

BTB - Third quarter 2016 - Significant drop in debt rate and slight improvement of results in a competitive market

MONTREAL, Nov. 7, 2016 /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, 2016, and announces the following highlights:

HIGHLIGHTS OF THE THIRD QUARTER 2016

Capital activities

- On July 19, 2016, the syndicate of underwriters partially exercised the overallotment option on the June 2016 issue and 565,342 units were issued at a unit price of \$4.55 for net proceeds of approximately \$2.4 million.
- On August 2, 2016, the Trust redeemed Series D convertible debentures in the amount of \$23 million, reducing the Trust's overall debt ratio by more than 400 basis points, to 66.1% as at September 30, 2016. With the redemption of the debentures, this transaction reduced the various ratios by approximately 1.0¢ per unit per quarter, and increased the various payout ratios by approximately 9.0%.

The transaction also resulted in the write-off of unamortized financing expenses and the liability component of the convertible debentures. This non-recurring expense resulted in the write-off of an amount totalling approximately \$1.1 million, which was factored into the calculation of FFO. If this write-off had not occurred, FFO and recurring FFO would be increased by 2.6¢ per unit for the quarter and the various quarterly payout ratios would have decreased by 22.5%.

Increase

- 1.5% in recurring AFFO⁽¹⁾.

⁽¹⁾ Non-IFRS financial measure

Leasing activities

- Close to 70,000 square feet of leases were renewed and new leases were signed, for a total of 250,000 square feet since the beginning of the year. 55.5% of leases expiring in 2016 were renewed from the beginning of the year until September 30, 2016.
- BTB recorded a 3.71% increase in the average rental rate of expired and renewed leases for the quarter and 4.21% since the beginning of the year.

Improvement

- In the weighted average interest rate on mortgage debt from 3.93% to 3.81%.

Financing activities

- On July 15, 2016, the Trust's authorized credit facilities were renewed, the operating credit facility increasing to \$3 million and the acquisition credit facility, to \$19 million.

Summary of significant items

- 72 properties
- \$650 million in assets
- More than 5.1 million leasable square feet
- \$195 million in market capitalization

"In a particularly volatile market, BTB has acted on its plan to reduce its debt rate by using the proceeds of the June 30 issuance to redeem the Series D convertible debentures. In the months ahead, management will continue to use surplus cash flows from operations or financing or capital activities to pay down its debt. The debt ratio for mortgage refinancings will also be gradually reduced in the next few years, from 65% of the market value of properties to a maximum of 60%. We believe that in the long-term, this will reduce investor's risk and increase unit value," declared Michel Léonard, President and Chief Executive Officer.

Quarters ended September 30 (in thousands of dollars, except for ratios and per unit data)		
	2016	2015
	\$	\$
Financial information		
Rental income	18,264	18,421
Net operating income ⁽¹⁾	10,633	10,958
Net income and comprehensive income	5,422	3,669
Net property income from the same-property portfolio ⁽¹⁾	6,038	6,242
Recurring distributable income ⁽¹⁾	5,285	5,286
Distributions	4,449	3,628
Recurring funds from operations (FFO) ⁽¹⁾	3,994	4,969
Recurring adjusted funds from operations (AFFO) ⁽¹⁾	4,733	4,663
Total assets	650,820	650,005
Mortgage liability ratio	57.6 %	57.3 %
Total debt ratio	66.1 %	70.7 %
Weighted average interest rate on mortgage debt	3.81 %	3.93 %
Market capitalization	194,648	147,011
Financial information per unit		
Net income and comprehensive income	13.0 ¢	10.6 ¢
Recurring distributable income ⁽¹⁾	12.7 ¢	15.3 ¢
Distributions	10.5 ¢	10.5 ¢
Recurring payout ratio on distributable income ⁽¹⁾	84.2 %	68.6 %
Recurring FFO ⁽¹⁾	9.6 ¢	14.4 ¢
Recurring AFFO ⁽¹⁾	11.4 ¢	13.5 ¢

⁽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.

Quarters ended September 30 (in thousands of dollars)	2016	2015
	\$	\$
Cash flows from operating activities (IFRS)	10,342	9,699
+ Financial revenues	19	12
± Net change in non-cash operating items	(135)	675
- Interest expense on mortgage loans payable	(3,627)	(3,625)
- Interest expense on convertible debentures	(1,018)	(1,271)
- Interest expense on acquisition line of credit	(77)	(189)
- Interest expense on operating line of credit and other interest expenses	(39)	(38)
- Early repayment fees	—	(625)
Distributable income	5,465	4,638
+ Leasing payroll expenses	129	—
- Provision for non-recoverable capital expenses	(361)	(368)
- Provision for rental fees	(320)	(255)
Adjusted funds from operations	4,913	4,015

On Tuesday, November 8, 2016, at 10:00 a.m. (ET) management will hold a conference call to present BTB's financial results and performance for the third quarter ended September 30, 2016:

DATE Tuesday, November 8, 2016

TIME 10:00 a.m. (Eastern Standard Time)

DIAL: 1-647-427-7450 (from Toronto and overseas) access code 93433303#, 1-888-231-8191 (from North America) toll free, access code 93433303#. 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=1281141&s=1&k=A5DB1A13F40EB705382367272D0486CA>

REPLAY: From Tuesday, November 8, 2016, 1:00 p.m. until 11:59 p.m. on November 15, 2016, dial 1-888-231-8191 conference ID number 93433303#, or dial toll free 1-855-859-2056 conference ID number 93433303#.

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 72 commercial, office and industrial properties for a total leasable area of more than 5.1 million square feet. BTB's asset value is \$650M. 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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CO: BTB Real Estate Investment Trust

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