

THE QUARTERLY

TRUST REPORT

|| MULTI-EMPLOYER PROPERTY TRUST

INSIDE

- MEPT Satisfies all Outstanding Redemption Requests and Eliminates Redemption Queue
- NewTower Trust Company, MEPT's Trustee, Enhances MEPT's Valuation Process
- MEPT to Host Fifth Annual Real Estate Conference on June 2

FIRST QUARTER | APRIL 2010 | VOLUME 25, NUMBER 1



MULTI-EMPLOYER PROPERTY TRUST closed the first quarter of 2010 with a unit value of **\$4,948.56 down 0.35 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **negative 15.74 percent**.

On the March 31, 2010 Valuation Date, MEPT fully satisfied all outstanding redemption requests and eliminated its redemption queue within five quarters of its implementation.

ECONOMIC AND REAL ESTATE OVERVIEW

Positive signs for economic stability continued to emerge in the first quarter of 2010. While government stimulus drove much of the growth in the Gross Domestic Product (GDP) in the third and fourth quarters of 2009, there is evidence that the private sector is recovering and adding jobs. In fact, private sector employment was positive in four of the last five months. Additionally, the Institute for Supply Management and the Machinery and Allied Products Institute benchmarks that track business' spending intentions for plant and equipment and research and development have been positive for the last six months.

Equity and debt markets have improved, but the real estate capital markets are still in the early stages of recovery. The commercial real estate debt markets are bifurcated so that borrowers with strong balance sheets and well-located, well-leased, institutional quality assets have access to capital while those building owners with high-vacancy or distressed assets are still finding it difficult or impossible to secure financing.

Real estate prices are stabilizing. Transaction volume is still low with a total of \$15.4 billion in the first quarter, but the number of transactions is increasing and was up by 50 percent from the first quarter of 2009, according to Real Capital Analytics. **Capitalization rate expansion has subsided and, in fact, for high-quality properties, cap rates are beginning to contract again. Yield rates are not likely to reach double-digits as many had anticipated 12 months ago when there was little clarity in the market.**

The apartment and hotel markets have begun to recover and vacancy rates peaked in the first quarter and are likely to begin to improve. Additionally, occupancy rates for hotels reached a low ebb during the quarter. However, property fundamentals in specific property types, such as office and industrial, and in certain metro areas are expected to deteriorate further. Institutional property owners are intensely focused on maintaining occupancy and preserving net operating income. Landlords are aggressively pushing to keep existing tenants as well as pursue the few new tenants in the market. As the job market stabilizes and employment growth becomes more meaningful, demand for space will increase and market conditions will begin to improve with real estate recovering over the next 12 to 24 months. ||

USE EVERY TOOL YOU HAVE

NEWS BRIEFS

THE FIFTH ANNUAL MEPT REAL ESTATE CONFERENCE WILL BE HELD ON WEDNESDAY, JUNE 2, 2010. MEPT is sponsoring a one-day educational conference at The Liberty Hotel in Boston in order to bring MEPT investors together with nationally recognized industry leaders to engage in timely, thought-provoking discussions about the challenges and opportunities in the current market environment. Experts will discuss the state of the economy, the real estate industry and capital markets. All MEPT participating plans and their service providers are invited to participate in the conference and lunch (11:00am to 4:00pm). **Please RSVP by May 5, 2010 to Philomena Paul at ppaul@lbutler.com or (202) 737-8823.**

ON THURSDAY, JUNE 3, 2010, MEPT'S ADVISORY BOARD IS SCHEDULED TO MEET at The Liberty Hotel in Boston at 9:00am. MEPT management looks forward to presenting the Fund's performance, strategy, market conditions, and other topical issues. The Advisory Board is comprised of trustees of MEPT participating plans. Other trustees and service providers of MEPT participating plans are invited to attend as observers. Please RSVP by May 5, 2010 to Philomena Paul at ppaul@lbutler.com or (202) 737-8823.

MIKE MCKEE JOINS KENNEDY ASSOCIATES AS CEO IN THE FIRST QUARTER OF 2010. Originally a Board of Managers' independent director at Kennedy Associates, MEPT's real estate advisor, Mike McKee joined Kennedy full-time as CEO. The addition of Mike McKee expands Kennedy's executive team and allows the company to divide the role of CEO and President into two positions that were formerly both held by John Parker, a founding principal of Kennedy. Mike will oversee all operations of Kennedy with special emphasis on Strategic Planning and Business and Organizational Development. John will remain as President, focusing primarily on the firm's real estate investment activities, including assisting with implementation of the MEPT investment strategy, as well as his responsibilities as Chairman of Kennedy's Investment Committee.



MIKE MCKEE

IN FEBRUARY, MEPT SOLD BANDINI, AN INDUSTRIAL ASSET IN LOS ANGELES, FOR GROSS PROCEEDS OF \$14.8 MILLION. Bandini, comprised of three, single-story, industrial buildings totaling 335,000 square feet, was originally purchased in 2003 as part of a 17-asset industrial portfolio and was 73 percent leased to three tenants. When acquired, the strategy for the portfolio was to sell each asset individually, maximizing the sale price MEPT could obtain. With substantial rollover expected in the near term, Bandini was sold to a local owner/user who utilized a Small Business Administration loan guarantee to finance the purchase.

DURING THE FIRST QUARTER, MEPT SOLD BEDFORD PARK BUSINESS CENTER IN CHICAGO FOR GROSS PROCEEDS OF \$8.2 MILLION. MEPT built Bedford Park, a 296,000 square industrial building, in 2005. Bedford Park was targeted for sale because of persistent vacancy at the property and weakness in the surrounding submarket. Additionally, the sale provided an opportunity to reduce the Fund's over-allocation to the Midwest region. The asset was purchased by a local owner/user, GRM, a provider of information management solutions.

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FIRST QUARTER RESULTS

Net Return,
First Quarter
-0.35%

Net Return,
04/01/09-12/31/10
-15.74%

Net Asset Value
\$3.77 billion



PERFORMANCE

FIRST QUARTER COMMENTARY

IN THE FIRST QUARTER, MEPT produced a total gross return of negative 0.11 percent, comprised of 1.54 percent income return and 1.65 percent depreciation. For the one-year period ending March 31, 2010, MEPT produced a total gross return of negative 14.96 percent, comprised of 6.16 percent income return and 20.16 percent depreciation. Capitalization rate assumptions in MEPT valuations have stabilized this quarter with only modest depreciation in the portfolio resulting from isolated property or market-specific fundamentals. **Further, most assets in the portfolio experienced appreciation or no change in value due in part to the stable income generated by MEPT's 89.7 percent leased operating portfolio.** MEPT's performance, as well as commercial real estate trends, reflect that values are approaching cyclical lows and, in the near-term, operating income will be a significant contributor to overall performance.

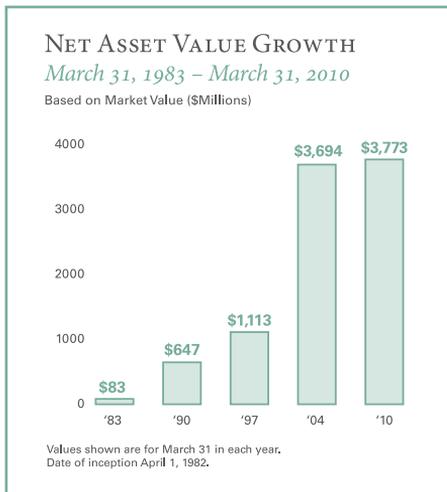
VALUATION PROCESS ENHANCEMENT

NewTower Trust Company, MEPT's trustee, monitors MEPT's valuation process and industry best practices on an ongoing basis as part of its commitment to maintain a valuation program that is one of the most thorough and objective of any open-end fund. **After completing a comprehensive review in late 2009, NewTower further enhanced the MEPT valuation process by implementing the practice of obtaining external appraisals for every asset quarterly from independent, MAI-designated appraisers.** Previously, MEPT's process relied on staggered independent annual appraisals wherein approximately 25 percent of the total portfolio was appraised externally each quarter, and those assets not being independently appraised were "marked-to-market" during any given quarter by NewTower's Valuation Services team (NVS), staffed by MAI-designated and other certified appraisal professionals.

This quarter, NVS continued in its role of monitoring, reviewing and approving all externally prepared appraisals and engaging third-party review appraiser, PricewaterhouseCoopers (PwC), to review each appraisal for the purpose of determining completeness, appropriateness of methodology, data accuracy and reasonableness. Consistent with the prior valuation process, PwC must concur with each appraisal before it is finalized and recommended for acceptance by NewTower. Additionally, NewTower has engaged RERC to consult on valuation best practices and reporting.

In summary, these process enhancements not only provide improved access to market and peer data and cutting-edge technology applications, but NewTower further believes that this change facilitates greater transparency, maintains valuation policies that meet or exceed regulatory requirements, and accentuates its fiduciary responsibility to ensure investors buying or selling units in MEPT each quarter are paying or receiving a price that represents the most accurate market value estimates achievable. **||**

YIELD		
	FIRST QUARTER 2010	TRAILING FOUR QUARTERS (COMPOUNDED)
NET	-0.35%	-15.74%
INCOME	1.30%	5.24%
APPRECIATION	-1.65%	-20.16%
<hr/>		
GROSS	-0.11%	-14.96%
INCOME	1.54%	6.16%
APPRECIATION	-1.65%	-20.16%



PORTFOLIO SPOTLIGHT

FUND OVERVIEW

Inception Date	April 1, 1982	Average Age of Properties	10.9 years
Assets Held	140	Markets	24
Number of Buildings	309	Net Asset Value	\$3.77 billion
Total Operating Square Footage	35.4 million	Unit Value	\$4,948.56
Operating Occupancy	89.7%	Participating Plans	330

WASHINGTON, DC

MOST U.S. OFFICE MARKETS EXPERIENCED further deterioration in fundamentals in the first quarter. **Yet, Washington, DC, buoyed by government spending, experienced positive net absorption of over 870,000 square feet. Leasing activity in the private sector also picked up in the first three months of the year.** The overall vacancy rate increased slightly but at a much slower pace than prior quarters. Furthermore, the Washington, DC metropolitan area's office vacancy of 13.9 percent is far lower than the national average of 16.6 percent.

The government sector added jobs during the quarter and was solely responsible for leasing 690,000 square feet in the District of Columbia. The General Services Administration (GSA) is taking advantage of the current market environment that favors tenants and is seeking space in top-quality buildings. Furthermore, a GSA pre-requisite is that a building must be LEED-certified and energy-efficient to be considered.

MEPT's Patriots Plaza II and III have been the beneficiaries of the government's premium leasing requirements and demand for space. During the first quarter, MEPT signed a long-term lease with a high-security government agency for 180,000 square feet at Patriots Plaza II. This follows a fourth quarter 2009 lease for 330,000 square feet signed by the U.S. Department of Agriculture (USDA) at Patriots

Plaza III. The USDA lease was the largest lease signed in Washington, DC in 2009 and has been named "Best Urban Lease in 2009" by the Washington Business Journal.

The Patriots Plaza complex is an one million square foot, three-building office complex, in close proximity to Capitol Hill. Patriots Plaza I, built by MEPT in 2005, is fully-leased to several government agencies. With the execution of the first quarter 2010 GSA lease, the entire Patriots Plaza complex is over 80 percent leased. **Most notably, MEPT has achieved 72 percent leased at Patriots II and III, which total over 700,000 square feet, in less than six months of shell completion during one of the most challenging recessionary periods in modern history.**

Patriots Plaza II and III will receive LEED-Gold certification in April, 2010. The project is transit-oriented with easy access to three MetroRail stations, and the Virginia Railway Express. The numerous green design and construction features that positively impact tenants and the environment include: a two-year green power contract to provide electricity from renewable sources,



PATRIOTS PLAZA , WASHINGTON, DC

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IN APPRECIATION AND RECOGNITION OF OUR 25 YEAR PARTNERSHIP, MEPT SALUTES

U.A. Local Union Officers and Employees Pension Fund

NEW PARTICIPANT

Office and Professional Employees Pension Trust Fund
Local 3

PROJECTS SOLD

Bedford Park Business Center
Chicago, IL

Bandini
Los Angeles, CA

Charlotte Apartment
Portfolio
7 Assets

SPRING 2010 ECONOMIC AND REAL ESTATE MARKET OUTLOOK

LOOKING AHEAD TO RECOVERY

DURING THE FIRST QUARTER, KENNEDY ASSOCIATES' Research Team released its *Spring 2010 Economic and Real Estate Market Outlook*. Prepared by Jim Valente and Jeff Munger in early 2010, the report notes that it will be several years before the U.S. economy fully recovers from the recent financial crisis and deep recession. However, economic and capital markets conditions are much more stable than most thought would be possible just one year earlier.

The team's research forecasts slow but positive job growth to resume during the first half of 2010, followed by a recovery in consumer confidence and consumer spending in late 2010, or early 2011. Economic growth will be slow and uneven in 2010 as government intervention subsidizes and the recovery becomes self-sustaining. Kennedy expects that stronger growth will resume in 2011.

Kennedy cautions that commercial real estate is reliant upon job creation and economic expansion for positive space demand and that current vacancy rates have climbed above long-term averages. The research team expects that commercial real estate fundamentals will reach cyclical lows in mid-to-late 2010 with major property types starting to recover at different points in time based on market specific supply/demand characteristics and the timing and strength of the demand drivers for each sector. Hotel and apartment sectors have begun to recover and will be followed by the industrial sector later in the year. The office and retail sectors will start recovering in 2011.

The unprecedented depreciation that commercial real estate experienced over the last 24 months is nearing an end. The report notes current valuation assumptions are based on conservative expectations of a slow-paced economic and real estate recovery. There are some markets and property types beginning to see some improvements. **As valuation assumptions improve to reflect the actual pace and strength of the recovery, Valente and Munger suggest that at current values, investors could experience stronger than expected performance over the next several years.**

Going-in (year-one implied) capitalization rates are consistent with the cap rates implied by public REIT share prices and the actual prices of institutional quality property sales. However, the Kennedy research team believes exit cap rates are still on the high end of a normalized expected range and exit cap rate assumptions will likely come down as the economic recovery



James Valente,
Senior Vice President
and Head of
Research, Kennedy
Associates Real
Estate Counsel, LP.



Jeffrey Munger,
Director of
Research, Kennedy
Associates Real
Estate Counsel, LP.

strengthens, providing investors with an offset against potential unanticipated declines in income or appreciation.

With the economy and capital markets recovering, investors are once again finding it possible to underwrite with appropriate confidence the risks of making new investments and returning to the marketplace. Despite the fact that fundamentals will continue to weaken in 2010, the report points out, values are stabilizing and attractive long-term strategic investment opportunities will emerge, especially in the second half of the year.

The report shows that a significant amount of debt and equity capital was raised in 2009, but a strong focus of investors was to acquire distressed real estate and real estate debt. **In 2010, investors have increased their target allocations to core real estate and reduced targets for opportunistic real estate which reflects a shift in appetite to less risky, current income-producing properties and recognition that distressed opportunities may not develop in the quantities that were initially predicted.** The current environment is expected to produce excellent long-term property buying opportunities, where the majority of the overall yield is a result of in-place income rather than cap-rate compression-driven appreciation. At the same time, however, demand for core real estate should put downward pressure on cap rates on institutional assets.

Mass liquidations of distressed assets have not occurred, and the growing body of evidence suggests that they will not materialize in any meaningful volume. The Kennedy team suggests that increased transparency has played a role in reducing the number of distressed asset sales. Regulators are encouraging lenders to work-out individual loans over time which will prevent a massive transfer of wealth from one party to another. However, it may take longer for banks to fully repair their balance sheets.

In terms of pricing and availability, the commercial real estate debt capital market made significant progress in 2009. The successful application of the Federal Government's TALF program reduced spreads and demonstrated demand for securitized commercial mortgage debt. Concurrently, insurance company lenders and banks from Canada, Europe, and Asia began lending in U.S. markets again. **Improvement in the commercial real estate debt and equity capital markets helped to narrow the bid/ask spread between buyers and sellers which should increase transaction activity in 2010. Most importantly, higher transaction volume will provide validation of market clearing prices.** ■■

Management Fee—The Trustee of MEPT charges an annual investment management fee based on the net assets of the Fund. The current annual MEPT fee is approximately 0.95%. 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 MEPT total net assets above \$2 billion. Cash balances in excess of 7.5% of Property Trust net assets are excluded from the above fee calculation and will be subject to an annual fee of 0.15%. Therefore, 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.

PORTFOLIO SPOTLIGHT *(continued from inside)*

a water treatment system to maximize energy efficiency and water conservation, low flow toilets and sensor low flow water faucets for a combined reduction of over 40 percent of water usage, an irrigation system that uses no potable water and reduces water consumption, the use of over 20 percent recycled and regional building materials during construction, and preferred parking for fuel efficient vehicles. In addition to its energy-efficiency, Patriots Plaza was designed with post-9/11 security features, including enhanced setbacks, blast-resistant windows and reinforced structural elements, which would make the buildings more desirable to potential government tenants.

The Fund's investment in the three phases of Patriots Plaza exceeds \$250 million and has resulted in an economic impact of more than \$357 million in the Washington, DC market, while also creating more than three million job hours in the construction industry and over one million hours for other industries in the Washington metropolitan area.

Additionally, there have been more than 680 green jobs created at the project.

With continued space needs from the government expected to be more than 5 million square feet throughout 2010, the DC market and MEPT are expecting to benefit from increased demand. 

NEWS BRIEFS *(continued from inside)*

MEPT EXITED AN INVESTMENT PARTNERSHIP IN CHARLOTTE, NC DURING THE QUARTER. MEPT assigned its interest in a Charlotte apartment portfolio of eight assets containing over 2,500 units to the joint venture partner for \$5 million and a release from ongoing liability. MEPT purchased its interest in 2007 but the severe economic downturn, especially in the banking sector, caused low occupancies, declining market rates and near-term capital requirements that exacerbated cash-flow shortfalls. The decision was made to exit the investment since these assets were experiencing significant distress as a result of the challenging conditions and a market recovery is not expected to occur for many years. 

The Trust Report is published by Multi-Employer Property Trust (MEPT), a commingled open-end real estate equity fund that invests in a diversified portfolio of institutional-quality real estate assets and 100% union-built new construction 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, public employee and corporate pension plans.

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

MEPT engaged a printer for the production of this report that is 100% wind powered, uses a waterless printing process and employs qualified union craftsmen. This report was printed with 100% environmentally friendly soy-based ink. The paper used in this publication was manufactured with a minimum of 50% total recycled fiber, including a minimum of 25% post-consumer waste, and is Forest Stewardship Council certified for chain-of-custody.

