

BTB - Our strategic repositioning is bearing fruit

MONTREAL, Nov. 6, 2017 /CNW Telbec/ - BTB Real Estate Investment Trust (TSX: BTB.UN) ("BTB" or the "Trust") releases today its financial results for the third quarter ended September 30, 2017, and presents the following highlights:

HIGHLIGHTS OF THE QUARTER ENDED SEPTEMBER 30, 2017

- Increase in funds from operations of \$0.9 million, from \$4.0 million to \$4.9 million.
- Adjusted funds from operations increased by \$0.3 million, from \$12.9 million to \$13.2 million for the three quarters, but decreased for the quarter.
- Occupancy rate increased 1.4% to 90% for the third quarter, as compared to the second quarter.
- During the quarter, the Trust deployed strong leasing activity with 131,000 square feet leased to new tenants. Of this leasing activity, 120,000 square feet are leased but have not yet impacted the Trust's income.
- The average rental rate of expired and renewed leases rose 11.35% during the third quarter (3.71% in 2016). For the cumulative nine-month period, the average rate increased 7.67% (4.21% in 2016). Tenant retention rate was 59% as at September 30, 2017, up from 55.5% for the same period in 2016.
- Decrease in the mortgage debt ratio from 57.6% to 56.8%.

Property sales and purchases

Following the strategic portfolio review, the Trust decided to sell certain properties, and the net proceeds of these dispositions will be redeployed to purchase properties in line with the Trust's repositioning. During the third quarter, the Trust sold two properties: 1125-1135 Saint-Martin Blvd. West, Laval and 665-669 Thibeau Blvd., Trois-Rivières. The Trust had already disposed of a property located at 3627-3645 Des Sources Blvd., Dollard-des-Ormeaux during the first quarter. The total proceeds of these dispositions total approximately \$11.5 million. For fiscal 2017, the Trust had budgeted a total NOI of \$590,000 for these three properties.

In line with its asset repositioning, the Trust purchased during the third quarter a property located on F.X. Sabourin Blvd., in St-Hubert (a suburb of Montreal), for \$23.2 million. It is expected that this property will generate an annualized NOI of approximately \$1.7 million.

The Trust is reinvesting the proceeds of the sale of these assets in more lucrative buildings.

Subsequent Events

In October 2017, the Trust issued 5,561,400 units (including the exercise of the overallotment option) at a price of \$4.55 per unit, for net proceeds of \$24.1 million (net of underwriting and professional fees). The proceeds of the unit issue were used to repay the acquisition line of credit and to conclude the acquisition of the property mentioned below.

In November 2017, the Trust acquired a commercial property located in the Quebec City area for a purchase price of \$35.9 million. The transaction was financed by a 10 year first ranking mortgage loan of \$23.2 million bearing interest at an effective rate of 3.88%. The balance of the purchase price was paid from surplus cash and the acquisition line of credit.

In November, the Trust concluded the refinancing of some properties for a total amount of \$38.9 million, at an average interest rate of 4.10%. The proceeds were used to repay mortgage loans totalling \$27.8 million that were maturing.

"The occupancy rate of BTB's properties saw a substantial increase due to sustained leasing activity. The revenues from these new leases will impact BTB's results in the next quarters. Furthermore, BTB is executing its plan to dispose of its lesser producing properties to acquire properties that better fit its strategic plan", declared Michel Léonard, President and Chief Executive Officer.

Summary of significant items as at September 30, 2017

- 70 properties
- 5.2 million leasable square feet
- \$679 million in assets
- \$201 million in market capitalization

Periods ended September 30 (in thousands of Canadian dollars, except for ratios and per unit data)	Quarter			Cumulative (9 months)		
	2017	2016	Δ%	2017	2016	Δ%
	\$	\$		\$	\$	
Financial information						
Rental income	17,507	18,264	(4.1)	53,584	55,114	(2.8)
Net operating income ⁽¹⁾	10,044	10,633	(5.5)	29,934	31,218	(4.1)
Net income and comprehensive income	4,327	5,422	(20.2)	12,673	12,955	(2.2)
Net property income from the same-property portfolio ⁽¹⁾	6,285	6,840	(8.1)	18,858	19,930	(5.4)
Recurring distributable income ⁽¹⁾	4,883	5,285	(7.6)	14,805	14,664	1.0

Distributions	4,483	4,449	0.7	13,407	12,002	11.7
Recurring funds from operations (FFO) ⁽¹⁾	4,902	3,994	22.7	14,397	12,902	11.6
Recurring adjusted funds from operations (AFFO) ⁽¹⁾	4,516	4,733	(4.6)	13,229	12,906	2.5
Total assets				678,816	650,820	4.3
Total debt ratio				65.8%	66.1%	(0.3)
Weighted average interest rate on mortgage debt				3.83%	3.81%	0.2
Market capitalization				201,230	194,648	3.4
Financial information per unit						
Net income and comprehensive income	10.1¢	13.0¢	(22.3)	29.8 ¢	34.9¢	(14.6)
Recurring distributable income ⁽¹⁾	11.4¢	12.7¢	(10.2)	34.8 ¢	39.5¢	(11.9)
Distributions	10.5¢	10.5¢	—	31.5 ¢	31.5¢	—
Payout ratio on recurring distributable income ⁽¹⁾	91.4%	111.4%	(20.0)	93.1 %	93.0%	(0.1)
Recurring FFO ⁽¹⁾	11.5¢	9.6¢	19.8	33.8 ¢	34.7¢	(2.6)
Recurring AFFO ⁽¹⁾	10.6¢	11.4¢	(7.0)	31.1 ¢	34.8¢	(10.6)

(1) Non-IFRS financial measures

NON-IFRS FINANCIAL MEASURES

Net operating income, net operating income of the same-property portfolio, recurring distributable income, recurring funds from operations and recurring adjusted funds from operations are not measures recognized by International Financial Reporting Standards ("IFRS") and do not have standardized meanings prescribed by IFRS. Such measures may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to similar measures reported by such other entities.

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

Periods ended September 30 (in thousands of Canadian dollars)	Quarter		Cumulative (9 months)	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash flows from operating activities (IFRS)	10,161	10,342	24,327	26,600
+ Finance income	6	19	33	68
± Net change in non-cash operating items	(414)	(135)	4,245	3,216
- Interest expense on mortgage loans payable	(3,651)	(3,627)	(10,887)	(10,924)
- Interest expense on convertible debentures	(874)	(1,018)	(2,622)	(3,597)
- Interest expense on acquisition line of credit	(114)	(77)	(146)	(425)
- Interest expense on operating line of credit and other interest expenses	(41)	(39)	(87)	(94)
Distributable income	4,883	5,465	14,805	14,844
+ Leasing payroll expenses	106	129	367	299
+ Gain on disposal of a property	190	—	58	—
- Provision for maintenance expenditures	(350)	(361)	(1,072)	(1,097)
- Provision for rental fees	(313)	(320)	(929)	(960)
Adjusted funds from operations	4,516	4,913	13,229	13,086

On Tuesday, November 7, 2017, at 10:00 a.m. (ET) management will hold a conference call to present BTB's financial results and performance for the third quarter 2017 ended on September 30, 2017:

DATE:	Tuesday, November 7, 2017
TIME:	10:00 a.m. (Eastern Standard Time)
DIAL:	1-647-427-7450 (from Toronto and overseas) access code 99087389# 118881231-8191 (from North America) toll free, access code 99087389#. To ensure your participation, please dial in fifteen minutes prior to the start of the conference call.
WEBCAST:	http://event.on24.com/r.htm?e=1526410&s=1&k=34C3B2F33B32041AB5B21A9257397E2C
REPLAY:	From Tuesday, November 7, 2017, 1:00 p.m. until 11:59 p.m. on November 14, 2017, dial 1416184910833 conference ID number 99087389#, or dial toll free 1855859-2056 conference ID number 99087389#.

The media and all interested parties may attend the call in listening mode only.

Conference call operators will coordinate the question and answer period, and will instruct participants regarding the procedures for the call.

About BTB

BTB is a real estate investment trust listed on the Toronto Stock Exchange. BTB is an important owner of properties in eastern Canada. Today, BTB owns 71 retail, office and industrial properties for a total leasable area of 5.2 million square feet. BTB's asset value is approximately \$715M. The objectives of BTB are: (i) to grow its revenues from its assets to increase distributable income and therefore fund distributions; (ii) to maximize the value of its assets through dynamic management of its properties in order to sustain the long-term value of its units; and (iii) to generate cash distributions that are fiscally beneficial to unitholders.

BTB offers a distribution reinvestment plan to unitholders whereby the participants may elect to have their monthly cash distribution reinvested in additional units of BTB at a price based on the weighted average price for BTB's units on the Toronto Stock Exchange for the five trading days immediately preceding the distribution date, discounted by 3%.

Forward-Looking Statements

This press release may contain forward-looking statements with respect to BTB. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of BTB could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, changes in government regulation and the factors described from time to time in the documents filed by BTB with the securities regulators in Canada. The cautionary statements qualify all forward-looking statements attributable to BTB and persons acting on their behalf. Unless otherwise stated or required by applicable law, all forward-looking statements speak only as of the date of this press release.

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