The Quarterly

Trust Report

MEPT | 30 Years 1982–2012

INSIDE:

- CalPERS Purchases A One-Third Interest in Bentall Kennedy
- MEPT Makes an Investment in a Multi-family Development in San Francisco

SECOND QUARTER | JULY 2012 | VOLUME 27, NUMBER 2

Multi-Employer Property Trust (MEPT) closed the second quarter of 2012 with a unit value of $**6,629.68** up **2.07 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **9.80 percent**.

Mid-Year U.S. Economic and Real Estate Overview

During the second quarter, global financial markets remained unsettled. With evidence showing much of Europe slipping back into recession, economic growth slowed around the world. Inevitably these trends had ramifications for the U.S. economy. Additionally, domestic fiscal concerns along with election year uncertainty hampered U.S. economic growth.

The U.S. economy has clearly slowed but headline indicators for Gross Domestic Product (GDP) and employment growth continue to reflect positive gains, even if the pace is frustratingly slow. GDP growth eased to an annualized rate of 1.5 percent in the second quarter of 2012, down from 2.0 percent growth in the first quarter. Much of this slowdown can be linked to consumption.

Consumer confidence has been weakened by the uncertain global and domestic economic environment. More specifically, consumers have witnessed the job market slowing and unemployment remaining elevated. Job growth averaged about 75,000 jobs per month in the second quarter, down from nearly 200,000 jobs per month during the previous two quarters, and the unemployment rate stalled in the low eight-percent range.

Consumer confidence measures fell in June, as did the ISM manufacturing index, and retail sales, excluding autos and gasoline, fell nearly 1.0 percent from March to June. However, home prices appear to be firming and auto sales posted a healthy year-over-year increase in June.

Thus, expectations for GDP growth during the balance of 2012 have been tempered, but the U.S. economy should continue to grow. The U.S. has added jobs for 21 straight months and businesses are profitable and investing in new equipment and software. Importantly, the housing market is now having a positive impact on GDP as prices stabilize and construction starts ramp up.

Volatility and uncertainty across the globe have limited the opportunity for investors to find solid cash returns without taking on significant levels of risk. As a result, the U.S. continues to be a safe-haven destination for investment capital, keeping borrowing costs low.

In this context, real estate remains an attractive asset class for institutional investors. **Historically, real estate has been an excellent diversifier for stock and bond portfolios, a partial inflation hedge, and a solid producer of cash returns**. Current market conditions only reinforce the attractiveness of these characteristics. Real estate markets are experiencing the impact of the economic slowdown but the longer-term trend has been towards improving occupancy and rents.

(continued inside)

News Briefs

IN JUNE, MEPT COMMITTED $50.0 MILLION TO THE DEVELOPMENT OF 1401 MARKET STREET IN SAN FRANCISCO. MEPT's contribution to the $291.8 million, 754-unit multi-family project is a preferred equity investment. MEPT's preferred equity position will receive priority returns over the development partner's equity on both cash flow and sale or refinance proceeds, while yielding an attractive 9.0 percent preferred return for the Fund. The property, which will be called NeMa, has a high-rise, two-tower design with attractive units and community amenities that are expected to appeal to the Echo Boom demographic (the 19-34 year olds entering the workforce) in the area. According to industry reports, the San Francisco multi-family rental market continues to show favorable trends, including positive net absorption, strong effective rent growth, decreasing vacancy, strong investor demand, and significant constraints on new supply due to the City's protracted entitlement process. The project's location in the Civic Center neighborhood is emerging as a primary growth area within San Francisco, attracting an influx of technology firms, including Twitter's new corporate headquarters. The project is located at a prominent intersection with several transit options, cultural and civic amenities, and entertainment venues. 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, NeMa will seek to achieve U.S. Green Building Council's® Leadership in Environmental and Energy Design (LEED®) Silver-certification.

1401 MARKET STREET

DURING THE QUARTER, MEPT WAS JOINED BY THE PROJECT TEAM AND MEMBERS OF THE SEATTLE BUILDING TRADES AT A TOPPING OUT CEREMONY FOR SIXTH AND LENORA. Construction began on the 654-unit multi-family development called Via6, in May 2011 and the project has now topped out both of its 24-story towers. Via6 is seeking to achieve U.S. Green Building Council LEED Gold certification and has a contemporary design offering amenities and features well-matched to the residents of the neighborhood. Building services will include a dog park, fitness center, and theater and entertainment spaces in a pavilion situated between the towers on the seventh level. Via6 will also have street-level retail, including a restaurant and bicycle shop. Leasing is scheduled to commence in February 2013. The

VIA6 AT SIXTH AND LENORA

(continued on back page)

2012

1 2 3 4

Second Quarter Results

Net Return, Second Quarter
2.07%

Net Return, 07/1/11–6/30/12
9.80%

Net Asset Value
$5.56 billion

Performance

In the second quarter, MEPT produced a total gross return of 2.29 percent, composed of 1.34 percent income and 0.96 percent appreciation. Year-to-date, MEPT's performance has resulted in a total gross return of 4.18 percent, composed of 2.65 percent income and 1.51 percent appreciation. As a result, MEPT is on track to achieve the Fund's 2012 return expectation of 7.5 percent to 8.5 percent (gross of fees) set by the Management Team at the start of the year.

Income Return: The stable income generated by the 40-million square foot operating portfolio was a major contributor to the income return. The Fund's occupancy is up 140 basis points from 88.3 percent at June 30, 2011 to 89.7 percent at June 30, 2012 due to increased leasing activity, the sale of buildings with vacant space and the acquisition of assets with high occupancy.

The operating portfolio net operating income is slightly ahead of budget at mid-year with the strongest revenue contributions from the Fund's well-leased, urban, multi-family assets and central business district office assets. At the same time, expenses are slightly lower than budget due to lower than budgeted utility costs which is mostly attributable to a warm winter across the country.

Yield

	Second Quarter 2012	Trailing Four Quarters (Compounded)
Net	**2.07%**	**9.80%**
Income	1.11%	4.75%
Appreciation	0.96%	4.88%
Gross	**2.29%**	**10.78%**
Income	1.34%	5.69%
Appreciation	0.96%	4.88%

Appreciation Return: MEPT's office assets, retail and apartments in primary markets with strong fundamentals such as New York, Washington, DC, Denver, Chicago, and Seattle experienced appreciation. Also, certain development assets contributed to the Fund's appreciation during the quarter. This was offset by value decreases in office assets in secondary markets.

In the second quarter, there were a few significant events that impacted appreciation. The Fund's appreciation was positively impacted by substantial proceeds from the very favorable settlement of insurance claims related to the construction defects that caused irreparable damage and required the eventual demolition of The McGuire, a 272-unit multi-family asset in Seattle. During the quarter, MEPT had a positive impact of 20 basis points of appreciation due to the execution of a lease with a credit-tenant

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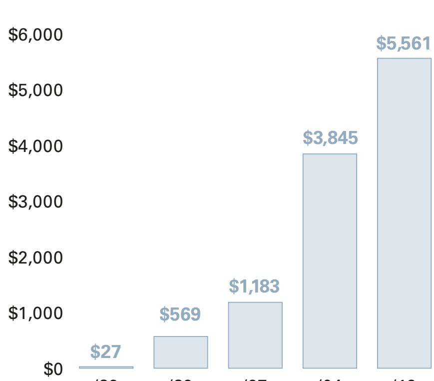
Net Asset Value Growth

June 30, 1982 – June 30, 2012

Based on Market Value ($Millions)

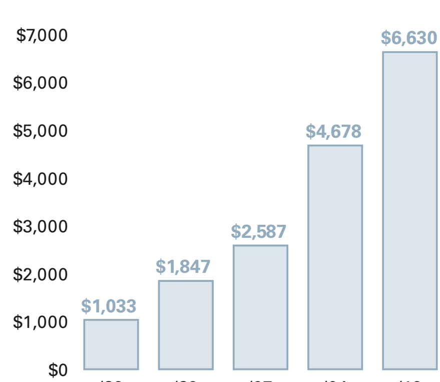


Values shown are for June 30 in each year.
Date of inception April 1, 1982.

Unit Value Growth

June 30, 1982 – June 30, 2012

Based on Market Value



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

Fund Overview

Inception Date	**April 1, 1982**	Average Age of Properties	**12.5 years**
Investments Held	**145**	Markets	**30**
Number of Buildings	**358**	Net Asset Value	**$5.56 billion**
Total Operating Square Footage	**39.9 million**	Unit Value	**$6,629.68**
Operating Occupancy	**89.7%**	Participating Plans	**364**

New Participants

UFCW Local 655 Food Employers Joint Pension Plan

Beaver County Employees Retirement System

IBEW Local 505 – NECA Pension Fund

Projects Committed

1401 Market Street
San Francisco, CA

Projects Sold

212 Corporate Center
Portland, OR

Commerce Park Tualatin III
Building H
Portland, OR

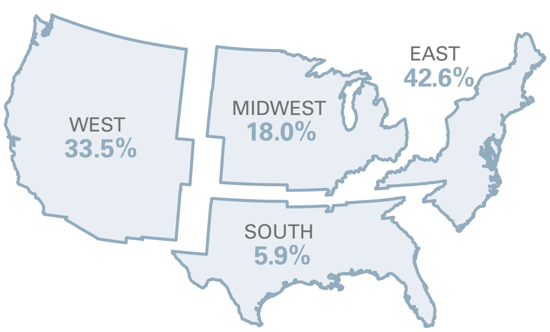
Performance *(continued)*

that will fill most of the space being vacated by Sara Lee at 3500 Lacey Road in suburban Chicago. At the same time, MEPT recognized depreciation at 360 State Street in New Haven due to a change in the real estate tax assessment for that asset which had a negative 25 basis point impact on the second quarter return. MEPT is challenging the new assessment.

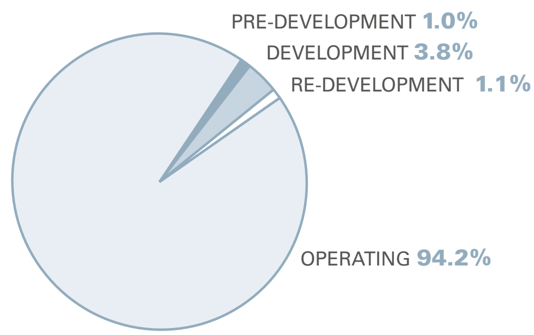
MEPT Diversification as of June 30, 2012

Based on Net Real Estate Asset Value

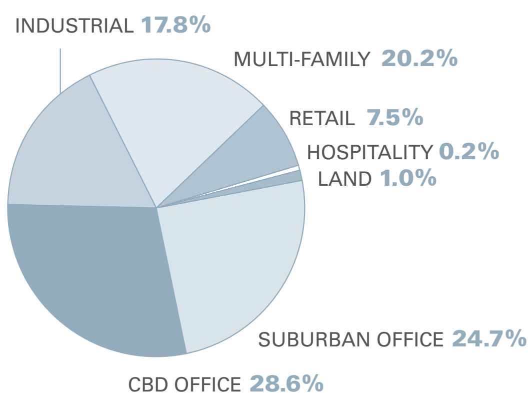
Geographic Region



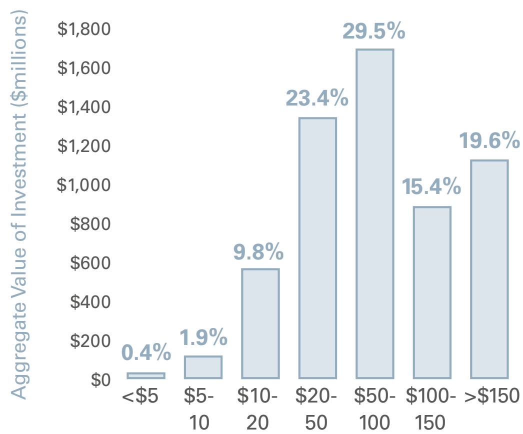
Life Cycle



Property Type



Size of Investment



From a capital markets perspective, transaction volume has been steady, albeit somewhat slower in recent months. Capitalization rates[1] (cap rates) offer a premium to the 10-Year Treasury rate that is considerably larger than what it has been historically. Investors are not only receiving an attractive cash yield from commercial real estate but a relatively strong total return as well.

Sales volume of large commercial real estate properties was up 10 percent over first quarter. Investment in apartments continues to outpace other property types due to the strong fundamentals in the property sector. Second quarter transaction volume for the multi-family sector was the second highest quarterly total since 2007, according to Real Capital Analytics. Year-over-year, as of the second quarter, the multi-family sector was the only one to have gains in transaction volume. **Growth in the volume of sales activity in major U.S. metropolitan markets was flat or slightly lower compared to the second quarter of 2011, according to RCA, not because of lower demand, but because of a decline in willing sellers and available inventory.** Nationally, cap rates across property types declined slightly with the retail sector seeing the greatest compression in cap rates and higher prices. During the quarter, there were several large portfolio transactions that drove sales activity in the industrial sector. In office, overall pricing has continued to rise with the central business district (CBD) office assets leading the way while suburban properties lag the trend.

Reaping the benefits of stronger economic growth in prior quarters, continued job creation, and very limited new construction, U.S. commercial real estate market fundamentals improved in the second quarter. Apartment vacancy rates fell to levels not seen since 2001, as demographic trends and still-depressed, but improving interest in the for-sale housing market support demand growth. Nationally, the vacancy rate for the multi-family sector is approximately 4.7 percent. According to REIS, 75,000 new apartment units will be delivered in 2012, which is double the volume in 2011, but still far below the approximately 500,000 units per year needed in the U.S. to meet the growing demand for rental housing.

Nationally, office demand has improved to levels similar to those last seen in late 2007 and the vacancy rate fell modestly by 30 basis points during the quarter. Conditions for office are improving slowly and led by a few technology and energy-oriented markets where vacancy rates have dropped and rent growth is quantifiable. The industrial vacancy rate dropped despite softening manufacturing activity. While there was higher demand, reduced vacancy and very little new construction activity, rents have remained flat in most industrial markets. Retail vacancy rates also fell, but the recent decline in retail sales does not bode well for the retail sector in the second half of the year. Certain retail sub-types such as grocery-anchored centers which are necessity goods-based should be less affected by the sluggish economic outlook. **Leasing activity typically lags the broader economy and the impact of the current economic malaise has not yet been integrated in U.S. real estate markets.** Thus, the positive improvements in commercial real estate fundamentals could be dampened and, in some cases reversed, by the slowing economic activity around the globe.

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

SPOTLIGHT

CalPERS Makes Strategic Investment in Bentall Kennedy

On June 26, 2012, the California Public Employees' Retirement System (CalPERS), the largest public pension plan in the U.S., became a one-third partner in MEPT's real estate investment advisor, Bentall Kennedy. This transaction represents CalPERS first and, to date, only investment in a real estate advisor, bringing together "like-minded institutions whose cultures are driven by long-term performance, growth and environmental and governance leadership," said Rob Feckner, President of CalPERS Board of Administration, in a recent press release.

This strategic partnership will enable Bentall Kennedy to continue to expand its North American investment platform and to provide MEPT with unmatched market access and advisory services. CEO of the Bentall Kennedy group, Gary Whitelaw, said "we welcome the experience, strength, and global perspective that CalPERS brings, which will benefit our clients, such as MEPT, as we pursue our shared goal of successful and sustainable long-term investment performance."

The ownership of Bentall Kennedy is evenly split between Bentall Kennedy senior management, CalPERS, and the British Columbia Investment Management Corporation (bcIMC).

Additional information, including press releases and recent articles from several industry publications can be found at www.bentallkennedy.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 0.88%. 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.

News Briefs *(continued)*

construction of the project has generated more than two million green job hours for members of the local Building Trades and has had an economic impact of more than $415 million in the Seattle area.

IN THE SECOND QUARTER, MEPT SOLD THREE INDUSTRIAL BUILDINGS IN PORTLAND, OR. MEPT received total gross proceeds of $9.5 million for the sale of 212 Corporate Center, a two-building asset totaling 233,425 square feet. Built by MEPT in 1995, the property's special-use nature has made it challenging to lease. Furthermore, MEPT anticipated near-term capital improvement costs and decided to market the asset for sale. 212 Corporate Center was purchased by a local private investor who owns a portfolio of industrial assets in the Portland area. MEPT also sold Building H, a 59,750 square foot building in Commerce Park Tualatin III for total gross proceeds of $4.3 million.

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**.

Multi-Employer Property Trust

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TRUSTEE

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INVESTMENT ADVISOR

Bentall Kennedy

INVESTOR RELATIONS

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