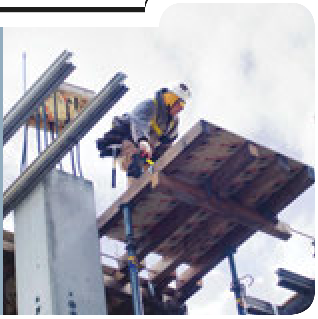
THE QUARTERLY

TRUST REPORT

MULTI-EMPLOYER PROPERTY TRUST

INSIDE:

SECOND QUARTER | JULY 2009 | VOLUME 24, NUMBER 2



THE MULTI-EMPLOYER PROPERTY TRUST closed the second quarter of 2009 with a unit value of **$5,500.27** down **6.34 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **negative 30.92 percent.**

As we head into the second half of 2009, the recession that has gripped the US since late 2007 is still under way. There are some signs that the economy is approaching a bottom and that the worst may be over, but it is also likely that the economy will remain flat for some time before a recovery takes hold. **Since the end of first quarter 2009, equity markets have maintained positive gains and credit markets, while not healthy yet, have stabilized and are showing signs of recovery.** However, it will take some more time before real estate capital markets reach bottom and start to recover.

With regard to unemployment, the US economy has shed 6.5 million jobs since the start of the economic downturn in December 2007. The only sectors to experience employment gains during this time were education, healthcare and government. At the end of June 2009, the unemployment rate in the U.S. reached 9.5 percent. As of July 18, 2009, the four week moving average of initial jobless claims was 566,000 — down from the peak of 658,750, experienced in early April. This pull-back in initial claims suggests that the pace of job losses is slowing, but a four week moving average of closer to 400,000 is a more reasonable indicator that the labor market is approaching a bottom.

Consumer sentiment tends to track labor market conditions and is not likely to improve until the labor market bottoms. Consumer sentiment and spending have been further depressed by the weak housing market and subsequent forced deleveraging. One encouraging sign is that retail sales were up 1.7 percent over the first half of 2009 which indicates that the historic pullback in consumer spending experienced during this recession may be subsiding.

While there may be early signs of economic improvement, it is important to note that commercial real estate typically lags the general economy in recovery. In the past two recessions, it has taken commercial real estate approximately 12 to 18 months to recover after the economy has achieved positive growth. Commercial real estate is continuing to feel the impact of lower demand for space as a result of the unprecedented job losses. In the second quarter, vacancy rates in all property sectors increased. For both office and industrial properties, vacancy rates increased by 0.50 percentage points, leading to a national vacancy rate of 12.7 percent for office space and 9.6 percent for industrial space. Both the multi-family and retail sectors had vacancy rate increases of 0.30 percentage points with multi-family vacancy rising to 7.6 percent and retail to 7.5 percent.

Sales volume remained at extremely low levels and was approximately 70 percent lower than one year ago. Tight credit markets have made financing transactions extremely difficult. However, smaller transactions with local users and other non-traditional buyers that can access capital have been executed. Some small companies have been able to finance the acquisition of a property for their business with loans from the Small Business Administration. However, sellers outnumber buyers and there is still a considerable bid/ask spread between buyers and sellers.

News Briefs

IN JUNE, MEPT SOLD THE HARTFORD OFFICE BUILDING FOR GROSS PROCEEDS OF $71.5 MILLION. Located in the Washington, DC submarket of Arlington, Virginia, The Hartford is 100-percent leased to several tenants, including Georgetown University. MEPT completed construction of the 212,443 square foot building in 2003 and generated 1.4 million jobs hours for members of the Building Trades. While the building was fully occupied, MEPT anticipated leasing risk given termination options for several existing tenants and a location that is still perceived by some to be less established than other nearby submarkets. Additionally, the sale to a local buyer allowed MEPT to further its planned investment strategy of reducing its allocation to suburban office. MEPT achieved a 7.6 percent IRR on the all-cash transaction.

HARTFORD

IN THE SECOND QUARTER, MEPT SOLD MEADOWRIDGE BUSINESS PARK FOR GROSS PROCEEDS OF $8.7 MILLION. MEPT developed Meadowridge, a 141,600 square foot industrial property, in 1992 and produced over 293,000 job hours for members of the local Building Trades. At the time the Baltimore property was sold, it was 100 percent leased to four tenants. However, after it was determined that the asset could not attain MEPT's responsible property investing goals pertaining to energy efficiency, the asset was sold to Cabot Properties, resulting in an 11.5 percent IRR for MEPT.

IN JUNE, MEPT SOLD FOUR SOUTHERN CALIFORNIA INDUSTRIAL ASSETS FOR GROSS PROCEEDS OF $24.3 MILLION. The four assets, located in the Los Angeles market, were originally purchased in 2003 as part of a 17-asset portfolio leased by tenants serving their local areas. In the current market, companies are seeking to purchase properties from which they can operate their business. Given that these properties have the attributes sought by local users, MEPT marketed the assets for sale. Don Julian, a 100,000 square foot industrial building, was fully occupied by a sole tenant, Concord Transportation Inc. and was sold to a local owner/user. The clothing retailer, Forever 21, fully occupied Sierra Pine, a three-building, 129,509 square foot industrial asset. The retailer purchased the property from MEPT for its continued use. Chapman, a 67,754 square foot industrial building, was fully occupied by four tenants and was sold to a local investor. MEPT sold Stafford/Nelson, a 95,046 square foot industrial asset, to a local owner/user.

STAFFORD/NELSON

DURING THE QUARTER, MEPT PURCHASED ADDITIONAL OWNERSHIP INTERESTS IN THREE ASSETS IN CHICAGO FOR $2.6 MILLION. These investments fit with the Fund's intention over the long-term to purchase minority interests held by joint venture partners in order to enable the Fund to fully benefit from the value created by these assets. With 100 percent control, MEPT has the flexibility to react quickly when market conditions warrant an asset sale. Minority interests at 3500 Lacey Road and Greenspoint II and III were purchased by MEPT and increased the Fund's ownership to 100 percent at each asset. 3500 Lacey Road, a 583,982 square foot office building, is 84 percent leased with the majority of the building occupied by the Sara Lee Corporation. In 1999, MEPT acquired Greenspoint II, a 57,548 square foot office building, and in 2000, built Greenspoint III, a 147,412 square foot office building, which generated nearly 945,000 construction industry job hours.

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Second Quarter Results

Net Return, Second Quarter:

-6.34%

Net Return, 7/1/08–6/30/09:

-30.92%

Net Asset Value:

$4.59 billion

Performance

Fund Overview

Inception Date	April 1, 1982	Average Age of Properties	11.1 years
Assets Held	181	Markets	26
Number of Buildings	503	Net Asset Value	$4.59 billion
Total Operating Square Footage	42.2 million	Unit Value	$5,500.27
Operating Portfolio Occupancy	88.4%	Participating Plans	331

MEPT's total gross return for the second quarter of -6.13 percent was comprised of 1.41 percent income and 7.54 percent depreciation. The depreciation in the portfolio was a result of valuation assumptions reflecting current market risk and the expectation of the impact that the significant job losses nationally will have on commercial real estate occupancies in the coming quarters. Across the country, vacancy rates are expected to climb as rental rates fall, tenant retention declines, leasing activity slows, and leasing costs rise. While MEPT has a diligent and active asset management program with a focus on early renewals, minimizing tenant rollover and maintaining occupancy, these general market expectations impact MEPT's asset value.

Yield

	Second Quarter 2009	Trailing Four Quarters (Compounded)
Net	**-6.34%**	**-30.92%**
Income	1.20%	4.34%
Appreciation	-7.54%	-34.11%
Gross	**-6.13%**	**-30.30%**
Income	1.41%	5.18%
Appreciation	-7.54%	-34.11%

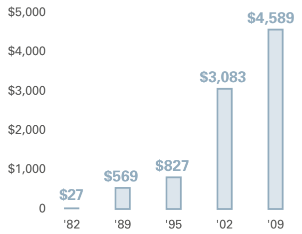
During the quarter, 43 assets were externally appraised and 136 assets were evaluated internally under the direction of NewTower Valuation Services. In total, 159 assets experienced depreciation, 10 assets had no change in value and 10 assets had modest appreciation. Depreciation occurred across property types and geography, with the Midwest impacted significantly due to the severity of the economic downturn in that region.

Over the trailing four quarters, MEPT has recognized over 34 percent depreciation and while the portfolio may experience some additional depreciation from further deterioration of market conditions, it will be offset by income. MEPT's 490 buildings in its operating portfolio are 88.4 percent leased to a diverse roster of tenants. Furthermore, MEPT management believes that property yields in the operating portfolio are reaching stabilization and approaching the long-term, average capitalization rates and other valuation metrics of core real estate.

Net Asset Value Growth

June 30, 1982 – June 30, 2009

Based on Market Value ($Millions)

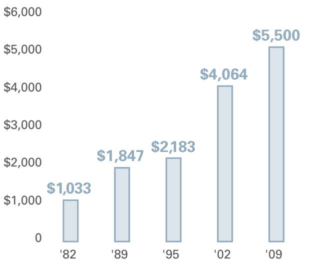


Values shown are for June 30 in each year.
Date of inception April 1, 1982.

Unit Value Growth

June 30, 1982 – June 30, 2009

Based on Market Value



Values shown are for June 30 in each year.
Date of inception April 1, 1982.

(Note: A capitalization rate is an approximation of expected current income return determined by dividing net operating income by the purchase price.)

Spotlight

Fourth Annual MEPT Real Estate Conference held in June

MEPT's Fourth Annual Real Estate Conference held on June 3, 2009 could not have been more timely. Severely impacted by the global recession and credit crisis over the last nine months, commercial real estate has experienced significant value declines, a lack of available financing, inevitable deleveraging, a virtual standstill in sale transactions, and a deterioration of underlying fundamentals. With these conditions as the backdrop, industry leaders joined MEPT investors to discuss the challenges ahead.

Attendees of the conference included representatives of MEPT participating plans, members of the MEPT Advisory Board, members of the MEPT management team from NewTower Trust Company, Kennedy Associates Real Estate Counsel, Landon Butler & Company, clients and representatives of Bentall LP, as well as individuals from MEPT service providers, including many appraisal firms.

The conference featured nationally recognized speakers, including:

- **Dr. Peter Linneman,** Principal of Linneman Associates and the Albert Sussman Professor of Real Estate Finance, and Public Policy at the Wharton School of Business at the University of Pennsylvania
- **Darrell Wheeler,** Managing Director, Global Head of CMBS, Strategy and Analysis at Citigroup
- **Robert White, Jr.,** President, Real Capital Analytics
- **Mark Gibson,** Executive Managing Director, Holliday Fenoglio Fowler, LP
- **Kenneth P. Riggs, Jr.,** President & CEO, Real Estate Research Corporation
- **Doug Gatlin,** Vice President Market Development, US Green Building Council

The speakers provided conference participants with perspective by comparing the current downturn to prior recessionary periods. Dr. Linneman noted that when the capital markets crashed in the fall of 2008, all economic rules were abandoned and since that time, the Federal government, financial institutions and investors have been trying to figure out how to operate "without rules". He added that many investors moved from balanced portfolios to cash only, and when confidence returns, it is expected that investors will return to diversified investment portfolios. Darrell Wheeler shed light on the lack of available financing in the debt market and noted that there will be significant debt capital deployed as asset pricing adjusts downward and yield rates increase.

Mr. Wheeler also discussed the Federal government's financial stimulus plan and the restoration of the credit markets as the Federal programs help banks move "bad" loans off their balance sheets. **Mark Gibson noted that before the lending market improves, private real estate values will decline further and capitalization rates for commercial real estate (including all major property sectors) will return to the mid- to late-1990s levels to account for rising funding costs, higher associated risk premiums for real estate, concerns over outstanding CMBS debt and its rising default risk, as well as overall weakening market conditions.**

Robert White confirmed that real estate pricing has fallen significantly since the peak of the market and sales activity is off 75 percent compared to a year earlier. He noted that deal structures have changed dramatically with seller-financing, government agencies, and insurance companies filling the gap left by more traditional lenders.

Mr. Gibson also stated that there is a bid-ask spread in the market that will only be addressed when owners recognize that operating conditions have changed because of deteriorating fundamentals and expected

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In Appreciation and Recognition of our 25 Year Partnership MEPT Salutes:

Laborers District Council Pension and Disability Trust Fund No. 2

Philadelphia Plumbers Union Local #690 of Philadelphia & Vicinity Pension Fund

Projects Sold

Hartford Office Building
Washington, DC

Meadowridge Business Park
Baltimore, MD

Sierra Pine
Los Angeles, CA

Stafford/Nelson
Los Angeles, CA

Chapman/Western
Los Angeles, CA

Don Julian
Los Angeles, CA

Kirkland Flex, Building L
Seattle, WA

Study Shows MEPT Investments Have Generated $13.3 Billion in Economic Activity

MEPT Strategy Creates Jobs, Economic Stimulus In Critical Times

At a time when the Federal government, municipalities, businesses and everyday Americans are looking for solutions to stimulate the economy and create jobs, a June study published by EcoNorthwest, Inc. reveals that Multi-Employer Property Trust (MEPT) delivers the kind of results that the country is seeking. **Since its inception in 1982, MEPT has invested $6.3 billion in new-construction commercial real estate, which has created 67 million job hours in the construction industry and 119 million job hours for other industries across the country.** In addition, MEPT investments have generated $13.3 billion in economic activity and almost 103,000 jobs in the local communities where MEPT properties are located.

MEPT delivers competitive, risk-adjusted returns to investors, making it a valuable component of any investment portfolio. MEPT also has an unwavering commitment to Responsible Property Investing (RPI) by ensuring fair labor practices, by developing sustainable buildings, and by maintaining energy-efficient properties, which has resulted in measurable investment benefits for MEPT investors — both from a performance perspective and the secondary benefits of RPI.

MEPT projects have directly created nearly 5,000 "green jobs" for the construction, technical and professional service sectors. MEPT began "greening" its portfolio several years ago and is a leader in developing new sustainable projects and managing high-performance, energy-efficient property operations at existing buildings. As many industries reinvent or retool their businesses in order to meet the energy challenges of the future, MEPT's experience has been that tenants and owners place additional value on sustainable and energy-efficient buildings, which has a positive impact on property values.

Further, as MEPT's dollars circulate through a local economy, they not only generate income for workers and local businesses, but they contribute to state and local government coffers in the form of personal income tax and sales tax revenue — **in fact, MEPT investments have created an estimated $278.1 million in state personal income taxes. In addition, the study reveals that state and local governments benefited from $163.5 million in sales tax revenue.**

The EcoNorthwest, Inc. study represents MEPT investment activity as of December 31, 2008 and does not capture the full impact of the five projects that MEPT currently has under construction, representing $640.8 million in total commitments, or the approximately $275.9 million that MEPT will spend on tenant improvements and capital expenditures in the next 12-15 months. It is estimated that the five new construction projects will create an additional 4.3 million job hours at these sites — work that is critical in today's economic environment. Further, all five projects are designed to LEED-Gold or Silver certification standards.

Results of MEPT Investments

Tabulated by Market

MARKET	TOTAL ECONOMIC EFFECT	TOTAL JOB HOURS OF WORK CREATED FOR CONSTRUCTION INDUSTRY
ANCHORAGE	$14,446,954	67,034
BALTIMORE	$600,306,607	3,211,356
BOCA RATON	$71,288,092	389,218
BOSTON	$416,786,514	2,075,467
CENTRAL NEW JERSEY	$249,204,607	962,677
CHARLOTTE	$12,660,123	7,461
CHICAGO	$1,326,820,390	6,036,819
CINCINNATI	$86,658,747	490,616
COLUMBUS	$32,680,385	145,861
DALLAS	$12,397,734	66,650
DENVER	$549,734,702	2,894,779
DETROIT	$370,966,799	1,792,266
HOUSTON	$81,374,338	360,080
INDIANAPOLIS	$162,143,885	809,848
JUNEAU	$299,142	1,854
KANSAS CITY	$134,146,867	879,503
LAKE OF THE OZARKS	$27,630,929	159,440
LAS VEGAS	$102,524,860	707,938
LOS ANGELES	$1,611,247,419	7,364,502
MILWAUKEE	$125,711,243	572,812
MINNEAPOLIS	$17,080,294	90,039
NEW HAVEN	$35,669,757	182,978
NEW YORK CITY	$1,027,103,014	5,327,270
PHILADELPHIA	$543,430,343	1,957,512
PHOENIX	$63,577,447	373,400
PITTSBURGH	$353,227,291	1,531,626
PORTLAND	$957,720,484	5,417,056
RENO	$83,041,111	461,045
SAN DIEGO	$154,889,772	598,617
SAN FRANCISCO	$672,773,998	2,785,461
SANTA FE	$10,983,800	52,686
SEATTLE	$922,508,458	4,110,021
SOUTH BEND	$19,425,288	103,597
ST. LOUIS	$518,510,148	2,669,625
PRE-1995 TENANT IMPROVEMENTS*	$253,098,514	636,752
WASHINGTON, D.C.	$1,722,541,480	11,679,184
TOTAL	**$13,344,511,527**	**66,973,050**

* Represents all tenant improvements made to projects prior to 1995. Beginning in 1995, MEPT changed its accounting procedures in order to track tenant improvements by individual projects.

For a copy of the EcoNorthwest report, please contact Vanessa Parrish at (202) 737-8829 or vparrish@lbutler.com

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 0.91%. 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.

SPOTLIGHT *(continued from inside)*

property income will likely be lower than the net income underwritten by their lenders. As owners focus more on net operating income in the face of declining rents and higher vacancies as a result of job losses, operating properties efficiently has become of greater importance. Doug Gatlin highlighted the benefits of operating green buildings because they reduce energy and water use, improve air quality, reduce CO_2 emissions, and appeal to tenants, and, with his comments, reaffirmed that MEPT is the leading adherent to RPI principles in the core real estate fund universe. Projects registered with the US Green Building Council's LEED program now total over 17,450, proving sustainable development is now a trend rather than a fad in the industry.

Ken Riggs challenged the speakers and audience to think about real estate's role in a pension plan portfolio. **All speakers agreed that despite the challenges the industry faces because of the lower demand for space as a result of economic recession and job losses, commercial real estate as an asset class remains an attractive component of a long-term strategy for a diversified investment portfolio because of its diversification, stable income, inflation hedge characteristics, and historically low correlation to stocks and bonds.**

The Fifth Annual
MEPT Real Estate Conference
is scheduled for Wednesday, June 2, 2010.

NEWS BRIEFS *(continued from inside)*

DURING THE QUARTER, MEPT COMPLETED A SALE OF ONE BUILDING IN THE KIRKLAND FLEX PORTFOLIO FOR GROSS PROCEEDS OF $2.7 MILLION. Building L in Kirkland Flex has been leased, since 2004, to the City of Kirkland in the State of Washington. As per the City's lease, they had the right of first refusal, in the event that MEPT wanted to sell the building. When MEPT determined that the building was no longer consistent with the Fund's long-term investment strategy, MEPT negotiated a sale directly with the City of Kirkland.

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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MULTI-EMPLOYER PROPERTY TRUST

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