.5% since December 31, 2018, without recording an increase of fair market value of our real estate portfolio. As we concluded the sale of properties during 2018 and early 2019, we reimbursed mortgages on existing properties and therefore financial leverage of several million dollars is available to redeploy capital. This dormant capital may be used to purchase accretive properties and bring in an additional contribution to improve performance indicators.

Expected improvements

The performance of the first-quarter 2019 was affected by events that occurred in 2018 and are continuing to impact our results. The following explains the underperformance of key performance indicators for the first quarter.

3) The bankruptcy of Pharmetics generated a shortfall and additional operating costs totalling $375 in the first quarter of 2019, or approximately 0.7¢ per unit. As of July 1, 2019, the property has been fully leased by a tenant and this unexpected situation will finally be behind us.

4) In 2018, the Trust received a cancellation penalty of 75% of the residual amount payable by Shire under its lease in the Alfred Nobel property in Montréal. The lease buy-out generated non-recurring income in 2018, and affected the results of the first quarter of 2019 by approximately $225 in income, or almost 0.4¢ per unit. We are experiencing good traction in leasing the space vacated by Shire in this property and we expect to resolve the situation over the next quarters.

5) In July 2018 we acquired the Crescent/Ste-Catherine building knowing it had an occupancy rate of less than 20%. In October 2018 the Trust moved its head office into this property and proceeded to lease spaces to third parties in the building. As at March 31, 2019, the property had an "in place" occupancy rate of 57%. Nonetheless, the vacancy causes a shortfall in revenues of approximately $325 or 0.6¢ per unit for the quarter. A sustained effort is being deployed to lease the vacant retail space to generate a positive cash flow for this property.

Opportunities

6) The Trust has not fully redeployed the capital from sales of properties closed during the last few quarters. Therefore, the Trust still has $4.0 million in surplus cash and $4.0 million available on its acquisition facility to invest in acquiring accretive properties, without having to issue additional equity. By investing this capital, the Trust considers that it would be able to generate more than $1 million in net operating income, net of financing costs, or approximately 1.8¢ per outstanding unit.

(in thousands of dollars, except for per unit data)	First quarter 2019 shortfall		Opportunities, by quarter	
Events	**$**	**Per unit**	**$**	**Per unit**
1) Pharmetics bankruptcy	375	0,7 ¢		
2) Lease buyout	225	0,4 ¢		
3) Crescent/Ste-Catherine property	325	0,6 ¢		
4) Firm lease agreements			635	1,0 ¢
5) Dormant capital			1,000	1,8 ¢
	925	**1,7 ¢**	**1,635**	**2,8 ¢**

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)	**2019 Q-1**	2018 Q-4	2018 Q-3	2018 Q-2	2018 Q-1	2017 Q-4	2017 Q-3	2017 Q-2
	$	$	$	$	$	$	$	$
Rental income	**21,634**	22,082	23,098[3]	20,803	21,440	20,413	18,187	18,392
Net operating income[1]	**11,051**	11,624	13,330[3]	11,225	11,858	10,460	10,044	10,042
Net income and comprehensive income	**1,381**	24,396	5,793	4,593	6,555	15,498	4,327	4,362
Net income and comprehensive income per unit	**2.5¢**	43.7¢	10.4¢	9.2¢	13.5¢	33.0¢	10.1¢	10.3¢
Net cash from operating activities	**8,216**	15,695	12,484	7,778	8,767	14,122	10,161	8,749
Distributable income[1]	**5,268**	5,212	7,479	5,521	5,686	4,916	4,883	4,979
Distributable income per unit[1]	**9.4¢**	9.3¢	13.3¢	11.1¢	11.7¢	10.5¢	11.4¢	11.7¢
Recurring funds from operations (FFO)[1]	**4,679**	5,063	6,996	5,279	5,736	4,865	4,902	4,884
Recurring FFO per unit[1]	**8.4¢**	9.1¢	12.4¢	10.6¢	11.8¢	10.3¢	11.5¢	11.5¢
Recurring adjusted funds from operations (AFFO)[1]	**4,623**	4,576	6,257	4,936	5,222	4,370	4,326	4,463
Recurring AFFO per unit[1]	**8.3¢**	8.2¢	11.2¢	9.3¢	10.8¢	9.3¢	10.1¢	10.5¢
Distributions[2]	**5,881**	5,829	5,843	5,353	5,099	5,079	4,483	4,469
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) Includes distributions on Class B LP units.
(3) Includes an early departure penalty of $1,477.

Performance Indicators

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

The Trust adopter IFRS 16, *Leases*, during the first quarter of 2019. Comparative balances have not been restated, however, the Trust considers the impact on performance indicators to be minimal.

Real Estate Portfolio

BTB owns 65 quality properties which have a fair value of $818 million, generating approximately $90 million in annual income and representing a total leasable area of approximately 5.3 million square feet. A concise description of the properties owned as at December 31, 2018, can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of investment properties as at March 31, 2019

Operating segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	28	2,120,229	*85.5*
Retail	12	1,153,743	*97.9*
Industrial	18	1,482,282	*95.6*
Mixed use	6	437,152	*92.1*
Subtotal	64	5,193,406	***91.7***
Properties under redevelopment	1	75,340	
Total	**65**	**5,268,746**	

Sale of investment properties

Following strategic evaluation of its portfolio, the Trust has elected to sell certain properties when circumstances are right. The proceeds of disposition from the sale of these assets are used to repay related mortgages and any remaining proceeds are redeployed to acquire properties in line with its investment criteria.

During the quarter ended March 31, 2019, the Trust disposed of the property located at "15-41 Georges-Gagné Blvd South" in Delson, Québec, for $22.5 million and the property located at "37 Georges-Gagné Blvd South" in Delson, Québec, for $1.95 million.

Subsequent events

On May 7, 2019, the Trust disposed of the property located on Antonio-Barbeau Street in Montréal, Québec for $7.1 million. This property was acquired in 2007 for $4 million.

On May 10, 2019, the Trust acquired a 65,000 square foot industrial building in St-Laurent, Québec for $11.9 million. This property is entirely leased to SC360 under a long-term lease.

Real Estate Operations

Leasing activities

The following table summarizes changes in available leasable area during the quarters ended March 31, 2019 and 2018.

Quarters ended March 31 (in square feet)	Quarter	
	2019	2018
Available leasable area at beginning of period	**479,420**	453,360
Available leasable area purchased (sold)	**(25,320)**	6,814
Leasable area of expired leases	**104,627**	236,477
Leasable area of leases terminated before term	**62,207**	112,499
Leasable area of renewed leases	**(120,058)**	(141,948)
Leasable area of new leases signed	**(67,641)**	(107,708)
Other	**(1,635)**	85
Available leasable area at end of period	**431,600**	559,579

The average rental rate of expired and renewed leases increased 5.6% during the first quarter (2018: 0.5% increase). The office segment shows an increase of 5.1% while the retail segment increased 6.6%.

Occupancy rate

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 203,000 square feet of space is currently subject to firm lease agreements for occupancy over the next few months.

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	%	%	%	%	%
Operating segment					
Office	**85.5**	85.4	84.4	85.8	84.9
Retail	**97.9**	96.6	96.1	95.7	95.2
Industrial	**95.6**	93.6	89.7	89.7	89.0
Mixed use	**92.1**	93.1	92.6	95.6	94.3
Total portfolio	**91.7**	91.0	89.7	90.1	89.3

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	%	%	%	%	%
Geographic sector					
Laval and North Shore	**96.1**	95.9	98.6	99.0	97.7
Island of Montréal	**90.1**	90.1	89.4	92.7	91.0
Montréal South Shore	**95.0**	93.7	94.2	94.7	94.6
Québec City and surrounding area	**89.5**	89.9	89.1	88.0	86.5
Ottawa and surrounding area	**90.2**	86.9	81.1	80.9	80.7
Sherbrooke and surrounding area	**50.1**	50.1	85.9	81.4	81.5
Central Ontario	**100.0**	100.0	100.0	100.0	100.0
	91.7	91.0	89.7	90.1	89.3

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	%	%	%	%	%
By province					
Québec	**91.8**	91.7	91.3	91.9	91.0
Ontario	**91.4**	88.5	83.3	83.1	83.0
Total portfolio	**91.7**	91.0	89.7	90.1	89.3

The overall occupancy rate is up by 0.7% since December 31, 2018 and 2.4% since March 31, 2018. It stood at 91.7% at the end of the first quarter of 2019.

The effective occupancy rate as at March 31, 2019, without taking into account the firm committed lease agreements, was 87.8% (2018: 87.7%). Vacant space totalling approximately 203,000 square feet as at March 31, 2019 is subject to firm lease agreements and will generate additional income in the next few quarters.

The following firm lease agreements will take effect in the next few months.

Properties	Square feet	Tenants	Expected occupancy date
705 Boundary, Cornwall (Ontario)	20,000	Fieldless Farms	May 1, 2019
3695 Des Laurentides, Laval (Québec)	133,000	Nuera Entreprises	July 1, 2019
81-83, Turgeon, Ste-Thérèse (Québec)	11,000	Exo	July 1, 2019
1-9 and 10 Brewer Hunt Way, Ottawa (Ontario)	9,000	International DataCasting	August 1, 2019

Lease maturities

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

	2019	2020	2021	2022	2023
Office					
Leasable area (sq. ft.)	227,363	197,755	247,936	252,578	274,979
Average lease rate/square foot ($)	$14.52	$14.32	$12.43	$17.72	$13.96
% of office portfolio	*10.7%*	*9.3%*	*11.7%*	*11.9%*	*13.0%*
Retail					
Leasable area (sq. ft.)	156,695	53,147	133,864	105,293	102,684
Average lease rate/square foot ($)	$12.50	$14.36	$14.67	$14.75	$11.10
% of retail portfolio	*13.6%*	*4.6%*	*11.6%*	*9.1%*	*8.9%*
Industrial					
Leasable area (sq. ft.)	34,180	234,017	440,803	249,934	41,599
Average lease rate/square foot ($)	$4.75	$5.10	$6.87	$4.94	$4.74
% of industrial portfolio	*2.3%*	*15.8%*	*29.7%*	*16.9%*	*2.8%*
Mixed use					
Leasable area (sq. ft.)	43,198	84,229	111,323	33,451	45,783
Average lease rate/square foot ($)	$13.60	$12.64	$11.68	$15.67	$12.52
% of mixed use portfolio	*9.9%*	*19.3%*	*25.5%*	*7.7%*	*10.5%*
Total portfolio					
Leasable area (sq. ft.)	**461,436**	**569,148**	**933,926**	**641,256**	**465,045**
Average lease rate/square foot ($)	**$14.27**	**$10.29**	**$10.04**	**$12.15**	**$12.36**
% of total portfolio	***8.9%***	***11.0%***	***18.0%***	***12.4%***	***9.0%***

Top 10 tenants

As at March 31, 2019, BTB managed more than 600 leases, with an average area of approximately 8,700 square feet. The three largest tenants of the Trust are Public Works Canada, West Safety Services Canada and Atis Portes et Fenêtres Corp., representing respectively 5.5%, 2.1% and 1.6% of revenues, generated by a number of leases whose maturities are spread over time. More than 28% of the Trust's total revenues are generated by leases entered into with government agencies (federal, provincial and municipal) and public companies, thus 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, 2019. This contribution accounts for 19.1% of annual rental income and 19.1% of leased area.

Client	% of revenue	% of leased area	Leased area (square feet)
Public Works Canada	5.5	3.9	201,520
West Safety Canada Inc.	2.1	1.2	61,845
Atis Portes et Fenêtres Corp.	1.6	4.8	251,878
Provigo Distribution Inc. (Loblaws)	1.6	0.7	34,446
Shoppers Realty Inc.	1.5	0.9	47,551
Wal-Mart Canada Inc.	1.4	2.2	111,930
Strongco	1.4	1.6	81,442
Société québécoise des infrastructures (SQI)	1.4	1.5	76,003
CISSS Montérégie-Centre	1.3	1.4	70,242
Sail Plein Air	1.3	0.9	45,496
	19.1	**19.1**	982,353

Operating Results

The following table summarizes financial results for the quarters ended March 31, 2019 and 2018. The table should be read in conjunction with our consolidated financial statements and the notes thereto.

Quarters ended March 31 (in thousands of dollars)		Quarter	
		2019	2018
	Reference (page)	**$**	$
Rental income	23	**21,634**	21,440
Operating expenses	24	**10,583**	9,982
Net operating income[1]	24	**11,051**	11,458
Net financial expenses	25	**7,934**	4,945
Trust administration expenses	26	**1,330**	1,283
Gain on disposal of an item of property and equipment	—	**—**	(1,192)
Gain on write-off of debt	—	**—**	(133)
Fair value adjustment on investment properties	26	**10**	—
Transaction costs	—	**396**	—
Net income and comprehensive income	27	**1,381**	6,555

(1) Non-IFRS financial measure.

Rental income

Between April 2018 and March 2019, the Trust purchased four properties and a residual interest in a property in Québec City. Approximately $2.7 million in rental income was generated by these recent acquisitions during the quarter.

During the same period, the Trust disposed of ten properties generating an estimated shortfall of $1.8 million for the quarter.

Income for the quarter also decreased by $319 due to the straight-line write-off of rent receivable following the renegotiation of an in-place lease.

The quarterly summary on page 18 provides the elements that explain the weak growth of rental income, and the future opportunities for income growth.

In the first quarter of 2019, adjustments to rent payable of $212 (2018: $171 receivable) were recorded on a straight-line basis.

BTB also recorded amortization of $757 (2018: $738) as a reduction in rental income, which represents amortization of lease incentives granted to tenants.

Operating expenses

BTB recorded an increase in operating expenses of $601, or 6.0%, between the first quarter of 2019 and the first quarter of 2018. The increase resulted from the net effect of acquisitions on dispositions completed in recent quarters.

The following table shows the breakdown of operating expenses for the quarters ended March 31, 2019 and 2018.

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Operating expenses		
Maintenance, repairs and other operating costs	**3,531**	3,087
Property taxes, public utilities and insurance	**7,052**	6,895
Total operating expenses	**10,583**	9,982
% of rental income	***48.9***	*46.6*

As a percentage of rental income, operating expenses in the first quarter of 2019 increased by 2.3% to 48.9%, compared to 46.6% for the same quarter of 2018.

Net operating income

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Net operating income(1)	**11,051**	11,458
% of rental income	***51.1***	*53.4*

(1) Non-IFRS financial measure.

Acquisitions completed by the Trust during the last four quarters contributed to an increase in NOI (net operating income) estimated at $1.5 million, while the Trust estimates the shortfall resulting from disposals completed during the same period at $1.0 million. In addition, net operating income for the quarter was decreased by the straight-line write-off of rent receivable in the amount of $319.

The quarterly summary on page 18 provides the elements that explain the decrease in net operating income between the first quarter of 2018 and the first quarter of 2019, and the future opportunities for net operating income growth.

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)	Quarter	
	2019	2018
	$	$
Net operating income	**11,051**	11,458
Straight-line rental income adjustments	**212**	(171)
Amortization of lease incentives	**757**	738
Net operating income before rental income adjustments(1)	**12,020**	12,025
% of rental income on the basis of in-place leases	***53.2***	*54.6*

(1) Non-IFRS financial measure.

Financial expenses

The following table shows the breakdown of financial expenses for the quarters ended March 31, 2019 and 2018:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Interest on mortgage loans payable	**4,544**	4,148
Interest on convertible debentures	**874**	874
Interest on bank loans	**189**	178
Other interest expenses	**143**	24
Financial income	**(89)**	(9)
Net interest expenses	**5,661**	5,215
Distributions on Class B LP units	**56**	—
Financial expenses before non-monetary items	**5,717**	5,215
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	**249**	246
Accretion of non-derivative liability component of convertible debentures	**13**	12
Net financial expenses before following items:	**5,979**	5,473
Net fair value adjustment on derivative financial instruments	**1,726**	(528)
Fair value adjustment on Class B LP units	**229**	—
Net financial expenses	**7,934**	4,945

Net interest expenses increased by $446 during the first quarter of 2019 compared to the same period of 2018, due to the net effect of financing of acquisitions and disposals in recent quarters, as well as higher interest rates on refinancings completed during recent quarters on financings in place. In addition to net interest expenses, distributions on Class B LP units amounted to $56 for the quarter. Under IFRS, the Class B LP units are considered a financial instrument classified as liabilities and the related distributions must be recognized as an expense.

Net financial expenses can be allocated among interest expenses plus distributions on Class B LP units amounting to $5,717 for the quarter (2018: $5,215) 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 a decrease in the value of derivative financial instruments of $1,955 (2018: $528 increase) for the quarter. The decrease at the end of the first quarter, which generated the equivalent in income recorded as an increase of financial expenses, was due to lower interest rates in Canadian markets during the quarter and an increase in the value of Class B LP units as at March 31, 2019.

As at March 31, 2019, the average weighted contractual rate of interest on mortgage loans payable was 3.97%, 17 basis points higher than the rate in effect as at March 31, 2018. Interest rates on first-ranking mortgage financings ranged from 2.77% to 6.80% as at March 31, 2019. The weighted average term of financing in place as at March 31, 2019 was 5.2 years (6.3 years as at March 31, 2018).

Trust administration expenses

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Administrative expenses	**1,115**	1,145
Amortization	**—**	5
Unit-based compensation	**215**	133
Trust administration expenses	**1,330**	1,283

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, 2019				
Capitalization rate	6.25% – 7.75%	6.00% – 8.50%	5.75% – 8.50%	5.00% – 7.25%
Terminal capitalization rate	6.25% – 7.75%	6.50% – 7.50%	6.25% – 8.25%	5.25% – 7.50%
Discount rate	7.25% – 8.50%	7.00% – 8.00%	6.75% – 9.00%	6.25% – 8.25%
As at March 31, 2019				
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%

The weighted average capitalization rate for the entire portfolio as at March 31, 2019 was 6.6% (2018: 7.4%), down 1.6 basis points since December 31, 2018 and 40 basis points since March 31, 2018.

Management estimated that the value of the real estate portfolio on the balance sheet as at March 31, 2019 adequately represented its fair market value and therefore no significant adjustment was required.

As at March 31, 2019, 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 $30.9 million.

Net income and comprehensive income

BTB generated net income of $1.4 million for the first quarter of 2019, down $5.2 million from $6.6 million in the first quarter of 2018.

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2019	2018
	$	$
Net income	**1,381**	6,555
Per unit	**2.5¢**	13.5¢

The quarterly summary on page 18 provides the key elements that explain the decrease in net income and comprehensive income between the first quarter of 2018 and the first quarter of 2019, and the future opportunities to increase net income.

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)	Quarter	
	2019	2018
	$	$
Net income and comprehensive income	**1,381**	6,555
Volatile non-monetary items		
± Fair value adjustment on derivative financial instruments	**1,426**	(548)
+ Fair value adjustment on Class B LP units	**229**	—
Adjusted net income and comprehensive income[1]	**3,036**	6,007
Per unit	**5.4¢**	12.4¢

(1) Non-IFRS financial measure.

This table shows a decrease of 50% in adjusted net income for the quarter, before the non-monetary items mentioned above. Quarterly adjusted net income per unit decreased 56%.

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2018 and still owned as at March 31, 2019, but does not include the financial spin-offs of acquisitions and developments completed in 2018 and 2019, 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)	Quarter		
	2019	2018	Δ
	$	$	%
Rental income	**18,493**	18,619	(0.7)
Operating expenses	**8,963**	8,661	3.5
Net operating income[1]	**9,530**	9,958	(4.3)
Interest expense on mortgage loans payable	**3,642**	3,707	1.8
Net property income[1]	**5,888**	6,251	
Increase (decrease) in net property income from the same-property portfolio	**(5.8%)**		

(1) Non-IFRS financial measure.

Rental income of the same-property portfolio was down by 0.7%, while net operating income and net property income were down by 4.3% and 5.8%, respectively, for the first quarter of 2019 compared to the same period of 2018. The bankruptcy of the tenant Pharmetics, whose new premises have since been fully re-leased as of July 2019 and the buyback of Shire's lease in the Technoparc Saint-Laurent are the two most important factors explaining an income shortfall of approximately $415 for the first quarter of 2019 and the decrease in same-property portfolio indicators. If not for these two factors, the same-property portfolio would have posted a 1.6% increase in rental income, net operating income would have been stable and net real property income would have shown a 0.8% increase.

Distributable Income and Distributions

The following table shows the calculation of distributable income.

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Net income (loss) and comprehensive income (IFRS)	**1,381**	6,555
+ Fair value adjustment on properties	**10**	—
+ Amortization of property and equipment	**24**	26
- Gain on write-off of debt	**—**	(133)
+ Unit-based compensation expense	**215**	133
- Gain on disposal of property and equipment	**—**	(1,192)
+ Accretion of the liability component of convertible debentures	**13**	12
± Fair value adjustment on derivative financial instruments	**1,726**	(528)
+ Fair value adjustment on Class B LP units	**229**	—
+ Amortization of lease incentives	**757**	738
- Straight-line rental income adjustment	**212**	(171)
+ Accretion of effective interest	**249**	246
+ Transaction costs	**396**	—
+ Distributions -Class B LP units	**56**	—
Distributable income[1]	**5,268**	**5,686**

(1) Non-IFRS financial measure.

Distributions and per unit data

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2019	2018
	$	$
Distributions		
Cash distributions	**5,142**	4,452
Cash distributions – Class B LP units	**56**	—
Distributions reinvested under the distribution reinvestment plan	**683**	647
Total distributions to unitholders	**5,881**	5,099
Percentage of reinvested distributions	***11.6%***	*12.7%*
Per unit data[1]		
Distributable income	**9.4¢**	11.7¢
Distributions	**10.5¢**	10.5¢
Payout ratio[2]	***111.6%***	*89.7%*
Cash payout ratio[3]	***98.7%***	*78.3%*

(1) Including Class B LP units.
(2) The payout ratio corresponds to distributions per unit divided by distributable income per unit.
(3) The cash payout ratio corresponds to cash distributions divided by distributable income.

Distributable income for the first quarter decreased by $418, from $5,686 to $5,268, between 2018 and 2019. Distributable income per unit for the first quarter of 2019 was 9.4¢, down 19.7% from 11.7¢ in 2018.

Distributions to unitholders totalled 10.5¢ per issued unit for the first quarter of 2019 and each quarter of 2018.

The payout ratio for distributable income was 111.6% in the first quarter of 2019 compared to 89.7% in the first quarter of 2018.

The quarterly summary on page 18 provides the key elements that explain the decrease in distributable income and distributable income per share as well as the increase in distribution ratios, and the future opportunities to increase these indicators.

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

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Net cash flows from operating activities (IFRS)	**8,216**	8,767
± Net change in non-cash operating items	**2,317**	2,133
- Net interest expense	**(5,661)**	(5,214)
+ Transaction costs	**396**	—
Distributable income	**5,268**	5,686

The following table enables readers to assess the performance of distributed funds and reconcile them with net cash flows and net income.

Quarters ended March 31 and 12-month periods ended December 31 (in thousands of dollars)	**2019 (3 months)**	2018 (3 months)	2017 (3 months)	2018 (12 months)	2017 (12 months)
	$	$	$	$	$
Net cash flows from operating activities (IFRS)	**8,216**	8,767	5,417	44,724	38,449
- Interest paid	**(5,535)**	(5,134)	(4,380)	(22,791)	(18,678)
Net cash flows from operating activities	**2,681**	3,633	1,037	21,933	19,771
Net income	**1,381**	6,555	3,984	41,337	28,171
Total distributions	**5,881**	5,099	4,456	22,154	18,486
Surplus (deficit) of net cash flows from operating activities compared to total distributions	**(3,200)**	(1,466)	(3,419)	(221)	1,285
Surplus (deficit) of net income over total distributions	**(4,390)**	1,456	(472)	19,183	9,685

The Trust presented distributions in excess of net cash flows from operating activities (IFRS) of $3,200, net of interest paid during the quarter ended March 31, 2019, while in 2018 and 2017, the Trust also presented surplus distributions of $1,466 and $3,419.

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, 2018, the Trust presented a slight deficit of net cash flows from operating activities of $221 (2017: $1,285 surplus), despite the important surplus distributions during the first quarter.

Distribution reinvestment plan

In the first quarter of 2019, 11.6% of distributions (2018: 12.7%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. Approximately $0.7 million (2018: $0.6 million) of the Trust's cash has thereby been 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, 2019 and 2018:

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2019	2018
	$	$
Net income and comprehensive income (IFRS)	1,381	6,555
+ Fair value adjustment on investment properties	10	(1,192)
+ Fair value adjustment on Class B LP units	229	—
+ Amortization of a property recognized at cost	—	3
+ Amortization of lease incentives	757	738
± Fair value adjustment on derivative financial instruments	1,726	(528)
+ Leasing payroll expenses	124	160
+ Distributions -Class B LP units	56	—
FFO(1)	4,283	5,736
Non-recurring items		
Transaction costs on purchase and sale of investment properties	396	—
Recurring FFO(1)	4,679	5,736
FFO per unit(2)	7.7¢	11.8¢
Recurring FFO per unit(2)	8.4¢	11.8¢
FFO payout ratio(3)	*137.2%*	*88.9%*
Recurring FFO payout ratio (3)	*125.6%*	*88.9%*
FFO cash payout ratio(4)	*121.4%*	*84.5%*
Recurring FFO cash payout ratio	*111.1%*	*84.5%*

(1) Non-IFRS financial measures.
(2) Including Class B LP units.
(3) The FFO payout ratio corresponds to distributions per unit divided by FFO per unit.
(4) The FFO cash payout ratio corresponds to cash distributions divided by FFO.

For the first quarter of 2019, recurring FFO per unit were 8.4¢, compared to 11.8¢ in 2018, a 29% decrease. The recurring FFO payout ratio per unit stood at 125.6% for the first quarter of 2019 compared to 88.9% for the same quarter of 2018, an increase of 37%. The straight-line write-off of rent receivable in the amount of $319 is not considered in the reconciliation of FFO. This write-off reduced FFO and recurring FFO per unit by 0.6¢ and increased the payout ratios by approximately 9%.

The quarterly summary on page 18 provides the key elements that explain the decrease in FFO and recurring FFO as well as per share data and the increase in their distribution ratio, and the future opportunities to increase these indicators.

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

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Cash flows from operating activities (IFRS)	**8,216**	8,767
+ Straight-line rental income adjustment	**(212)**	171
+ Leasing payroll expenses	**124**	160
+ Gain on write-off of debt	**—**	133
± Net change in non-cash operating items	**2,317**	2,133
- Unit-based compensation expenses	**(215)**	(133)
- Net interest expense	**(5,661)**	(5,215)
- Accretion of the liability component of convertible debentures	**(13)**	(12)
- Accretion of effective interest	**(249)**	(246)
- Amortization of property and equipment	**(24)**	(22)
Recurring FFO[1]	**4,283**	5,736

(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, 2019 and 2018:

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2019	2018
	$	$
FFO	**4,283**	5,736
± Straight-line rental income adjustment	**212**	(171)
+ Accretion of effective interest	**249**	246
+ Accretion of the liability component of convertible debentures	**13**	12
+ Amortization of other property and equipment	**24**	23
+ Unit-based compensation expenses	**215**	133
- Provision for non-recoverable maintenance expenditures	**(424)**	(432)
- Provision for unrecovered rental fees	**(345)**	(325)
AFFO[1]	**4,227**	5,222
Non-recurring items		
Transaction costs on purchase and sale of investment properties	**396**	—
Recurring AFFO[1]	**4,623**	5,222
AFFO per unit[2]	**7.6¢**	10.8¢
Recurring AFFO per unit[2]	**8.3¢**	10.8¢
AFFO payout ratio[3]	***139.0%***	*97.6%*
Recurring AFFO payout ratio[3]	***127.1%***	*97.6%*
AFFO cash payout ratio[4]	***123.0%***	*85.3%*

(1) Non-IFRS financial measures.
(2) Including Class B LP units.
(3) The AFFO payout ratio corresponds to distributions per unit divided by AFFO per unit.
(4) The AFFO cash payout ratio corresponds to cash distributions divided by AFFO.

Recurring AFFO per unit amounted to 8.3¢ in the first quarter of 2019 compared to 10.8¢ in 2018, a 23% decrease. The recurring AFFO payout ratio stood at 127.1% at the end of the first quarter of 2019, compared to 97.6% at the end of the first quarter of 2018, a 29.5% increase.

The quarterly summary on page 18 provides the key elements that explain the decrease in AFFO and recurring AFFO as well as their per share data and increase in distribution ratio, and the future opportunities to increase these indicators.

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.

Quarters ended March 31 and 12-month periods ended December 31 (in thousands of dollars)	**March 31, 2019 (3 months)**	March 31, 2018 (3 months)	December 31, 2018 (12 months)	31 December 2017 (12 months)
	$	$	$	
Provision for non-recoverable maintenance expenditures	**424**	432	1,719	1,467
Non-recoverable maintenance expenditures	**161**	317	1,871	2,876

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.

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

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Net cash flows from operating activities (IFRS)	**8,216**	8,767
+ Leasing payroll expenses	**124**	160
+ Gain on write-off of debt	**—**	133
± Net change in non-cash operating items	**2,317**	2,133
- Net interest expense	**(5,661)**	(5,215)
- Provision for maintenance expenditures	**(424)**	(432)
- Provision for rental fees	**(345)**	(324)
Recurring AFFO[(1)]	**4,227**	5,222

(1) Non-IFRS financial measure.

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, 2019 and 2018.

Quarter ended March 31 (in thousands of dollars)	Retail		Office		Industrial		Mixed use		Total
	$	%	$	%	$	%	$	%	$
Quarter ended March 31, 2019									
Investment properties	**226,808**	***27.7***	**372,076**	***45.4***	**132,320**	***16.2***	**87,218**	***10.7***	**818,422**
Rental income from properties	**6,051**	***28.0***	**10,592**	***48.9***	**2,727**	***12.6***	**2,264**	***10.5***	**21,634**
Net operating income[1]	**3,429**	***31.0***	**5,027**	***45.5***	**1,525**	***13.8***	**1,070**	***9.7***	**11,051**
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

(1) Non-IFRS financial measure.

Financial Position

The following table presents a summary of the Trust's balance sheet as at March 31, 2019 and December 31, 2018. It should be read in conjunction with the Trust's consolidated financial statements and the notes thereto.

(in thousands of dollars)		**March 31, 2019**	March 31, 2018
	Reference (page)	**$**	$
Assets			
Investment properties	35	**818,422**	839,015
Balance of sale	37	**6,036**	—
Amounts receivable from tenants and other receivables	37	**4,440**	3,246
Other assets	37	**8,946**	4,138
Cash and cash equivalents	37	**4,833**	8,824
Total assets		**842,677**	855,223
Liabilities			
Mortgage loans payable	38	**453,169**	471,162
Convertible debentures	39	**48,856**	48,716
Lease liabilities		**4,474**	—
Bank loans	40	**15,000**	15,000
Class B LP units	41	**2,544**	2,315
Accounts payable and other liabilities	41	**23,747**	19,653
Total liabilities		**547,790**	556,846
Equity			
Unitholders' equity	41	**294,887**	298,377
Total liabilities and equity		**842,677**	855,223

The main changes in the balance sheet as at March 31, 2019 compared to the balance sheet as at December 31, 2018 reflect the sale of investment properties and the 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 two jointly-controlled investment properties.

The fair value of investment properties stood at $818 million as at March 31, 2019 compared to $745 million as at March 31, 2018 and $839 million as at December 31, 2018.

Dispositions

In January 2019, the Trust disposed of the property located at "15-41 Georges-Gagné Blvd South", in Delson, Québec, for proceeds totalling $22.5 million.

In March 2019, the Trust disposed of a retail condominium property located at "37 Georges-Gagné Blvd South", in Delson, Québec, for proceeds totalling $1.95 million.

Summary by operating segment

As at March 31	2019			2018		
	Number of properties	**Leasable area(sq. ft.)**	**%**	**Number of properties**	**Leasable area (sq. ft.)**	**%**
Office	**28**	**2,120,229**	***40.8***	28	2,042,485	*38.9*
Retail	**12**	**1,153,743**	***22.2***	18	1,300,093	*24.8*
Industrial	**18**	**1,482,282**	***28.5***	19	1,496,228	*28.5*
Mixed use	**6**	**437,152**	***8.5***	4	406,899	*7.8*
Subtotal	**64**	**5,193,406**	***100.0***	69	5,245,705	*100.0*
Properties under redevelopment	**1**	**75,340**		2	131,354	
Total	**65**	**5,268,746**		71	5,377,059	

Improvements in investment properties held

BTB invests in 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 quality of space available for rental. In some cases, capital expenditures may be recovered from rent.

Capital expenditures for the quarter ended March 31, 2019 totalled $318, compared to $386 for the same quarter of 2018, of which $157 was recoverable (2018: $69). 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 $618 for the first quarter of 2019 compared to $1,529 for the same quarter of 2018. The leasing fees and leasehold improvements apply to both new tenants and tenants whose leases are renewed in the Trust's 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, 2019 and 2018.

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Recoverable maintenance capital expenditures	**157**	69
Non-recoverable maintenance capital expenditures	**161**	317
Total maintenance capital expenditures	**318**	386
Leasing fees and leasehold improvements	**618**	1,529
Total	**936**	1,915

The following table shows changes in the fair value of investment properties during the quarters ended March 31, 2019 and 2018.

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2019	2018
	$	$
Balance, beginning of period	**839,015**	751,110
Additions:		
Initial recognition of right-of-use assets	**3,900**	—
Acquisitions	**—**	1,893
Dispositions	**(24,450)**	(9,215)
Capital expenditures	**318**	386
Leasing fees and capitalized lease incentives	**618**	1,529
Net change in fair value of investment properties	**(10)**	279
Other non-monetary changes	**(969)**	(567)
Balance, end of period	**818,422**	745,415

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from $3,246 as at December 31, 2018 to $4,440 as at March 31, 2019. These amounts are summarized below:

(in thousands of dollars)	March 31, 2019	December 31, 2018
	$	$
Rent receivable from tenants	3,660	2,556
Allowance for doubtful accounts	(577)	(567)
	3,083	1,989
Unbilled recoveries	746	430
Other receivables	611	827
Amounts receivable from tenants and other receivables	4,440	3,246

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, 2019	December 31, 2018
	$	$
Property and equipment	1,040	1,027
Accumulated depreciation	(722)	(698)
	318	329
Prepaid expenses	7,508	1,366
Derivative financial instruments	32	1,599
Deposits	1,088	844
Other assets	8,946	4,138

The decline in value of property and equipment is due to the sale of the building housing the Trust's previous head office.

Cash and cash equivalents

(in thousands of dollars)	March 31, 2019	December 31, 2018
	$	$
Free cash flow	4,833	8,824
	4,833	8,824

Capital Resources

Long-term debt

The following table shows the balances of BTB's indebtedness as at March 31, 2019, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

As at March 31, 2019 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2019	—	55,824	4.45
2020	49,700	45,758	5.74
2021	—	62,357	3.44
2022	—	33,488	3.51
2023		13,610	4.35
2024 and thereafter	—	244,031	3.97
Total	**49,700**	**455,068**	**4.27**

Weighted average contractual interest rate

As at March 31, 2019, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.27%, i.e. 3.97% for mortgages payable and 7.03% for convertible debentures.

Mortgage loans payable

As at March 31, 2019, the Trust's mortgage loans payable amounted to $455 million compared to $428 million as at March 31, 2018 and $473 million as at December 31, 2018, before deferred financing costs and valuation adjustments, a net increase of $27 million following the financing of acquisitions completed in 2018, 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, 2019:

Quarter ended March 31 (in thousands of dollars)	2019	2018
	$	$
Balance at beginning of the period	473,205	430,603
Mortgage loans contracted	—	15,320
Balance repaid at maturity or upon disposal	(15,076)	(15,186)
Monthly principal repayments	(3,061)	(3,178)
Balance as at March 31, 2019	455,068	427,559

Note: Before unamortized financing costs and valuation adjustments.

As at March 31, 2019, the weighted average interest rate was 3.97% compared to 3.80% for mortgage loans on the books as at March 31, 2018, an increase of 17 basis points. As at March 31, 2019, except for four loans with a cumulative balance of $39.0 million, all mortgages payable bear interest at fixed rates ($353 million) or are coupled with an interest rate swap ($63 million).

The weighted average term of existing mortgage financings was 5.2 years as at March 31, 2019. It was 6.3 years as at March 31, 2018, a decrease of 1.1 (13.2 months) in one year. The decrease is mainly due to the assumption of a significant loan with a three-year term on purchase and the financing of the property "1327-1333 Ste-Catherine Street West and 1411 Crescent Street" for a 2-year term.

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, 2019, all of the Trust's other properties were subject to mortgages as at March 31, 2019. Unamortized loan financing costs totalled $2,686 and are amortized under the effective interest method over the term of the loans.

The following table, as at March 31, 2019, shows future mortgage loan repayments for the next few years:

As at March 31, 2019 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	%
Maturity				
2019 (9 months)	8,813	55,302	64,115	14.1
2020	11,869	44,313	56,182	12.3
2021	11,129	57,384	68,513	15.1
2022	9,549	27,878	37,427	8.2
2023	8,316	12,466	20,782	4.6
2024 and thereafter	28,701	179,348	208,049	45.7
Total	**78,377**	**376,691**	**455,068**	**100.0**
+ Valuation adjustments on assumed loans			**787**	
- Unamortized financing costs			**(2,686)**	
Balance as at March 31, 2019			**453,169**	

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, 2019	**22,726**	**26,130**	**48,856**

(1) Redeemable by the Trust, under certain conditions, 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 facility bears interest at a rate of 0.75% above the bank prime rate. As at March 31, 2019, the operating credit facility had not 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 rate of 3.25% above the bank prime rate. As at March 31, 2019, $15.0 million of the acquisition credit facility had been used.

These credit facilities are secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on six properties.

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, 2019 and 2018.

(in thousands of dollars)	March 31, 2019	December 31, 2018	March 31, 2018
	$	$	$
Free cash flow	**(4,833)**	(8,824)	(1,349)
Mortgage loans payable[1]	**455,069**	473,205	427,559
Convertible debentures[1]	**49,700**	49,700	49,700
Acquisition credit facility	**15,000**	15,000	13,000
Total long-term debt less free cash flow	**514,936**	529,081	488,910
Gross book value of the Trust less free cash flow	**838,566**	847,097	761,973
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	***54.3%***	*55.8%*	*56.1%*
Debt-equity ratio – convertible debentures	***5.9%***	*5.9%*	*6.5%*
Debt-equity ratio – acquisition line of credit	***1.8%***	*1.8%*	*1.7%*
Total debt ratio	***61.4%***	*62.5%*	*64.2%*

(1) Gross amounts.

According to the table above, the mortgage debt ratio, excluding the convertible debentures and acquisition credit facility as at March 31, 2019, amounted to 54.3%, down 1.5% from December 31, 2018 and 1.8% from March 31, 2018. Including the convertible debentures and the acquisition credit facility, the overall debt ratio stood at 61.4%, down 1.1% from December 31, 2018 and 2.8% from March 31, 2018.

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, 2019, the interest coverage ratio stood at 1.95, down 26 basis points from the first quarter of 2018.

Quarters ended March 31 (in thousands of dollars, except for the ratios)	Quarter	
	2019	2018
	$	$
Net operating income	**11,051**	11,509
Interest expense, net of interest income[1]	**5,661**	5,215
Interest coverage ratio	***1.95***	*2.21*

(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.

Class B LP units

	Quarter	
Quarter ended March 31, 2019	Units	$
Class B LP units outstanding, beginning of period	532,265	2,315
Class B LP units issued	—	—
Fair value adjustment	—	229
Class B LP units outstanding, end of period	**532,265**	**2,544**

The Class B LP units are exchangeable at any time, at the option of the holder, for an equal number of units of BTB. They are entitled to distributions equal to distributions declared on the units. Distributions paid on Class B LP units are recorded in operating income when declared. Distributions declared are adjusted in calculating distributable income, FFO and AFFO.

The Class B LP units were issued on May 30, 2018 in payment for the acquisition of the net amount of the residual portion of "Complexe Lebourgneuf – Phase II" in Québec City. The holders of these units were entitled to a $56 distribution during the first quarter of 2019.

Accounts payable and other liabilities

(in thousands of dollars)	March 31, 2019	December 31, 2018
	$	$
Trade and other payables	21,045	17,048
Distributions payable to unitholders	1,944	1,936
Unit-based compensation	599	669
Derivative financial instruments	159	—
Accounts payable and other liabilities	**23,747**	19,653

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	March 31, 2019	December 31, 2018
	$	$
Trust units	275,185	274,231
Cumulative comprehensive income	135,206	133,825
Cumulative distributions	(115,504)	(109,679)
Unitholders' equity	**294,887**	298,377

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, 150,304 units were issued during the first quarter of 2019 (2018: 157,825 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)	Quarter	
	2019	2018
Units outstanding, beginning of quarter	**55,317,723**	48,423,118
Units issued		
Distribution reinvestment plan	**150,304**	157,825
Awards - employee unit purchase plan	**9,253**	9,691
Awards - restricted unit compensation plan	**52,830**	30,713
Units outstanding, end of quarter	**55,530,110**	48,621,347
Weighted average number of units outstanding	**55,441,935**	48,533,188
Weighted average number of Class B LP units and units outstanding	**55,974,200**	48,533,188

Unit options

The Trust may grant options to its trustees, senior officers, investor relations consultants and technical consultants. The maximum number of units that can be issued under the unit option plan may not exceed 10% of the total number of issued and outstanding units. The trustees set the exercise price at the time that options are granted under the plan; the exercise price shall not be less than the discounted market price of the units, as determined under the policies of the Toronto Stock Market at the grant date. The options have a minimum term of five years and vest over a maximum period of 18 months. 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. There were no unit options outstanding as at March 31, 2019.

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, 2019 and 2018.

Quarters ended March 31 (in number of units)	Quarter	
	2019	2018
Deferred units outstanding, beginning of period	**37,055**	12,330
Deferred units issued	**12,669**	16,364
Distributions paid in units	**932**	399
Deferred units outstanding, end of period	**50,657**	29,093

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, 2019 and 2018.

Quarters ended March 31 (in number of units)	Quarter	
	2019	2018
Restricted units outstanding, beginning of period	**138,919**	115,628
Restricted units issued	**15,213**	12,544
Restricted units cancelled	**—**	(4,668)
Restricted units settled	**(52,830)**	(30,713)
Restricted units outstanding, end of period	**101,302**	92,791

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, 2019, 9,253 units were issued (2018: 9,691).

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.

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, 2019, 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 2019 or any other subsequent year.

Taxation of Unitholders

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

Quarters ended March 31	**2019**	2018
	%	%
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

On January 1, 2019, the Trust implemented the following changes in accounting policies.

i) IFRS 16, *Leases*

The Trust has initially adopted IFRS 16, Leases, as at January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Trust, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Trust has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated.

ii) Amendments to IFRS 3, *Business combinations*

The Trust early adopted the amendments to IFRS 3, *Business combinations*, which clarified the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. These amendments also include an optional concentration of fair value test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments are applicable to transactions for which the acquisition date is on or after January 1, 2019.

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 2018 Annual Information Form for the year ended December 31, 2018, 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, 2019, 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, 2019, 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 2019, 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 income 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

Class B LP Units

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

Rental 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 $459 million as at March 31, 2019, compared to $428 million as at March 31, 2018.
- 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, 2018 and still owned as at March 31, 2019, but does not include the financial impacts from disposals, acquisitions and developments completed in 2018 and 2019, 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.

Management Discussion and Analysis
Quarter Ended March 31st, 2019

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