MANAGEMENT DISCUSSION AND ANALYSIS

Quarter Ended March 31st, 2020

Our clients' well-being: at the heart of our priorities.

BTB


BTB

Management Discussion and Analysis

Quarter Ended March 31, 2020

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Introduction

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the quarter ended March 31, 2020 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 May 8, 2020 should be read together with the unaudited condensed consolidated financial statements and accompanying notes for the quarter ended March 31, 2020. 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 ended March 31, 2020 and 2019. 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 quarterly financial 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 forward looking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate strategic acquisitions successfully, potential dilution, our ability to attract and retain key employees and executives, the financial position of lessees, our ability to refinance our debts upon maturity, 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 March 31, 2020, it owns 65 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, 63 of the Trust's 65 properties held as at March 31, 2020 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 March 31, 2020(1)	**65**	**5,452,132**	**919,632**

(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 First Quarter Ended March 31, 2020 vs. the First Quarter Ended March 31, 2019

- 10.3% increase in rental income, 15.5% in net operating income, and 36.7% in adjusted net income;
- Increase of 3.6% of the same-property portfolio net operating income;
- Increase in distributable income per unit from 9.4¢ to 9.9¢, of recurring FFO per unit from 8.4¢ to 10.0¢ and of recurring AFFO per unit from 8.3¢ to 8.8¢;
- Reduction of the mortgage debt ratio from 54.3% to 52.8% and of the total debt ratio from 61.4% to 59.3%;
- Occupancy rate is up from 91.7% to 92.4%;
- Increase in the average lease renewal rate of 4.1%.

Sale of properties

- 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. The Trust had purchased this property in 2012 for $10.7 million.
- In February 2020, the Trust disposed of an industrial property located at 5600, Côte-de-Liesse in Montréal, Québec, for total proceeds of $9.3 million. The Trust had purchased this property in 2011 for $7.6 million.

Property acquisitions

- 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.

Subsequent events

- Because of the economic uncertainties caused by the COVID-19 pandemic and the possible effects on the Trust's financial position and future cash requirements, on May 12, 2020, the Board of Trustees passed a resolution to reduce the annual distribution from 42.0¢ to 30.0¢ (or a reduction of 28.6%) as of May 2020 distribution, payable in June 2020.
- Rent collection for April: 79% (Office: 92%, Retail: 60%, Industrial: 62%, Mixed use: 84%).

Summary of significant items as at March 31, 2020

- Properties: 65
- Leasable area: approximately 5.5 million square feet
- Total asset value: $943 million
- Market capitalization: $197.5 million

Selected Financial Information

The following table presents highlights and selected financial information for the quarters ended March 31, 2020 and 2019:

Quarters ended March 31 (in thousands of dollars, except for ratios and per unit data)		Quarter	
		2020	2019
	Reference (page)	$	$
Financial information			
Rental income	30	**23,868**	21,634
Net operating income[1]	31	**12,766**	11,051
Net income (net loss) and comprehensive income	33	**(5,587)**	1,381
Adjusted net income[1]	33	**5,116**	3,742
Net property income from the same-property portfolio[1]	34	**6,837**	6,478
Distributable income[1]	34	**6,212**	5,268
Distributions	35	**6,618**	5,881
Recurring funds from operations (FFO)[1]	36	**6,277**	4,679
Recurring adjusted funds from operations (AFFO)[1]	37	**5,517**	4,623
Cash flow from operating activities	38	**10,674**	8,216
Total assets	41	**943,283**	842,677
Investment properties	41	**919,632**	818,422
Mortgage loans	43	**495,475**	453,169
Convertible debentures	45	**49,232**	48,856
Mortgage debt ratio	45	**52.8%**	54.3%
Total debt ratio	45	**59.3%**	61.4%
Weighted average interest rate on mortgage debt	46	**3.71%**	3.99%
Unitholders' equity	47	**345,218**	294,887
Market capitalization		**197,491**	265,433
Financial information per unit			
Units outstanding (000)	47	**62,497**	55,530
Class B LP units outstanding (000)	46	**497**	532
Weighted average number of units outstanding (000)	47	**62,390**	55,442
Weighted average number of units and Class B LP units outstanding (000)	47	**62,887**	55,974
Net income and comprehensive income	33	**(8.9)¢**	2.5¢
Adjusted net income[1]	33	**8.1¢**	6.7¢
Distributable income[1]	34	**9.9¢**	9.4¢
Distributions	35	**10.5¢**	10.5¢
Payout ratio on distributable income[1]	35	**106.1%**	111.6%
Recurring FFO[1]	36	**10.0¢**	8.4¢
Payout ratio on recurring FFO[1]	36	**105.2%**	125.6%
Recurring AFFO[1]	37	**8.8¢**	8.3¢
Payout ratio on recurring AFFO[1]	37	**119.3%**	126.5%
Unitholders' equity	47	**5.52**	5.31
Market price		**3.16**	4.78
Tax on distributions			
Revenue	50	**0.0%**	0.0%
Tax deferral	50	**100%**	100%
Operational information			
Number of properties	26	**65**	65
Leasable area (thousands of sq. ft.)	26	**5,452**	5,269
Occupancy rate	27	**92.4%**	91.7%
Annual retention rate	27	**36.5%**	22.0%
Increase in average lease renewal rate	27	**4.1%**	5.6%

(1) Non-IFRS financial measures.

Summary of the First Quarter of 2020

Net operating income

Net operating income for the quarter ended March 31, 2020 was $12.8 million compared to $11.1 million for the comparable period of the previous year. This represents 53.5% of rental income, an improvement compared to 51.1% of rental income for the first quarter of the previous year. This result reflects an increase in rental income of 10.3%, mainly from the net contribution of real estate transactions in the last four quarters while operating expenses increased by only 4.9%.

Net loss and adjusted net income

For the quarter ended March 31, 2020, BTB reported a net loss of $5.8 million as a result of a reduction of $6.9 million of the fair value of its real estate portfolio, and of a reduction of $3.1 million of the fair value of the derivative financial instruments and Class B LP units. The COVID-19 pandemic has created economic uncertainty and increased volatility in financial markets. This economic uncertainty has led the Trust to review the value of its properties and recognize a decrease in the fair value as at March 31, 2020. Similarly, volatility in financial markets has led to a reduction of the value of the Trust's derivative financial instruments and a decline in the value of the Class B LP units. Excluding these volatile non-monetary elements, the Trust shows an adjusted net income of $5.8 million or 8.1¢ per unit compared to $3.7 million or 6.7¢ for the same quarter of 2019.

Same-property portfolio

The same-property portfolio continues to deliver positive performance while net operating income shows an increase of 3.6% due mainly to a decrease in operating expenses, and an increase of 5.5% of the net property income.

Occupancy rate

As at March 31, 2020, the occupancy rate stood at 92.4%, an increase of 0.7% since March 31, 2019, despite Ashley Furniture's bankruptcy, which freed up 34,000 square feet in the fourth quarter of 2019. However, the occupancy rate has decreased by 0.8% since December 31, 2019. This decrease was seen mainly in the industrial property segment, which shows a 2.8% decrease in occupancy mainly due to the sale of two industrial properties totalling 276,000 square feet which were 100% occupied at the time of the sale.

Debt ratio

The mortgage debt ratio as at March 31, 2020, shows a decrease of 1.5% compared to March 31, 2019 and remained at the same level as reported on December 31, 2019 despite recording a decrease in the fair value of properties of almost $7 million.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and the Government of Québec declared a provincial public health emergency. It put in place numerous stringent measures to protect citizens and to slow the spread of the COVID-19 virus including the closing starting on March 25, 2020 of all non-essential stores and services. These measures include closure of all shopping malls and non-essential businesses. Grocery stores, pharmacies and SAQ outlets remained open, and as commercial activities continue, businesses can continue to engage in teleworking and e-commerce. In the Province of Quebec, construction sites remained closed until April 20, 2020 and the government allowed a gradual reopening of certain businesses as of May 4, 2020. At this time, the duration and impact of the COVID-19 pandemic on the REIT is unknown. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the future financial results and operations of BTB. However, to date, we can confirm that they have had little impact on our operations and financial position for the quarter ended March 31, 2020.

BTB took necessary measures to ensure the health of its employees, support its tenants and manage the short-term challenges to its business. BTB has received a large number of rent deferral requests from tenants and some tenants have withheld payment of rent. The Trust has and continues to evaluate the tenants' requests, on a case-by-case basis. If appropriate, the Trust has granted rent deferrals. Contingency planning is being advanced from both an operational and financial perspective and appropriate expense and capital expenditure reduction measures are being implemented.

On March 24, 2020, BTB implemented work from home measures, has increased sanitation and health and safety measures at its properties, and implemented "off hours" access protocols at its office buildings for tenants who have not required normal business hours access due to the "essential services" nature of their activities. Access to industrial buildings remained under the control of tenants as access is exclusive for each tenant.

BTB continues to act according to direction provided by the Federal, Provincial and Municipal governments to control the spread of COVID-19. BTB continues to monitor business operations and may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders, as necessary.

These changes and any additional changes in operations in response to COVID-19 could materially impact the financial results of the Trust and may include tenants' ability to pay rent in full or in part, consumer demand for tenants' products or services, temporary or long-term delays of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on supply chains, increased risks to information technology systems and networks and the Trust's ability to access capital on acceptable terms or at all.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which has negatively impacted the market price for the equity securities of BTB. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. Overall, these interventions will impact debt and equity markets or the economy, however, the depth of the impact is not currently known. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, materially adversely impact the Trust's tenants and/or the debt and equity markets, both of which could materially adversely affect the REIT's operations and financial performance.

While the full impact of the COVID-19 pandemic cannot be predicted, we expect that our diversified portfolio and disciplined financial management will allow us to weather this crisis. To this effect, only 26% of our retail leasable space is occupied by national and necessity-based tenants. The Trust does not own any centres with enclosed malls. Finally, more than 25% of the Trust's total revenues are generated by leases signed with government agencies and public companies.

As at May 8, 2020, 79% of April's rents were collected. By segment, the collection of contractual rents for the month of April 2020 is as follows:

Office	92%
Retail	60%
Industrial	62%
Mixed-use	84%
Total	79%

Of the uncollected portion of 21%, 5% is subject to rent deferral agreements. These rent payment deferrals are to be repaid mainly by December 31, 2020.

As at May 8, 2020, 56.0% of contractual rents for May 2020 were collected, a similar proportion to the rents received at the same date for April 2020.

Cash flow management

In order to preserve its liquidity, the Trust negotiated carry-overs of monthly interest payments, capital payments or both with its major mortgage lenders. For example, payments totalling $3.0 million for the months of April to October 2020 were deferred by financial institutions, mostly until the maturity of these loans. Except for the debt service coverage ratio of a loan maturing in June 2020, the Trust expects to be in compliance with all the covenants of the loans to which it was subject.

In addition, the Trust benefited from the deferral of municipal tax payments offered by Quebec municipalities. However, the total value of municipal tax deferred payments must be repaid in the third and fourth quarters of 2020.

The payment of the variable portion of employee and executive compensation that was earned at the end of 2019 was deferred to December 31, 2020. Senior management and trustees agreed to a 25% reduction and deferral of base salaries effective April 2020 until December 31, 2020.

Finally, due to the uncertainty of rent collection during the pandemic and to ensure sound cash management, the Board of Trustees, after a careful review of the distribution policy of the Trust, recommended a 28.6% decrease in distributions payable to unitholders, beginning with the May 2020 distribution, payable on or about June 15, 2020. The monthly distribution will decrease from 3.5¢ to 2.5¢. This measure will preserve cash flows of approximately $555 per month.

Reduction of operating expenses and capital expenditures

BTB has focused its efforts on the reduction of operating expenses and of capital expenditures in the coming quarters. Thus, all charges and investments were carefully reviewed and all postponements and possible reductions were applied: postponement of development and construction projects, postponements of capital expenditures, reduced lease incentives and reduced utilities and maintenance costs.

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)	**2020 Q-1**	2019 Q-4	2019 Q-3	2019 Q-2	2019 Q-1	2018 Q-4	2018 Q-3	2018 Q-2
	$		$	$	$	$	$	$
Rental income	**23,868**	25,558	23,973	22,347	21,634	22,082	23,098	20,803
Net operating income(1)	**12,766**	14,174	13,476	12,196	11,051	11,624	13,330	11,225
Net income and comprehensive income	**(5,587)**	41,552	5,632	3,316	1,381	24,396	5,793	4,593
Net income and comprehensive income per unit	**(8.9)¢**	66.2¢	9.0¢	5.8¢	2.5¢	43.7¢	10.4¢	9.3¢
Adjusted net income	**5,116**	6,445	5,813	4,518	3,742	4,278	6,177	4,378
Adjusted net income per unit	**8.1¢**	10.3¢	9.3¢	7.9¢	6.7¢	7.7¢	11.1¢	8.8¢
Cash from operating activities	**10,674**	17,235	9,875	11,897	8,216	15,695	12,540	7,804
Distributable income(1)	**6,212**	7,466	6,780	5,550	5,268	5,212	7,478	5,521
Distributable income per unit(1)	**9.9¢**	11.9¢	10.9¢	9.7¢	9.4¢	9.3¢	13.4¢	11.1¢
Recurring funds from operations (FFO)(1)	**6,277**	7,421	6,684	4,925	4,283	3,858	6,996	5,217
FFO per unit(1)	**10.0¢**	11.8¢	10.7¢	8.6¢	7.7¢	6.9¢	12.6¢	10.5¢
Recurring adjusted funds from operations (AFFO)(1)	**5,517**	6,795	6,024	4,363	4,227	3,371	6,326	4,874
AFFO per unit(1)	**8.8¢**	10.8¢	9.6¢	7.6¢	7.6¢	6.0¢	11.4¢	9.8¢
Distributions(2)	**6,618**	6,584	6,563	6,113	5,881	5,859	5,843	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.

Real Estate Portfolio

BTB owns 65 quality properties which have a fair market value of $900 million, generating approximately $97 million in annual income and representing a total leasable area of approximately 5.5 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 March 31, 2020

Operating segment	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate (%)
Office	30	2,195,599	*89.7*
Retail	12	1,409,565	*95.6*
Industrial	16	1,206,709	*93.6*
Mixed-use	6	564,919	*92.0*
Subtotal	64	5,376,792	***92.4***
Properties under redevelopment	1	75,340	
Total	**65**	**5,452,132**	

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 favourable. 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 2020, the Trust disposed of an industrial property located at 311 Ingersoll St. South in Ingersoll, Ontario, for total proceeds of $13.3 million. The Trust had purchased this property in 2012 for $10.7 million.

In February 2020, the Trust disposed of an industrial property located at 5600, Côte-de-Liesse in Montréal, Québec, for total proceeds of $9.3 million. The Trust had purchased this property in 2011 for $7.6 million.

Property acquisitions

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.

Real Estate Operations

Leasing activities

The following table summarizes the changes in available leasable area for the quarters ended March 31, 2020 and 2019.

Quarters ended March 31 (in square feet)	Quarter	
	2020	2019
Available leasable area at beginning of the quarter	**379,896**	479,420
Available leasable area purchased (sold)	**—**	(25,320)
Area under redevelopment	**—**	104,627
Leasable area of expired leases at term or before end of term	**291,473**	62,207
Leasable area of renewed leases at term or before end of term	**(236,771)**	(120,058)
Leasable area of new leases signed	**(24,995)**	(67,641)
Other	**35**	(1,635)
Available leasable area at end of the quarter	**409,638**	431,600

First quarter of 2020

At the beginning of the quarter, approximately 380,000 square feet of leasable area were vacant.

Leases for spaces of approximately 291,000 square feet of leasable area have expired at the end of the term or prior to their expiration. Leases for spaces containing more than 237,000 square feet of leasable area have been renewed with our existing tenants.

Lastly, the Trust negotiated and concluded new leases for approximately 25,000 square feet of leasable area to new tenants, leaving approximately 410,000 square feet of leasable area available at the end of the quarter, resulting in a 0.8% increase in the vacancy rate for the quarter. At the end of the quarter, the occupancy rate was 92.4%.

Average renewal rate

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

	Quarter	
Operating segment	**Square feet**	**(%)**
Office	77,454	0.1
Retail	1,519	0.0
Industrial	82,751	9.2
Mixed-use	75,046	7.0
Total	**236,771**	**4.1**

The average rental rate of expired and renewed leases during the first quarter increased by 4.1% (5.6% increase in 2019). The industrial segment increased by 9.2% and the mixed use segment increased by 7.0%.

Retention rate

Approximately 237,000 square feet of leasable area of leases expiring in 2020 were renewed, representing 36.5% (2019: 22.0%) and 81.2% of leases expired during the quarter.

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.

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
	%	%	%	%	%
Operating segment					
Office	**89.7**	89.3	88.4	88.0	85.5
Retail	**95.6**	96.0	98.0	98.2	97.9
Industrial	**93.6**	96.4	97.1	95.6	95.6
Mixed-use	**92.0**	92.4	93.1	93.2	92.1
Total portfolio	**92.4**	93.2	93.6	93.1	91.7

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
	%	%	%	%	%
Geographic sector					
Laval and North Shore	**99.9**	99.6	98.4	98.1	96.1
Island of Montréal	**88.7**	90.3	89.3	90.5	90.1
Montréal South Shore	**93.0**	93.0	94.7	95.0	93.5
Québec City and surrounding area	**89.9**	90.1	90.3	90.9	89.5
Ottawa and surrounding area	**93.2**	94.9	96.8	91.1	90.2
Central Ontario	**—**	100.0	100.0	100.0	100.0
	92.4	93.2	93.6	93.1	91.7

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
	%	%	%	%	%
By province					
Québec	**92.3**	92.6	92.8	93.3	91.8
Ontario	**92.6**	95.5	97.2	92.2	91.4
Total portfolio	**92.4**	93.2	93.6	93.1	91.7

The overall occupancy rate decreased by 0.8% since December 31, 2019 but increased by 0.7% since March 31, 2019. At the end of the first quarter of 2020, it stood at 92.4%. The 0.8% decrease in occupancy rate since December 31, 2019 was recorded mainly in the industrial property segment, and caused by the sale of two industrial properties totalling 276,000 square feet of leasable area and both showing a 100% occupancy rate.

The following table shows the in-place occupancy rate compared to the committed occupancy rate by operating segment as at March 31, 2020.

	Occupancy rate (%)		Square feet
	In-place	**Committed**	**Committed**
Operating segment			
Office	87.5	89.7	48,700
Retail	95.5	95.6	2,500
Industrial	92.9	93.6	8,100
Mixed-use	91.5	92.0	2,900
	91.2	**92.4**	**62,200**

The in-place occupancy rate as at March 31, 2020, without taking into account firm committed lease agreements for tenants that are not yet occupying their spaces, was 91.2% (2019: 91.7%), a 0.5% decrease. Vacant spaces totalling approximately 62,200 square feet as at March 31, 2020 are subject to firm lease agreements and will, in the next few quarters, generate additional income. Notably, more than 36,000 square feet were leased in the two office buildings on Saint-Martin Blvd, in Laval.

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

Properties	Square feet	Tenants	Expected occupancy date
3131 Saint-Martin Blvd West, Laval, Québec	25,800	City of Laval	September 2020
208-244 Migneron Street, Saint-Laurent, Québec	8,200	Eventure Group	June 2020
315-325 MacDonald Street, St-Jean-sur-Richelieu, Québec	7,400	Government of Québec	September 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.)	171,738	196,028	248,174	254,493	203,868
Average lease rate/square foot ($)	$14.25	$13.20	$14.17	$14.39	$13.16
% of office portfolio	*7.5%*	*8.9%*	*11.3%*	*11.6%*	*9.3%*
Retail					
Leasable area (sq. ft.)	106,882	94,432	293,545	147,815	82,484
Average lease rate/square foot ($)	$10.88	$14.97	$11.39	$9.67	$15.52
% of retail portfolio	*6.3%*	*6.7%*	*20.8%*	*10.5%*	*5.9%*
Industrial					
Leasable area (sq. ft.)	36,445	207,664	228,371	45,483	88,393
Average lease rate/square foot ($)	$7.00	$7.50	$4.89	$5.53	$9.01
% of industrial portfolio	*3.0%*	*17.2%*	*18.9%*	*3.8%*	*7.3%*
Mixed-use					
Leasable area (sq. ft.)	51,562	126,027	48,293	50,116	12,966
Average lease rate/square foot ($)	$19.11	$11.91	$15.66	$12.99	$13.79
% of mixed-use portfolio	*6.7%*	*22.3%*	*8.6%*	*8.9%*	*2.3%*
Total portfolio					
Leasable area (sq. ft.)	**366,627**	**624,151**	**818,382**	**497,906**	**387,711**
Average lease rate/square foot ($)	**$13.09**	**$11.31**	**$10.67**	**$12.04**	**$12.74**
% of total portfolio	***6.8%***	***11.6%***	***15.2%***	***9.3%***	***7.2%***

Top 10 tenants

On March 31, 2020, 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, Walmart Canada Inc. and Intrado Inc., representing respectively 5.2%, 2.9% and 2.0% of revenues, generated by multiple leases whose maturities are spread over time. More than 25.3% 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 March 31, 2020. This contribution accounts for 20.3% of annual rental income and 21.7% of leased area.

Client	% of revenue	% of leased area	Leased area (square feet)
Public Works Canada	5.2	3.9	207,202
Walmart Canada inc.	2.9	4.9	264,550
Intrado Inc. (formerly West Safety Canada Inc.)	2.0	1.2	61,845
WSP Canada Inc.	1.5	0.9	48,478
Société québécoise des infrastructures (Government of Québec)	1.5	1.5	82,196
Atis Portes et Fenêtres Corp.	1.5	4.1	219,941
BBA Inc.	1.5	1.2	64,251
Strongco	1.5	1.5	81,442
Sail Plein Air inc.	1.3	1.2	63,330
CISSS Montérégie-Centre (Government of Québec)	1.3	1.3	70,242
	20.3	**21.7**	**1,163,478**

Operating results

The following table summarizes financial results for the quarters ended March 31, 2020 and 2019. The table should be read in conjunction with our consolidated financial statements and the accompanying notes.

Quarters ended March 31 (in thousands of dollars)		Quarter		
		2020	2019	Difference
	Reference (page)	$	$	$
Rental income	30	**23,868**	21,634	2,234
Operating expenses	30	**11,102**	10,583	519
Net operating income(1)	30	**12,766**	11,051	1,715
Net financial expenses	31	**9,427**	7,934	1,493
Administration expenses	32	**1,199**	1,330	(131)
Transaction costs and prepayment penalties		**829**	396	433
Fair value adjustment on investment properties	32	**6,898**	10	4,402
Net income (net loss) and comprehensive income	33	**(5,587)**	1,381	4,482

(1) Non-IFRS financial measure.

Rental income

In the first quarter of 2020, BTB's rental income increased by $2,234 or 10.3% compared to the same quarter last year.

During the last four quarters, the Trust acquired four properties and sold six properties. The 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 properties disposed of for the same period to be approximately $0.9 million. Therefore, the net contribution to rental income of these real estate transactions is estimated at $1.7 million.

In the first quarter of 2020, straight line adjustments to rent payable of $144 (2019: $212 accounts receivable) were recorded.

BTB also recorded amortization of lease incentives granted to tenants of $752 (2019: $757) as a reduction of rental income.

Operating expenses

BTB recorded an increase in operating expenses of $519, or 4.9%, between the first quarter of 2019 and the first quarter of 2020, resulting from the net effect of acquisitions vs. dispositions completed in the last quarters. However, energy costs decreased by $332, or 17.1%, mainly due to a non-recurring Hydro-Québec credit program which took effect in January 2020. Total credits received from Hydro-Québec for the Trust's properties that are supplied by Hydro-Québec was $207.

The following table shows the breakdown of operating expenses for the quarters ended March 31, 2020 and 2019.

Quarters ended March 31 (in thousands of dollars)	Quarter		
	2020	2019	Difference
	$	$	$
Operating expenses			
Maintenance, repairs and other operating costs	**3,722**	3,532	190
Energy	**1,613**	1,945	(332)
Property taxes and insurance	**5,767**	5,106	661
Total operating expenses	**11,102**	10,583	519
% of rental income	***46.5***	*48.9*	

As a percentage of rental income, operating expenses for the first quarter of 2020 decreased by 2.4% to 46.5%.

Net operating income

Quarters ended March 31 (in thousands of dollars)	Quarter		
	2020	2019	Difference
	$	$	$
Net operating income[1]	**12,766**	11,051	1,715
% of rental income	***53.5***	*51.1*	

(1) Non-IFRS financial measure.

Total net operating income (NOI) increased by $1,715 or 15.5% between the first quarter of 2019 and the same quarter of 2020.

Properties acquired during the past four quarters contributed to an increase of $1.5 million in net operating income, whereas the effect of the dispositions is evaluated at $0.5 million.

Financial expenses

The following table shows the breakdown of financial expenses for the quarters ended March 31, 2020 and 2019:

Quarters ended March 31 (in thousands of dollars)	Quarter		
	2020	2019	Difference
	$	$	$
Interest on mortgage loans	**4,811**	4,544	267
Interest on convertible debentures	**837**	874	(37)
Interest on bank loans	**183**	189	(6)
Other interest expenses	**96**	143	(47)
Interest income	**(113)**	(89)	24
Net interest expenses	**5,814**	5,661	153
Distributions on Class B LP units	**52**	56	(4)
Early repayment fees	**79**	—	79
Financial expenses before non-monetary items	**5,945**	5,717	228
Accretion of effective interest on mortgage loans, convertible debentures and bank loans	**385**	249	136
Accretion of non-derivative liability component of convertible debentures	**—**	13	(13)
Net financial expenses before the following items:	**6,330**	5,979	351
Net fair value adjustment on derivative financial instruments	**4,097**	1,726	2,371
Fair value adjustment on Class B LP units	**(1,000)**	229	(1,229)
Net financial expenses	**9,427**	7,934	1,493

Net interest expenses increased by $153 during the first quarter of 2020 compared to the same period of 2019, mainly due to the net effect of financing of acquisitions and concluding dispositions in recent quarters. In addition to net interest expenses, distributions on Class B LP units amounted to $56 and a non-recurring expense of $79 due to the early refinancing of a property for the quarter. 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 described above include non-monetary items. These non monetary items include accretion of effective interest on mortgage loans and on convertible debentures and fair value adjustments on financial instruments. BTB recognized a decrease in the value of derivative financial instruments of $3,097 (2019: $1,955 decrease) for the quarter.

The COVID-19 pandemic has created significant economic uncertainty and increased volatility in the financial markets. 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 decrease in interest rates during the first quarter therefore resulted in the recording of $4,097 in expenses.

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. The Trust also recognized $1.0 million in revenues during the quarter.

On March 31, 2020, the average weighted contractual rate of interest on mortgage loans outstanding was 3.71%, 26 basis points lower than the average rate posted as at March 31, 2019 (3.97%). Interest rates on first-ranking mortgage loans ranged from 2.37% to 6.80% as at March 31, 2020. The weighted average term of mortgage loans in place as at March 31, 2020 was 5.0 years (5.2 years as at March 31, 2019).

Administration expenses

Quarters ended March 31 (in thousands of dollars)	**Quarter**	
	2020	2019
	$	$
Administration expenses	**1,185**	1,016
Doubtful accounts (recovery)	**140**	99
Unit-based compensation	**(173)**	215
Trust administration expenses	**1,199**	1,330

The unit-based compensation expense for 2020 presents a credit balance of $173 as a result of the decline in value on the stock markets of the units granted and not yet fully paid.

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.

At the end of the first quarter, the Trust recorded a decrease in the fair value of its real estate portfolio of $6.9 million. The COVID-19 pandemic has created significant economic uncertainty and increased volatility in the financial markets.

These factors have led us to review upward certain capitalization rates of properties considered to be more vulnerable to the effects of the pandemic, including some retail properties where tenants had to temporarily cease operations and requested rent relief and deferrals.

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

	Retail	Office	Industrial	Mixed-use
As at March 31, 2020				
Capitalization rate	6.00% - 8.00%	5.75% - 7.50%	5.75% - 8.50%	5.00% - 8.50%
Terminal capitalization rate	6.25% - 7.25%	6.25% - 7.50%	6.00% - 7.25%	5.25% - 7.25%
Discount rate	7.25% - 8.00%	6.75% - 8.00%	6.50% - 8.00%	6.25% - 8.00%
As at March 31, 2019				
Capitalization rate	6.25% - 7.75%	6.00% - 8.50%	5.75% - 8.50%	5.00% - 7.25%
Terminal capitalization rate	6.25% - 7.75%	6.50% - 7.50%	6.25% - 8.25%	5.25% - 7.50%
Discount rate	7.25% - 8.50%	7.00% - 8.00%	6.75% - 9.00%	6.25% - 8.25%

The weighted average of the capitalization rate for the entire portfolio as at March 31, 2020 was 6.65% (March 31, 2019: 6.82%), 17 basis points lower since March 31, 2018 and 6 basis points higher since December 31, 2019.

As at March 31, 2020, BTB has estimated that a variation of 0.25% in the capitalization rate applied to the overall portfolio would change the fair value of the investment properties by approximately $36 million.

Net income (loss) and comprehensive income

BTB generated a net loss of $5.8 million for the first quarter of 2020, compared to a net income of $1.4 million for the first quarter of 2019, a decrease of $7.0 million. This loss is essentially attributable to the reduction in the value of its real estate portfolio of $7.2 million, as previously explained, and a reduction of the value of financial instruments and Class B LP units, of $3.1 million.

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2020	2019
	$	$
Net income (loss)	**(5,787)**	1,381
Per unit	**(8.9)¢**	2.5¢

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. A new element entered the scene during the quarter, the COVID-19 pandemic, which has created significant economic uncertainty and increased volatility in the financial markets.

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

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2020	2019
	$	$
Net income (loss) and comprehensive income	**(5,787)**	1,381
Non-recurring items:		
+ Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	**908**	396
Volatile non-monetary items		
- Fair value adjustment on investment properties	**6,898**	10
± Fair value adjustment on derivative financial instruments	**4,097**	1,726
± Fair value adjustment on Class B LP units	**(1,000)**	229
Adjusted net income[(1)]	**5,116**	3,742
Per unit	**8.1¢**	6.7¢

(1) Non-IFRS financial measure.

This table shows an increase of 36.7% in adjusted net income for the quarter, before the items mentioned above. Quarterly adjusted net income per unit increased by 20.9%.

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 March 31, 2020, but it does not include acquisitions and developments completed during 2019 and 2020, nor the results of properties sold during the same periods.

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

Quarters ended March 31 (in thousands of dollars)	Quarter		
	2020	2019	Δ
	$	$	%
Rental income	**21,087**	20,863	1.1
Operating expenses	**9,946**	10,108	(1.6)
Net operating income[1]	**11,141**	10,755	3.6
Interest expense on mortgage loans payable	**4,304**	4,277	0.6
Net property income[1]	**6,837**	6,478	
Increase in net property income from the same-property portfolio	***5.5%***		

(1) Non-IFRS financial measure.

Rental income, NOI and net property income of the same-property portfolio increased by 1.1%, 3.6% and 5.5% respectively, for the first quarter of 2020 compared to the same period of 2019.

Distributable Income and Distributions

The following table shows the calculation of distributable income:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2020	2019
	$	$
Net income (loss) and comprehensive income (IFRS)	**(5,587)**	1,381
+ Fair value adjustment on properties	**6,898**	10
+ Amortization of property and equipment	**24**	24
± Unit-based compensation expense	**(173)**	215
+ Accretion of the non-derivative liability component of convertible debentures	**–**	13
+ Fair value adjustment on derivative financial instruments	**4,097**	1,726
± Fair value adjustment on Class B LP units	**(1,000)**	229
+ Amortization of lease incentives	**752**	757
± Straight-line rental income adjustment	**(144)**	212
+ Accretion of effective interest	**385**	249
+ Transaction costs on acquisitions and dispositions of investment properties	**829**	396
+ Early repayment fees	**79**	–
+ Distributions -Class B LP units	**52**	56
Distributable income[1]	**6,212**	5,268

(1) Non-IFRS financial measure.

Distributions and per unit data

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2020	2019
	$	$
Distributions		
Cash distributions	**5,725**	5,142
Cash distributions – Class B LP units	**52**	56
Distributions reinvested under the distribution reinvestment plan	**831**	683
Total distributions to unitholders	**6,618**	5,881
Percentage of reinvested distributions	***12.6%***	*11.6%*
Per unit data[(1)]		
Distributable income	**9.9¢**	9.4¢
Distributions	**10.5¢**	10.5¢
Payout ratio on distributable income[(2)]	***106.1%***	*111.6%*
Cash payout ratio[(3)]	***93.0%***	*98.7%*

(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.

From 2019 to 2020, distributable income for the first quarter increased by $944 from $5,286 to $6,212. Distributable income per unit for the first quarter of 2020 was 9.9¢ compared to 9.4¢ in 2019, up by 5.3%.

Distributions to unitholders totalled 10.5¢ per issued unit for the first quarter of 2020 and for each quarter of 2019.

The payout ratio for distributable income was 106.1% in the first quarter of 2020 compared to 111.6% in the first quarter of 2019, an improvement of 5.5%.

Distribution reinvestment plan (DRIP)

In the first quarter of 2020, 12.6% of distributions (2019: 11.6%) were reinvested under the DRIP. Approximately $0.8 million (2019: $0.7 million) of the Trust's cash has thereby been preserved through payment of distributions in units of the Trust.

Funds From Operations (FFO)

The following table provides a reconciliation of net income and comprehensive income established in accordance with IFRS and FFO for the quarters ended March 31, 2020 and 2019:

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2020	2019
	$	$
Net income and comprehensive income (IFRS)	**(5,587)**	1,381
+ Fair value adjustment on investment properties	**6,898**	10
± Fair value adjustment on Class B LP units	**(1,000)**	229
+ Amortization of lease incentives	**752**	757
+ Fair value adjustment on derivative financial instruments	**4,097**	1,726
+ Leasing payroll expenses	**157**	124
+ Distributions - Class B LP units	**52**	56
FFO(1)	**5,369**	4,283
Non-recurring item		
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	**908**	396
Recurring FFO(1)	**6,277**	4,679
FFO per unit(2)	**8.5¢**	7.7¢
Recurring FFO per unit(2)	**10.0¢**	8.4¢
FFO payout ratio(3)	***123.0%***	*137.2%*
Recurring FFO payout ratio(3)	***105.2%***	*125.6%*
FFO cash payout ratio(4)	***107.6%***	*121.4%*
Recurring FFO cash payout ratio	***92.0%***	*111.1%*

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

For the first quarter of 2020, FFO increased by 10.4%, and was 8.5¢ per unit, compared to 7.7¢ per unit in 2019. The recurring FFO payout ratio increased by 20.4% for the first quarter of 2020, and stood at 105.2% compared to 125.6% for the same quarter of 2019.

Adjusted Funds from Operations (AFFO)

The following table provides a reconciliation of FFO and AFFO for the quarters ended March 31, 2020 and 2019:

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2020	2019
	$	$
FFO	**5,369**	4,283
± Straight-line rental income adjustment	**(144)**	212
+ Accretion of effective interest	**385**	249
+ Accretion of the liability component of convertible debentures	**—**	13
+ Amortization of other property and equipment	**24**	24
± Unit-based compensation expenses	**(173)**	215
- Provision for non-recoverable capital expenditures	**(477)**	(424)
- Provision for unrecovered rental fees	**(375)**	(345)
AFFO[1]	**4,609**	4,227
Non-recurring item		
Transaction costs on purchase and disposition of investment properties and early repayment fees	**908**	396
Recurring AFFO[1]	**5,517**	4,623
AFFO per unit[2]	**7.3¢**	7.6¢
Recurring AFFO per unit[2]	**8.8¢**	8.3¢
AFFO payout ratio[3]	***143.8%***	*138.2%*
Recurring AFFO payout ratio[3]	***119.3%***	*126.5%*
AFFO cash payout ratio[3]	***125.3%***	*123.0%*
Recurring AFFO cash payout ratio[4]	***101.1%***	*112.4%*

(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 7.3¢ for the first quarter of 2020 compared to 7.6¢ for the first quarter of 2019, a 3.9% decrease. Recurring AFFO per unit, after taking into account the transaction costs on the sale of investment properties in 2019, was 8.8¢ per unit for the quarter compared to 8.3¢ for the same quarter in 2019, showing an increase of 6.0%. The AFFO payout ratio improved by 7.2%, where it stood at 119.3% for the first quarter of 2020 compared to 126.5% for the first quarter of 2019.

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

Quarters ended March 31 and 12-month periods ended December 31 (in thousands of dollars)	**March 31, 2020 (3 months)**	March 31, 2019 (3 months)	December 31, 2019 (12 months)	December 31, 2018 (12 months)
	$	$	$	$
Provision for non-recoverable capital expenditures	**477**	424	1,851	1,719
Non-recoverable capital expenditures	**181**	161	2,603	1,871

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.

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2020	2019
	$	$
Net cash from (used in):		
Operating activities	**10,674**	8,216
Investing activities	**1,439**	4,136
Financing activities	**(11,188)**	(16,343)
Net change in cash during the quarter	**925**	(3,991)
Cash and cash equivalents, beginning of quarter	**1,803**	8,824
Cash and cash equivalents, end of quarter	**2,728**	4,833

Cash from operating activities increased by $2.6 million to $10.7 million for the first quarter 2020.

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.

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2020	2019
	$	$
Net cash flows from operating activities (IFRS)	**10,674**	8,216
+ Net change in non-cash operating items	**1,352**	2,317
- Net interest expense	**(5,814)**	(5,661)
+ Transaction costs on dispositions of investment properties	**—**	396
Distributable income	**6,212**	5,268

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

Quarters ended March 31 and 12-month periods ended December 31 (in thousands of dollars)	**2020 (3 months)**	2019 (3 months)	2018 (3 months)	2019 (12 months)
	$	$	$	$
Net cash flows from operating activities (IFRS)	**10,674**	8,216	8,767	47,223
- Interest paid	**5,048**	(5,535)	(5,134)	(23,442)
Net cash flows from operating activities	**5,626**	2,681	3,633	23,781
Net income (loss)	**(5,587)**	6,555	6,555	51,881
Total distributions	**6,618**	5,881	5,099	25,141
Surplus (deficit) of net cash flows from operating activities compared to total distributions	**(992)**	(3,200)	(1,466)	(1,360)
Surplus (deficit) of net income over total distributions	**(11,213)**	(4,390)	1,456	26,740

The Trust presented distributions in excess of net cash flows from operating activities (IFRS) of $992, net of interest paid during the quarter ended March 31, 2020, while in 2019 and 2018, the Trust also presented surplus distributions of $3,200 and $1,466.

The surplus distributions resulted from the seasonality of activities for the quarter, specifically winter expenses and property taxes, most of which are paid in the first six months of the year but mostly recovered from tenants over a 12-month period.

The Trust may use authorized lines of credit totalling $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 following table provides the reconciliation of net cash from operating activities presented in the financial statements and AFFO, and FFO (non-IFRS financial measures).

Quarters ended March 31 (in thousands of dollars, except for per unit data)	Quarter	
	2020	2019
	$	$
Cash flows from operating activities (IFRS)	**10,674**	8,216
+ Leasing payroll expenses	**157**	124
- Transaction costs on purchase and disposition of investment properties	**(829)**	—
± Early repayment fees on debt	**(79)**	—
+ Net change in non-cash operating items	**1,352**	2,317
- Net interest expense	**(5,814)**	(5,661)
- Provision for non-recoverable capital expenditures	**(477)**	(424)
- Provision for non-recovered rental fees	**(375)**	(345)
AFFO[(1)]	**4,609**	4,227
+ Provision for non-recoverable capital expenditures	**477**	424
+ Provision for non-recovered rental fees	**375**	345
+ Straight-line rental income adjustment	**144**	(212)
- Unit-based compensation expenses	**173**	(215)
- Accretion of non-derivative liability component of convertible debentures	**—**	(13)
- Accretion of effective interest	**(385)**	(249)
- Amortization of property and equipment	**(24)**	(24)
FFO[(1)]	**5,369**	4,283

(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 ended March 31, 2020 and 2019.

Quarters ended March 31 (in thousands of dollars)	Retail		Office		Industrial		Mixed-use		Total
	$	%	$	%	$	%	$	%	$
Quarter ended March 31, 2020									
Investment properties	260,285	***28.3***	419,895	***45.7***	136,000	***14.8***	103,452	***11.2***	919,632
Rental income from properties	6,863	***28.8***	11,109	***46.4***	3,091	***13.0***	2,805	***11.8***	23,868
Net operating income[1]	3,953	***31.0***	5,492	***43.0***	1,985	***15.5***	1,336	***10.5***	12,766
Quarter ended March 31, 2019									
Investment properties	226,808	*27.7*	372,076	*45.4*	132,320	*16.2*	87,218	*10.7*	818,422
Rental income from properties	6,051	*28.0*	10,592	*48.9*	2,727	*12.6*	2,264	*10.5*	21,634
Net operating income[1]	3,429	*31.0*	5,027	*45.5*	1,525	*13.8*	1,070	*9.7*	11,051

(1) Non-IFRS financial measure.

Financial Position

The following table presents a summary of the Trust's balance sheet as at December 31, 2020 and December 31, 2019. It should be read in conjunction with the Trust's consolidated financial statements and the accompanying notes.

(in thousands of dollars)	Reference (page)	**March 31, 2020** $	December 31, 2019 $
Assets			
Investment properties	41	**919,632**	924,320
Balance of sale	42	**6,000**	6,035
Amounts receivable from tenants and other receivables	42	**5,209**	3,809
Other assets	43	**9,714**	3,163
Cash and cash equivalents	45	**2,728**	1,803
Total assets		**943,283**	939,130
Liabilities			
Mortgage loans payable	44	**495,475**	493,152
Convertible debentures	45	**49,232**	49,096
Lease liabilities		**4,422**	4,454
Bank loans	45	**14,660**	12,460
Class B LP units	46	**1,571**	2,571
Accounts payable and other liabilities	46	**32,705**	21,258
Total liabilities		**598,065**	582,991
Equity			
Unitholders' equity	47	**345,218**	356,139
Total liabilities and equity		**943,283**	939,130

The main changes in the balance sheet as at March 31, 2020, compared to the balance sheet as at March 31, 2019, 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 $920 million as at March 31, 2020 compared to $924 million as at December 31, 2019. Because of capitalization rate volatility due to the COVID-19 pandemic taking place, the Trust recorded a decline in portfolio value as at March 31, 2020 of approximately $7 million.

Acquisitions

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.

Dispositions

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. The Trust had purchased this property in 2012 for $10.7 million.

In February 2020, the Trust disposed of an industrial property located at 5600, Côte-de-Liesse in Montréal, Québec, for total proceeds of $9.3 million. The Trust had purchased this property in 2011 for $7.6 million.

Summary by operating segment

As at March 31,	2020			2019		
	Number of properties	**Leasable area (sq. ft.)**	**%**	**Number of properties**	**Leasable area (sq. ft.)**	**%**
Office	30	2,195,599	***40.8***	28	2,120,229	*40.8*
Retail	12	1,409,565	***26.2***	12	1,153,743	*22.2*
Industrial	16	1,206,709	***22.4***	18	1,482,282	*28.5*
Mixed use	6	564,919	***10.6***	6	437,152	*8.5*
Subtotal	64	5,376,792	***100.0***	64	5,193,406	*100.0*
Properties under redevelopment	1	75,340		1	75,340	
Total	**65**	**5,452,132**		65	5,268,746	

Improvements in investment properties

BTB invests capital to improve its properties to preserve the quality of their infrastructure and services provided to tenants. These investments include value-added maintenance 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 March 31, 2020 totalled $543, compared to $318 for the same quarter of 2019, of which $363 was recoverable (2019: $157). 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 $2,539 for the first quarter 2020 compared to $618 for the same period of 2019. 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 in capital expenditures, incentives and leasing fees, for the quarters ended March 31, 2020 and 2019:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2020	2019
	$	$
Recoverable capital expenditures	**363**	157
Non-recoverable capital expenditures	**180**	161
Total capital expenditures	**543**	318
Leasing fees and leasehold improvements	**2,539**	618
Total	**3,082**	936

The following table shows changes in the fair value of investment properties during the quarters ended March 31, 2020 and 2019:

Quarters ended March 31 (in thousands of dollars)	Quarter	
	2020	2019
	$	$
Balance, beginning of quarter	**924,320**	839,015
Additions:		
Initial recognition of right-of-use assets	**—**	3,900
Acquisitions	**22,286**	—
Dispositions	**(22,550)**	(24,450)
Capital expenditures	**543**	318
Leasing fees and capitalized lease incentives	**2,539**	618
Fair value adjustment on investment properties	**(6,898)**	(10)
Other non-monetary changes	**(608)**	(969)
Balance, end of quarter	**919,632**	818,422

Balance of sale

The Trust granted a balance of sale when it disposed of a property in Delson (Québec). 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 1, 2024.

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from $3,809 as at December 31, 2019 to $5,209 as at March 31, 2020. These amounts are summarized below:

(in thousands of dollars)	**March 31, 2020**	December 31, 2019
	$	$
Rent receivable from tenants	**4,015**	2,801
Allowance for doubtful accounts	**(852)**	(716)
	3,163	2,085
Unbilled recoveries	**894**	776
Other receivables	**1,152**	948
Amounts receivable from tenants and other receivables	**5,209**	3,809

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)	**March 31, 2020**	December 31, 2019
	$	$
Property and equipment	**1,080**	1,067
Accumulated depreciation	**(828)**	(804)
	252	263
Prepaid expenses	**8,773**	1,921
Derivative financial instruments	**—**	304
Deposits	**689**	675
Other assets	**9,714**	3,163

Capital Ressources

Long-term debt

The following table shows the balances of BTB's indebtedness on March 31, 2020, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

As at March 31, 2020 (in thousands of dollars)	**Balance of convertible debentures**	**Balance of mortgages payable**	**Weighted average contractual interest rate**
	$	$	**%**
Year of maturity			
2020	26,700	63,950	4.90
2021	—	60,771	3.48
2022	—	33,678	3.52
2023		36,323	3.76
2024	24,000	79,106	4.67
2025 and thereafter	—	223,394	3.53
Total	**50,700**	**497,222**	

Weighted average contractual interest rate

As at March 31, 2020, the weighted average contractual interest rate of the Trust's long-term debt stood at 3.98%, i.e., 3.71% mortgage loans and 6.61% for convertible debentures.

Mortgage loans

As at March 31, 2020, the Trust's total mortgage loans amounted to $497 million compared to $455 million on March 31, 2019 and $495 million on December 31, 2019, before deferred financing expenses and valuation adjustments, an increase of $42 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 ended March 31, 2020 and 2019:

Quarters ended March 31 (in thousands of dollars)	2020 $	2019 $
Balance at beginning	**495,247**	473,205
Mortgage loans contracted or assumed	**27,169**	—
Balance repaid at maturity or upon disposition	**(21,585)**	(15,076)
Monthly principal repayments	**(3,609)**	(3,061)
Balance as at March 31, 2020	**497,222**	455,068

Note: Before unamortized financing expenses and valuation adjustments.

As at March 31, 2020, the weighted average interest rate was 3.71% compared to 3.97% on March 31, 2019, a decrease of 26 basis points. As at March 31, 2020, except for four loans with a cumulative balance of $37.8 million, all mortgages payable bear interest at fixed rates ($397.8 million) or are subject to an interest rate swap ($61.6 million).

The weighted average term of existing mortgage loans was 5.0 years as at March 31, 2020. It was 5.1 years as at December 31, 2019.

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 March 31, 2020 all of the Trust's other properties were subject to mortgages as at March 31, 2020. Unamortized loan financing expenses totalled $2,522 and are amortized under the effective interest method over the term of the loans.

The following table, as at March 31, 2020, 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 (9 months)	11,552	62,902	74,454	15.0
2021	14,132	57,676	71,808	14.4
2022	12,485	29,392	41,877	8.4
2023	10,731	32,284	43,015	8.7
2024	8,575	68,571	77,146	15.5
2025 and thereafter	36,804	152,118	188,922	38.0
Total	**94,279**	**402,943**	**497,222**	**100.0**
+ Valuation adjustments on assumed loans			775	
- Unamortized financing expenses			(2,522)	
Balance as at March 31, 2020			**495,475**	

As at March 31, 2020, 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 March 31, 2020 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 March 31, 2020	**26,445**	**22,787**	**49,232**

(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 March 31, 2020, $1,560 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 March 31, 2020, $13.1 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 mortgage 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 March 31, 2020 and 2019.

(in thousands of dollars)	**March 31, 2020**	December 31, 2019	March 31, 2019
	$		$
Free cash flow	**(2,728)**	(1,803)	4,833
Mortgage loans outstanding[(1)]	**497,222**	495,247	455,069
Convertible debentures[(1)]	**50,700**	50,700	49,700
Acquisition credit facility	**13,100**	10,200	15,000
Total long-term debt less free cash flow	**558,294**	554,344	514,936
Total value of the assets of the Trust less free cash flow	**941,384**	938,131	838,566
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	***52.8%***	*52.8%*	*54.3%*
Debt ratio – convertible debentures	***5.4%***	*5.4%*	*5.9%*
Debt ratio – acquisition line of credit	***1.4%***	*1.1%*	*1.8%*
Total debt ratio	***59.3%***	*59.1%*	*61.4%*

(1) Gross amounts.

According to the table above, the mortgage debt ratio, excluding the convertible debentures and acquisition credit facility as at March 31, 2020, amounted to 52.8%, remaining stable from December 31, 2019 and down 1.5% from March 31, 2019. Including the convertible debentures and the acquisition credit facility, the total debt ratio stood at 59.3%, up 0.2% from December 31, 2019 and down 2.1% from March 31, 2019.

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 March 31, 2020, the interest coverage ratio stood at 2.20, an increase of 25 basis points from the first quarter of 2019.

Quarters ended March 31 (in thousands of dollars, except for the ratios)	**Quarter**	
	2020	2019
	$	$
Net operating income	**12,776**	11,051
Net interest expense[1]	**5,814**	5,661
Interest coverage ratio	***2.20***	*1.95*

(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

Quarters ended March 31, 2020 (in number of units)	**Quarter**	
	Units	$
Class B LP units outstanding, beginning of quarter	**497,265**	2,571
Exchange into Trust units	**—**	—
Fair value adjustment	**—**	(1,000)
Class B LP units outstanding, end of quarter	**497,265**	1,571

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 first quarter of 2020.

Subsequent to the end of the quarter, on May 4, 2020, at the request of the holders, 100,000 Class B LP units were exchanged for units of BTB. This exchange is not reflected in the above table.

Accounts payable and other liabilities

(in thousands of dollars)	**March 31, 2020**	December 31, 2019
	$	$
Trade and other payables	**26,192**	17,984
Distributions payable to unitholders	**2,187**	2,179
Unit-based compensation	**488**	1,050
Derivative financial instruments	**3,838**	45
Accounts payable and other liabilities	**32,705**	21,258

Seasonal factors, the extent of certain leasehold development work carried out in recent months and the use of municipal tax deferral measures explain the increase in the amount of trade and other payables as at March 31, 2020 compared to December 31, 2019.

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	**March 31, 2020**	December 31, 2019
	$	$
Trust units	**306,251**	305,029
Cumulative comprehensive income	**180,119**	185,706
Distributions	**(141,152)**	(134,596)
Unitholders' equity	**345,218**	356,139

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, 171,718 units were issued during the first quarter of 2020 (2019: 150,304 units).

Units outstanding

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

Quarters ended March 31 (in number of units)	**Quarter**	
	2020	2019
Units outstanding, beginning of the quarter	**62,251,558**	55,317,723
Units issued		
Distribution reinvestment plan	**171,718**	150,304
Awards - employee unit purchase plan	**11,194**	9,253
Awards - restricted unit compensation plan	**59,327**	52,830
Awards – deferred unit plan	**2,973**	—
Units outstanding, end of the quarter	**62,496,770**	55,530,110
Weighted average number of units outstanding	**62,390,138**	55,441,935
Weighted average number of Class B LP units and units outstanding	**62,887,403**	55,974,200

Deferred unit compensation plan

The Trust has implemented a deferred unit compensation plan for its trustees and certain executive officers. Under this plan, beneficiaries may elect to receive their compensation in cash, deferred units or a combination of both.

The following table summarizes deferred units outstanding during the quarters ended March 31, 2020 and 2019.

Quarters ended March 31 (in number of units)	**Quarter**	
	2020	2019
Deferred units outstanding, beginning of the quarter	**59,642**	37,055
Deferred units issued – Trustees' compensation	**15,576**	12,669
Distributions paid in units	**1,387**	932
Converted units	**(2,973)**	—
Deferred units outstanding, end of the quarter	**76,632**	50,657

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 ended March 31, 2020 and 2019.

Quarters ended March 31 (in number of units)	Quarter	
	2020	2019
Restricted units outstanding, beginning of the quarter	**165,012**	138,919
Restricted units issued	**13,898**	15,213
Restricted units cancelled	**—**	—
Restricted units converted	**(59,327)**	(52,830)
Restricted units outstanding, end of the quarter	**119,583**	101,302

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 March 31, 2020, 11,194 units were issued (2019: 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 societal issues. SDS acts 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 trust) that resides in Canada, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

However, for a given taxation year, BTB is not considered a SIFT entity and is therefore not subject to SIFT rules if, during that year, it constitutes a real estate investment trust (REIT).

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

As at March 31, 2020, 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:

Quarters ended March 31,	2020	2019
	%	%
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 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.

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, except for the following risk:

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Trust is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the Trust. As a conscientious landlord, the Trust has taken and will continue to take actions to mitigate the effects of COVID-19. At the forefront of these actions are the interests of stakeholders, tenants and employees. Quickly after the widespread of the global pandemic, the Trust coordinated a COVID-19 task force, which is composed of upper management and managers in order to ensure a complete perspective and to remove the bias of unilateral decisions or decisions that strictly impact one department of the REIT. Deferral requests submitted by tenants are evaluated on a case by case basis. The committee proceeds with an analysis of historical rent payments, tenant history, type of business and current economic conditions. Due to the fact that the current pandemic evolves on a daily basis, the committee decided that deferral requests would only be granted on a monthly basis in order to keep a close eye on the evolving situation. Most of these deferrals were also negotiated to be paid by fiscal year end December 31, 2020. Contingency planning is being advanced from both an operational and financial perspective and appropriate cost-control measures are being implemented. The Trust also continues to assess and mitigate against the risk of temporary or longer-term labour shortages or disruptions, including impact on the Trust's ongoing development projects. The Trust has mandated most employees work from home, has increased sanitation and health and safety measures at its properties and restricted access to its office buildings. The Trust's response to the COVID-19 pandemic is guided by the World Health Organization and public health authorities. The Trust continues to act according to direction provided by the Federal, Provincial and Municipal governments to control the spread of COVID-19. The Trust continues to closely monitor business operations and may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders, as necessary.

These changes and any additional changes in operations in response to COVID-19 could materially impact the financial results of the Trust and may include tenants' ability to pay rent in full or at all, consumer demand for tenants' products or services, temporary or long-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks and the Trust's ability to access capital on acceptable terms or at all. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, materially adversely impact operations and the financial performance of the Trust.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which has negatively impacted the market price for the equity securities of the Trust. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy generally. Although the ultimate impact of COVID-19 on the global economy and its duration remains uncertain, disruptions caused by COVID-19 may materially adversely affect the performance of the Trust. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, materially adversely impact the Trust's tenants and/or the debt and equity markets, both of which could materially adversely affect the Trust's operations and financial performance.

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 March 31, 2020, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During the first quarter of 2020, 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 quarter but not yet started;
- The **in-place occupancy rate**, which shows the percentage of total income-producing leasable area held 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 $497 million as at March 31, 2020, compared to $459 million as at March 31, 2019.
- 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 March 31, 2020, but does not include the financial impacts from dispositions, acquisitions and developments completed in 2019 and 2020, 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.

MANAGEMENT DISCUSSION
AND ANALYSIS
Quarter Ended March 31st, 2020

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