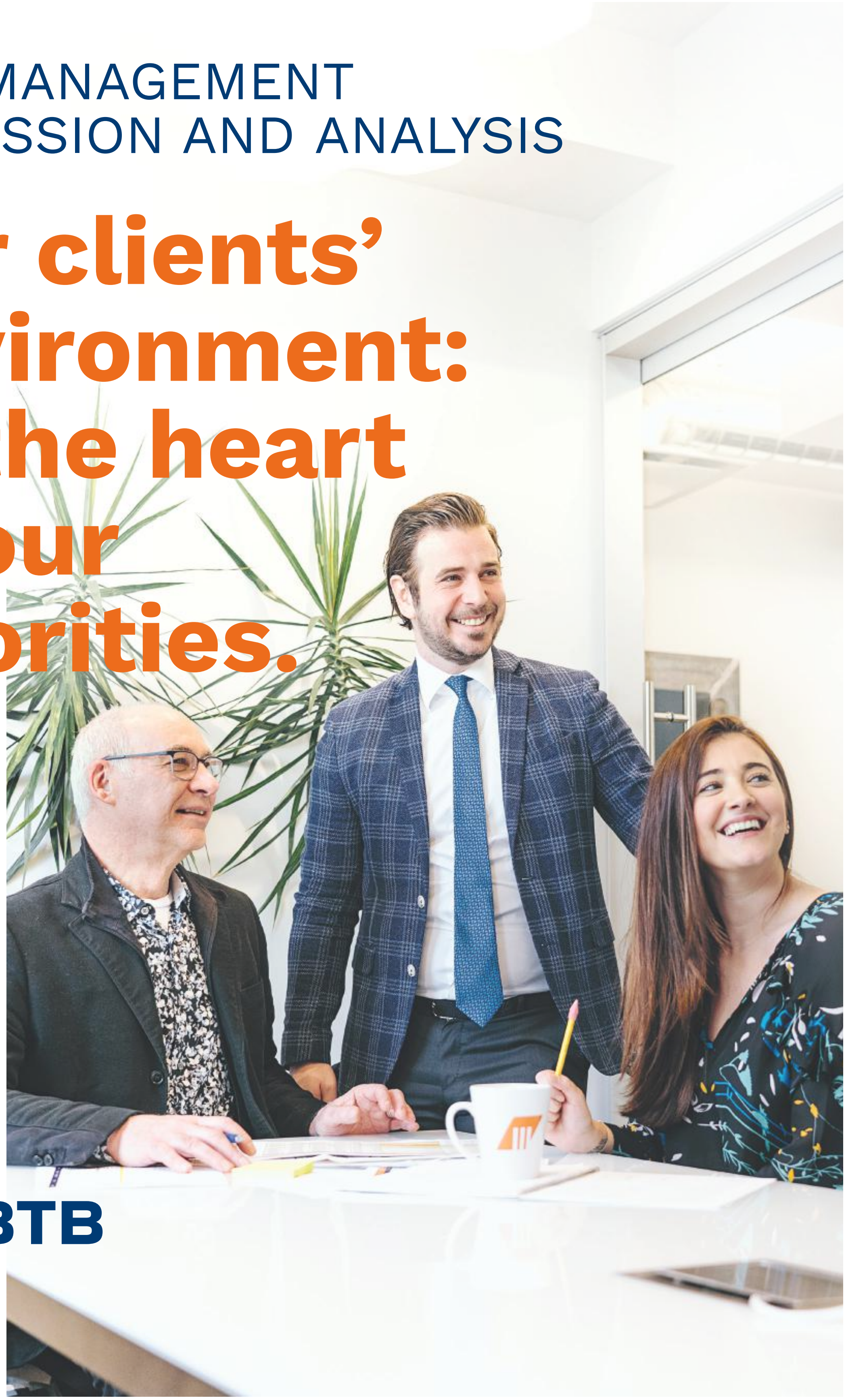
2019 MANAGEMENT DISCUSSION AND ANALYSIS

Our clients' environment: at the heart of our priorities.



BTB


BTB

Management Discussion and Analysis

Year ended December 31, 2019

TABLE OF CONTENTS

Introduction

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the year ended December 31, 2019 as well as its financial position on that date. The report also presents a summary of the Trust's business strategies and the business risks it faces. This MD&A dated March 12, 2020 should be read together with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2019 and 2018. It discusses 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 and years ended December 31, 2019 and 2018. Additional information about the Trust, including the 2019 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 annual financial audited statements and the Trust's Board of Trustees has 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, in other filings with Canadian regulators, in reports to unitholders and in other communications. These forward-looking statements may 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 forwardlooking 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, our ability to renew leases coming to 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.

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 as of December 31, 2019, it owns 66 retail, office and industrial properties located in primary and secondary markets of the Provinces of Québec and Ontario. Since its inception, BTB has become an important property owner in the province of Québec and in Eastern Ontario. The units and Series F and G convertible debentures are traded on the Toronto Stock Exchange under the symbols "BTB.UN", "BTB.DB. F" and "BTB.DB. G", respectively.

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. Through this, 64 of the Trust's 66 properties held as at December 31, 2019 are managed by the Trust's employees. The two remaining properties are managed by third party managers dealing at arm's length with the Trust. Management's objective is, when favourable circumstances will prevail, to directly manage the Trust's remaining properties to possibly achieve savings in management and operating fees through centralized and improved property management operations.

The following table provides a summary of the real estate portfolio.

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of $)
As at December 31, 2019[1]	**66**	**5,650,130**	**924,320**

(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.

Objectives and Business Strategies

BTB's primary objective is to maximize total return to unitholders. Returns include cash distributions and long-term appreciation of the value of its 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 acquisitions 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 properties and therefore its units.

Strategically, BTB seeks to acquire properties with high occupancy rates, good tenant quality, superior locations or low potential lease turnover and properties that are well maintained and require fewer capital expenditures.

BTB's management regularly performs strategic portfolio assessments to determine whether it is financially advisable to retain certain of its investments. BTB may dispose of certain assets if their size, location and/or profitability do not meet the Trust's investment criteria.

In such cases, BTB expects to use the proceeds from the sale of assets to reduce debt and/or redeploy capital in accretive acquisitions.

Highlights of the Fourth Quarter Ended December 31, 2019 vs. the Fourth Quarter Ended December 31, 2018

- Increase of net income and comprehensive income from $24,396 to $41,552;
- Increase of 5.8% of the same-property portfolio NOI (1);
- Increase in the average lease renewal rate of 4.3%;
- Increase of $34 million of the fair value of the portfolio (2018: $21 million);
- Improvement in all other important key performance indicators.

(1) Non IFRS financial measures.

Highlights of the Year Ended December 31, 2019 vs. the Year Ended December 31, 2018

- Increase of net income and comprehensive income from $41,337 to $51,881;
- Increase of 3.9% of the same property portfolio NOI [1];
- Occupancy rate increased to 93.2% from 91.0%;
- Increase of the retention rate from 54.2% to 75.6% and increase of the average renewal rate by 5.5%;
- Reduction of the total debt ratio to 59.1% and reduction of the mortgage debt ratio to 52.8%.

(1) Non IFRS financial measures

Sale of properties

- In January 2019, the Trust disposed of a retail property located at 15–41 South Georges-Gagné Blvd. in Delson, Québec, for total proceeds of $22.5 million.
- In March 2019, the Trust disposed of a retail condominium located at 37 South Georges-Gagné Blvd. in Delson, Québec, for total proceeds of $1.95 million.
- In May 2019, the Trust disposed of a mixed-use property located at 1400–1440 Antonio-Barbeau Street in Montréal, Québec for total proceeds of $7.1 million.
- In August 2019, the Trust disposed of an office property located at 3885 Harvey Boulevard in Saguenay, Québec, for total proceeds of $4.4 million.

Property acquisitions

- In May 2019, the Trust acquired a 65,000-square-foot industrial property located at 2425 Pitfield Blvd. in Saint-Laurent, Québec, for total proceeds of $11.8 million.
- In June 2019, the Trust purchased two retail properties, Méga Centre Saint-Bruno and Développements Mont-Saint-Hilaire, respectively located in Saint-Bruno, Québec and Saint-Hilaire, Québec, for a total consideration of $62.2 million.

Financing activities

- On June 14, 2019, the Trust issued 6,157,100 units, including the overallotment option, at a price of $4.67 per unit, for approximately $27 million of proceeds, net of issue costs.
- On October 7, 2019 the Trust issued the Series G convertible debentures for total proceeds of $24 million at an interest rate of 6.00%. The net proceeds were mainly used to redeem the Series E convertible debentures in the amount of $23 million, bearing interest at a rate of 6.90%, the redemption taking effect on November 1, 2019.

Subsequent events

- In January 2020, the Trust disposed of an industrial property located at 311 Ingersoll St. South in Ingersoll, Ontario, for total proceeds of $13.3 million.
- In February 2020, the Trust acquired a 77,500-square-foot office property located at 2611 Queensview Drive in Ottawa, Ontario, for total proceeds of $21.8 million.
- In February 2020, the Trust disposed of an industrial property located at 5600, Côte-de-Liesse in Mount Royal, Québec, for total proceeds of $9.2 million.

Summary of significant items as at December 31, 2019

- Properties: 66
- Leasable area: approximately 5.7 million square feet
- Total asset value: $939 million
- Market capitalization: $321.8 million

Selected Financial Information

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

Periods ended December 31 (in thousands of dollars, except for ratios and per unit data)		Quarter		Year	
		2019	2018	**2019**	2018
	Reference (page)	**$**	$	**$**	$
Financial information					
Rental income	39	**25,558**	22,082	**93,602**	87,423
Net operating income[1]	40	**14,174**	11,624	**50,897**	47,637
Net income and comprehensive income	43	**41,552**	24,396	**51,881**	41,337
Adjusted net income[1]	43	**6,445**	4,278	**20,518**	20,860
Net property income from the same-property portfolio[1]	43	**6,266**	5,702	**25,247**	23,665
Distributable income[1]	44	**7,466**	5,212	**25,063**	23,897
Distributions	45	**6,584**	5,859	**25,141**	22,154
Funds from operations (FFO)[1]	46	**7,421**	3,858	**23,313**	21,528
Adjusted funds from operations (AFFO)[1]	47	**6,795**	3,371	**21,409**	19,514
Cash flow from operating activities	48	**17,235**	15,695	**47,223**	44,724
Total assets	51			**939,130**	855,223
Investment properties	52			**924,320**	839,015
Mortgage loans	55			**493,152**	471,162
Convertible debentures	56			**49,096**	48,716
Mortgage debt ratio	57			**52.8%**	55.8%
Debt ratio – convertible debentures	57			**5.4%**	5.9%
Debt ratio – acquisition line of credit	57			**1.1%**	1.8%
Total debt ratio	57			**59.1%**	62.5%
Weighted average interest rate on mortgage debt	55			**3.92%**	3.99%
Unitholders' equity	58			**356,139**	298,377
Market capitalization				**321,843**	240,633
Financial information per unit					
Units outstanding (000)	59			**62,252**	55,318
Class B LP units outstanding (000)	58			**497**	532
Weighted average number of units outstanding (000)	59	**62,139**	55,240	**59,098**	52,121
Weighted average number of units and Class B LP units outstanding (000)	59	**62,661**	55,773	**59,628**	52,536
Net income and comprehensive income	43	**66.2¢**	43.7¢	**87.0¢**	78.8¢
Adjusted net income[1]	43	**10.3¢**	7.7¢	**34.4¢**	39.8¢
Distributable income[1]	44	**11.9¢**	9.3¢	**42.1¢**	45.6¢
Distributions	45	**10.5¢**	10.5¢	**42.0¢**	42.0¢
Payout ratio on distributable income[1]	45	**88.1%**	112.4%	**99.8%**	92.2%
FFO[1]	46	**11.8¢**	6.9¢	**39.1¢**	41.1¢
Payout ratio on FFO[1]	46	**88.7%**	151.8%	**107.4%**	102.3%
AFFO[1]	47	**10.8¢**	6.0¢	**35.9¢**	37.2¢
Payout ratio on AFFO[1]	47	**96.8%**	173.9%	**117.0%**	112.9%
Unitholders' equity	58			**5.72**	5.34
Market price				**5.17**	4.35
Tax on distributions					
Revenue	61			**0.0%**	0.0%
Tax deferral	62			**100%**	100%
Operational information					
Number of properties	34			**66**	67
Leasable area (thousands of sq. ft.)	34			**5,650**	5,432
Occupancy rate	36			**93.2%**	91.0%
Retention rate	36			**75.6%**	54.2%
Increase in average lease renewal rate	35	**4.3%**	3.3%	**5.5%**	2.7%

(1) Non-IFRS financial measures.

Summary of the Fourth Quarter 2019

Occupancy rate

In the fourth quarter of 2019, the committed occupancy rate increased by 2.2%, from 91.0% as at December 31, 2018, to 93.2% as at December 31, 2019. This ratio includes firm lease agreements committed as of the end of the quarter and these firm lease agreements may not yet generate revenues. More than 88,000 square feet were leased for occupancy scheduled over the next few months and will progressively generate additional income. Lastly, since the beginning of the year, more than 75% of leases expiring in 2019 were renewed.

Debt ratio

The total debt and mortgage debt ratios declined respectively from 62.5% to 59.1% and from 55.8% to 52.8% since December 31, 2018. These decreases are mostly explained by the increase in the fair value of our real estate portfolio.

Payout ratio and per unit ratio

As expected, the distributable income and FFO payout ratios were below 100%. After three consecutive quarters and at the end of the fiscal year 2018 and the beginning of 2019, with ratios higher than 100%, the cause of the higher payout ratio has now mostly been resolved.

The decline in per unit and payout ratios over the last three fiscal years are due to higher vacancy rates which have corrected a reduction in our total debt ratio.

Same-property portfolio

Mostly due to an increase in the occupancy rate from 91.0% on December 31, 2018 to 93.2% as at December 31, 2019, the same-property portfolio rose significantly resulting in an increase of 5.8% of the NOI in the fourth quarter of 2019 and 3.9% for the cumulative 12-month period.

Selected Annual Information

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

Years ended December 31 (in thousands of dollars, except for per unit data)	2019	2018	2017
	$	$	$
Rental income	**93,602**	87,423	76,039
Net operating income[(1)(5)]	**50,897**	47,637	40,394
Fair value adjustment on investment properties	**34,113**	22,142	10,855
Net income and comprehensive income	**51,881**	41,337	28,171
Net cash from operating activities	**47,223**	44,724	38,449
Distributable income[(5)]	**25,063**	23,897	19,721
FFO[(2)(5)]	**23,313**	21,528	19,179
AFFO[(3)(5)]	**21,409**	19,514	17,516
Distributions	**25,141**	22,154	18,486
Total assets	**939,130**	855,223	762,390
Long-term debt	**542,248**	519,878	476,565
Financial information per unit			
Net income and comprehensive income	**87.8¢**	78.7¢	64.5¢
Distributable income[(5)]	**42.1¢**	45.6¢	45.2¢
FFO[(2)(5)]	**39.1¢**	41.1¢	45.1¢
AFFO[(3)(5)]	**35.9¢**	37.2¢	40.2¢
Distributions	**42.0¢**	42.0¢	42.0¢
Payout ratio on distributable income[(4)(5)]	***99.8%***	***92.2%***	***93.7%***

(1) Defined as rental income from investment properties less operating expenses.
(2) See "Funds from operations" on page 46 for reconciliation to net income.
(3) See "Funds from operations" on page 47 for reconciliation to FFO and net income.
(4) Represents total distributions divided by distributable income.
(5) Non-IFRS financial measures. See appropriate sections for definition and reconciliation to the closest IFRS measure.

Selected Quarterly Information

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

(in thousands of dollars except for per unit data)	**2019 Q-4**	2019 Q-3	2019 Q-2	2019 Q-1	2018 Q-4	2018 Q-3	2018 Q-2	2018 Q-1
	$	$	$	$	$	$	$	$
Rental income	**25,558**	23,973	22,347	21,634	22,082	23,098	20,803	20,803
Net operating income(1)	**14,174**	13,476	12,196	11,051	11,624	13,330	11,225	11,225
Net income and comprehensive income	**41,552**	5,632	3,316	1,381	24,396	5,793	4,593	4,593
Net income and comprehensive income per unit	**66.2¢**	9.0¢	5.8¢	2.5¢	43.7¢	10.4¢	9.3¢	9.3¢
Adjusted net income	**6,445**	5,813	4,518	3,742	4,278	6,177	4,378	6,027
Adjusted net income per unit	**10.3¢**	9.3¢	7.9¢	6.7¢	7.7¢	11.1¢	8.8¢	8.8¢
Cash from operating activities	**17,235**	9,875	11,897	8,216	15,695	12,540	7,804	7,804
Distributable income(1)	**7,466**	6,780	5,550	5,268	5,212	7,478	5,521	5,521
Distributable income per unit(1)	**11.9¢**	10.9¢	9.7¢	9.4¢	9.3¢	13.4¢	11.1¢	11.1¢
Funds from operations (FFO)(1)	**7,421**	6,684	4,925	4,283	3,858	6,996	5,217	5,217
FFO per unit(1)	**11.8¢**	10.7¢	8.6¢	7.7¢	6.9¢	12.6¢	10.5¢	11.2¢
Adjusted funds from operations (AFFO)(1)	**6,795**	6,024	4,363	4,227	3,371	6,326	4,874	4,874
AFFO per unit(1)	**10.8¢**	9.6¢	7.6¢	7.6¢	6.0¢	11.4¢	9.8¢	9.8¢
Distributions(2)	**6,584**	6,563	6,113	5,881	5,859	5,843	5,353	5,353
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.

Performance Indicators

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

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

Real Estate Portfolio

BTB owns 66 quality properties which have a fair market value of $924 million, generating approximately $90 million in annual income and representing a total leasable area of approximately 5.7 million square feet. A description of the properties owned as at December 31, 2019 can be found in the Trust's Annual Information Form available at www.sedar.com.

Summary of investment properties as at December 31, 2019

Operating segment	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)
Office	28	2,118,025	*89.3*
Retail	12	1,409,564	*96.0*
Industrial	18	1,482,282	*96.4*
Mixed-use	7	564,919	*92.4*
Subtotal	65	5,574,790	***93.2***
Properties under redevelopment	1	75,340	
Total	**66**	**5,650,130**	

Sale of investment properties

Pursuant to the conclusions of the last strategic review of its portfolio, the Trust has elected to sell certain properties when circumstances are favorable. The proceeds of disposition from the sale of these assets are used to either repay related mortgages and any remaining proceeds may be used to repay lines of credit and/or to acquire accretive properties in line with its investment criteria.

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

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

In May 2019, the Trust disposed of a mixed-use property located at 1400-1440 Antonio-Barbeau Street in Montréal, Québec, for total proceeds of $7.1 million.

In August 2019, the Trust disposed of an office property located at 3885 Harvey Boulevard in Saguenay, Québec, for total proceeds of $4.4 million.

Property acquisitions

In May 2019, the Trust acquired a 65,000-square-foot industrial property located at 2425 Pitfield Blvd. in Saint-Laurent, Québec, for total proceeds of $11.8 million.

In June 2019, the Trust purchased two retail properties, Méga Centre Saint-Bruno and Développements Mont-Saint-Hilaire, respectively located in Saint-Bruno, Québec and Saint-Hilaire, Québec, for a total consideration of $62.2 million.

Real Estate Operations

Leasing activities

The following table summarizes the changes in available leasable area for the quarters and years ended December 31, 2019 and 2018.

Periods ended December 31 (in square feet)	Quarter		Year	
	2019	2018	**2019**	2018
Available leasable area at beginning of the period	**355,067**	548,184	**479,420**	453,360
Available leasable area purchased (sold)	**—**	5,028	**(37,204)**	25,360
Area under redevelopment	**—**	132,665	**—**	—
Leasable area of expired leases at term or before end of term	**401,640**	218,015	**915,652**	1,006,966
Leasable area of renewed leases	**(322,441)**	(132,193)	**(691,934)**	(454,878)
Leasable area of new leases signed	**(54,368)**	(295,001)	**(284,160)**	(546,206)
Other	**(2)**	2,722	**(1,878)**	(5,182)
Available leasable area at end of the period	**379,896**	479,420	**379,896**	479,420

Fourth quarter of 2019

At the beginning of the quarter, approximately 355,000 square feet were vacant.

Approximately 402,000 square feet have expired at the end of the term of leases or prior, including 35,000 square feet following the bankruptcy of the Ashley Furniture store in our F.X. Sabourin property on the South Shore of Montréal. More than 322,000 square feet have been renewed with our existing tenants.

Lastly, the Trust leased more than 54,000 square feet to new tenants, leaving approximately 380,000 square feet of leasable area available at the end of the quarter, resulting in a 0.4% increase in the vacancy rate for the quarter and an occupancy rate of 93.2% at the end of the quarter.

Fiscal year 2019

As at January 1, 2019, more than 479,000 square feet of leasable area, or 9.0% of total leasable area, was available for rent. More than 37,000 square feet have been removed from the vacant leasable area subsequent to the net effect of purchase and sale of investment properties during the year.

More than 915,000 square feet (2018: 1,007,000) of leasable area became available as a result of lease expirations.

This availability allowed the Trust to negotiate new leases, for a total of approximately 284,000 square feet (2018: 546,000).

Approximately 692,000 square feet (2018: 455,000) were renewed with our existing tenants during the year.

As a result of these transactions, 380,000 square feet remained vacant, which results in a 6.8% vacancy rate, a decrease of 2.2% for the year.

The average renewal rate

The following table shows a breakdown of the average rate of increase by operating segment:

	Quarter		Year	
Operating segment	**Square feet**	**(%)**	**Square feet**	**(%)**
Office	80,000	2.6	362,000	5.5
Retail	132,000	1.4	196,000	1.4
Industrial	83,000	21.6	88,000	21.7
Mixed-use	27,000	0.6	46,000	0.8
Total	**322,000**	**4.3**	**692,000**	**5.5**

The average rental rate of expired and renewed leases during the fourth quarter increased by 4.3% (3.3% increase in 2018). The industrial segment increased by 21.6% and the office segment increased by 2.7%. For the year, the average rate increased by 5.5% (2.7% increase in 2018).

Retention rate

Approximately 692,000 square feet of leases expiring in 2019 were renewed for a retention rate of 75.6% (2018: 54.2%).

Occupancy rates

The following tables detail the Trust's committed occupancy rates by operating segment and geographic sector, including firm lease agreements signed as at the date of this report.

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	%	%	%	%	%
Operating segment					
Office	**89.3**	88.4	88.0	85.5	85.4
Retail	**96.0**	98.0	98.2	97.9	96.6
Industrial	**96.4**	97.1	95.6	95.6	93.6
Mixed-use	**92.4**	93.1	93.2	92.1	93.1
Total portfolio	**93.2**	93.6	93.1	91.7	91.0

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	%	%	%	%	%
Geographic sector					
Laval and North Shore	**99.6**	98.4	98.1	96.1	95.9
Island of Montréal	**90.3**	89.3	90.5	90.1	90.1
Montréal South Shore	**93.0**	94.7	95.0	93.5	92.5
Québec City and surrounding area	**90.1**	90.3	90.9	89.5	89.9
Ottawa and surrounding area	**94.9**	96.8	91.1	90.2	86.9
Central Ontario	**100.0**	100.0	100.0	100.0	100.0
	93.2	93.6	93.1	91.7	91.0

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	%	%	%	%	%
By province					
Québec	**92.6**	92.8	93.3	91.8	91.7
Ontario	**95.5**	97.2	92.2	91.4	88.5
Total portfolio	**93.2**	93.6	93.1	91.7	91.0

The overall occupancy rate decreased by 0.4% since September 30, 2019 and increased by 2.2% since December 31, 2018. It stood at 93.2% at the end of the fourth quarter of 2019. The decrease in the occupancy rate since September 2019 is mainly due to the bankruptcy of the Ashley Furniture store in our F.X. Sabourin property which added 35,000 square feet of additional space available for lease.

The following table shows the in-place occupancy rate compared to the committed occupancy rate by operating segment as at December 31, 2019.

	Occupancy rate (%)		Square feet
	In-place	**Committed**	**Committed**
Operating segment			
Office	85.8	89.3	75,500
Retail	95.7	96.0	1,500
Industrial	95.8	96.4	8,200
Mixed-use	91.9	92.4	2,900
	91.6	**93.2**	**88,100**

The in-place occupancy rate as at December 31, 2019, without taking into account firm committed lease agreements for tenants that are not occupying their spaces, was 91.6% (2018: 86.4%), a 5.2% increase, representing more than 280,000 square feet that were leased in the last year and have generated rental income. Vacant spaces totalling approximately 88,100 square feet as at December 31, 2019 are subject to firm lease agreements and will generate additional income in the next few quarters.

The following are examples of firm lease agreements that will soon take effect.

Properties	Square feet	Tenants	Expected occupancy date
1-9 and 10 Brewer Hunt Way, Ottawa, Ontario	32,000	Satcom	March 2020
3131 Saint-Martin Blvd West, Laval, Québec	20,000	City of Laval	May 2020
208-244 Migneron Street, St-Laurent, Québec	8,200	Eventure Group	April 2020
315-325 MacDonald Street, St-Jean-sur-Richelieu, Québec	7,400	Government of Québec	April 2020

Lease maturities

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

	2020	**2021**	**2022**	**2023**	**2024**
Office					
Leasable area (sq. ft.)	**202,962**	232,497	250,717	252,019	195,842
Average lease rate/square foot ($)	**$14.16**	$12.88	$14.11	$14.26	$12.90
% of office portfolio	***8.6%***	*11.0%*	*11.8%*	*11.9%*	*9.3%*
Retail					
Leasable area (sq. ft.)	**108,401**	96,139	290,319	147,815	82,484
Average lease rate/square foot ($)	**$11.01**	$15.17	$11.24	$10.40	$15.71
% of retail portfolio	***6.4%***	*6.8%*	*20.6%*	*10.5%*	*5.9%*
Industrial					
Leasable area (sq. ft.)	**260,434**	342,664	251,122	45,483	88,393
Average lease rate/square foot ($)	**$5.30**	$7.40	$5.63	$5.83	$9.00
% of industrial portfolio	***16.0%***	*23.1%*	*17.0%*	*3.1%*	*6.0%*
Mixed-use					
Leasable area (sq. ft.)	**127,930**	124,466	98,148	50,116	12,966
Average lease rate/square foot ($)	**$13.42**	$11.86	$15.58	$12.99	$13.79
% of mixed-use portfolio	***17.7%***	*22.0%*	*17.4%*	*8.9%*	*2.3%*
Total portfolio					
Leasable area (sq. ft.)	**699,727**	795,766	890,305	495,432	379,685
Average lease rate/square foot ($)	**$10.13**	$10.64	$10.95	$12.21	$12.63
% of total portfolio	***12.6%***	*14.3%*	*16.0%*	*8.9%*	*6.8%*

Top 10 tenants

On December 31, 2019, BTB managed more than 620 leases, with an average leasable area of approximately 8,500 square feet. The three largest tenants of the Trust are Public Works Canada, West Safety Services Canada and Walmart Canada Inc., representing respectively 4.8%, 2.0% and 1.8% of revenues, generated by multiple leases whose maturities are spread over time. More than 27% of the Trust's total revenues are generated by leases signed with government agencies (federal, provincial and municipal) and public companies, thus generating stable and high-quality cash flows for the Trust's operating activities.

The following table shows the contribution of the Trust's top 10 tenants as a percentage of revenues as at December 31, 2019. This contribution accounts for 18.1% of annual rental income and 20.0% of leased area.

Client	% of revenue	% of leased area	Leased area (square feet)
Public Works Canada	4.8	3.7	207,202
West Safety Canada Inc.	2.0	1.1	61,845
Walmart Canada inc.	1.8	4.7	264,550
Atis Portes et Fenêtres Corp.	1.7	3.9	219,941
Strongco	1.5	1.5	81,442
Propriétés Shoppers Inc.	1.4	0.9	47,551
Sail Plein Air	1.3	0.8	45,496
Provigo Distribution Inc. (Loblaws)	1.3	0.6	34,446
CISSS Montérégie-Centre (Government of Québec)	1.2	1.3	70,242
Société québécoise des infrastructures (SQIGovernment of Québec)	1.1	1.5	82,196
	18.1	**20.0**	1,114,912

Operating results

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

Periods ended December 31 (in thousands of dollars)		Quarter		Year	
		2019	2018	**2019**	2018
	Reference (page)	**$**	$	**$**	$
Rental income	39	**25,558**	22,082	**93,602**	87,423
Operating expenses	39	**11,384**	10,458	**42,705**	39,786
Net operating income[1]	40	**14,174**	11,624	**50,897**	47,637
Net financial expenses	40	**5,564**	7,447	**26,634**	22,791
Administration expenses	41	**1,198**	1,222	**5,515**	4,906
Transaction costs and prepayment penalties		**—**	1,205	**980**	2,070
Gain on disposal of property and equipment		**—**	(7)	**—**	(1,192)
Gain on write-off of debt		**—**	—	**—**	(133)
Fair value adjustment on investment properties	41	**(34,140)**	(22,639)	**(34,113)**	(22,142)
Net income and comprehensive income	42	**41,552**	24,396	**51,881**	41,337

(1) Non-IFRS financial measure.

Rental income

BTB's rental income increased by $3.5 million in its fourth quarter compared to the same quarter last year.

During the year, the Trust acquired three properties. These acquisitions contributed to an increase in rental income of approximately $2.6 million for the quarter, while the Trust estimates the rental income associated with the disposal of properties during the same period at $1.3 million in the quarter.

During the quarter, the Trust agreed to cancel the lease agreement with Jensen Company in consideration of a cancellation payment of $1,062. In accordance with IFRS standards, this amount was fully recognized as rental income during the fourth quarter of 2019. This amount improved net profit and comprehensive income, distributable profit, the FFO and AFFO for the fourth quarter and for the fiscal year by approximately 1.7 ¢ per unit.

The Jensen space was immediately released on similar terms under a 10-year lease to an accounting firm. Accordingly, the Trust did not suffer any impact caused by the departure of the Jensen Company. However, the new tenant does benefit from a 6-month period of free rent. This free rent period is recognized as an ajustement to rental income over the life of the lease in accordance with the straight-line method.

In the fourth quarter of 2019, straight line adjustments to rent payable of $469 (2018: $93) were recorded.

BTB also recorded amortization of lease incentives granted to tenants of $756 (2018: $608) as a reduction of rental income.

For the fiscal year 2019, the Trust reported an increase of $6.2 million or 7.1% of its rental income. Acquisitions completed during the past four quarters contributed to an increase of approximately $5.2 million, while the Trust estimates the rental income associated with the disposed properties completed during the year at approximately $3.3 million.

For the fiscal year 2019, rent payable adjustments of $703 (2018: $525) were recorded on a straight-line basis and an amortization of $3,003 (2018: $3,223) of lease incentives granted to tenants was recorded as a reduction in rental income.

Operating expenses

BTB recorded an increase in operating expenses of $926, or 8.9%, between the fourth quarter of 2019 and the fourth quarter of 2018. The increase resulted mainly from the net effect of acquisitions vs. dispositions completed in 2019, which added 220,000 square feet of new rental space.

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	$	$
Operating expenses				
Maintenance, repairs and other operating costs	**3,874**	3,586	**14,330**	13,140
Property taxes, public utilities and insurance	**7,510**	6,872	**28,375**	26,646
Total operating expenses	**11,384**	10,458	**42,705**	39,786
% of rental income	***44.5***	*47.4*	***45.6***	*45.5*

For the fourth quarter, our recent acquisitions contributed to an increase of $1.7 million in operating expenses, while recent dispositions reduced operating expenses by $0.7 million, hence a net increase of $1 million.

As a percentage of rental income, operating expenses for the fourth quarter of 2019 decreased by 2.9% to 44.5% and increased by 0.1% to 45.6% for the entire fiscal year 2019.

Net operating income

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	$	$
Net operating income[1]	**14,174**	11,624	**50,897**	47,637
% of rental income	***55.5***	*52.6*	***54.4***	*54.5*

(1) Non-IFRS financial measure.

Total net operating income (NOI) increased by $2,550 or 21.9% between the fourth quarter of 2018 and the same quarter of 2019.

For the fiscal year 2019, the Trust reported an increase of $3.3 million or 6.8% of its NOI.

For the entire fiscal year 2019, the NOI includes the reception of a payment of $1,062 as a penalty in a lease cancellation in the fourth quarter while the fiscal year 2018 was enhanced by receiving a penalty of $1,477 in the third quarter.

Financial expenses

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Interest on mortgage loans	**4,928**	4,650	**18,941**	17,512
Interest on convertible debentures	**955**	874	**3,577**	3,496
Interest on bank loans	**164**	267	**915**	929
Other interest expenses	**137**	26	**444**	116
Interest income	**(120)**	(14)	**(475)**	(76)
Net interest expenses	**6,064**	5,803	**23,402**	21,977
Distributions on Class B LP units	**56**	56	**224**	131
Financial expenses before non-monetary items	**6,120**	5,859	**23,626**	22,108
Accretion of effective interest on mortgage loans, convertible debentures and bank loans	**384**	259	**1,172**	1,039
Accretion of non-derivative liability component of convertible debentures	**27**	13	**66**	49
Net financial expenses before the following items:	**6,531**	6,131	**24,864**	23,196
Net fair value adjustment on derivative financial instruments	**(1,184)**	1,561	**1,340**	(229)
Fair value adjustment on Class B LP units	**217**	(245)	**430**	(176)
Net financial expenses	**5,564**	7,447	**26,634**	22,791

Net interest expenses increased by $261 during the fourth quarter of 2019 compared to the same period of 2018 and by $1,425 for the year, due to the net effect of financing of acquisitions and concluding dispositions in recent quarters, as well as higher interest rates on mortgage refinancing completed during recent quarters. In addition to net interest expenses, distributions on Class B LP units amounted to $56 for the quarter and $224 for the year. Under IFRS, the Class B LP units are considered a financial instrument classified as a liability and therefore the related distributions must be recognized as an expense.

Financial income mainly consists of interest income generated from a balance of sale held by the Trust for the principal amount of $6 million pursuant to the sale in 2019 of a property located in Delson, Québec.

Net financial expenses include the net interest expenses plus distributions on Class B LP units, amounting to $6,120 for the quarter (2018: $5,859) and $23,626 for the year (2018: $22,108)non-monetary items. Non monetary items include the accretion of effective interest on mortgage loans and convertible debentures and fair value adjustments on financial instruments. BTB recognized an increase in the value of derivative financial instruments of $967 (2018: $1,316 decrease) for the quarter and a decrease of $1,770 (2018: $405 an increase) for the year.

The decrease in the value of financial instruments, which generated an equivalent expense recorded as an increase in non-monetary items, is due to lower interest rates in Canadian financial markets during the reporting period. Conversely, an increase in the value of financial instruments, which generated an equivalent income recorded as a decrease in non-monetary expenses, is due to higher interest rates in Canadian markets during the reporting period.

The fair value of Class B LP units is equal to the fair value of the Trust's units traded on Canadian stock markets. An increase in the value of Class B LP units generates an equivalent expense recorded as an increase of non-monetary financial expenses during the reporting period. Conversely, a decrease in the value of Class B LP units generates the equivalent in income recorded as a decrease in non-monetary financial expenses during the reporting period.

On December 31, 2019, the average weighted contractual rate of interest on mortgage loans outstanding was 3.92%, 7 basis points lower than the rate in effect as at December 31, 2018. Interest rates on first-ranking mortgage loans ranged from 2.77% to 6.80% as at December 31, 2019. The weighted average term of mortgage loans in place as at December 31, 2019 was 5.1 years (5.6 years as at December 31, 2018).

Administration expenses

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	$	$
Administration expenses	**1,034**	1,021	**4,346**	4,115
Doubtful accounts (recovery)	**(78)**	129	**493**	431
Amortization	**—**	—	**—**	5
Unit-based compensation	**242**	72	**676**	355
Trust administration expenses	**1,198**	1,222	**5,515**	4,906

Fair value adjustment of 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 Trust annually uses chartered appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the 10 largest properties and approximately a third of the remaining properties are independently appraised by independent appraisers. In addition, as part of financing or refinancing and at the request of lenders, other properties were independently appraised during the last months of the year.

For its properties that were not subject to independent appraisals, management receives quarterly capitalization rate and discount rate data from external chartered appraisers 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 appraisers. 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.

As at December 31, 2019, 62.9% (2018: 65.4%) of the fair value of the real estate portfolio was externally independently appraised and 37.1% (2018: 34.6%) was internally appraised by the Trust's personnel. Following these appraisals, the Trust recorded an increase in value of $34.1 million (2018: $22.1 million) on its real estate portfolio.

The change in fair value is broken down by segment as follows:

	$	%
Office	22,741	*66.6*
Retail	3,061	*9.0*
Industrial	11,883	*34.8*
Mixed-use	(3,545)	*(10.4)*
Total change in fair value	**34,140**	*100%*

Office and industrial properties account for almost 100% of the portfolio's increase in value, mainly due to lower capitalization rates in these segments.

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

	Retail	**Office**	**Industrial**	**Mixed-use**
As at December 31, 2019				
Capitalization rate	6.00% – 7.75%	5.75% – 7.50%	5.75% – 8.50%	5.00% – 8.25%
Terminal capitalization rate	6.25% – 7.25%	6.25% – 7.50%	6.00% – 7.25%	5.25% – 7.25%
Discount rate	7.25% – 7.75%	6.75% – 8.00%	6.50% – 8.00%	6.25% – 8.00%
As at December 31, 2018				
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%

The weighted average of the capitalization rate for the entire portfolio as at December 31, 2019 was 6.6% (December 31, 2018: 6.8%), 20 basis point lower than December 31, 2018.

As at December 31, 2019, BTB has estimated that a variation of 0.25% in the capitalization rate applied to the overall portfolio would increase/decrease the fair value of the investment properties by approximately $35 million.

Net income and comprehensive income

BTB generated net income of $41.6 million for the fourth quarter of 2019, compared to $24.4 million for the fourth quarter of 2018, an increase of $17.2 million. For the year, the net income stood at $51.9 million, an increase of $10.5 million from the same period in 2018.

Periods ended December 31 (in thousands of dollars, except for per unit data)	**Quarter**		**Year**	
	2019	2018	**2019**	2018
	$	$	$	$
Net income	**41,552**	24,396	**51,881**	41,337
Per unit	**66.2¢**	43.7¢	**87.0¢**	78.7¢

Adjusted net income

Net income and comprehensive income fluctuate from one quarter to the next based on non-recurring items and certain volatile non-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's units, the forward interest rate curve and the discount and capitalization rates of the real estate portfolio.

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

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net income and comprehensive income	**41,552**	24,396	**51,881**	41,337
Non-recurring items:				
+ Transaction costs	**—**	1,205	**980**	2,070
Volatile non-monetary items				
± Fair value adjustment on derivative financial instruments	**(1,184)**	1,561	**1,340**	(229)
- Fair value adjustment on investment properties	**(34,140)**	(22,639)	**(34,113)**	(22,142)
± Fair value adjustment on Class B LP units	**217**	(245)	**430**	(176)
Adjusted net income(1)	**6,445**	4,278	**20,518**	20,860
Per unit	**10.3¢**	7.7¢	**34.4¢**	39.8¢

(1) Non-IFRS financial measure.

This table shows an increase of 50.6% in adjusted net income for the quarter and a decrease of 0.2% for the year, before the items mentioned above. Quarterly adjusted net income per unit increased by 33.8% (13.6% decrease for the year).

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB on January 1, 2019 and that are still owned by BTB on December 31, 2019, but it does not include acquisitions and developments completed during 2018 and 2019, nor the results of properties sold during the same periods.

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

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2019	2018	Δ	**2019**	2018	Δ
	$	$	%	**$**	$	%
Rental income	**18,593**	17,802	4.4	**73,950**	71,516	3.4
Operating expenses	**8,668**	8,417	3.0	**34,052**	33,115	2.8
Net operating income(1)	**9,925**	9,385	5.8	**39,898**	38,401	3.9
Interest expense on mortgage loans payable	**3,659**	3,683	(0.7)	**14,651**	14,736	(0.6)
Net property income(1)	**6,266**	5,702		**25,247**	23,665	
Increase in net property income from the same-property portfolio	***9.9%***			***6.7%***		

(1) Non-IFRS financial measure.

Rental income, NOI and net property income of the same-property portfolio increased by 4.4%, 5.8% and 9.9% respectively, for the fourth quarter of 2019 compared to the same period of 2018.

The good results of the same-property portfolio in the third and fourth quarters of 2019 cancelled the negative first-quarter results, increasing rental income, NOI and net property income by 3.4%, 3.9% and 6.7%, respectively.

Distributable Income and Distributions

The following table shows the calculation of distributable income.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net income (loss) and comprehensive income (IFRS)	**41,552**	24,396	**51,881**	41,337
- Fair value adjustment on properties	**(34,140)**	(22,639)	**(34,113)**	(22,142)
+ Amortization of property and equipment	**25**	26	**107**	90
- Gain on disposition of the Trust owned and occupied land and building	**—**	(7)	**—**	(1,192)
+ Unit-based compensation expense	**242**	72	**676**	335
- Gain on disposal of property and equipment	**—**	—	**—**	(1,185)
+ Accretion of the non-derivative liability component of convertible debentures	**27**	13	**66**	49
± Fair value adjustment on derivative financial instruments	**(1,184)**	1,561	**1,340**	(229)
± Fair value adjustment on Class B LP units	**217**	(245)	**430**	(176)
+ Amortization of lease incentives	**756**	608	**3,003**	3,223
- Straight-line rental income adjustment	**(469)**	(93)	**(703)**	(525)
+ Accretion of effective interest	**384**	259	**1,172**	1,039
+ Transaction costs on acquisitions and dispositions of properties	**—**	1,205	**980**	2,070
+ Distributions -Class B LP units	**56**	56	**224**	131
Distributable income[1]	**7,466**	5,212	**25,063**	23,897

(1) Non-IFRS financial measure.

Distributions and per unit data

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Distributions				
Cash distributions	**5,690**	5,107	**21,763**	19,305
Cash distributions – Class B LP units	**56**	56	**224**	131
Distributions reinvested under the distribution reinvestment plan	**838**	696	**3,154**	2,718
Total distributions to unitholders	**6,584**	5,859	**25,141**	22,154
Percentage of reinvested distributions	**12.7%**	11.9%	**12.5%**	12.3%
Per unit data[1]				
Distributable income	**11.9¢**	9.3¢	**42.1¢**	45.6¢
Distributions	**10.5¢**	10.5¢	**42.0¢**	42.0¢
Payout ratio on distributable income[2]	**88.1%**	112.4%	**99.8%**	92.2%
Cash payout ratio[3]	**77.0%**	99.1%	**87.7%**	81.3%

(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 fourth quarter increased by $2,254 from $5,212 to $7,466 between 2018 and 2019. Distributable income per unit for the fourth quarter of 2019 was 11.9¢ compared to 9.3¢ in 2018, up by 28.0%.

Distributable income for the year increased by $1,166 or 4.9%. Per unit, the distributable income for the year is 42.1¢ (2018: 45.6¢). The annual decrease was mainly recorded during the first two quarters of the year and the events that led to the decrease were previously explained and are now mostly resolved.

Distributions to unitholders totalled 10.5¢ per issued unit for each quarter of 2019 and 2018, and 42.0¢ per issued unit for each fiscal year of 2019 and 2018.

The payout ratio for distributable income was 88.1% in the fourth quarter of 2019 compared to 112.4% in the fourth quarter of 2018, and 99.8% for the year compared to 92.2% in 2018.

Distribution reinvestment plan (DRIP)

In the fourth quarter of 2019, 12.7% of distributions (2018: 11.9%) were reinvested under the DRIP. Approximately $3.2 million (2018: $2.7 million) of the Trust's cash has thereby been preserved through unit conversions since the beginning of the year.

Funds From Operations (FFO)

The following table provides the reconciliation of net income and comprehensive income established according to IFRS and FFO for the quarters and years ended December 31, 2019 and 2018:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net income and comprehensive income (IFRS)	**41,552**	24,396	**51,881**	41,337
- Gains on disposition of property and equipment and other disposition costs	**—**	(7)	**—**	(1,192)
- Fair value adjustment on investment properties	**(34,140)**	(22,639)	**(34,113)**	(22,142)
± Fair value adjustment on Class B LP units	**217**	(245)	**430**	(176)
+ Amortization of a property recognized at cost	**—**	—	**—**	3
+ Amortization of lease incentives	**756**	608	**3,003**	3,223
± Fair value adjustment on derivative financial instruments	**(1,184)**	1,561	**1,340**	(229)
+ Leasing payroll expenses	**164**	128	**548**	573
+ Distributions -Class B LP units	**56**	56	**224**	131
FFO(1)	**7,421**	3,858	**23,313**	21,528
Non-recurring item				
Transaction cost on acquisitions and dispositions of investment properties	**—**	1,205	**980**	2,070
Recurring FFO(1)	**7,421**	5,063	**24,293**	23,598
FFO per unit(2)	**11.8¢**	6.9¢	**39.1¢**	41.1¢
Recurring FFO per unit(2)	**11.8¢**	9.1¢	**40.7¢**	45.0¢
FFO payout ratio(3)	***88.7%***	*151.8%*	***107.4%***	*102.3%*
Recurring FFO payout ratio(3)	***88.7%***	*115.7%*	***103.1%***	*93.3%*
FFO cash payout ratio(4)	***77.4%***	*133.8%*	***94.3%***	*90.3%*
Recurring FFO cash payout ratio	***77.4%***	*102.0%*	***90.5%***	*82.4%*

(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 fourth quarter of 2019, FFO per unit was 11.8¢, compared to 6.9¢ in 2018, a 72% increase. After taking into account the transaction costs in the disposition of investment properties, recurring FFO was 11.8¢ per unit compared to 9.1¢ in 2018. The FFO payout ratio stood at 88.7% for the fourth quarter of 2019 compared to 151.8% for the same quarter of 2018, and the recurring FFO payout ratio stood at 88.7% compared to 115.7% in the same quarter of 2018.

For the entire fiscal year 2019, the Trust posted an FFO of $23.3 million, an increase of $1.8 million over 2018. Excluding the non-recurring item, the annual FFO increased by $0.7 million from 2018 to 2019.

Per unit, the annual FFO and recurring FFO show a decrease of 2.0¢ and 4.3¢ respectively. These decreases mainly occurred during the first two quarters of the year.

Adjusted Funds from Operations (AFFO)

The following table provides the reconciliation of FFO and AFFO for the quarters and years ended December 31, 2019 and 2018:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
FFO	**7,421**	3,858	**23,313**	21,528
- Straight-line rental income adjustment	**(469)**	(93)	**(703)**	(525)
+ Accretion of effective interest	**384**	259	**1,172**	1,039
+ Accretion of the liability component of convertible debentures	**27**	13	**66**	49
+ Amortization of other property and equipment	**25**	26	**107**	87
+ Unit-based compensation expenses	**242**	72	**676**	355
- Provision for non-recoverable capital expenditures	**(490)**	(439)	**(1,842)**	(1,719)
- Provision for unrecovered rental fees	**(345)**	(325)	**(1,380)**	(1,300)
AFFO(1)	**6,795**	3,371	**21,409**	19,514
Non-recurring item				
Transaction costs on purchase and sale of properties	**—**	1,205	**980**	2,070
Recurring AFFO(1)	**6,795**	4,576	**22,389**	21,584
AFFO per unit(2)	**10.8¢**	6.0¢	**35.9¢**	37.2¢
Recurring AFFO per unit(2)	**10.8¢**	8.2¢	**37.5¢**	41.2¢
AFFO payout ratio(3)	***96.8%***	*173.7%*	***117.0%***	*112.9%*
Recurring AFFO payout ratio(3)	***96.8%***	*128.0%*	***111.9%***	*102.0%*
AFFO cash payout ratio(3)	***84.6%***	*153.2%*	***102.7%***	*99.6%*
Recurring AFFO cash payout ratio(4)	***84.6%***	*112.8%*	***98.2%***	*90.0%*

(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.

AFFO per unit totalled 10.8¢ for the fourth quarter of 2019 compared to 6.0¢ for the fourth quarter of 2018, an 80% increase. Recurring AFFO per unit, after taking into account the transaction costs on the sale of investment properties in 2018, was 10.8¢ per unit for the quarter compared to 9.7¢ for the same quarter in 2018. The AFFO payout ratio stood at 96.8% for the fourth quarter of 2019 compared to 173.7% for the fourth quarter of 2018.

At the end of fiscal 2019, the Trust presented an AFFO of $22.4 million, a $0.8 million increase over the same quarter in 2018. AFFO per unit decreased from 37.2¢ to 35.9¢. Again, this annual decrease mainly occurred during the first two quarters of the year.

In calculating AFFO, the Trust deducts a provision for non-recoverable capital expenditures to take into account capital expenditures invested to maintain properties in good condition and to preserve rental income. This provision is based on our assessment of industry practices and our investment forecasts for the next few years.

The following table compares the amount of the provision for non-recoverable capital investments to the amount of investment actually made during the current comparative period and in the last few years.

Years ended December 31 (in thousands of dollars)	**December 31, 2019**	December 31, 2018	December 31, 2017
	$	$	$
Provision for non-recoverable capital expenditures	**1,851**	1,719	1,467
Non-recoverable capital expenditures	**2,603**	1,871	2,876

The Trust intends to achieve a balance between actual investment and the estimated provisions over the long term. Management may change the provision calculation, as required.

Cash Flows

Net cash flow from operating activities, funds available under the Trust's credit facilities and surplus cash are the main sources of cash to fund distributions, debt service, capital expenditures in investment properties, lease incentives and rental fees.

The Trust expects to be able to meet its commitments. Management expects to have sufficient liquidity generated from cash surpluses, net cash from operating activities and the Trust's ability to raise capital.

Periods ended December 31 (in thousands of dollars)	**Quarter**		**Year**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net cash from (used in):				
Operating activities	**17,235**	15,620	**47,223**	44,724
Investing activities	**(3,139)**	129	**(18,566)**	(57,747)
Financing activities	**(14,140)**	(9,061)	**(35,678)**	19,929
Net change in cash during the period	**(44)**	6,688	**(7,021)**	6,906
Cash and cash equivalents, beginning of period	**1,847**	2,136	**8,824**	1,918
Cash and cash equivalents, end of period	**1,803**	8,824	**1,803**	8,824

Cash from operating activities increased by $1.6 million to $17.2 million for the quarter and by $2.5 million to $47.2 million for the entire year.

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	2019	**2018**
	$	$	$	**$**
Net cash flows from operating activities (IFRS)	**17,235**	15,620	**47,223**	44,724
± Net change in non-cash operating items	**(3,706)**	(4,533)	**1,065**	1,150
+ Debt prepayment penalty	**—**	—	**176**	—
- Net interest expense	**(6,063)**	(5,803)	**(23,401)**	(21,977)
- Other items	**—**	(72)	**—**	—
Distributable income	**7,466**	5,212	**25,063**	23,897

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

Years ended December 31 (in thousands of dollars)	**2019**	2018	2017
	$	$	$
Net cash from operating activities (IFRS)	**47,223**	44,724	38,449
- Interest paid	**(23,442)**	(21,851)	(18,593)
Net cash from operating activities	**23,781**	22,873	19,856
Net income	**51,881**	41,337	28,171
Total distributions	**25,141**	22,154	18,486
Surplus (deficit) of net cash from operating activities compared to total distributions	**(1,360)**	719	1,370
Surplus (deficit) of net income over total distributions	**26,740**	19,183	9,685

The Trust presented distributions in excess of net cash flows from operating activities (IFRS) of $1,360, net of interest paid during the quarter ended December 31, 2019. In 2018 and 2017, the Trust presented surplus distributions of $719 and $1,370.

The Trust may use authorized lines of credit totaling $22 million to finance surplus distributions. During the year ended December 31, 2019, the Trust presented a deficit of net cash flow from operating activities over total distributions of $1,360 (2018: surplus of $719). The Trust is confident that during the course of the fiscal year 2020 it will present adequate coverage of net cash flow over total distributions and intends to maintain the current level of its distributions.

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

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**17,235**	15,620	**47,223**	44,724
+ Leasing payroll expenses	**164**	128	**545**	573
+ Gain on debt extinguishment	**—**	—	**—**	133
- Transaction costs on purchase and sale of properties	**—**	(1,205)	**(980)**	(2,070)
+ Debt prepayment penalty	**—**	—	**176**	—
+ Net change in non-cash operating items	**(3,706)**	(4,533)	**1,065**	1,150
- Net interest expense	**(6,063)**	(5,803)	**(23,401)**	(21,977)
- Provision for non-recoverable capital expenditures	**(490)**	(439)	**(1,851)**	(1,719)
- Provision for non-recovered rental fees	**(345)**	(325)	**(1,380)**	(1,300)
+ Other items	**—**	(72)	**12**	—
AFFO(1)	**6,795**	3,371	**21,409**	19,514
+ Provision for non-recoverable capital expenditures	**490**	439	**1,851**	1,719
+ Provision for non-recovered rental fees	**345**	325	**1,380**	1,300
+ Straight-line rental income adjustment	**469**	93	**703**	525
- Unit-based compensation expenses	**(242)**	(72)	**(676)**	(355)
- Accretion of non-derivative liability component of convertible debentures	**(27)**	(13)	**(66)**	(49)
- Accretion of effective interest	**(384)**	(259)	**(1,172)**	(1,039)
- Amortization of property and equipment	**(25)**	(26)	**(107)**	(87)
- Other items	**—**	—	**(9)**	—
FFO(1)	**7,421**	3,858	**23,313**	21,528

(1) Non-IFRS financial measure.

Segmented Information

The Trust's operations are generated from four segments of properties located in the Provinces of Québec and of Ontario. The following tables present each segment's contribution to revenues and to net operating income for the quarters and years ended December 31, 2019 and 2018.

Quarters ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Mixed-use		Total
	$	%	$	%	$	%	$	%	$
Quarter ended December 31, 2019									
Investment properties	265,487	***28.7***	395,425	***42.8***	158,720	***17.2***	104,688	***11.3***	924,320
Rental income from properties	7,612	***29.8***	11,180	***43.7***	3,657	***14.3***	3,109	***12.2***	25,558
Net operating income(1)	4,677	***33.0***	5,509	***38.9***	2,311	***16.3***	1,677	***11.8***	14,174
Quarter ended December 31, 2018									
Investment properties	249,370	*29.7*	372,190	*44.4*	130,305	*15.5*	87,150	*10.4*	839,015
Rental income from properties	6,928	*31.4*	10,180	*46.1*	2,306	*10.4*	2,668	*12.1*	22,082
Net operating income(1)	4,193	*36.1*	4,590	*39.5*	1,543	*13.3*	1,298	*11.2*	11,624

(1) Non-IFRS financial measure.

Years ended December 31 (in thousands of dollars)	Retail		Office		Industrial		Mixed-use		Total
	$	%	$	%	$	%	$	%	$
Year ended December 31, 2019									
Rental income from properties	26,935	***28.8***	43,206	***46.2***	12,852	***13.7***	10,609	***11.3***	93,602
Net operating income(1)	16,102	***31.6***	21,190	***41.6***	8,236	***16.2***	5,369	***10.6***	50,897
Year ended December 31, 2018									
Rental income from properties	26,266	*30.0*	42,507	*48.6*	9,785	*11.2*	8,865	*10.1*	87,423
Net operating income(1)	15,925	*33.4*	20,005	*42.0*	7,226	*15.2*	4,481	*9.4*	47,637

(1) Non-IFRS financial measure.

Financial Position

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

(in thousands of dollars)	Reference (page)	**December 31, 2019**	December 31, 2018
		$	$
Assets			
Investment properties	52	**924,320**	839,015
Balance of sale	54	**6,035**	—
Amounts receivable from tenants and other receivables	54	**3,809**	3,246
Other assets	54	**3,163**	4,138
Cash and cash equivalents	48	**1,803**	8,824
Total assets		**939,130**	855,223
Liabilities			
Mortgage loans payable	55	**493,152**	471,162
Convertible debentures	56	**49,096**	48,716
Lease liabilities		**4,454**	—
Bank loans	56	**12,460**	15,000
Class B LP units	58	**2,571**	2,315
Accounts payable and other liabilities	58	**21,258**	19,653
Total liabilities		**582,991**	556,846
Equity			
Unitholders' equity	58	**356,139**	298,377
Total liabilities and equity		**939,130**	855,223

The main changes in the balance sheet as at December 31, 2019, compared to the balance sheet as at December 31, 2018, reflect the purchase and sale of investment properties, adjustments of the fair market value of investment properties, mortgage loans and the repayment of mortgage loans related to these transactions.

Assets

Investment properties

Over the years, BTB has fuelled its growth through high-quality property acquisitions based on its 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 market value of its investment properties stood at $924 million as at December 31, 2019 compared to $839 million as at December 31, 2018.

Acquisitions

In May 2019, the Trust acquired a 65,000-square-foot industrial building in St-Laurent, Québec for $11.8 million.

In June 2019, the Trust purchased two retail properties, Méga Centre Saint-Bruno and Développements Mont Saint-Hilaire, respectively located in Saint-Bruno, Québec and Saint-Hilaire, Québec, for a total consideration of $62.2 million.

Dispositions

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

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

In May 2019, the Trust disposed of the mixed-use property located on Antonio-Barbeau Street in Montréal, Québec for total proceeds of $7.1 million.

In August 2019, the Trust disposed of the office property located at 3885 Harvey Boulevard in Saguenay, Québec, for total proceeds of $4.4 million.

Summary by operating segment

As at December 31	**2019**			**2018**		
	Number of properties	**Leasable area (sq. ft.)**	**%**	**Number of properties**	**Leasable area (sq. ft.)**	**%**
Office	28	2,118,025	***38.0***	28	2,120,680	*39.6*
Retail	12	1,409,564	***25.3***	14	1,316,414	*24.6*
Industrial	18	1,482,282	***26.6***	18	1,482,278	*27.7*
Mixed-use	7	564,919	***10.1***	6	437,151	*8.1*
Subtotal	65	5,574,790	***100.0***	66	5,356,523	*100.0*
Properties under redevelopment	1	75,340		1	75,340	
Total	**66**	**5,650,130**		67	5,431,863	

Improvements in investment properties

BTB invests capital to improve its properties to preserve the quality of their infrastructure and services provided to tenants. These disbursements include value-added maintenance investments corresponding to expenditures required to upkeep properties, 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 are amortized and may be recovered from rent.

Capital expenditures for the quarter ended December 31, 2019 totalled $2,625, compared to $1,504 for the same quarter of 2018, of which $1,278 was recoverable (2018: $754). Capital expenditures do not include repair and maintenance costs. Capital expenditures vary from one quarter to another depending on the investment required or planned for each property.

Upon the signing of several leases, the Trust may make disbursements for leasehold improvements and for lease incentives applicable to the leased areas to meet the specific needs of tenants, as well as leasing commissions that are paid to independent brokers. These disbursements totalled $1,214 for the fourth quarter 2019 and $4,394 for the year compared to $1,282 and $5,250 for the same periods of 2018. The leasing fees and the cost of leasehold improvements/incentives may apply to both new tenants and tenants whose leases were renewed in the Trust's properties. The amount of leasing fees and leasehold improvements/incentives varies depending on the lease renewal transaction concluded and tenancy profile.

The following table summarizes capital expenditures, incentives and leasing fees, for the quarters and years ended December 31, 2019 and 2018.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Recoverable capital expenditures	**1,278**	750	**2,888**	2,471
Non-recoverable capital expenditures	**1,347**	754	**2,603**	1,871
Total capital expenditures	**2,625**	1,504	**5,491**	4,342
Leasing fees and leasehold improvements	**1,214**	1,282	**4,394**	5,250
Total	**3,839**	2,786	**9,885**	9,592

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Balance, beginning of the period	**886,648**	819,375	**839,015**	751,110
Additions:				
Initial recognition of right-of-use assets	**—**	—	**3,900**	—
Acquisitions	**(19)**	25,180	**75,658**	104,613
Dispositions	**—**	(30,450)	**(35,950)**	(45,744)
Capital expenditures	**2,625**	1,504	**5,491**	4,341
Leasing fees and capitalized lease incentives	**1,214**	1,282	**4,394**	5,250
Fair value adjustment on investment properties	**34,140**	22,639	**34,113**	22,142
Other non-monetary changes	**(288)**	(515)	**(2,301)**	(2,697)
Balance, end of the period	**924,320**	839,015	**924,320**	839,015

Balance of sale

In June 2019, the Trust granted a balance of sale when it disposed of its Delson property. The principal amount of the balance of sale is $6 million, bearing interest at 7% for the first 3 years, 7.5% for the 4th year and 8% for the 5th year. It will mature on or before February 1st, 2024.

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from $3,246 as at December 31, 2018 to $3,809 as at December 31, 2019. These amounts are summarized below:

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Rent receivable from tenants	**2,801**	2,556
Allowance for doubtful accounts	**(716)**	(567)
	2,085	1,989
Unbilled recoveries	**776**	430
Other receivables	**948**	827
Amounts receivable from tenants and other receivables	**3,809**	3,246

Other assets

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

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Property and equipment	**1,067**	1,027
Accumulated depreciation	**(804)**	(698)
	263	329
Prepaid expenses	**1,921**	1,366
Derivative financial instruments	**304**	1,599
Deposits	**675**	844
Other assets	**3,163**	4,138

Capital Ressources

Long-term debt

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

Au December 31, 2019 (in thousands of dollars)	**Balance of convertible debentures**	**Balance of mortgages payable**	**Weighted average contractual interest rate**
	$	**$**	**%**
Year of maturity			
2020	26,700	74,320	5.39
2021	—	67,702	3.42
2022	—	32,353	3.51
2023		20,980	4.19
2024	24,000	88,764	4.57
2025 and thereafter	—	211,128	3.71
Total	**50,700**	**495,247**	**4.17**

Weighted average contractual interest rate

As at December 31, 2019, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.17%, i.e., 3.92% mortgage loans and 6.61% for convertible debentures.

Mortgage loans

As at December 31, 2019, the Trust's total mortgage loans amounted to $495 million compared to $473 million on December 31, 2018, before deferred financing expenses and valuation adjustments, an increase of $22 million following the financing of acquisitions completed in 2019, refinancing and principal repayments on monthly payments and dispositions.

The following table summarizes changes in mortgage loans payable during the quarters and years ended December 31, 2019:

Periods ended December 31 (in thousands of dollars)	Quarter	Year
	$	$
Balance at beginning of the period	**496,937**	473,205
Mortgage loans contracted	**2,000**	67,180
Balance repaid at maturity or upon disposal	**—**	(31,608)
Monthly principal repayments	**(3,679)**	(13,530)
Balance as at December 31, 2019	**495,247**	495,247

Note: Before unamortized financing expenses and valuation adjustments.

As at December 31, 2019, the weighted average interest rate was 3,92% compared to 3.99% on December 31, 2018, a decrease of 7 basis points. As at December 31, 2019, except for five loans with a cumulative balance of $46.2 million, all mortgages payable bear interest at fixed rates ($387.0 million) or are subject to an interest rate swap ($62.0 million).

The weighted average term of existing mortgage loans was 5.1 years as at December 31, 2019. It was 5.6 years as at December 31, 2018, a decrease of 0.5 years (or 6 months) in one year. The decrease is mainly due to the assumption of a mortgage loan with a remaining term of three years when the Trust purchased a property and the short-term financing of the property "1327-1333 Ste-Catherine Street West and 1411 Crescent Street" with a loan with a 2-year term until the leasing of this property is stabilized.

BTB attempts to spread the maturities of its mortgages over many years in order to mitigate the risk associated with renewing them.

Except for three properties, two of them partially securing the acquisition and operating lines of credit as at December 31, 2019 all of the Trust's other properties were subject to mortgages as at December 31, 2019. Unamortized loan financing expenses totalled $2,723 and are amortized under the effective interest method over the term of the loans.

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

As at December 31, 2019 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2020	14,574	73,015	87,589	17.7
2021	13,369	63,846	77,215	15.6
2022	11,750	27,882	39,632	8.0
2023	10,311	18,697	29,008	5.9
2024	8,253	76,529	84,782	17.1
2025 and thereafter	36,582	140,439	177,021	35.7
Total	**94,839**	**400,408**	**495,247**	**100.0**
+ Valuation adjustments on assumed loans			628	
- Unamortized financing expenses			(2,723)	
Balance as at December 31, 2019			**493,152**	

As at December 31, 2019, the Trust was in compliance with all the covenants to which it was subject except for one mortgage loan's debt service coverage ratio. The mortgage loan is maturing in July 2020. The balance of the said mortgage loan as at December 31, 2019 was $18 million. The Trust has always met the other mortgage loan provisions and has never been late on a monthly payment. The Trust believes that the said mortgage loan will be refinanced at maturity for the entire amount outstanding.

Convertible debentures

(in thousands of dollars)	**Series F[(1)(3)]**	**Series G[(2)(3)]**	**Total**
Par value	26,700	24,000	
Contractual interest rate	7.15%	6.00%	
Effective interest rate	8.47%	7.30%	
Date of issuance	December 2015	October 2019	
Per-unit conversion price	$5.65	$5.42	
Date of interest payment	June 30 and December 31	April 30 and October 31	
Maturity date	December 2020	October 2024	
Balance as at December 31, 2019	**26,364**	**22,732**	**49,096**

(1) Redeemable by the Trust before December 31, 2020, at a redemption price equal to their principal amount plus accrued and unpaid interest.

(2) Redeemable by the Trust, under certain conditions, as of October 31, 2022, but before October 31, 2023, 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 G conversion price and, as of October 31, 2023, but before October 31, 2024, 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 F and G debentures by issuing freely tradable units to Series F and G 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 said bank's prime rate. As at December 31, 2019, $2,260 of the operating credit facility was used.

Bank loan – acquisition credit facility

BTB has an acquisition credit facility of $19 million with a Canadian chartered bank. The facility bears interest at a rate of 3.25% above the said bank's prime rate. As at December 31, 2019, $10.2 million of the acquisition credit facility was used.

These two 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 total value of the assets 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 failure to abide by this condition, the Trust has a 12-month delay from the date of knowledge to remedy the situation.

The following table presents the Trust's debt ratios as at December 31, 2019 and December 31, 2018.

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Free cash flow	**(1,803)**	(8,824)
Mortgage loans outsanding[1]	**495,247**	473,205
Convertible debentures[1]	**50,700**	49,700
Acquisition credit facility	**10,200**	15,000
Total long-term debt less free cash flow	**554,344**	529,081
Total value of the assets of the Trust less free cash flow	**938,131**	847,097
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	***52.8%***	*55.8%*
Debt ratio – convertible debentures	***5.4%***	*5.9%*
Debt ratio – acquisition line of credit	***1.1%***	*1.8%*
Total debt ratio	***59.1%***	*62.5%*

(1) Gross amounts.

According to the table above, the mortgage debt ratio, excluding the convertible debentures and acquisition credit facility as at December 31, 2019, amounted to 52.8%, down 3.0% from December 31, 2018. Including the convertible debentures and the acquisition credit facility, the total debt ratio stood at 59.1%, down 3.4% from December 31, 2018.

The Trust seeks to finance its acquisitions with a maximum mortgage debt ratio of 65% since the cost of financing is lower than the capital cost of the Trust's equity.

Interest coverage ratio

For the quarter ended December 31, 2019, the interest coverage ratio stood at 2.34, an increase of 34 basis points from the fourth quarter of 2018. For the year, the ratio stood at 2.18, a small increase of 1 basis points compared to 2018.

Periods ended December 31 (in thousands of dollars, except for the ratios)	**Quarter**		**Year**	
	2019	2018	**2019**	2018
	$	$	$	$
Net operating income	**14,174**	11,624	**50,897**	47,637
Net interest expense[1]	**6,064**	5,803	**23,402**	21,977
Interest coverage ratio	***2.34***	*2.00*	***2.18***	*2.17*

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

Class B LP units

Periods ended December 31, 2019	Quarter		Year	
	Units	$	**Units**	$
Class B LP units outstanding, beginning of period	**532,265**	2,528	**532,265**	2,315
Exchange into Trust units	**(35,000)**	(174)	**(35,000)**	(174)
Fair value adjustment	**—**	217	**—**	430
Class B LP units outstanding, end of period	**497,265**	2,571	**497,265**	2,571

The Class B LP units are exchangeable at any time, at the option of the holder, for an equal number of units of BTB trading on the TSX. They are entitled to receive the same distributions as declared on the BTB units. Distributions paid on Class B LP units are recorded as financial expenses 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 consideration for the acquisition of the residual portion of "Complexe Lebourgneuf – Phase II" in Québec City (less the portion related to the mortgage loan assumption by BTB). The holders of these units were entitled to a $56 distribution during the fourth quarter of 2019 and $224 for the year.

Accounts payable and other liabilities

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Trade and other payables	**17,984**	17,048
Distributions payable to unitholders	**2,179**	1,936
Unit-based compensation	**1,050**	669
Derivative financial instruments	**45**	—
Accounts payable and other liabilities	**21,258**	19,653

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	**December 31, 2019**	December 31, 2018
	$	$
Trust units	**305,029**	274,231
Cumulative comprehensive income	**185,706**	133,825
Distributions	**(134,596)**	(109,679)
Unitholders' equity	**356,139**	298,377

Distribution reinvestment plan

A distribution reinvestment plan is in place under which unitholders may elect to receive payment of distributions in units, at a 3% discount on the market value of the units at the time of payment. Under the program, 178,531 units were issued during the fourth quarter of 2019 (2018: 155,871 units) and 677,771 units were issued in 2019 (2018: 603,951 units).

Units outstanding

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

Periods ended December 31 (in number of units)	Quarter		Year	
	2019	2018	**2019**	2018
Units outstanding, beginning of the period	**62,036,146**	55,161,852	**55,317,723**	48,423,118
Units issued				
Public offering	**—**	—	**6,157,100**	6,250,250
Distribution reinvestment plan	**178,531**	155,871	**677,771**	603,951
Awards - employee unit purchase plan	**—**	—	**9,253**	9,691
Awards - restricted unit compensation plan	**1,881**	—	**54,711**	30,713
Class B LP units exchange into Trust units	**35,000**	—	**35,000**	—
Units outstanding, end of the period	**62,251,558**	55,317,723	**62,251,558**	55,317,723
Weighted average number of units outstanding	**62,139,488**	55,240,257	**59,098,137**	52,120,760
Weighted average number of Class B LP units and units outstanding	**62,661,481**	55,772,522	**59,627,813**	52,435,744

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 and years ended December 31, 2019 and 2018.

Periods ended December 31 (in number of units)	Quarter		Year	
	2019	2018	**2019**	2018
Deferred units outstanding, beginning of the period	**56,699**	34,143	**37,055**	12,330
Deferred units issued – Trustees' compensation	**1,707**	2,115	**18,071**	22,173
Distributions paid in units	**1,236**	797	**4,516**	2,552
Deferred units outstanding, end of the period	**59,642**	37,055	**59,642**	37,055

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 support the Trust's long-term growth objectives and align their interests with the interests of unitholders. The purpose of the plan is also an executive retention tool.

The following table summarizes restricted units outstanding during the quarters and years ended December 31, 2019 and 2018.

Periods ended December 31 (in number of units)	Quarter		Year	
	2019	2018	**2019**	2018
Restricted units outstanding, beginning of the period	**167,892**	138,919	**138,919**	115,628
Restricted units issued	**153**	—	**82,622**	72,819
Restricted units cancelled	**(1,152)**	—	**(1,818)**	(18,815)
Restricted units settled	**(1,881)**	—	**(54,711)**	(30,713)
Restricted units outstanding, end of the period	**165,012**	138,919	**165,012**	138,919

Employee unit purchase plan

The Trust offers its employees an optional unit purchase plan. Under this plan, the employees may contribute, each year, a maximum of 3% to 7% of their base salary depending on their years of tenure with the Trust. Subject to the plan's conditions, for each two units purchased by an employee, the Trust shall issue one unit from treasury. During the quarter ended December 31, 2019, no units were issued (2018: nil). During fiscal 2019, 11,194 units were issued. (2018: 9,253)

Off-balance sheet arrangements and contractual commitments

BTB does not have any other off-balance sheet arrangement or commitment 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, its properties are managed and operated to integrate sustainable development values into the Trust's activities, to promote the health and well-being of its employees and the communities where it operates, to manage its environmental footprint, and to demonstrate a commitment to transparency and continuous improvement of sustainability practices.

Ongoing improvement of properties through investment in environmental projects, amongst other things, is a top priority for BTB. The tangible results of BTB's responsible behaviour include BOMA BEST certification for 23 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 a 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, 23 properties in BTB's portfolio have received various levels of BOMA BEST certification, including Gold (2), Silver (3), Bronze (6) and Certified (12). This prestigious certification recognizing BTB's excellence in environmental property management was awarded by the Building Owners & Managers Association - BOMA Québec, a leader in the real estate industry since 1927.

In the future, BTB plans to continue to reduce 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 to upgrade buildings. BTB also expects to keep its BOMA BEST certifications and achieve the highest level of performance for certain of its properties.

Initiatives

BTB Bees – Alvéole: As an ecoresponsible landlord, BTB, in partnership with the firm Alvéole, has taken part in a unique initiative to help regenerate an endangered species by installing beehives on the roofs of 14 of its properties and this, since 2018. Alvéole's dedicated beekeepers tend to the hives and its bees on a bi-weekly basis and following the late summer harvest, BTB distributes the packaged honey to its clients and collaborators.

Ecosystem Protection - Grame: In early September 2019, BTB's team, in partnership with the non-profit organization Grame, took part in a tree-planting event, not only to beautify the playground of a primary and secondary school located in Montréal's West Island, but to also help purify and filter the ecosystem. More than forty-five of BTB's employees volunteered their time to help plant more than 60 trees.

Social Reintegration - Société de Développement Social de Montréal: Since 2016, BTB has entrusted the Société de Développement Social de Montréal ("SDS") with the cleaning of its indoor parking facilities. With their mission of fighting against homelessness and the social exclusion of its members, their program, Action Méditation, provides psychosocial assistance to people who are or are at risk of becoming homeless, whilst facilitating cohabitation and collaboration among various communities located in Montréal. The foundation is based on a principle of social solidarity and the pooling of human, technical and economic resources to address serious societalissues. SDSact as an intermediary between the business world and communities by transparently and impartially involving businesses in more practical and humanitarian projects.

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 "nonportfolio assets" held by the trust (ii) not less than 90% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest, disposals of "real or immovable properties" that are capital properties, dividends, royalties and disposals of "eligible resale properties" (iii) not less than 75% of its "gross REIT revenue" for the taxation year comes from one or more of the following sources: rent from "real or immovable properties," interest from mortgages on "real or immovable properties," and disposals of "real or immovable properties" that are capital properties (iv) at each time in the taxation year, an amount that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust, each of which is "real or immovable property" which is a capital property, an "eligible resale property," an indebtedness of a Canadian corporation represented by a banker's acceptance, cash or, generally, an amount receivable from the Government of Canada or from certain other public agencies; and (v) the investments that are made therein are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

As at December 31, 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 2020 or any other subsequent year.

Taxation of Unitholders

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

Periods ended December 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 test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments were applied to transactions for which the acquisition date was 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 2019 Annual Information Form for the year ended December 31, 2019, 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
- A possible economic recession

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

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer concluded that the DC&P were effective as at December 31, 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 December 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 fourth 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 ratio**, which is used to assess BTB’s financial stability 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 **committed occupancy rate**, which provides an indication of the optimization of rental space and the potential revenue gain from the Trust’s property portfolio. This rate takes into account occupied leasable area and the leasable area of leases that have been signed as of the end of the year but not yet started;
- The **in-place occupancy rate**, which shows the percentage of total income-producing leasable area held at period end;
- 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 $495 million as at December 31, 2019, compared to $473 million as at December 31, 2018.
- Series F and G convertible debentures for a total par value of $50.7 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

Administration expenses include administrative costs such as payroll expenses and professional fees associated with executive and administrative staff of the Trust, 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. 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, 2019 and still owned as at December 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 lease incentives;
- Fair value adjustment on derivative financial instruments;
- Leasing payroll expenses (starting in 2016);
- Distributions on Class B LP limited partnership units.

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 capital expenditures in calculating AFFO. The Trust allocates significant amounts to the regular maintenance of its properties to attempt to reduce capital expenses as much as possible. The allocation for non-recoverable capital 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.

100%

POUR POSITION SEULEMENT

2019 MANAGEMENT DISCUSSION
AND ANALYSIS

btbreit.com