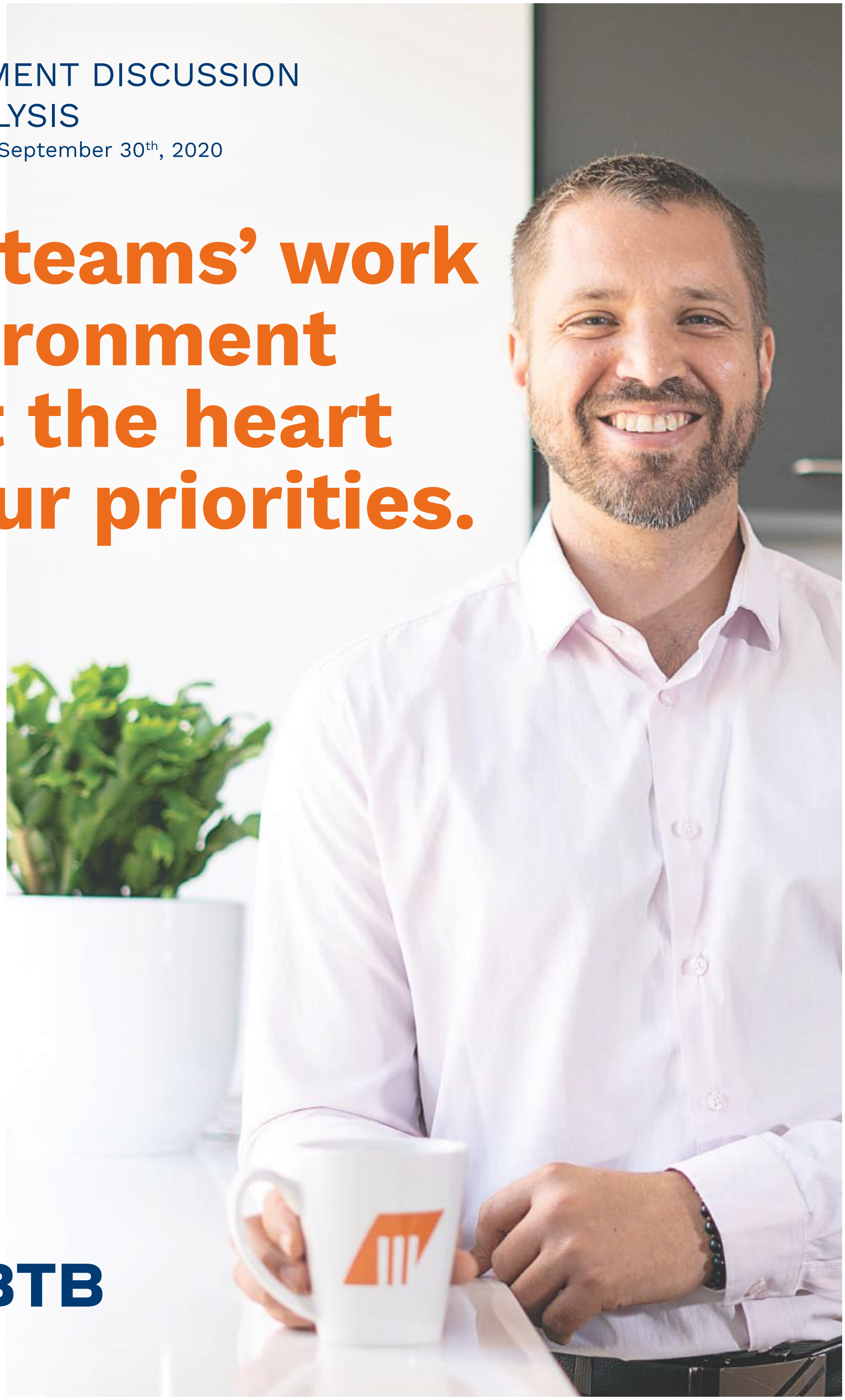
MANAGEMENT DISCUSSION
AND ANALYSIS
Quarter Ended September 30th, 2020

Our teams' work environment is at the heart of our priorities.



BTB


BTB

Management Discussion and Analysis

Quarter Ended September 30, 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 September 30, 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 November 6, 2020 should be read together with the unaudited condensed consolidated financial statements and accompanying notes for the quarter ended September 30, 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 September 30, 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", "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 September 30, 2020, it owns 64 retail, office and industrial properties located in primary 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 G and H convertible debentures are traded on the Toronto Stock Exchange under the symbols "BTB.UN", "BTB.DB. G" and "BTB.DB. H", 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, 62 of the Trust's 64 properties held as at September 30, 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 September 30, 2020[(1)]	**64**	**5,329,690**	**895,420**

(1) These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb and a 50% interest in one building totalling 74,940 sq. ft. 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 dispose of certain investments. BTB may dispose of certain assets if their size, location and/or profitability no longer meet the Trust's investment criteria.

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

Highlights of the Third Quarter Ended September 30, 2020

- During the third quarter, the effects of the COVID-19 pandemic continued to have an impact on the industry and to add uncertainty in terms of long-term impact of this unprecedented crisis. However, BTB's portfolio continues to show its resilience and limited exposure to bankruptcies. As reported in our Q2 Management Discussion and Analysis, only four tenants, representing roughly 2% of our tenant base on a per square foot basis, were undergoing corporate restructuring or bankruptcy. As of the end of Q3 2020, BTB has not been subject to any additional bankruptcy or restructuring from any of its tenants.
- When first announced by the federal government, the CECRA program was enacted to provide rental support to commercial tenants, covering the months of April to June. Following the progression of the virus, the federal government extended the program three times to cover a full 6-month period, namely from April to September. BTB actively manages approximately 620 leases and for the months of April to September, BTB has successfully filed approximately 80 applications to the CECRA program on behalf of its tenants, which represents roughly 13% of the leases managed by the Trust as of Q2 2020. The estimated net financial impact of the CECRA program on BTB's 2020 income is approximately $0.4 million.
- Rent collections continued to strengthen over Q3 and are currently at normal levels. BTB has collected 100% of the rents between May and September. The collection shortfall of the months of March (4%) and April (8%) are primarily caused by rent deferrals that were awarded to tenants prior to the implementation of the CECRA program and before other federal support programs were available to tenants. This shortfall of March and April is expected to be mostly collected from October to December 31st, 2020 in accordance with the terms and conditions of signed deferral agreements. The collections rates were adjusted to reflect the rent deferral agreements as well as the rent subsidy under the CECRA program. The strong collection effort has helped to reduce the balance of receivables to a normalized level of $5.6 million (including $0.5 million to be collected from the government for the subsidies related to COVID-19) compared to a balance of receivables of $8.7 million for the previous quarter.
- Leasing activity remained strong even in the context of the pandemic. The Trust secured two new major tenants: (i) 80,000 sq. ft. for an industrial property in Montreal, (ii) 75,340 sq. ft. for an industrial property in Cornwall (a property that was previously under redevelopment). During the quarter, the Trust leased 173,995 sq. ft. of leasable area to new tenants, leaving 419,690 sq. ft. of leasable area available at the end of the quarter. Since the beginning of the year, leases totalling over 225,381 sq. ft. have been renewed at an average rate of increase of 1.9%. At the end of the quarter, 66% of the leases expiring in 2020 were renewed.
- Net income and comprehensive income were $5.76 million compared to $5.63 million in the same period in 2019, representing an increase of $0.1 million. The increase was primarily attributed to, (i) an improvement of the NOI margin from 56.2% last year to 56.4% this quarter, (ii) a reduction of the net financial expenses benefiting from the refinancing of mortgages during the last 12 months, (iii) a strict management of administrative expenses (excluding expected credit losses), and (iv) no fair value adjustments of our portfolio was made during this quarter.
- Net operating income ("NOI") of $13.3 million for the three months ended September 30, 2020, a decrease of $0.2 million, or 1.2% compared to 2019. The bankruptcies of 4 tenants during the previous quarter impacted the third quarter by $0.4 million (without this impact the NOI would show an increase of 1.9% compared to last year).
- The same property NOI for the three months ended September 30, 2020 increased by $0.1 million or 0.8% as compared to the same period in 2019. For the cumulative 9 months, the same property NOI decreased by 0.9% mainly attributed to the impact of the CECRA program and the loss of income from the bankruptcies of 4 tenants in the second quarter of this year for which good progress has been made to lease these spaces by year-end.
- FFO increased by $0.034 per unit or $2.2 million to $6.9 million compared to the previous quarter of this year and was flat on a per unit basis compared to the same period in 2019. The improvements, compared to the prior quarter of this year, is principally a result of not taking charges relating to additional credit losses and normalized revenues. The FFO payout ratio stands at 68.6% for the quarter and 93.4% for the year. The AFFO payout ratio stands at 77.4% for the quarter and 105.2% for the year, showing considerable improvement.

- On September 29, 2020, BTB announced that it closed a bought deal public offering of $30 million aggregate principal amount of Series H 7.00% Convertible Unsecured Subordinated Debentures maturing on October 31, 2025 (the "Series H Debentures"). BTB intended to use the net proceeds of this issue to repay the $26.7 million Series F debenture due on December 31, 2020 and for general trust purposes. As of the date of this MD&A, the Series F debenture were fully redeemed.
- As at September 30, 2020, BTB had a cash position of $33.1 million available for which $26.7 million was reserved for the redemption of all outstanding Series F Convertible Unsecured Subordinated Debentures which took place on October 26, 2020. The Trust also has access to an operating credit facility for a maximum amount of $3 million and to an acquisition line of credit in the amount of $19 million. As at September 30, 2020, the full amount was available on the operating credit facility and $5.9 million was available on the acquisition line of credit.
- Debt metrics continue to demonstrate the Trust's commitment to maintain a total debt ratio below 60% and as of September 30, 2020, the total debt ratio is 59.7% compared to 61.4% on September 30th, 2019.

Subsequent events

- On September 25, 2020, BTB filed a notice of redemption for all outstanding Series F 7.15% Convertible Unsecured Subordinated Debentures due December 31, 2020 (the "Series F Debentures") which were fully redeemed on October 26, 2020, from the net proceeds of the offering of the Series H Debentures.
- On October 7, 2020, the Trust disposed of an office property located at 550-560 boulevard Henri-Bourassa Ouest, in Montréal, Québec. BTB disposed of the property for a total consideration of $4.3 million, excluding transaction costs.

Summary of significant items as at September 30, 2020

- Number of properties: 64
- Total leasable area: approximately 5.3 million sq. ft.
- Total asset value: $946 million
- Market capitalization: $184 million

Selected Financial Information

The following table presents highlights and selected financial information for the periods ended September 30, 2020 and 2019:

Periods ended September 30 (in thousands of dollars, except for ratios and per unit data)		Quarter		Cumulative (9 months)	
		2020	2019	**2020**	2019
	Reference (page)	**$**	$	**$**	$
Financial information					
Rental revenue	27	**23,583**	23,973	**70,514**	68,044
Net operating income[1]	27	**13,308**	13,476	**38,494**	36,723
Net income (loss) and comprehensive income (loss)	30	**5,757**	5,632	**(931)**	10,329
Adjusted net income[1]	30	**5,963**	5,813	**15,036**	14,073
Net property income from the same-property portfolio[1]	31	**7,546**	7,356	**20,288**	20,421
Distributions	31	**4,752**	6,563	**16,735**	18,557
Recurring funds from operations (FFO)[1]	32	**6,920**	6,747	**17,907**	16,869
Recurring adjusted funds from operations (AFFO)[1]	33	**6,139**	6,087	**15,893**	15,582
Cash flow from operating activities	34	**8,983**	9,875	**30,191**	29,988
Total assets	36			**945,592**	905,376
Investment properties	36			**895,420**	886,648
Mortgage loans	39			**482,778**	494,785
Convertible debentures	40			**75,225**	49,145
Mortgage debt ratio	41			**53.0%**	55.0%
Total debt ratio	41			**59.7%**	61.4%
Weighted average interest rate on mortgage debt	39			**3.61%**	3.92%
Market capitalization				**184,097**	294,671
Financial information per unit					
Units outstanding (000)	42			**63,047**	62,036
Class B LP units outstanding (000)	42			**397**	532
Weighted average number of units outstanding (000)	42	**62,934**	61,944	**62,669**	58,073
Weighted average number of units and Class B LP units outstanding (000)	42	**63,331**	62,476	**63,112**	58,605
Net income and comprehensive income	30	**9.1¢**	9.0¢	**(1.5)¢**	17.6¢
Adjusted net income[1]	30	**9.4¢**	9.3¢	**23.8¢**	24.0¢
Distributions	31	**7.5¢**	10.5¢	**26.5¢**	31.5¢
Recurring FFO[1]	32	**10.9¢**	10.8¢	**28.4¢**	28.8¢
Payout ratio on recurring FFO[1]	32	**68.6%**	97.2%	**93.4%**	109.4%
Recurring AFFO[1]	33	**9.7¢**	9.7¢	**25.2¢**	26.6¢
Payout ratio on recurring AFFO[1]	33	**77.4%**	107.8%	**105.2%**	118.5%
Market price				**2.92**	4.75
Tax on distributions					
Revenue	45	**0.0%**	0.0%	**0.0%**	0.0%
Tax deferral	45	**100%**	100%	**100%**	100%
Operational information					
Number of properties	37			**64**	66
Leasable area (thousands of sq. ft.)	37			**5,329**	5,650
Occupancy rate	24			**92.1%**	93.6%
Increase in average lease renewal rate		**1.2%**	5.3%	**1.9%**	6.4%

(1) Non-IFRS financial measures.

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-3**	2020 Q-2	2020 Q-1	2019 Q-4	2019 Q-3	2019 Q-2	2019 Q-1	2018 Q-4
	$	$	$	$	$	$	$	$
Rental revenue	**23,583**	23,063	23,868	25,558	23,973	22,347	21,634	22,082
Net operating income[1]	**13,308**	12,419	12,766	14,174	13,476	12,196	11,051	11,624
Net income and comprehensive income	**5,757**	(1,101)	(5,587)	41,552	5,632	3,316	1,381	24,396
Net income and comprehensive income per unit	**9.1¢**	(1.7)¢	(8.9)¢	66.2¢	9.0¢	5.8¢	2.5¢	43.7¢
Adjusted net income	**5,963**	3,757	5,316	6,445	5,813	4,518	3,742	4,278
Adjusted net income per unit	**9.4¢**	6.0¢	8.4¢	10.3¢	9.3¢	7.9¢	6.7¢	7.7¢
Cash from operating activities	**8,983**	10,534	10,674	17,235	9,875	11,897	8,216	15,620
Recurring funds from operations (FFO)[1]	**6,920**	4,710	6,277	7,421	6,747	5,446	4,679	5,063
Recurring FFO per unit[1]	**10.9¢**	7.5¢	10.0¢	11.8¢	10.8¢	9.5¢	8.4¢	9.1¢
Recurring adjusted funds from operations (AFFO)[1]	**6,139**	4,237	5,517	6,795	6,087	4,884	4,623	4,576
Recurring AFFO per unit[1]	**9.7¢**	6.7¢	8.8¢	10.8¢	9.7¢	8.5¢	8.3¢	8.2¢
Distributions[2]	**4,752**	5,375	6,618	6,584	6,563	6,113	5,881	5,859
Distributions per unit	**7.5¢**	8.5¢	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

At the end of the third quarter of 2020, BTB owns 64 properties which have a fair value of $895 million. The properties generate approximately $95 million in annual income and represent a total leasable area of roughly 5.3 million square feet. A description of the properties owned by the Trust 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 September 30, 2020

Operating segment	**Number of properties**	**Leasable area (sq. ft.)**	**Committed occupancy rate (%)**
Office	29	2,073,157	*90.3*
Retail	12	1,409,565	*95.3*
Industrial	17	1,282,050	*93.9*
Mixed-use	6	564,919	*86.6*
Subtotal	64	5,329,690	***92.1***
Properties under redevelopment	—	—	
Total	**64**	**5,329,690**	

Sale of investment properties (cumulative 9 months)

Pursuant to the conclusions of the last strategic review of its portfolio, the Trust has elected to sell certain properties when circumstances are favourable in order to concentrate its portfolio in the greater regions of Montréal, Québec City and Ottawa. The proceeds of disposition of these assets are used to repay related mortgages, to repay lines of credit and/or to acquire accretive properties in line with the Trust's investment strategy. Pursuant to the Trust's repositioning of its portfolio, the Trust has concluded the following 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.
- 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.
- In June 2020, the Trust disposed of an office property located at 1001 Sherbrooke Street East in Montréal, Québec, for total proceeds of $22.1 million.

Acquisition of investment properties (cumulative 9 months)

- In February 2020, the Trust acquired an office property located at 2611 Queensview Drive in Ottawa, Ontario, for a purchase price of $21.75 million, increasing its total leasable area by 77,500 square feet.

Real Estate Operations

Leasing activities

The following table summarizes the changes in available leasable area for the periods ended September 30, 2020 and September 30, 2019.

Periods ended September 30 (in sq. ft.)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
Available leasable area at beginning of the period	**374,605**	391,837	**379,896**	479,420
Available leasable area purchased (sold)	**—**	(15,145)	**(37,091)**	(37,204)
Leasable area reclassified into operating	**75,340**	—	**75,340**	—
Leasable area of expired leases at term	**91,671**	69,705	**307,473**	363,974
Leasable area of expired leases before end of term	**255,161**	53,045	**429,767**	150,038
Leasable area of renewed leases at term	**(58,101)**	(28,902)	**(202,937)**	(273,144)
Leasable area of renewed leases before end of term	**(144,991)**	(10,733)	**(307,411)**	(96,349)
Leasable area of new signed leases	**(173,995)**	(104,499)	**(225,381)**	(229,792)
Other	**—**	(241)	**35**	(1,876)
Available leasable area at end of the period	**419,690**	355,067	**419,690**	355,067

Third quarter of 2020

Lease renewals: During the quarter, leases for 91,671 sq. ft. of leasable area expired, of which 58,101 sq. ft. were renewed, representing a renewal rate of 63%.

Out of the total leasable area renewed during the quarter, 38,284 sq. ft. of concluded renewals were concluded with retail tenants, showing the strength of the Trust's retail sector. It is important to note that no notices of non-renewal were received during the quarter due to the COVID-19 pandemic.

Since the beginning of 2020, 307,473 sq. ft. of leases have expired, of which a total of 202,937 were renewed, representing a renewal rate of 66%.

Anticipated renewals: As the Trust actively works at retaining its tenant base, during the quarter, leases representing 144,991 sq. ft. were renewed to existing tenants prior to the expiry of their term (2021+), therefore further solidifying the Trust's future revenues. It is important to note that despite the pandemic, leases representing approximately 94,000 sq. ft. were renewed in the retail sector which again demonstrates the strength and quality of the Trust's tenants. A lease representing approximately 41,000 sq. ft. was renewed to a sophisticated industrial tenant based in Laval, Québec, for a ten-year term.

During the quarter, the Trust also finalized the eviction proceedings of an industrial tenant that occupied 80,000 square feet. This space was entirely re-leased to a new tenant in just under one month, with an increase in the net rent, therefore solidifying the asset. In addition, as announced in the second quarter's management discussion and analysis, a tenant occupying 23,000 sq. ft. located in Gatineau, Québec declared bankruptcy. However, advanced negotiations are in the works to lease part of the space. When combining these two events, they created additional anticipated expirations of 103,000 sq. ft. for the Trust. Consequently, had this eviction of the 80,000 sq. ft. and bankruptcy not occurred, the comparable renewal rate would have been 88%, rather than 57%. For the cumulative period, the renewal rate stands at 72% and if the two events were excluded, the renewal rate would have been 90%.

Average renewal rate

The following table shows a breakdown of the average increase of rental rates per operating segment:

Operating segment	Quarter		Cumulative (9 months)	
	Sq. ft.	**%**	**Sq. ft.**	**%**
Office	21,797	(0.3)	129,206	0.7
Retail	132,290	1.1	147,927	2.3
Industrial	44,469	2.4	127,220	5.0
Mixed-use	4,436	(0.8)	105,995	0.5
Total	**203,092**	**1.2**	**510,348**	**1.9**

The average rental rate of expired and renewed leases during the third quarter increased by 1.2%, compared to a 5.3% increase in 2019. For the cumulative nine-month period, the average rental rate increased by 1.9%, compared to 6.4% in 2019. However, the industrial segment increased by 5.0% and the retail segment increased by 2.3%, consistent with the concluded renewals.

The slight increase in rental rates can be attributed to the financial uncertainty produced by the COVID- 19 pandemic. Strategically, although rents did not decrease, in order to ensure occupancy within the portfolio during these turbulent times, the Trust found it advisable to be less aggressive in proposing rent increases to its tenants in order to ensure favorable lease renewals and thereby insuring a stable occupancy rate. Despite the global crisis, the Trust managed to maintain a slight improvement in rental rates without impacting its occupancy rate.

New lease transactions: During the quarter, the Trust leased 173,995 sq. ft. of leasable area to new tenants, leaving 419,690 sq. ft. of leasable area available at the end of the quarter. This significant achievement can be explained by two major industrial leasing highlights; one of 80,000 sq. ft. as a result of the Trust evicting an industrial tenant and quickly replacing it in the same quarter, and the second, a lease concluded for 75,340 sq. ft. in Cornwall (Ontario), effectively putting an end to the redevelopment classification of the Boundary property in Cornwall (Ontario).

Occupancy rates

The following tables detail the Trust's committed occupancy rates by operational segments and geographic sector, including firm (signed) lease agreements as of the date of this report.

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
	%	%	%	%	%
Operating segment					
Office	**90.3**	90.8	89.7	89.3	88.4
Retail	**95.3**	95.6	95.6	96.0	98.0
Industrial	**93.9**	93.6	93.6	96.4	97.1
Mixed-use	**86.6**	92.1	92.0	92.4	93.1
Total portfolio	**92.1**	92.9	92.4	93.2	93.6

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
	%	%	%	%	%
Geographic sector					
Laval and North Shore	**99.9**	99.9	99.9	99.6	98.4
Island of Montréal	**92.3**	91.6	88.7	90.3	89.3
Montréal South Shore	**92.0**	92.8	93.0	93.0	94.7
Québec City and surrounding area	**89.2**	90.0	89.9	90.1	90.3
Ottawa and surrounding area	**91.2**	93.2	93.2	94.9	96.8
Central Ontario	**—**	—	—	100.0	100.0
	92.1	92.9	92.4	93.2	93.6

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
	%	%	%	%	%
By province					
Québec	**92.0**	92.9	92.3	92.6	92.8
Ontario	**92.8**	92.6	92.6	95.5	97.2
Total portfolio	**92.1**	92.9	92.4	93.2	93.6

The occupancy rate at the end of the third quarter of 2020 stands at 92.1%. This slight 0.8% decrease, compared to the prior quarter, is attributable in large part to the bankruptcy of a retailer in Gatineau affecting the mixed-use segment, as announced in our Q2 results.

Since December 31, 2019, the overall occupancy rate decreased by 0.9%. The decrease in the occupancy rate since December 31, 2019 was mainly recorded in the industrial property segment, which was affected by the sale of two industrial properties during the first quarter of 2020. These two properties totalled 276,000 sq. ft. of leasable area and both showed a 100% occupancy rate. The 1% increase in the occupancy rate for the office property segment was caused by the sale of a property located at 1001, Sherbrooke Street East (in Montréal, Qc) which totalled 122,500 of leasable square feet. This property had an occupancy rate of 69.7% at the time of the sale.

The following table shows the in-place occupancy rate compared to the committed occupancy rate by operating segments as at September 30, 2020.

	Occupancy rate (%)		Sq. ft.
	In-place	**Committed**	**Committed**
Operating segment			
Office	89.3	90.3	20,631
Retail	94.8	95.3	7,115
Industrial	93.2	93.9	8,500
Mixed-use	85.9	86.6	3,791
	91.3	**92.1**	**40,037**

The in-place occupancy rate as at September 30, 2020 (without taking into account firm committed lease agreements for tenants that are not yet occupying their spaces) stands at 91.3%, compared to 92.2% in 2019, resulting in a 0.9% decrease. Spaces totalling approximately 40,000 sq. ft. as at September 30, 2020 are subject to firm lease agreements and will, in the next few quarters, generate additional income.

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

Properties	Sq. ft.	Tenants	Expected occupancy date
1-10 Brewer Hunt Way, Ottawa, Ontario	9,900	Claigan Environmental	November 2020
2901 Marleau Avenue, Cornwall, Ontario	8,500	Morbern	October 2020
315-325 Macdonald, St-Jean-sur-Richelieu, Québec	7,400	SQI (Court)	November 2020
11590-11800 Salaberry Blvd, Dollard-des-Ormeaux, Québec	4,600	Restaurant Vago	October 2020
Crescent/Sainte-Catherine West, Montréal, Québec	2,900	Telus	January 2021

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.)	100,159	194,510	233,083	252,472	206,614
Average lease rate/square foot ($)	$13.04	$13.72	$14.47	$14.65	$13.23
% of office portfolio	*4.6%*	*9.4%*	*11.2%*	*12.2%*	*10.0%*
Retail					
Leasable area (sq. ft.)	52,255	106,974	295,225	181,142	82,887
Average lease rate/square foot ($)	$10.99	$7.99	$11.47	$9.62	$15.69
% of retail portfolio	*2.5%*	*7.6%*	*21.0%*	*12.9%*	*5.9%*
Industrial					
Leasable area (sq. ft.)	27,849	178,549	223,711	45,483	88,513
Average lease rate/square foot ($)	$5.94	$5.87	$4.37	$5.58	$9.02
% of industrial portfolio	*2.2%*	*13.9%*	*17.5%*	*3.6%*	*6.9%*
Mixed-use					
Leasable area (sq. ft.)	28,474	90,574	49,345	52,476	12,966
Average lease rate/square foot ($)	$11.95	$13.60	$16.03	$13.19	$13.79
% of mixed-use portfolio	*2.8%*	*16.0%*	*8.7%*	*9.3%*	*2.3%*
Total portfolio					
Leasable area (sq. ft.)	**208,737**	**570,607**	**801,364**	**531,572**	**390,980**
Average lease rate/square foot ($)	**$11.94**	**$9.83**	**$10.64**	**$12.02**	**$12.82**
% of total portfolio	***3.9%***	***10.7%***	***15.0%***	***10.0%***	***7.3%***

The Trust's efforts to conclude anticipated renewals and its strategic review allowed the Trust to stabilize and reduce its upcoming lease expirations, hence securing further revenues and tenant occupancy.

Top 10 tenants

On September 30, 2020, BTB manages approximately 620 leases, which corresponds to an average leasable area of approximately 9,300 square feet. The Trust's three largest tenants are Public Works Canada, Government of Québec (Health & Infrastructure) and Walmart Canada Inc., representing respectively 5.3%, 5.3% and 3.0% of revenue. This revenue is generated by multiple leases whose maturities are spread over time. More than 21.4% of the Trust's total revenue is 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 revenue as at September 30, 2020. This contribution accounts for 24.8% of annual rental revenue and 23.6% of leased area.

Client	% of revenue	% of leased area	Leased area (square feet)
Québec Government - Health & Infrastructure	5.3	4.5	237,813
Public Works Canada	5.3	3.9	207,202
Walmart Canada inc.	3.0	5.0	264,550
Intrado Life & Safety Canada, Inc.	2.0	1.2	61,845
Propriétés Shoppers Inc.	1.8	1.5	81,997
Mouvement Desjardins	1.7	1.2	62,585
WSP Canada Inc.	1.7	0.9	48,478
Strongco	1.5	1.5	81,442
Atis Portes et Fenêtes Corp.	1.4	3.0	159,941
BBA Inc.	1.3	0.9	49,855
	24.8	**23.6**	**1,255,708**

Operating Results

The following table summarizes the financial results for the periods ended September 30, 2020 and 2019. The table should be read in conjunction with our consolidated financial statements and the accompanying notes.

Periods ended September 30 (in thousands of dollars)		Quarter		Cumulative (9 months)	
		2020	2019	**2020**	2019
	Reference (page)	**$**	$	**$**	$
Rental revenue	27	**23,583**	23,973	**70,514**	68,044
Operating expenses	27	**10,275**	10,497	**32,021**	31,321
Net operating income[(1)]	27	**13,308**	13,476	**38,493**	36,723
Net financial expenses and financial income	28	**6,050**	6,331	**21,995**	21,070
Administration expenses	29	**1,501**	1,400	**5,213**	4,317
Transaction costs		**—**	63	**1,711**	980
Fair value adjustment on investment properties	29	**—**	50	**10,505**	27
Net income (loss) and comprehensive income (loss)	30	**5,757**	5,632	**(931)**	10,329

(1) Non-IFRS financial measure.

Rental revenue

In the third quarter of 2020, BTB's rental revenue decreased by $0.4 million or 1.6% compared to the same quarter last year.

The Federal government extended the CECRA program until September. By participating in this program, the Trust has agreed to grant additional rent credits for the months of July, August and September 2020, in the amount of approximately $841, as of September 30, 2020, to eligible tenants who requested participation in the program. In accordance with this estimate, the governments will reimburse the Trust the amount of $990, representing 50% of the eligible rents for that period. The net effect is therefore an increase in revenue of $149 for the quarter.

For the cumulative nine-month period ended September 30, 2020, the Trust reports an increase in its revenue of $2.5 million or 3.6%. The net contribution of property acquisitions and dispositions over the past 12 months is $2.6 million, while the CECRA program has generated a reduction of the revenues by $0.4 million.

Operating expenses

BTB recorded a decrease in operating expenses of $222, or 2.1%, between the third quarter of 2019 and the third quarter of 2020, resulting from the lower level of activity from tenants in office properties.

The following table shows the breakdown of operating expenses for the periods ended September 30, 2020 and 2019.

Periods ended September 30 (in thousands of dollars)	**Quarter**		**Cumulative (9 months)**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Operating expenses				
Maintenance, repairs and other operating costs	**3,413**	3,503	**10,729**	10,456
Energy	**1,321**	1,384	**4,302**	4,569
Property taxes and insurance	**5,541**	5,610	**16,990**	16,296
Total operating expenses	**10,275**	10,497	**32,021**	31,321
% of rental revenue	***43.6***	*43.8*	***45.4***	*46.0*

As a percentage of rental revenue, operating expenses for the third quarter of 2020 decreased by 0.2% to 43.6%, compared to 43.8% for the third quarter of 2019, and decreased by 0.6% for the cumulative nine-month period, to 45.4%.

Net operating income

Periods ended September 30 (in thousands of dollars)	**Quarter**		**Cumulative (9 months)**	
	2020	2019	**2020**	2019
	$	$	$	$
Net operating income(1)	**13,308**	13,476	**38,493**	36,723
% of rental revenue	***56.4***	*56.2*	***54.6***	*54.0*

(1) Non-IFRS financial measure.

Properties acquired during the past 12 months contributed to an increase of $0.5 million in net operating income, and the shortfall resulting from the dispositions that took place during the same period is evaluated at $0.6 million. Total net operating income (NOI) decreased by $168 or 1.2% between the third quarter of 2019 and the third quarter of 2020.

The Trust's participation in the CECRA program affected the net operating income, resulting in a decrease of $439 for the quarter, offset by an equivalent amount representing the Québec provincial subsidy for the six months of CECRA program.

For the cumulative period, the Trust recorded an increase in net operating income of $1.8 million or 4.8%. The net contribution of acquisitions and property dispositions over the past 12 months stands at $1.5 million, while the CECRA program has led to a reduction in net operating income of $0.4 million.

Financial expenses and income

The following table shows the breakdown of financial expenses for the periods ended September 30, 2020 and 2019:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	$	$
Financial income	**(127)**	(112)	**(356)**	(355)
Interest on mortgage loans	**4,714**	4,867	**14,208**	14,013
Interest on convertible debentures	**850**	874	**2,518**	2,622
Interest on bank loans	**148**	193	**582**	719
Other interest expense	**—**	105	**264**	339
Interest expense	**5,712**	6,039	**17,572**	17,693
Distributions on Class B LP units	**30**	56	**127**	168
Early repayment fees	**—**	—	**79**	—
Net financial expenses before non-monetary items	**5,742**	6,095	**17,778**	17,861
Accretion of effective interest on mortgage loans and convertible debentures	**229**	267	**901**	788
Accretion of non-derivative liability component of convertible debentures	**—**	13	**—**	39
Net financial expenses before the following items	**5,971**	6,375	**18,679**	18,688
Net adjustment to fair value of derivative financial instruments	**265**	52	**4,692**	2,524
Fair value adjustment on Class B LP units	**(59)**	16	**(1,020)**	213
Net financial expenses	**6,177**	6,443	**22,351**	21,425

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

Interest expense decreased by $327 during the third quarter of 2020 compared to the same period of 2019, and by $121 for the cumulative period, mainly due to the net effect of acquisitions, dispositions and decrease in the prime rate impacting floating interest rates of mortgages in recent quarters.

Distributions on Class B LP units amounted to $30 for the quarter and to $127 for the cumulative period. Under IFRS, although the Class B LP units can be exchanged at the option of holders for units that are traded on the public market, they are considered a financial instrument to be classified as a liability and therefore the related distributions are recognized as an expense.

Net financial expenses described above include non-monetary items. These non monetary items include the accretion of effective interest on mortgage loans and on convertible debentures and fair value adjustments on derivative financial instruments and on Class B LP units. BTB recognized a fair value adjustment resulting in a non-monetary expense of $206 (2019: $68) for the quarter and a non-monetary expense of $3,672 for the cumulative period (2019: $2,737).

- The COVID-19 pandemic has created economic uncertainty and increased the volatility of the financial markets. The decrease in the value of derivative financial instruments, which generated an equivalent expense recorded as an increase in non-monetary items, is caused by lower interest rates in Canadian financial markets during the reporting period.
- The fair value of Class B LP units is equal to the fair value of the Trust's units traded on Canadian stock markets. An increase in the value of Class B LP units generates an equivalent expense recorded as an increase of non-monetary financial expenses during the reporting period. Conversely, a decrease in the value of Class B LP units generates the equivalent in income recorded as a decrease in non-monetary financial expenses during the reporting period.

On September 30, 2020, the average weighted contractual rate of interest on mortgage loans outstanding was 3.61%, 31 basis points lower than the average rate posted as at September 30, 2019 (3.92%). Interest rates on first-ranking mortgage loans ranged from 2.37% to 6.80% as at September 30, 2020. The weighted average term of mortgage loans in place as at September 30, 2020 was 4.6 years (5.1 years as at September 30, 2019).

Administration expenses

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	**$**	$
Administration expenses	**1,062**	1,054	**3,499**	3,312
Expected credit losses	**417**	215	**1,814**	571
Unit-based compensation	**22**	131	**(100)**	434
Trust administration expenses	**1,501**	1,400	**5,213**	4,317

The COVID-19 pandemic has particularly affected some tenants, notably in the retail segment. The Trust has supported some of these tenants by granting rent deferrals. As at September 30, 2020, the Trust has provided rent deferrals in the approximate amount of $1.2 million. The Trust recognizes, however, that there is a risk associated with the recovery of rent deferrals and with tenants who have a balance outstanding at the end of the deferral period. To this effect, the Trust recorded an additional allowance for potential credit losses of approximately $1.3 million to reflect the credit risk related to COVID-19.

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 COVID-19 pandemic has created economic uncertainty and increased volatility in the financial markets. These factors have led us, at the end of the first quarter of 2020, to increase capitalization rates of properties considered to be more vulnerable to the effects of the pandemic, mostly in the Trust's retail segment, where tenants had to temporarily cease operations. At the end of the second quarter, the Trust recorded a decrease in the fair value of its investment properties, nevertheless without adjusting capitalization rates. This decrease of the fair value was specific to two properties. No fair value adjustment was made in the third quarter.

The Trust annually uses chartered appraisers to evaluate the fair value of a significant portion of its portfolio. Pursuant to its policy, the 10 most important properties and approximately a third of the remaining properties are annually appraised by independent appraisers. In addition, as part of financing or refinancing and at the request of lenders, other properties are also independently appraised during the year. Last year 63% of BTB's properties were externally appraised.

For its properties that were not subject to independent appraisals, management receives quarterly capitalization rate and discount rate data reflecting real estate market conditions 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.

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 September 30, 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 September 30, 2019				
Capitalization rate	6.25% - 7.75%	6.00% - 8.50%	5.75% - 8.50%	5.00% - 8.25%
Terminal capitalization rate	6.25% - 7.75%	6.50% - 7.50%	6.25% - 8.25%	5.25% - 8.50%
Discount rate	7.25% - 8.50%	7.00% - 8.00%	6.75% - 9.00%	6.25% - 9.00%

The weighted average capitalization rate for the entire portfolio as at September 30, 2020 was 6.65% (September 30, 2019: 6.79%), 14 basis points lower since September 30, 2019 and five basis points higher since December 31, 2019.

As at September 30, 2020, BTB has estimated that if a variation of 0.25% in the capitalization rate is applied to the overall portfolio, this variation would change the fair value of the investment properties by approximately $35 million.

Net income (loss) and comprehensive income (loss)

BTB generated a net income of $5,757 for the third quarter of 2020, compared to a net income of $5,632 for the third quarter of 2019, an increase of $125. For the cumulative period, the net loss stood at $931, compared to net income of $10,329 for the same period of 2019.

The cumulative loss is essentially attributable to the reduction in the fair value of investment properties of $10,505 recorded in the first and second quarter of 2020.

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net income (loss)	**5,757**	5,632	**(931)**	10,329
Per unit	**9.1¢**	9.0¢	**(1.5)¢**	17.6¢

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 investment properties fluctuate based on the stock market volatility of BTB's units, the forward interest rate curve and the discount and capitalization rates of its real estate portfolio. A new element entered the scene in the first quarter of 2020, the COVID-19 pandemic, which has created 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.

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net income (loss) and comprehensive income (loss)	**5,757**	5,632	**(931)**	10,329
Non-recurring items:				
Transaction costs on acquisitions and dispositions of investment properties and early repayment fees	**—**	63	**1,790**	980
Volatile non-monetary items				
Fair value adjustment on investment properties	**—**	50	**10,505**	27
Fair value adjustment on derivative financial instruments	**265**	52	**4,692**	2,524
Fair value adjustment on Class B LP units	**(59)**	16	**(1,020)**	213
Adjusted net income[1]	**5,963**	5,813	**15,036**	14,073
Per unit	**9.4¢**	9.3¢	**23.8¢**	24.0¢

(1) Non-IFRS financial measure.

This table shows the stability in adjusted net income for the quarter and for the cumulative period.

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 September 30, 2020, but it does not include the effect of acquisitions completed during 2019 and 2020, nor the disposition of properties during the same periods.

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

Periods ended September 30 (in thousands of dollars)	Quarter			Cumulative (9 months)		
	2020	2019	Δ	**2020**	2019	Δ
	$	$	%	**$**	$	%
Rental revenue	**20,863**	20,701	0.8	**60,874**	61,477	(1.0)
Operating expenses	**9,132**	9,067	0.7	**27,969**	28,286	(1.1)
Net operating income[1]	**11,731**	11,634	0.8	**32,905**	33,191	(0.9)
Interest expense on mortgage loans payable	**4,185**	4,278	(2.2)	**12,617**	12,770	(1.2)
Net property income[1]	**7,546**	7,356		**20,288**	20,421	
Increase (decrease) in net property income from the same-property portfolio	***2.6%***			***(0.7%)***		

(1) Non-IFRS financial measure.

Net property income for the third quarter of 2020 increased by 2.6% compared to the same quarter last year with a net operating income increase by 0.8% and an improvement coming from the mortgage refinancing over the last 12 months. Year-to-date, the decrease in rental revenue is attributable to the net impact of the CECRA program ($0.4 million) and the loss of income from bankruptcies or the temporary closure of tenants ($1.0 million) partially offset by an important leasing activity in key properties ($0.9 million). Operating expenses decreased by 1.1% due to savings resulting from the partial closure and lower than usual activities in office properties. The combination of these effects resulted in a reduction of the net property income from the same-property portfolio of 0.7% for the cumulative period of nine months.

Distributions

Distributions and per unit data

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	**$**	$
Distributions				
Cash distributions	**4,054**	5,655	**14,411**	16,073
Cash distributions – Class B LP units	**30**	56	**127**	168
Distributions reinvested under the distribution reinvestment plan	**668**	852	**2,197**	2,316
Total distributions to unitholders	**4,752**	6,563	**16,735**	18,557
Percentage of reinvested distributions	***14.1%***	*13.0%*	***13.1%***	*12.5%*
Per unit data[1]				
Distributions	**7.5¢**	10.5¢	**26.5¢**	31.5¢

(1) Including Class B LP units.

Distributions to unitholders totalled 3.5¢ per issued unit until the month of April 2020, and 2.5¢ per issued unit from the month of May 2020, for a total of 7.5¢ for the third quarter of 2020 and 10.5¢ for each quarter of 2019.

Distribution reinvestment plan (DRIP)

In the third quarter of 2020, 14.1% of total distributions (2019: 13.0%) were reinvested under the DRIP. An amount of $2,197 (2019: $2,316) of the Trust's cash has thereby been preserved through payment of distributions in units of the Trust since the beginning of the year.

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 periods ended September 30, 2020 and 2019:

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net income and comprehensive income (IFRS)	**5,757**	5,632	**(931)**	10,329
Fair value adjustment on investment properties	**—**	50	**10,505**	27
Fair value adjustment on Class B LP units	**(59)**	16	**(1,020)**	213
Amortization of lease incentives	**751**	746	**2,274**	2,247
Fair value adjustment on derivative financial instruments	**265**	52	**4,692**	2,524
Leasing payroll expenses	**176**	132	**470**	381
Distributions - Class B LP units	**30**	56	**127**	168
FFO(1)	**6,920**	6,684	**16,117**	15,889
Non-recurring item				
Transaction cost on acquisitions and dispositions of investment properties and early repayment fees	**—**	63	**1,790**	980
Recurring FFO(1)	**6,920**	6,747	**17,907**	16,869
FFO per unit(2)	**10.9¢**	10.7¢	**25.5¢**	27.1¢
Recurring FFO per unit(2)	**10.9¢**	10.8¢	**28.4¢**	28.8¢
FFO payout ratio(3)	***68.6%***	*98.1%*	***103.8%***	*116.2%*
Recurring FFO payout ratio(3)	***68.6%***	*97.2%*	***93.4%***	*109.4%*

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

For the third quarter of 2020, recurring FFO increased by 0.9%, and was 10.9¢ per unit, compared to 10.8¢ per unit in 2019. The recurring FFO payout ratio decreased by 29.4% for the third quarter of 2020 and stood at 68.6% compared to 97.2% for the same quarter of 2019. The improvement compared to the prior quarters of this year is principally the result of normalized revenues, limited credit losses and the reduction of the distribution to unitholders.

Adjusted Funds from Operations (AFFO)

The following table provides a reconciliation of FFO and AFFO for the quarters ended September 30, 2020 and 2019:

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	**$**	$
FFO[1]	**6,920**	6,684	**16,117**	15,889
Straight-line rental revenue adjustment	**(214)**	(271)	**(357)**	(234)
Accretion of effective interest	**229**	267	**901**	788
Accretion of the liability component of convertible debentures	**—**	13	**—**	39
Amortization of other property and equipment	**29**	24	**77**	82
Unit-based compensation expenses	**22**	131	**(100)**	434
Provision for non-recoverable capital expenditures	**(472)**	(479)	**(1,410)**	(1,361)
Provision for unrecovered rental fees	**(375)**	(345)	**(1,125)**	(1,035)
AFFO[1]	**6,139**	6,024	**14,103**	14,602
Non-recurring item				
Transaction costs on purchase and disposition of investment properties and early repayment fees	**—**	63	**1,790**	980
Recurring AFFO[1]	**6,139**	6,087	**15,893**	15,582
AFFO per unit[2]	**9.7¢**	9.6¢	**22.3¢**	24.9¢
Recurring AFFO per unit[2]	**9.7¢**	9.7¢	**25.2¢**	26.6¢
AFFO payout ratio[3]	***77.4%***	*108.9%*	***118.6%***	*126.4%*
Recurring AFFO payout ratio[3]	***77.4%***	*107.8%*	***105.2%***	*118.5%*

(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.

Recurring AFFO per unit totalled 9.7¢ for the third quarter of 2020 compared to 9.7¢ for the third quarter of 2019. The recurring AFFO payout ratio decreased by 28.2%, where it stood at 77.4% for the third quarter of 2020 compared to 107.8% for the third 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 revenue. 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 made during the current comparative quarter and in the last few years.

Periods ended September 30 and 12-month periods ended December 31 (in thousands of dollars)	**September 30, 2020 (9 months)**	September 30, 2019 (9 months)	December 31, 2019 (12 months)	December 31, 2018 (12 months)
	$	$	$	$
Provision for non-recoverable capital expenditures	**1,410**	1,361	1,851	1,719
Non-recoverable capital expenditures	**1,403**	1,256	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 calculation of the provision, as required.

Cash Flows

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

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net cash from (used in):				
Operating activities	**8,983**	9,875	**30,191**	29,988
Investing activities	**(1,347)**	2,081	**19,347**	(15,427)
Financing activities	**23,664**	(11,402)	**(18,221)**	(21,538)
Net change in cash during the periods	**31,300**	554	**31,317**	(6,977)
Cash and cash equivalents, beginning of period	**1,820**	1,293	**1,803**	8,824
Cash and cash equivalents, end of period	**33,120**	1,847	**33,120**	1,847

Cash from operating activities decreased by $892 to $8,983 for the third quarter 2020, mainly due to the increase in adjustments for changes in other working capital items, lower net operating income and increase in administration expenses.

Cash from (used in) investing activities decreased by $3,428 from $2,081 to ($1,347) for the third quarter mainly due to the absence of disposition of investment properties and partially offset by lower additions to investment properties.

Cash from (used in) financing activities increased by $35,066 from ($11,402) to $23,664 for the third quarter mainly due to the proceeds from the convertible debentures issue for which $26,700 will be used to repay in October the Series F debenture.

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

9-month periods ended September 30 and 12-month periods ended December 31 (in thousands of dollars)	**2020 (9 months)**	2019 (9 months)	2019 (12 months)	2018 (12 months)
	$	$	$	$
Net cash flows from operating activities (IFRS)	**30,191**	29,988	47,223	44,724
Interest paid	**(15,816)**	(17,290)	(23,442)	(21,851)
Net cash flows from operating activities	**14,375**	12,698	23,781	22,873
Net income (loss)	**(931)**	10,329	51,881	41,337
Total distributions	**16,735**	18,557	25,141	22,154
Surplus (deficit) of net cash flows from operating activities compared to total distributions	**(2,360)**	(5,859)	(1,360)	719
Surplus (deficit) of net income (loss) over total distributions	**(17,666)**	(8,228)	26,740	19,183

The Trust presented total distributions in excess of net cash flows from operating activities (IFRS) net of interest paid of $2,360, during the quarter ended September 30, 2020.

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

The Trust may use authorized lines of credit totaling $22 million to finance surplus distributions. During the year ended December 31, 2019, the Trust presented a deficit of net cash flow from operating activities (IFRS) net of interest paid 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).

Periods ended September 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**8,983**	9,875	**30,191**	29,988
Leasing payroll expenses	**176**	132	**470**	381
Transaction costs on purchase and disposition of investment properties and early repayment fees	**—**	(63)	**(1,790)**	(804)
Adjustments for changes in other working capital items	**3,412**	2,832	**4,983**	4,771
Interest expenses	**127**	112	**356**	355
Financial income	**(5,712)**	(6,039)	**(17,572)**	(17,693)
Provision for non-recoverable capital expenditures	**(472)**	(479)	**(1,410)**	(1,361)
Provision for non-recovered rental fees	**(375)**	(345)	**(1,125)**	(1,035)
Other items	**—**	(1)	**—**	
AFFO[1]	**6,139**	6,024	**14,103**	14,602
Provision for non-recoverable capital expenditures	**472**	479	**1,410**	1,361
Provision for non-recovered rental fees	**375**	345	**1,125**	1,035
Straight-line rental revenue adjustment	**214**	271	**357**	234
Unit-based compensation expenses	**(22)**	(131)	**100**	(434)
Accretion of non-derivative liability component of convertible debentures	**—**	(13)	**—**	(39)
Accretion of effective interest	**(229)**	(267)	**(901)**	(788)
Amortization of property and equipment	**(29)**	(24)	**(77)**	(82)
FFO[1]	**6,920**	6,684	**16,117**	15,889

(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 periods ended September 30, 2020 and 2019.

Quarters ended September 30 (in thousands of dollars)	Retail		Office		Industrial		Mixed-use		Total
	$	%	$	%	$	%	$	%	$
Quarter ended September 30, 2020									
Investment properties	**256,954**	***28.7***	**399,029**	***44.5***	**136,554**	***15.3***	**102,883**	***11.5***	**895,420**
Rental revenue from properties	**6,695**	***28.4***	**11,238**	***47.6***	**2,803**	***11.9***	**2,847**	***12.1***	**23,583**
Net operating income[1]	**3,894**	***29.3***	**6,187**	***46.4***	**1,756**	***13.2***	**1,471**	***11.1***	**13,308**
Quarter ended September 30, 2019									
Investment properties	262,304	*29.6*	370,475	*41.8*	146,060	*16.5*	107,809	*12.1*	886,648
Rental revenue from properties	7,005	*29.2*	10,585	*44.2*	3,474	*14.5*	2,909	*12.1*	23,973
Net operating income[1]	4,140	*30.7*	5,450	*40.4*	2,471	*18.3*	1,415	*10.5*	13,476

(1) Non-IFRS financial measure.

Nine-month periods ended September 30 (in thousands of dollars)	Retail		Office		Industrial		Mixed-use		Total
	$	%	$	%	$	%	$	%	$
Nine-month period ended September 30, 2020									
Rental revenue from properties	**20,246**	***28.7***	**33,126**	***46.9***	**8,715**	***12.4***	**8,427**	***12.0***	**70,514**
Net operating income[1]	**11,691**	***30.4***	**17,107**	***44.4***	**5,584**	***14.5***	**4,111**	***10.7***	**38,493**
Nine-month period ended September 30, 2019									
Rental revenue from properties	19,323	*28.4*	32,026	*47.1*	9,195	*13.5*	7,500	*11.0*	68,044
Net operating income[1]	11,425	*31.1*	15,681	*42.7*	5,925	*16.1*	3,692	*10.1*	36,723

(1) Non-IFRS financial measure.

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 investment segments: office, retail, industrial and mixed-use properties.

The real estate portfolio consists of direct interests in wholly owned investment properties and the Trust's share of the assets, liabilities, revenues and expenses of two jointly controlled investment properties.

The fair value of its investment properties stood at $895 million as at September 30, 2020 compared to $924 million as at December 31, 2019. Because of loss of revenues due to the COVID-19 pandemic and the impact of closures and rent deferral agreements, the Trust recorded a decrease in the value of its portfolio for the nine-month period ending September 30, 2020 of approximately $10.5 million.

Summary by operating segment

As at September 30	2020			2019		
	Number of properties	**Leasable area (sq. ft.)**	**%**	**Number of properties**	**Leasable area (sq. ft.)**	**%**
Office	29	2,073,156	***38.9***	29	2,185,855	*38.8*
Retail	12	1,409,565	***26.4***	12	1,409,564	*25.0*
Industrial	17	1,282,050	***24.1***	18	1,482,282	*26.2*
Mixed use	6	564,919	***10.6***	7	564,919	*10.0*
Subtotal	64	5,329,690	***100.0***	66	5,642,620	*100.0*
Properties under redevelopment	—	—		1	75,340	
Total	**64**	**5,329,690**		67	5,717,960	

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.

The following table summarizes capital expenditures, incentives, and leasing fees, for the periods ended September 30, 2020 and 2019.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	$	$
Recoverable capital expenditures	**147**	560	**422**	1,610
Non-recoverable capital expenditures	**895**	642	**1,403**	1,256
Refund received	**—**	—	**(280)**	—
Total capital expenditures	**1,042**	1,202	**1,545**	2,866
Leasing fees and leasehold improvements	**731**	1,131	**4,361**	3,180
Total	**1,773**	2,333	**5,906**	6,046

The following table shows changes in the fair value of investment properties during the periods ended September 30, 2020 and 2019.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
	$	$	**$**	$
Balance, beginning of period	**894,679**	889,236	**924,320**	839,015
Additions:				
Initial recognition of right-of-use assets	**—**	—	**—**	3,900
Acquisitions	**(38)**	4	**22,248**	75,677
Dispositions	**(457)**	(4,400)	**(44,632)**	(35,950)
Capital expenditures	**1,042**	1,202	**1,545**	2,866
Leasing fees and capitalized lease incentives	**731**	1,131	**4,361**	3,180
Fair value adjustment on investment properties	**—**	(50)	**(10,505)**	(27)
Other non-monetary changes	**(537)**	(475)	**(1,917)**	(2,013)
Balance, end of period	**895,420**	886,648	**895,420**	886,648

Balance of sale

The Trust granted a balance of sale when it disposed in 2019 of a property located in Delson (Québec). The principal amount of the balance of sale is $6,000, 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.

Receivables

Amounts receivable from tenants and other receivables increased from $3,809 as at December 31, 2019 to $5,362 as at September 30, 2020. These amounts are summarized below:

(in thousands of dollars)	**September 30, 2020**	December 31, 2019	September 30, 2019
	$	$	$
Rent receivable from tenants	**4,424**	2,801	3,114
Allowance for expected credit losses	**(1,651)**	(716)	(791)
Net rent receivable	**2,773**	2,085	2,323
Unbilled recoveries	**800**	776	590
Other receivables	**1,282**	948	902
Government assistance programs receivable	**507**	—	—
Amounts receivable from tenants and other receivables	**5,362**	3,809	3,815

The amount of rent receivable includes $1,192 to be received under payment deferral agreements agreed upon with tenants.

Other assets, Derivative financial instruments and Property and Equipment

The table below summarizes other assets, derivative financial instruments in debit position and property and equipment:

(in thousands of dollars)	**September 30, 2020**	December 31, 2019	September 30, 2019
	$	$	$
Property and equipment	**1,207**	1,067	1,057
Accumulated depreciation	**(880)**	(804)	(779)
	327	263	278
Prepaid expenses	**4,397**	1,921	5,984
Deposits	**932**	675	533
Derivative financial instruments	**—**	304	237
Other assets	**5,656**	3,163	7,032

Capital Resources

Long-term debt

The following table shows the balance of BTB's indebtedness on September 30, 2020, including mortgage loans and convertible debentures, based on the year of maturity and corresponding weighted average contractual interest rates:

As at September 30, 2020 (in thousands of dollars)	**Balance of convertible debentures**	**Balance of mortgages payable**	**Weighted average contractual interest rate**
	$	$	%
Year of maturity			
2020	26,700[(1)]	30,878	5.76
2021	—	89,147	3.62
2022	—	23,030	3.60
2023		36,015	3.62
2024	24,000	83,781	4.62
2025 and thereafter	30,000	221,566	3.70
Total	**80,700**	**484,417**	**4.06**

(1) Repaid on October 26th, 2020

Weighted average contractual interest rate

As at September 30, 2020, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.06%, (3.61% for mortgage loans and 6.75% for convertible debentures).

Mortgage loans

As at September 30, 2020, the Trust's total mortgage loans amounted to $484,417 compared to $496,937 on September 30, 2019 and $495,247 on December 31, 2019, before unamortized financing expenses and fair value assumption adjustments. Fluctuations result from the financing of acquisitions completed in 2019 and 2020, refinancing and principal repayments on monthly payments and dispositions.

The following table summarizes changes in mortgage loans payable during the periods ended September 30, 2020.

Periods ended September 30 (in thousands of dollars)	**Quarter**	Cumulative (9 months)
	$	$
Balance at beginning	**497,280**	495,247
Mortgage loans contracted or assumed	**—**	33,169
Balance repaid at maturity or upon disposition	**(9,900)**	(35,691)
Monthly principal repayments	**(2,963)**	(8,308)
Balance as at September 30, 2020	**484,417**	484,417

Note: Before unamortized financing expenses and fair value assumption adjustments.

As at September 30, 2020, the weighted average interest rate was 3.61% compared to 3.92% as at September 30, 2019, a decrease of 31 basis points. As at September 30, 2020, except for five loans with a cumulative balance of $44,219, all mortgages payable bear interest at fixed rates ($379,107) or are subject to an interest rate swap ($61,091).

The weighted average term of existing mortgage loans was 4.6 years as at September 30, 2020. It was 5.1 years as at September 30, 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 five properties, two of them partially securing the acquisition and operating lines of credit as at September 30, 2020, all of the Trust's other properties were subject to mortgages as at September 30, 2020.

The following table, as at September 30, 2020, shows future mortgage loan repayments for the next few years:

As at September 30, 2020 (in thousands of dollars)	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2020 (3 months)	4,063	30,661	34,724	7.2
2021	15,010	86,634	101,644	21.0
2022	13,069	18,783	31,852	6.6
2023	10,990	32,625	43,615	9.0
2024	8,630	73,493	82,123	16.9
2025 and thereafter	36,349	154,110	190,459	39.3
Total	**88,111**	**396,306**	**484,417**	**100.0**
Unamortized fair value assumption adjustments			642	
Unamortized financing expenses			(2,281)	
Balance as at September 30, 2020			**482,778**	

As at September 30, 2020, the Trust was in compliance with all the covenants to which it was subject.

Convertible debentures

(in thousands of dollars)	**Series F**(1)(4)	**Series G**(2)(4)	**Series H**(3)(4)	**Total**
Par value	26,700	24,000	30,000	80,700
Contractual interest rate	7.15%	6.00%	7.00%	
Effective interest rate	8.47%	7.30%	8.28%	
Date of issuance	December 2015	October 2019	September 2020	
Per-unit conversion price	$5.65	$5.42	$3.64	
Date of interest payment	June 30 and December 31	April 30 and October 31	April 30 and October 31	
Maturity date	December 2020	October 2024	October 2025	
Balance as at September 30, 2020	**26,613**	**22,896**	**25,716**	**75,225**

(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) Redeemable by the Trust, under certain conditions, as of October 31, 2023, but before October 31, 2024, 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 H conversion price and, as of October 31, 2024, but before October 31, 2025, at a redemption price equal to their principal amount plus accrued and unpaid interest
(4) The Trust may, at its option and under certain conditions, elect to satisfy its obligation to pay the principal amount of the Series F, G and H debentures by issuing freely tradable units to Series F, G and H debenture holders.

After quarter-end, on October 26, 2020, the Trust used part of the net proceed from the series H to fully reimbursed the Series F debentures.

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 September 30, 2020 and 2019 and December 31, 2019.

(in thousands of dollars)	**September 30, 2020**	December 31, 2019	September 30, 2019
	$		$
Free cash flow	**(33,120)**	(1,803)	(1,847)
Mortgage loans outstanding[1]	**484,417**	495,247	496,937
Convertible debentures[1]	**80,700**	50,700	49,700
Acquisition credit facility	**13,100**	10,200	10,200
Total long-term debt less free cash flow	**545,097**	554,344	554,990
Total gross value of the assets of the Trust less free cash flow	**913,352**	938,131	904,308
Mortgage debt ratio (excluding convertible debentures and acquisition credit facility)	***53.0%***	*52.8%*	*55.0%*
Debt ratio – convertible debentures	***8.8%***	*5.4%*	*5.5%*
Debt ratio – acquisition line of credit	***1.4%***	*1.1%*	*1.1%*
Total debt ratio	***59.7%***	*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 September 30, 2020, amounted to 53.0%, up 0,2% from December 31, 2019 and down 2.0% from September 30, 2019. Including the convertible debentures and the acquisition credit facility, the total debt ratio stood at 59.7%, up 0.6% from December 31, 2019 and down 1.7% from September 30, 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 September 30, 2020, the interest coverage ratio stood at 2.13, an increase of 1 basis point from the third quarter of 2019.

Periods ended September 30 (in thousands of dollars, except for the ratios)	**Quarter**		**Cumulative (9 months)**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net operating income	**13,308**	13,476	**38,493**	36,723
Interest expenses net of financial income[1]	**5,585**	5,927	**17,216**	17,338
Interest coverage ratio	***2.38***	*2.27*	***2.24***	*2.12*

(1) Interest expenses excludes early repayment fees, 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 and Class B LP units.

Class B LP units

Period ended September 30, 2020 (in number of units)	**Quarter**		**Cumulative (9 months)**	
	Units	$	**Units**	$
Class B LP units outstanding, beginning of quarter	**397,265**	1,219	**497,265**	2,571
Exchange into Trust units			**(100,000)**	(391)
Fair value adjustment		(59)		(1,020)
Class B LP units outstanding, end of quarter	**397,265**	1,160	**397,265**	1,160

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. In accordance with IFRS principles, distributions paid on Class B LP units are recorded as financial expenses when declared. Distributions declared are adjusted in calculating FFO and AFFO.

On May 4, 2020, at the request of the holders, 100,000 Class B LP units were exchanged for units of BTB.

The Class B LP units were issued on May 30, 2018 in payment for the acquisition of a residual portion of "Complexe Lebourgneuf – Phase II" in Québec City (less the portion related to the mortgage loan assumption by BTB). The holders of the Class B LP units were entitled to a $30 distribution during the third quarter of 2020, and a $127 distribution for the cumulative 9-month period of 2020.

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, 225,050 units were issued during the third quarter of 2020 (2019: 185,358 units).

Units outstanding

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

Periods ended September 30 (in number of units)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
Units outstanding, beginning of the period	**62,822,027**	61,850,788	**62,251,558**	55,317,723
Units issued	**—**	—	**—**	6,157,100
Distribution reinvestment plan	**225,050**	185,358	**622,025**	499,240
Issued – deferred unit compensation plan	**—**	—	**2,973**	—
Issued - employee unit purchase plan	**—**	—	**11,194**	9,253
Issued - restricted unit compensation plan	**—**	—	**59,327**	52,830
Class B LP units exchanged into Trust units	**—**	—	**100,000**	—
Units outstanding, end of the period	**63,047,077**	62,036,146	**63,047,077**	62,036,146
Weighted average number of units outstanding	**62,933,989**	61,944,033	**62,669,360**	58,073,213
Weighted average number of Class B LP units and units outstanding	**63,331,254**	62,476,298	**63,111,880**	58,605,478

Deferred unit compensation plan

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

The following table summarizes deferred units outstanding during the periods ended September 30, 2020 and 2019.

Periods ended September 30 (in number of units)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
Deferred units outstanding, beginning of the period	**78,429**	53,631	**59,642**	37,056
Trustees' compensation	**3,102**	1,844	**21,444**	16,364
Distributions paid in units	**1,935**	1,224	**5,353**	3,279
Settled	**—**	—	**(2,973)**	—
Deferred units outstanding, end of the period	**83,466**	56,699	**83,466**	56,699

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 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 periods ended September 30, 2020 and 2019.

Periods ended September 30, (in number of units)	Quarter		Cumulative (9 months)	
	2020	2019	**2020**	2019
Restricted units outstanding, beginning of the period	**143,951**	161,556	**165,012**	138,919
Granted	**—**	6,336	**49,237**	82,469
Cancelled	**—**	—	**(10,971)**	(666)
Settled	**—**	—	**(59,327)**	(52,830)
Restricted units outstanding, end of the period	**143,951**	167,892	**143,951**	167,892

Employee unit purchase plan

The Trust offers its employees an optional unit purchase plan. Under this plan, the employees may contribute, each year, from 3% to a maximum of 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 to the employee one unit from treasury.

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, among 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 lots 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 mobilize 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 implemented 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 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 school located in Montréal's West Island, but to also help purify and filter the ecosystem. More than forty-five 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. Their mission is to fight 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 a trust) that resides in Canada, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

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

Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions all year long: (i) the total fair market value of all the "non-portfolio properties" that are "qualified REIT properties" held by the trust is at least 90% of the total fair market value at that time of all the "non portfolio assets" held by the trust (ii) not less than 90% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest, 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," the 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 September 30, 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, to the best of the Trust management's knowledge, distributions are qualified as follows for taxation purposes:

Periods ended September 30	**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 on the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from these estimates. Critical judgments made by BTB in applying significant accounting policies, the most significant of which is the fair value of investment properties, are described in Note 2 to the consolidated financial statements.

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

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 Québec government has taken many steps in its management of the health crisis, including the closure on March 25 of all non-essential stores and services. The recovery was gradual and our properties outside Montréal were able to start operating as of May. This led to the opening of Montréal's malls in mid-June.

Since the beginning of the crisis, BTB has set up a COVID-19 task force to ensure full management of all collateral effects on our tenants, suppliers, creditors, as well as our employees. Several actions have been taken, including: review of rent agreements with tenants and coordination with tenants for the application of the federal grant under the CECRA program; participation with our creditors to reduce our mortgage payments during this period; appropriate implementation of cost control and control of our investments; strengthening sanitation, health and safety measures in our properties and restricting access to our buildings.

During this period, several companies announced bankruptcies and restructurings, mainly in the retail sector. To date, BTB's portfolio has been affected very little by this news. However, there is a risk that new tenants will be affected in the future by financial constraints and this could have an impact on our operations and on our financial results.

BTB continues to closely monitor business operations and is aware that the impact of COVID-19 on the global economy and its duration remains uncertain. BTB 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.

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 September 30, 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 third 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;
- **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 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 revenue;
- 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 at period end;
- The **retention rate**, which is used to assess the Trust's ability to renew leases and retain tenants;
- The **increase in average rate of renewed leases**, which measures organic growth and the Trust's ability to increase its rental revenue.

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 revenue

Rental revenue 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 revenue 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 revenue 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 $484.4 million as at September 30, 2020, compared to $496.9 million as at September 30, 2019.
- Series F, G and H convertible debentures for a total par value of $75.2 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 expected credit losses 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 September 30, 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 revenue from properties from the same-property portfolio, less operating expenses and interest on mortgage financing of the same portfolio.

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 revenue 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 September 30th, 2020

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