The Quarterly

Trust Report

MEPT | 30 Years 1982–2012

INSIDE:

- MEPT Celebrates 30 Years
- Core Real Estate – An Important Component of Effective Risk Management

FIRST QUARTER | APRIL 2012 | VOLUME 27, NUMBER 1

April 1, 2012 marked Multi-Employer Property Trust's (MEPT) 30th anniversary. When MEPT was founded in 1982, it had a simple mission of responsibly and conservatively investing pension dollars in commercial real estate while creating jobs and economic activity in local communities. As MEPT celebrates its 30th anniversary, the Fund's longevity, growth, and performance have proven that such a simple strategy is viable and sustainable.

MEPT's management team is grateful for the leadership exemplified by the Fund's first five participating plans, all who remain invested in MEPT 30 years later. The Fund now counts more than 360 participating plans as investors, and with $5.5 billion in net assets, MEPT is among the largest open-end core equity real estate funds available in the United States. Furthermore, MEPT has emerged as a leader in Responsible Property Investing (RPI): the Fund has created over 85 million construction-related job hours and approximately $17 billion in economic activity and was ranked #1 in the Americas by the Global Real Estate Sustainability Benchmark.

MEPT's experience has proven that the "triple bottom line" is achievable and that investors can do well by doing good. Indeed, MEPT's performance, since inception, has outperformed the benchmark with below-benchmark risk.

MEPT closed the first quarter of 2012 with a unit value of $6,495.35 up 1.62 percent (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is 11.28 percent.

Current U.S. Economic and Real Estate Market Conditions

While recently reported economic and job growth results have been somewhat disappointing, other indicators clearly point to an improving U.S. economy. March and April had tepid employment growth, but, for the prior six consecutive months, job growth averaged just over 200,000 per month. As a result, the unemployment rate has fallen to 8.1 percent—its lowest level since early 2009.

The professional and business services sector was the largest source of new jobs, year-over-year, with the natural resources and mining sector—driven by oil and gas industries—growing at the fastest rate. Cuts in government employment at the local, state, and federal levels have been the primary drag on U.S. employment.

Consumer spending and investment in single-family and multi-family housing were significant drivers of economic growth during the quarter. However, a drop in government spending and an unexpected first quarter reduction in business investment dampened growth. Real gross domestic product (GDP) growth for the first quarter was an annualized 2.2 percent, which was down from the 3.0 percent rate at the end of 2011. The GDP growth rate at the end of March was below consensus expectations, yet it is the second

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NEWS BRIEFS

IN JANUARY, MEPT COMMITTED TO DEVELOP ELAN UPTOWN, A TWO-PHASE MULTI-FAMILY PROJECT IN MINNEAPOLIS. MEPT has committed $42 million to build the 203-unit Phase I which is expected to break ground this summer and be completed in early 2014. After certain zoning and entitlements are secured, a 408-unit, $82.6 million, Phase II is expected to break ground in October 2012 and be completed in mid-2014. Consistent with MEPT's strategic plan, this investment increases the Fund's allocation to the multi-family sector. Furthermore, in keeping with the Fund's commitment to RPI, Elan Uptown is designed to achieve U.S. Green Building Council® Leadership in Environmental and Energy Design Silver certification. Located in the Uptown submarket, the site has convenient access to the city's central business district. The submarket has high barriers to entry given that few sites in the area are conducive to large-scale development. At the same time, demand for apartments in Minneapolis has rebounded strongly, according to REIS, Inc. Vacancy rates have declined and effective rents are forecasted to grow over the next few years.

ELAN UPTOWN
Rendering

IN THE FIRST QUARTER, MEPT ACQUIRED A PARTNERSHIP INTEREST IN VENUE MUSEUM DISTRICT, A 224-UNIT MULTI-FAMILY ASSET IN HOUSTON. The Venue Museum District apartment complex, which encompasses two, six-story buildings, was built in 2010 and was 95 percent occupied at the time of purchase. Located between downtown Houston and the Texas Medical Center, Venue Museum District benefits from its proximity to two of the largest employment centers in Houston. Venue Museum District is also one of the few transit-oriented multi-family projects in Houston, located within one block of a metro rail station. The purchase of Venue Museum District furthers MEPT's strategic objective of increasing its allocation to the multi-family sector as well as increasing its allocation to the South region. The investment is a joint venture with Grayco Partners, although MEPT will hold a majority interest with the option to purchase additional equity in the future.

VENUE MUSEUM DISTRICT

IN FEBRUARY, MEPT SOLD CANYON PARK 228 CORPORATE CENTER IN SUBURBAN SEATTLE FOR TOTAL GROSS PROCEEDS OF $16.0 MILLION. The 105,000 square foot, two-building office center was sold in an all cash transaction to a private equity fund. With MEPT's strategic intent to decrease its allocation to suburban office properties, MEPT targeted the asset for sale.

DURING THE FIRST QUARTER, MEPT RECEIVED $15.9 MILLION IN GROSS PROCEEDS FROM THE SALE OF ALLENDALE CORPORATE CENTER. Located in the New York market, MEPT developed the 114,206 square foot, industrial building in 1998. At the time of sale, it was 100 percent leased to two tenants, including Energizer. With anticipated lease expirations and significant capital improvements expected in the coming years, MEPT sold the asset to a private investor with a portfolio in New York and New Jersey.

MEPT RECEIVED TOTAL GROSS PROCEEDS OF $2.0 MILLION FOR THE SALE OF GREENSPOINT OFFICE BUILDING II IN THE FIRST QUARTER. The 57,548 square foot office asset consists of two buildings leased to a number of smaller tenants. Located in suburban Chicago, the asset is part of the Greenspoint Office Park, a master-planned community in which MEPT built a total of four buildings between 1986 and 2000. MEPT targeted Greenspoint II for sale in order to reduce its exposure to suburban office assets.

FIRST QUARTER RESULTS

Net Return,
First Quarter
1.62%

Net Return,
04/1/11–3/31/12
11.28%

Net Asset Value
$5.51 billion

PERFORMANCE

IN 2012, MEPT'S PERFORMANCE IS EXPECTED to be largely driven by improving fundamentals across property sectors and markets, and increases in net operating income (NOI). Major positive contributors to 2012 NOI will be the income generated by the 89.8 percent leased operating portfolio, leasing activity that occurred in 2011, in-place leases at well-leased assets acquired in 2011, and recently built assets with rental concessions expiring. While investor interest in real estate should continue, yield compression due to significant capital inflows into commercial real estate is expected to slow.

Based on the economic and commercial real estate outlook, the MEPT management team established a 2012 total return estimate for MEPT of 7.5 percent to 8.5 percent, gross of fees.

For the first quarter, MEPT produced a total gross return of 1.85 percent, comprised of 1.30 percent income return and 0.55 percent appreciation. The modest appreciation during the quarter was principally attributable to gains from certain CBD office assets, multi-family assets, and bulk distribution facilities in the MEPT portfolio, offset by depreciation in several suburban office assets.

In 2012, the MEPT management team is focused on executing a one-year operating plan that furthers the Fund's longer-term strategic plan. The 2012 plan includes:

- Completing acquisitions and dispositions that help achieve long-term strategic diversification targets:
  - **Specifically, identifying existing acquisitions and new development commitments totaling approximately $1.1 billion** to increase the Fund's allocation to multi-family assets in primary markets and grocery-anchored retail centers in the best submarkets, shift the Fund's office portfolio from a suburban weighting to urban properties, as well as maintain the industrial allocation.
  - **Conducting asset sales to generate disposition net proceeds of $350 million to $450 million,** reduce the Fund's overall office allocation, and opportunistically sell assets that provide the opportunity for outsized returns, or sell lower yielding assets.

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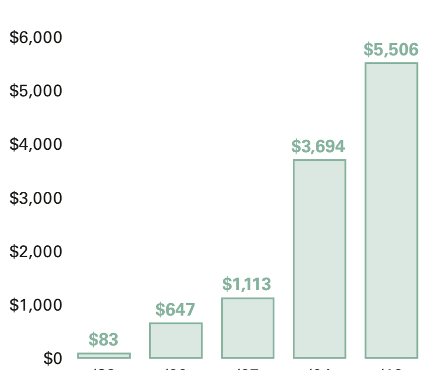
YIELD

	FIRST QUARTER 2012	TRAILING FOUR QUARTERS (COMPOUNDED)
NET	**1.62%**	**11.28%**
INCOME	1.07%	4.55%
APPRECIATION	0.55%	6.52%
GROSS	**1.85%**	**12.27%**
INCOME	1.30%	5.48%
APPRECIATION	0.55%	6.52%

NET ASSET VALUE GROWTH

March 31, 1983 – March 31, 2012

Based on Market Value ($Millions)

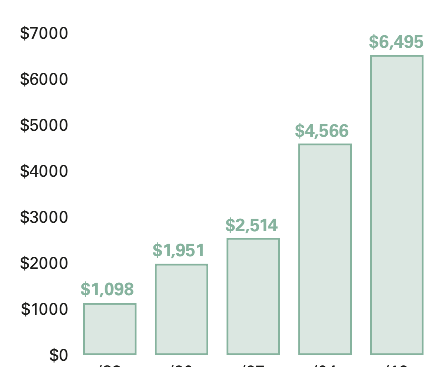


Values shown are for March 31 in each year.
Date of inception April 1, 1982.

UNIT VALUE GROWTH

March 31, 1983 – March 31, 2012

Based on Market Value



Values shown are for March 31 in each year.
Date of inception April 1, 1982.

Fund Overview

Inception Date	**April 1, 1982**	Average Age of Properties	**12.2 years**
Investments Held	**145**	Markets	**30**
Number of Buildings	**360**	Net Asset Value	**$5.51 billion**
Total Operating Square Footage	**40.2 million**	Unit Value	**$6,495.35**
Operating Occupancy	**89.8%**	Participating Plans	**365**

PERFORMANCE *(continued)*

- Continuing to increase NOI through active asset management, leasing, enhanced revenue from property operations and improved utilization or sale of land assets;
- Managing cash assets to meet the Fund's obligations in maintaining a large, existing portfolio, executing acquisitions and providing liquidity to investors; and,
- Selectively increasing leverage to capitalize on historically low interest rates and procuring a line of credit facility to facilitate efficient cash management.

COVER STORY *(continued from front page)*

strongest expansion recorded in the past five quarters. For 2012, the primary risks to the economic recovery continue to be a tightening U.S. fiscal policy and persistent concerns regarding the ongoing European debt crisis.

U.S. commercial real estate markets had mixed performance in the first quarter. Apartment and industrial vacancy rates fell compared to the end of 2011, but vacancy rates for the office and retail sectors remained unchanged. The national apartment vacancy rate is now below five percent and nearing full occupancy. The low vacancy has resulted in strong rental rate growth and spurred development activity in select urban areas. Industrial properties, particularly those located in large distribution hubs, have benefitted from strong trade flows, and through the end of the first quarter, the industrial sector achieved seven straight quarters of decreasing vacancy.

After several quarters of declining vacancy, the office sector vacancy rate was flat as a result of slowdown in business expansions during the quarter. However, since office-using job growth remains steady and corporate profits are high, vacancy should decline in 2012 in many markets. However, cutbacks in the financial sector could hurt demand in certain office markets.

Consumer spending increased during the quarter which should give retailers renewed confidence, but so far, retailers remain cautious about implementing expansion plans. **Overall, nationwide, the modest improvement in demand for space coupled with limited new construction activity across all property types has helped position the commercial real estate sector for continued recovery in vacancy rates and rents.**

After slowing in the second half of 2011, investment sales increased by 40 percent in the first quarter, compared to a year earlier, for a total of $50.3 billion. The retail sector had the greatest increase in transaction volume, mainly due to several large portfolio sales. Capitalization (cap) rates[1] continued to decline for the most sought after CBD office, apartment and retail properties while cap rates for suburban office and industrial buildings were unchanged from year-end 2011, according to Real Capital Analytics.

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

Plumbers Local 360 Pension Fund

Sprinkler Industry Supplemental Pension Fund

Indiana Electrical Workers Pension Trust Fund, IBEW #481

Operating Engineers Construction Industry and Miscellaneous Pension Fund

NEW PARTICIPANTS

Wisconsin Masons Pension Fund

American Postal Workers Union Officers Qualified Retirement Plan

American Postal Workers Union Employees Retirement Plan

PROJECTS COMMITTED

Elan Uptown Phase I & II
Minneapolis

Venue Museum District
Houston

PROJECTS SOLD

Allendale Corporate Center
New York

Canyon Park 228 Corporate Center
Seattle

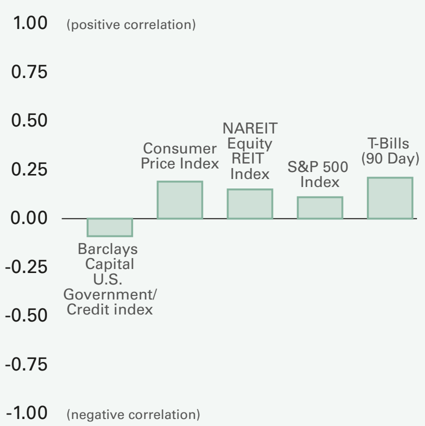
Greenspoint Office Building II
Chicago

([1]A "cap rate" or capitalization rate is an approximation of expected current income determined by dividing net operating income by the purchase price.)

Core Real Estate—An Important Component of Effective Risk Management

The last few years have caused increasing awareness and concern among institutional investors regarding risk exposure in their pension plan portfolios. Many trustees and their investment consultants are re-evaluating the level of risk in their portfolio and their approach to managing it. While there is more information and transparency today in portfolio management, the challenge to simultaneously mitigate the risks caused by a variety of factors, including volatility, liabilities, and the need for capital protection and diversification can be daunting.

NCREIF Fund Index—Open-End Diversified Core Equity (ODCE) Correlation to Other Asset Classes



In terms of risk management, real estate as an asset class is often overlooked or confined within the alternatives allocation, but it can be part of the solution. Commercial real estate should be a component of a long-term strategy for a diversified investment portfolio because of its historically low correlation to stocks and bonds, diversification, stable income, and inflation hedge characteristics. Most investment portfolios are significantly under-allocated to the equity real estate asset class. For these portfolios, adding to equity real estate could make a meaningful difference in optimizing the reward and risk characteristics of their overall investment performance.

One of the most important characteristics commercial real estate can provide from an overall portfolio context is its low correlation with stocks and bonds, which helps to reduce the volatility of portfolio returns over time.

If two investments are perfectly correlated (correlation =1), then their values move in unison. If two investments are perfectly negatively correlated (correlation =-1) then together they would result in a portfolio that produced a constant return over time.

No two investments are perfectly positively or negatively correlated. However, for equities, a general rule of thumb is that if two stocks have a correlation of less than .70 their joint inclusion in a portfolio provides for better risk-adjusted returns. In the case of real estate, as measured by NCREIF Fund Index—Open-End Diversified Core Equity (NFI-ODCE)—investment returns have exhibited a low to negative correlation to stocks and bonds over the long term. Therefore, equity real estate can increase the returns of an investment portfolio without a comparable increase in risk.

Furthermore, during times when stocks and bonds perform poorly, real estate may perform better, smoothing out the overall portfolio's performance. Indeed, this has happened over the last two years, and as a result, real estate has provided superior performance when it was most needed—during times of economic uncertainty and when stocks and bonds are producing lower returns. Thus, real estate has acted as a volatility dampener and at the same time, a portfolio enhancer.

Core real estate is unique because it has some of the growth characteristics of a stock and the potential for stable income stream of a bond. Real estate asset valuations from quarter-to-quarter capture changes in market conditions; while the stable income component of real estate is provided by the in-place lease revenue. Historically, core real estate's income has accounted for approximately 80% of its total return and has had very little volatility from year to year. Core portfolios include a majority of well-leased, stabilized, operating assets diversified by property type and market and serve as a source of stable income.

Cash flow in core portfolios is generated by the in-place leases that typically have medium to long durations. Tenants can be bound contractually to pay a pre-specified rent for periods typically ranging from 5 to 7, and even 10 years and therefore, income is contractual and does not rise and fall with changes in the capital markets. Staggered lease expirations also help reduce cash flow volatility. Furthermore, many leases typically include annual or periodic rent increases over the terms of the leases (some of which are linked

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Real Estate vs. Equity vs. Fixed Income
Through March 31, 2012

Annualized, Gross of Fees Return	Core Real Estate: **MEPT**	Equity Benchmark: **S&P 500 Index**	Fixed Income Benchmark: **Barclays Capital U.S. Government/ Credit Index**
1 Year	**12.27%**	**8.54%**	**8.53%**
Standard Deviation	*	*	*
5 Year	**-0.69%**	**2.01%**	**6.26%**
Standard Deviation	11.02%	21.27%	4.64%
10 Year	**5.83%**	**4.12%**	**5.91%**
Standard Deviation	8.59%	18.35%	4.48%
15 Year	**7.59%**	**6.10%**	**6.42%**
Standard Deviation	7.19%	18.74%	4.30%

Source: Russell/Mellon (*does not provide measures of volatility for periods of less than three years)

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 0.88%. 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.

In-Depth Report *(continued from inside)*

to the rate of inflation). As a result, property cash flows can move with overall price inflation and be protected from deflation.

As a core open-end fund, MEPT's investment strategy has resulted in a portfolio with the beneficial characteristics that core real estate brings to a pension plan portfolio. Additionally, MEPT's adherence to its disciplined approach and focus on risk management helps to minimize volatility:

- The portfolio is well-diversified which helps mitigate the risk associated with adverse market conditions affecting any one market, property type, industry, or company.
- The operating portfolio, at March 31, 2012, represented 95.9 percent of the Fund's net value and was 89.8 percent leased.
- The weighted-average lease term based on revenue is 9.2 years. MEPT's average lease rollover over the next four years, based on revenue, is 10.3 percent.
- Prudent and conservative in its use of leverage, MEPT is not under pressure to service debt; Current third-party leverage position is 18.9 percent of gross assets.
- While not as liquid as stocks and bonds, MEPT has a 30-year track record of providing quarterly liquidity to investors.
- As a risk mitigator, MEPT has adopted certain environmental, social and governance principles to foster high-performing properties, energy conservation and governance best practices.
- The gross income return since inception through March 31, 2012, is 7.37 percent while its appreciation return is 0.31 percent.

Since inception, MEPT has been managed to generate attractive returns for investors at or below benchmark risk.

In the end, investors have different ways to mitigate risk, and they must make investment decisions based on their plan's particular situation. However, a significant allocation to core real estate—with its stable income stream, diversification benefits and performance characteristics—should positively impact risk-adjusted performance as part of a well-diversified pension plan portfolio, helping manage volatility for investors over the long-term.

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**.

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TRUSTEE

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INVESTOR RELATIONS

Landon Butler & Company

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.

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