THE QUARTERLY

TRUST REPORT

MULTI-EMPLOYER PROPERTY TRUST

FIRST QUARTER | APRIL 2005 | VOLUME 20, NUMBER 1

THE MULTI-EMPLOYER PROPERTY TRUST closed the first quarter of 2005 with a unit value of **$5,131.73** up **3.00 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **12.40 percent**.

As of April 1, MEPT's net asset value stood at $4.35 billion. MEPT's portfolio consists of 166 funded properties in over 25 major metropolitan areas. In the first quarter, seven new investors became participants in MEPT, bringing the total number of investors to 248.

In the first quarter of 2005, there was an increase in leasing activity across the country, and it is expected that first quarter data will show vacancy rates have dropped in most markets. **Supply and demand fundamentals have improved as tenants are leasing the available space in the market, while additions to inventory of space are minimal since construction activity in all property types has remained modest.** Speculative investment in new construction has been nominal because investors have preferred to acquire high-quality, well-located, operating assets that could be immediately accretive to an investment portfolio.

According to John Parker, Executive Vice President and Director of Acquisitions for Kennedy, "Another factor keeping the development activity low across markets is the rising cost of construction materials. Commodity pricing for steel, concrete and other building materials is on the rise due to many factors, including capacity constraints, increased Asian demand and a weak U.S. dollar. As these costs rise, investors need to have confidence that development projects will result in a reasonable yield in order for new construction to occur. Improving market fundaments, specifically higher market rents, could offset the higher material costs."

NEWS BRIEFS

IN THE FIRST QUARTER, MEPT SOLD FIFTH AND PINE, an asset in Seattle that was acquired in 1998 as part of the Seattle Retail Core investment which included Pacific Place, the Seaboard Building and 1505 Pine. Fifth and Pine was the former Nordstrom flagship store which MEPT renovated and redeveloped into a mixed-use retail and office building, in order to take advantage of the property's prime location in the Seattle central business district. This property had reached a 92 percent occupancy level in 2004, therefore, MEPT took advantage of today's seller's market (where there is exceptionally strong demand for well-leased and well-located retail properties) and marketed the property for sale. This property was successfully sold to a German institutional investor for gross proceeds of $44.0 million.

MEPT PROVIDED A $13 MILLION LOAN TO HAMILTON PARTNERS FOR HAMILTON LAKES EAST LAND. This loan has a 60-month term and includes a right of first offer to MEPT for either a loan or equity investment in the project, if development of the land parcels should occur. Hamilton Lakes East is a four parcel, 53.1 acres site located in the Hamilton Lakes Business Park, a mixed-use development in suburban Chicago where MEPT purchased a four building office portfolio in late 2004.

IN JANUARY, MEPT SOLD LEIGHTON PLAZA IN SOUTH BEND, IN. MEPT committed to the property in 1998, and built the four-story, low-rise office property in 1999. The property was substantially leased at close to 100 percent, thus MEPT marketed the project and found that there was strong interest in the market for this stabilized 63,780 square foot property. MEPT sold the asset for gross proceeds of $7.4 million.

ANNOUNCEMENT: THE MEPT ADVISORY BOARD MEETING is scheduled for **Tuesday, June 14, 2005,** in New York, NY. The meeting will be held at MEPT's W New York – Union Square, 201 Park Avenue South (17th and Park Avenue at Union Square), and will begin at 10:30 a.m. **Observers must notify MEPT of their desire to attend no later than May 19, 2005.** There will be a conference call number available for those unable to attend. Highlights of this meeting will be included in the *Trust Report* following the event, and made available to all investors. For more information regarding the meeting or conference call details, or to RSVP, please contact Philomena Paul at ppaul@lbutler.com or 202-737-7300.

FIRST QUARTER RESULTS

Net Return, First Quarter:
3.00%

Net Return, 4/1/04 – 3/31/05:
12.40%

Net Asset Value:
$4.35 billion

Performance

First Quarter Commentary

"In the first quarter, continued volatility in equities and fixed income left many investors disappointed with the performance of those asset classes. So, it is not surprising that investors continued to be focused on real estate, and a tremendous amount of capital continued to flow into the sector in an effort to achieve higher and more stable returns."

Pamela Silberman, Vice President, Landon Butler & Company

In the first quarter, investors continued to pour capital into real estate. Capitalization rates remained at record lows in spite of pressure from rising interest rates. Continued cap rate compression was one contributor to MEPT's 1.81 percent appreciation in the portfolio during the quarter. At the same time, the improving market conditions, along with active leasing in the portfolio generated a 1.43 percent gross income return, and an overall 3.24 percent gross return for the quarter.

Yield

	First Quarter 2005	Trailing Four Quarters (Compounded)
Net	**3.00%**	**12.40%**
Income	1.19%	4.99%
Appreciation	1.81%	7.15%
Gross	**3.24%**	**13.46%**
Income	1.43%	5.99%
Appreciation	1.81%	7.15%

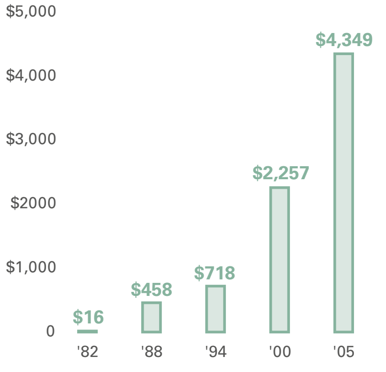
Gains in value for eight assets in particular provided most of the appreciation in the MEPT portfolio. The appreciation at Corporate Pointe at West Hills in Los Angeles, CA, is the result of the Kennedy asset management team's continued leasing and operating performance as well as the valuation team's asset aggregation strategy, whereby consolidating adjacent assets produces a value that reflects the benefits and efficiency of ownership of an entire business park.

Appreciation at the following assets was mostly attributable to improved market conditions and leasing in the MEPT portfolio: 1717 Rhode Island Avenue, Washington, DC; Hartford Office Building, Washington, DC; Cloverleaf Center, Washington, DC; Brewery Block 2, Portland, OR; Pacific Place, Seattle, WA; Agave Center, Phoenix, AZ; and Barrington Pointe, Chicago, IL. Value declines were minimal in the portfolio, and had nominal negative effect on the value gains.

Net Asset Value Growth

April 1, 1982 — April 1, 2005

Based on Market Value ($Millions)

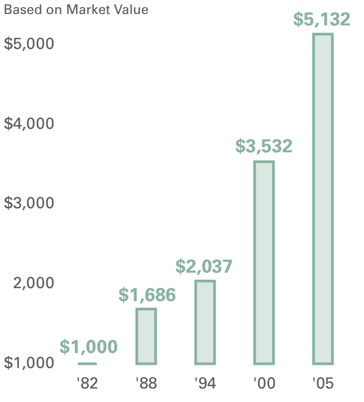


Values shown are for April 1 in each year.
Date of inception April 1, 1982.

Unit Value Growth

April 1, 1982 — April 1, 2005

Based on Market Value



Values shown are for April 1 in each year.
Date of inception April 1, 1982.

MULTI-EMPLOYER PROPERTY TRUST

April 2005

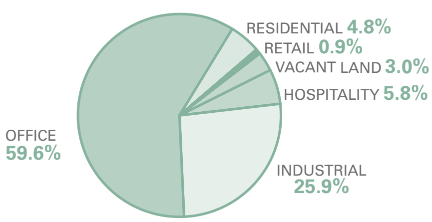
PORTFOLIO SPOTLIGHT

FUND OVERVIEW

Inception Date	**April 1, 1982**	Average Age of Properties	**8.2 years**
Assets Held	**166**	Markets	**25**
Number of Buildings	**345**	Net Asset Value	**$4.35 billion**
Total Operating Square Footage	**32.1 million**	Unit Value	**$5,131.73**
Operating Occupancy	**89.3%**	Participating Plans	**248**

DIVERSIFICATION BY PROPERTY TYPE

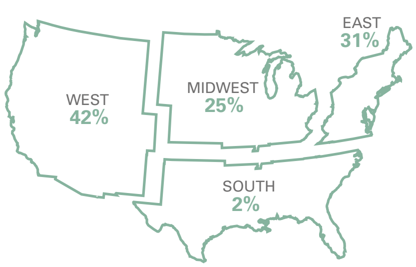
As of April 1, 2005



Note: Weighted by Asset Value.

GEOGRAPHIC DISTRIBUTION OF INVESTMENTS

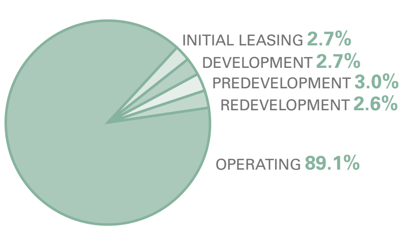
As of April 1, 2005



Note: Weighted by Asset Value.

DIVERSIFICATION BY LIFE CYCLE

As of April 1, 2005



Note: Based on Net Asset Value ($Millions).

MEPT'S ASSET MANAGEMENT TEAM continued to focus on maintaining the brisk leasing activity momentum from fourth quarter 2004 into first quarter 2005. Gross leasing activity for the quarter exceeded 2.6 million square feet of new leases, renewals and expansions. A total of 116 leases were signed. The percent leased for the total portfolio increased slightly from 84.6 percent at year-end 2004 to 84.8 percent at the end of the first quarter 2005. The operating portfolio exceeded 89 percent leased at the end of the first quarter.

Significant leases signed during the first quarter included Medtronic Surgical Navigation at Coal Creek Business Park I for renewal and expansion space totaling 101,912 square feet in Denver, CO; Garden Ridge for a 715,575 square foot extension at Pinnacle Park in Dallas, TX; Walt Disney World Company renewed its lease for 284,401 square feet at Haven Gateway in Los Angeles, CA; Forever 21, Inc., signed a new lease for 129,509 square feet at Sierra Pine in Los Angeles, CA; and Leapfrog renewed its 102,810 square foot lease at Hollis Business Center in San Francisco, CA.

Also notable were leases at Tanasbourne I and Tanasbourne II in Portland where Norm Thomson Outfitters, Inc., signed a renewal and new lease totaling 105,556 square feet; Saul Ewing, LLP's new lease signed for 48,728 square feet at 500 East Pratt in Baltimore, MD; the renewal of 47,000 square feet by Lee X at Saybrook in Los Angeles, CA; and, at College & Renner Corporate Center in Kansas City, SAIC signed a new lease for 44,656 square feet.

FIRST QUARTER ACTIVITY

NEW PARTICIPANTS

Twin City Carpenters Pension Master Trust Fund for and on behalf of the Twin City Carpenters Pension Fund

Employer-Teamsters Local Nos. 175/505 Pension Trust Fund

Midwest Pension Plan

Michigan Carpenters' Pension Fund

Michigan BAC Pension Fund

Ohio Bricklayers Pension Fund

IBEW Local 25 Retirement Funds

PROJECTS COMMITTED

Hamilton Lakes East Land
Chicago, IL

Condo Market is Pushing Property Values to Record Highs

Condominium development is driving pricing in many urban real estate markets. This trend has sent valuations for existing apartment properties, hotels, office buildings, and any land that can be developed or redeveloped for residential use to record levels. Demand from end-users and investors (buying individual units) is providing developers with a market for new condos. The factors behind the robust condo market could change very rapidly, if interest rates rise too quickly and/or the supply outpaces demand, as was the case in the last big condo boom in the 1980s.

The newfound popularity of condos is a result of demographic changes, lifestyle choices and economics. Demand for condos is coming from disparate buyers—mostly young first-time buyers and aging baby boomers. Condos are an affordable point of entry into home ownership for first-time buyers, while aging baby boomers or retirees are attracted by the prospect of downsizing. For others, condos are a lifestyle choice that provides an opportunity to live in a dynamic, urban location. More and more major cities are adding amenities, services and attractions to make their downtown area a place to live, work and play.

New York, Chicago, Philadelphia, Washington, DC, Miami, and Los Angeles are just some of the cities seeing the most active condo development. In Chicago, the economy has been slow to recover and job growth has been moderate, but the demand for housing in the city has been insatiable. Young professionals, baby boomers and speculators have been drawn to the appeal of Chicago's city life, or found that the low interest rate environment and volatile stock market make condo ownership a worthwhile investment. In 2005, there are 4,500 condo units expected to be delivered in Chicago.

This buying frenzy is not limited to Chicago, and condo sales, which accounted for 6 percent of home sales in the 1980s, now make up 13 percent of all home sales, according to the National Association of Realtors. The increasing prices for condo exceed the rise in prices of single-family homes. Between 2000 and 2003, according to *National Real Estate Investor*, the median price of single-family homes rose by 22 percent, while condo prices rose by 47 percent.

While demand has skyrocketed in some cities, there is a supply imbalance. In the Los Angeles area, for example, condo development slowed considerably in the 1980s and has only picked up recently. Now, record prices for single family homes, and tight supply has created strong demand in the Los Angeles area for new condos and condo conversions. In Philadelphia, where the urban population has grown 13 percent in the past decade, condo development has not kept pace. Tax abatement incentives have spurred new development and redevelopment in the last two years, but less than 1,500 units are expected to be delivered in 2005.

Condominium development seems to be affecting the new supply of hotel rooms, as developers convert hotel rooms into condos. In 2004, six of the top 25 markets in the US witnessed a contraction in the numbers of hotel rooms available. Of the remaining 19 markets, ten experienced less than a one percent increase in hotel room supply in 2004.

In New York City, which experienced strong hotel demand growth in 2004 and is expected to perform equally well in 2005, the supply of hotel rooms has been shrinking. Existing hotels are being converted to residential uses in greater numbers than new hotels are being opened. A similar trend is occurring in Chicago. Many of the recent hotel sales in New York have planned condo components which would remove even more traditional hotel room supply from the market. Elad Properties recently purchased the famed Plaza Hotel for $675 million and plans to close the hotel, spend $350 million on renovations, and then convert the existing 805 hotel rooms into 200 condos and 150 hotel rooms.

Prices for multi-family properties have been on the rise over the last few years. These prices have been at odds with current market conditions that include weak tenant demand and high vacancy.

The pace of apartment sales has not let up, increasing from $29.4 billion in 2003 to $48.1 billion in 2004—a 63 percent increase—according to Real Capital Analytics. Condo converters accounted for 22 percent of total apartment sales in 2004, and 45 percent of total volume in January 2005.

Driving these prices is that fact that condo converters are willing to pay a premium to complete transactions quickly and get units on the market for sale. Prices have reached record levels. In response to the poor rental conditions and the high prices being paid for competitive apartment projects, many apartment providers have opted to join the condo market and cash in on the upside of these condo sales. They are developing or converting their own projects to avoid bidding against condo developers in the market for product.

Office properties are not safe from the clutches of condo developers, especially in cities where *(continued on back)*

Management Fee—MEPT's Trustee, Riggs Bank N.A., charges an annual investment management fee based on the net assets of the Fund. The current annual MEPT fee is approximately 0.923%. The fee is determined as follows: 1.25% on the first $1 billion of MEPT total net assets, 1.0% on the second $1 billion of MEPT total net assets, and 0.75% on the third $1 billion of MEPT total net assets. The fee decreases as MEPT grows. There are no charges for entry or exit, and the Trustee charges no additional investment management fees to its investors.

NEW CONDO BOOM *(continued from inside)*

there is an oversupply of office space, and where the sites targeted for future office development can be converted to residential use. Less common than hotel or apartment conversions, condo developers can justify an office conversion when the yield on the condo project is higher than the yield for the existing underlying real estate. In Los Angeles in March 2005, a residential developer announced plans to complete one of the first skyscraper-to-condominium conversions in the city. The company plans to convert an empty 37-story office high-rise into 230 condominiums, which will sell from the mid-$300,000s to about $1.7 million.

In South Florida, supply may be beginning to outpace demand. According to a report in *USAToday*, there are an estimated 50 major condo projects proposed or under construction in Miami alone. There is concern that the market is being driven more by investors and speculators than by homebuyers. Investors represent approximately 50 percent to 75 percent of the condo buyers and many plan to resell the condos for a quick profit.

Since its inception, Multi-Employer Property Trust has not included condominiums as part of its investment strategy to create top-quality, core, income-producing assets through development, rehabilitation, or acquisition and repositioning of undervalued assets. The short-term nature of condo ownership, the historical volatility in the asset type, and the risk of creating unrelated business taxable income, are just a few characteristics that make condominiums an unlikely fit for the MEPT portfolio.

While the condo market is concentrated in urban areas, the entire real estate industry could be adversely affected if condo sales slow dramatically. Rising interest rates, or concerns about supply could decrease investor demand. In response, condo developers could curtail their market activity, cap rates across all property types could rise sharply as demand for conversion properties lessen, and new supply of rental units could come on the market quickly. The debt markets could also be affected, since loan defaults could increase suddenly, and there could be less liquidity in the debt markets.

The *Trust Report* is published by the Multi-Employer Property Trust (MEPT), a commingled open-end real estate equity fund that invests in a diversified portfolio of 100% union built, institutional-quality real estate properties in major metropolitan markets around the country. MEPT's primary investment strategy is to create top-quality, income producing assets through development, rehabilitation or acquisition and repositioning of under-valued assets. MEPT's investor base is diverse and is composed of Taft-Hartley and public employee pension plans.

For more information, please contact Landon Butler & Company at 202-737-7300, or through our Web site, **www.mept.com**.

MULTI-EMPLOYER PROPERTY TRUST

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