

THE QUARTERLY

TRUST REPORT

 MULTI-EMPLOYER PROPERTY TRUST

Celebrating 25 Years
1982-2007

THIRD QUARTER | OCTOBER 2007 | VOLUME 23, NUMBER 3



THE MULTI-EMPLOYER PROPERTY TRUST closed the third quarter of 2007 with a unit value of **\$7,634.50** up **3.08 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **15.83 percent**.

In the first three quarters, 28 new investors became participants in MEPT—bringing the total to 326. These investors have an ownership interest in MEPT's 174 assets, valued at more than \$7 billion at September 30, 2007.

The most significant economic trend in the third quarter was the expected slowdown in US economic growth as a result of the downturn in the housing market and turmoil in the credit markets. At the same time, however, there continued to be moderate job growth and low unemployment, and inflation remained in check.

In August, the capital markets gyrations began to directly impact commercial real estate investment activity. Transaction volume fell off and velocity slowed as investors re-calibrated risk tolerances. Consequently, lenders responded to the capital markets uncertainty by implementing more stringent lending terms, i.e., reducing loan-to-value ratios, becoming more selective, or withdrawing from the market altogether. **Highly leveraged buyers have exited the market, but institutional capital (equity) for real estate is still abundant.** Investors are demonstrating a preference for high-quality assets in markets with strong historical performance. **Furthermore, there is a perception that, given the tighter lending environment, low-leveraged buyers are well positioned for attractive acquisition opportunities.**

Prices for high-quality assets are not expected to drop since property fundamentals remain healthy. The national office vacancy rate remained unchanged from the second quarter at 13 percent, and the industrial vacancy rate also remained steady at 9.9 percent. The delivery of new office and industrial space is below historical averages.

USE EVERY TOOL YOU HAVE

NEWS BRIEFS



IN JULY, MEPT ACQUIRED 2600 REGENT BOULEVARD FOR \$22.1 MILLION. 2600

Regent Boulevard is a new, state-of-the-art distribution facility in Dallas. The 404,500 square foot building is located on a 23-acre site in the Dallas/Fort Worth International Commerce Park, a master-planned industrial park near the

north entrance of the DFW International Airport. DFW is one of the most active distribution markets in the country. A tenant has committed to occupy the entire building for 10 years. Upon completion of certain tenant-specific improvements, including special refrigeration requirements, the tenant is expected to move into the building by the end of the year.

IN THE THIRD QUARTER, MEPT COMMITTED \$31.5 MILLION TO DEVELOP THE FIRST PHASE OF RIVERGATE CORPORATE CENTER III,

adjacent to MEPT's Rivergate Corporate Center I and II (RCC I and II), in Portland, OR. RCC I and II are 100 percent leased, reflecting the strong demand from industrial and distribution-related businesses for buildings with proximity to the Port of Portland. Additionally, industrial vacancy in the Portland market currently is just 4.8 percent, which is extremely low compared to the national average of 9.9 percent. The proposed new development will be built in several phases over a five-year period. The first phase of Rivergate III will consist of a double-loaded 573,420 square foot bulk distribution building that is designed to satisfy certification requirements of LEED (Leadership in Energy and Environmental Design), a national rating system for developing sustainable or "green" buildings.



IN AUGUST, MEPT COMMITTED \$4.8 MILLION FOR THE DEVELOPMENT

OF NORTH BY NORTHWEST PHASE V, a 100,000 square foot, built-to-suit industrial facility for Goodwill Industries of Central Indiana located in Indianapolis. The building will sit on 6.2 of the 92-acre North by Northwest Park, currently owned by MEPT. The project is expected to break ground in November 2007 and is expected to be completed by the end of the first quarter of 2008.

SAVE THE DATE: On Sunday November 4, 2007, MEPT invites you to a taste of the Mediterranean in sunny California at Catal Restaurant from 6–9 p.m. in the Downtown Disney District in Anaheim, CA. If you plan to attend the IFEBP 53rd Annual Employee Benefits Conference, then join us for a cocktail reception by sending an R.S.V.P. to ppaul@lbutler.com.

(continued on back)

THIRD QUARTER RESULTS

Net Return,
Third Quarter:
3.08%

Net Return,
10/1/06–9/30/07:
15.83%

Net Asset Value:
\$7.04 billion



PERFORMANCE

THIRD QUARTER COMMENTARY

“Responsible Property Investing (RPI) is an approach to real estate investment management that takes into consideration the broader social ramifications of property ownership and goes beyond traditional investor and fiduciary goals. For 25 years, MEPT has maintained a policy of using responsible contractors to ensure that prevailing wages and benefits are paid to foster economic health and growth. More recently, MEPT has expanded its RPI activities to include a focus on sustainable development and energy conservation.”

Landon Butler, President and CEO, Landon Butler & Company, LP



MEPT’S THIRD QUARTER PERFORMANCE MODERATED from the second quarter, but remained solid. The returns are attributable to the portfolio’s stable and consistent rental income, active leasing in the portfolio, and additional gains from continued but moderated capitalization rate compression. At September 30, 2007, MEPT’s operating portfolio was 91 percent of total net assets and generates income of approximately \$85 to \$90 million per quarter, which cushions against the market volatility.

During the quarter, 41 operating assets were externally appraised and 105 were evaluated internally under the direction of NewTower Valuation Services. Value increases at Highlands Corporate Center in Seattle, Gates Plaza in Denver, Pacific Place in Seattle, Southwest Commerce Center III & IV in Reno, Arena Corporate Center in Los Angeles, and Coventry Glen in Chicago significantly contributed to the Fund’s third-quarter appreciation. While minimal overall, declines in value at certain MEPT assets partially offset these appreciation gains.

Year-to-date, MEPT has produced a total net return of 12.81 percent, composed of 3.42 percent income return and 9.19 percent appreciation return; and the Fund is on target to achieve its stated 2007 performance target of 14.5 percent to 15.5 percent (net of fees).

YIELD

	THIRD QUARTER 2007	TRAILING FOUR QUARTERS (COMPOUNDED)
NET	3.08%	15.83%
INCOME	1.11%	4.60%
APPRECIATION	1.97%	10.85%
GROSS	3.30%	16.81%
INCOME	1.33%	5.52%
APPRECIATION	1.97%	10.85%

NET ASSET VALUE GROWTH

Sept. 30, 1982 — Sept. 30, 2007

Based on Market Value (\$Millions)



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

UNIT VALUE GROWTH

Sept. 30, 1982 — Sept. 30, 2007

Based on Market Value



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

PORTFOLIO SPOTLIGHT

FUND OVERVIEW

Inception Date	April 1, 1982	Average Age of Properties	9.5 years
Assets Held	174	Markets	24
Number of Buildings	359	Net Asset Value	\$7.04 billion
Total Operating Square Footage	36.7 million	Unit Value	\$7,634.50
Operating Portfolio Occupancy	92.1%	Participating Plans	326

IN THE LAST FEW YEARS, COMMERCIAL REAL ESTATE has benefited from a protracted period of significant appreciation principally due to capitalization rate compression (*capitalization rates are an approximation of expected current income return and are determined by dividing net operating income by the purchase price*). In the near future, MEPT anticipates that further appreciation will be realized more through improving net operating income and property performance, and less as a result of further cap rate compression. Therefore, MEPT's management remains intensely focused on the fundamentals of property performance (i.e., leasing and operations) in order to create value for the Fund.

During the third quarter, Kennedy's MEPT asset management team completed 106 lease transactions at MEPT assets, representing close to 1.7 million square feet in gross leasing activity. Two renewals exceeded 300,000 square feet; Nine West Footwear Corporation renewed 374,000 square feet at Forest Park 17 in the Philadelphia market and Pharmavite LLC renewed 320,060

square feet at Valencia Commerce Center I in Santa Clarita, north of Los Angeles. Asset managers are aggressively working to lease the remaining space in the portfolio and capture current market rents. The 36.7 million square foot operating portfolio was 92.1 percent leased at the end of the quarter.

Operationally, the asset management team has implemented several initiatives in order to enhance property revenue and reduce expenses. These initiatives are an effort to add value above and beyond the performance expected as a result of the day-to-day property oversight. The asset management team has initially identified \$495,000 of additional revenue from a variety of sources including, but not limited to, event parking, solar power, tax credits, and leases for rentable rooftop space for phone and cable antenna towers. The asset managers have also targeted 149 potential expense reductions with a goal to realize \$2 million in savings. Areas of expense savings may include lighting retrofits, and installation of more energy efficient equipment. Asset managers also continue to look for opportunities to leverage the size of MEPT's portfolio to enhance the Fund's purchasing power with vendors to negotiate better pricing and lower fees.



Potential savings are targeted at the Hartford Office Building, Arlington, VA, by installing energy-efficient lighting.

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

- National Asbestos Workers Pension Fund
- Alaska United Food and Commercial Workers Pension Trust
- National Shopmen Pension Fund
- Sheet Metal Workers' Pension Fund of Southeastern Pennsylvania
- Bridge and Iron Workers Staff Retirement Plan

NEW PARTICIPANTS

- Local 804 I.B.T and Local 447 I.A.M — UPS Multi-Employer Retirement Plan
- Iron Workers Local 25 Pension Fund
- Chicago Tile Institute Pension Fund
- Plumbers Local Union No. 17 Pension Plan

PROJECTS COMMITTED

- 2600 Regent Boulevard
Dallas, TX
- Rivergate Corporate Center III
Portland, OR
- North by Northwest
Indianapolis, IN
- 1800 Arch Street
Philadelphia, PA

CREDIT CRISIS AND EFFECT ON COMMERCIAL REAL ESTATE MARKETS

WHAT BEGAN AS A SUBPRIME RESIDENTIAL MORTGAGE CRISIS HAS, in the last six months, spread to a widespread credit market correction. Many large commercial banks and other financial institutions declared large losses during the third quarter due to their exposure to residential mortgages and a variety of credit derivatives. The equity markets reacted quickly with significant declines, and many lenders pulled out of the market altogether or severely tightened their underwriting. In the meantime, there was a profound “flight to quality” by fixed income buyers, driving the prices of US Treasuries to levels not seen in several quarters.

As the third quarter unfolded, the depth and breadth of the credit crisis became more apparent. Risky residential mortgages—often with adjustable rate features—appear to have been made to a wide variety of homeowners and not limited to what was once thought of as the riskiest of borrowers—low-income, minority and urban borrowers. As more and more “subprime” mortgages were issued, they were distributed through the US financial system. Financial institutions pool mortgage loans, then “slice” them into various tranches with different credit ratings, and then sell pieces of the tranches as mortgage-backed securities, spreading the risk out across a broad base of financial and other investors. The pools obscure the identity and financial exposure of the individual mortgage holders. During the quarter, the banks moved to stem their losses, declaring write-offs and curtailing their more aggressive lending practices. This created uncertainty throughout the capital markets.

As a result, US economic growth is expected to slow. **However, tenant demand for most types of space remained healthy and therefore, the commercial real estate market continues to perform well.** There is still substantial capital seeking commercial real estate assets, and sales volumes for 2007 have already set an annual

record. The velocity of transactions slowed in the third quarter—September will be one of the slowest months in recent years—as leveraged buyers found that lenders were suddenly requiring increased equity commitments and revised loan terms. **The highly leveraged buyers have exited the market, but plenty of capital remains seeking high-quality assets.** Due to the heavy deal-making activity in the first eight months of the year, annual sales will reach record levels. At the end of the third quarter, commercial real estate sales totaled \$370 billion compared to \$350 billion for the full year 2006.

Steady but moderated economic growth and low unemployment is expected to support commercial market fundamentals, particularly for office space in the nation’s major metropolitan markets, where rental rates are at or near record levels and vacancy rates are at record lows. **Most markets have relatively healthy supply/demand fundamentals and very few are at risk of overbuilding.**

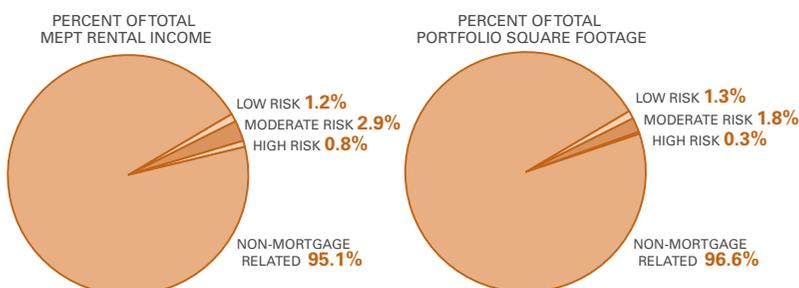
MEPT’s operating portfolio has less than 8 percent vacancy—better than the national average. MEPT’s asset management team at Kennedy performed a review of its mortgage-related tenants and, more broadly, credit and housing-oriented tenants to assess MEPT’s risk exposure. In the first quarter of 2007, MEPT conducted a similar review that was limited to mortgage providers.

At the end of the third quarter, mortgage-related tenants (**see chart**) occupied less than 3.4 percent of the square footage in MEPT’s portfolio and contributed under 5 percent of the total rent. **Additionally, mortgage-related tenants that could be characterized as high risk (more exposed to the effects of the housing downturn) only occupy 0.3 percent of the portfolio square footage and provide 0.8 percent of the rental income in the portfolio.**

The asset management team began to be concerned about some of the unsound home-lending practices more than two years ago and determined the need to mitigate MEPT’s exposure by limiting the number of leases signed to mortgage-related tenants since the team was apprehensive about the future of such tenants operating in a traditionally cyclical industry. Kennedy’s asset managers will continue to closely monitor the mortgage-related tenant base.

MEPT TENANT EXPOSURE TO MORTGAGE INDUSTRY

As of September 30, 2007



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 0.837%. 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 from inside)*

DURING THE QUARTER, MEPT ENTERED INTO A JOINT VENTURE TO ACQUIRE A SITE AT 1800 ARCH STREET in downtown Philadelphia. MEPT contributed \$28.2 million toward the purchase of the site, which is located adjacent to the new Comcast Center, a 1.25 million square foot office tower. MEPT will explore the future development potential of a mixed-use concept to serve the employment base in the area.

DURING THE QUARTER, MEPT PURCHASED AN ADDITIONAL OWNERSHIP INTEREST IN 3500 LACEY ROAD FOR \$6.5 MILLION. The purchase of an additional 5 percent interest brings MEPT's total ownership to 96 percent of the asset. 3500 Lacey Road, a Class-A, mid-rise office building, is located in the Chicago market. It is currently 89.7 percent leased to Sara Lee Corporation as well as several smaller tenants. MEPT currently has 21 assets in which a minority owner holds a portion of the ownership. It is the Fund's intention over the long term to buy out minority partners in order for the Fund to fully benefit from the value created by these assets.

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.