The Quarterly

Trust Report

MEPT

INSIDE:

- **MEPT Ranked a Top Performer by GRESB for Third Year in a Row**
- **New Study Determines MEPT's Projects Have Created 213.8 Million Job Hours and $15.9 Billion in Economic Activity in 40 U.S. Markets**

THIRD QUARTER | OCTOBER 2013 | VOLUME 28, NUMBER 3

Multi-Employer Property Trust (MEPT) closed the third quarter of 2013 with a unit value of **$7,254.63** up **3.53 percent** (net of fees) from the previous quarter. Year-to-date, MEPT's net return is **8.40 percent**. MEPT's third quarter performance, gross of fees, of **3.77 percent** outperformed the NCREIF Fund Index—Open-End Diversified Core Equity (ODCE) benchmark return of 3.56 percent, by 21 basis points.

U.S. Economic and Real Estate Overview

During the quarter, despite the political brinksmanship occurring in Washington, D.C. and the significant upward movement in interest rates, consumer spending remained solid and sales of big-ticket items such as vehicles and homes hit post-recession highs in the third quarter. Additionally, corporate profits largely beat expectations and the ISM Manufacturing Index (a proxy for the health of U.S. manufacturing) continued its upward trend, rising to 56.2 in September—its highest level since 2011.

These positive metrics accompany four consecutive years of economic growth. Furthermore, positive job growth in the third quarter topped off three years of steady job creation in the U.S. The unemployment rate dropped slightly to 7.2 percent in September from 7.3 percent in August. Businesses added 126,000 of the total 148,000 jobs created in September. **Professional and business services, transportation, and construction drove the private-sector growth. Other sectors such as energy, tech, healthcare and education were also in expansion mode.**

For the office sector, the job growth further tightened leasing fundamentals in most markets. At the same time, new supply remained extremely constrained with office development at 31 percent below its historical average. At the end of the quarter, according to CBRE, the U.S. office vacancy was 15.1 percent—10 basis points lower than at the end of the second quarter and well below the recessionary peak. The declining vacancy has led to rent growth in many markets. The trend varies by market, submarket and class of property but conditions in some markets are beginning to shift in favor of landlords.

The increase in manufacturing activity in the third quarter is one factor that has resulted in improved conditions for industrial real estate and at the same time, e-commerce continues to drive demand as retailers grow their distribution networks. The absorption gains continue to be led by port cities and regional distribution centers, but the growth has also expanded to many other markets throughout the U.S. The third quarter vacancy rate was 11.7 percent, down

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News Briefs

MEPT IS PLEASED TO REPORT THAT FOR THE THIRD YEAR IN A ROW THE FUND HAS EARNED A TOP SPOT IN THE GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB). MEPT was ranked third out of 26 real estate funds in the U.S. in the "Diversified" category. MEPT was also identified as a "Green Star," a fund with "an integrated organizational approach towards measurement and management of environmental key performance indicators."

"This ranking reflects MEPT's commitment to environmental, social and governance (ESG) principles. The data compiled through the survey is evidence that MEPT's commitment to ESG is complementary to our commitment to retain and enhance asset value over time for our investors," stated David Antonelli, Executive Vice President and MEPT Portfolio Manager, Bentall Kennedy.

Top-Ranked U.S. Diversified Fund
ENVIRONMENTAL PERFORMANCE
MEPT

The GRESB Foundation created the survey to provide a tool for institutional investors to assess real estate funds on their ESG performance, which the Foundation believes helps investors fulfill their fiduciary responsibility. This year, 543 property companies and funds, with U.S. $1.6 trillion in global assets under management, participated in the survey. For more information, visit www.gresb.com.

IN SEPTEMBER, MEPT SOLD THE BURLINGTON OFFICE PARK ASSETS FOR A TOTAL GROSS SALE PRICE OF $109.0 MILLION. The 47-acre Burlington Office Park in suburban Boston consists of four office buildings, totaling 486,719 square feet, and a land parcel. MEPT acquired Burlington Office Centre I in 1991, and later developed three additional office buildings in phases from 1998-2009. MEPT targeted the office park for sale as part of MEPT's strategic goal of reducing the Fund's allocation to suburban office assets. MEPT garnered a very favorable response to the sale, receiving over 15 offers for the portfolio. MEPT sold the business park to a joint venture between the Davis Companies and Principal Real Estate Investors who together represented the David Investments Ventures Fund II.

MEPT RECEIVED $33.6 MILLION IN GROSS PROCEEDS FROM THE PAYOFF OF A LOAN ON CRANBERRY WOODS. In August of 2009, MEPT sold Cranberry Woods, a four-building suburban office park built by MEPT in the Pittsburgh market. As part of the sale, MEPT provided seller-financing through a five-year term, mezzanine loan to the buyer, McKnight Realty Partners. During the third quarter, the current owner took advantage of available capital in the market, refinanced the property and paid off the loan to MEPT before the original term expired.

AT THE END OF THE QUARTER, MEPT SOLD NORTH BY NORTHWEST LAND IN INDIANAPOLIS FOR A GROSS SALE PRICE OF $1.8 MILLION. Between 1992 and 2008, MEPT acquired two buildings and developed other distribution facilities in the North by Northwest Business Park, eventually increasing the square footage to approximately one million square feet of industrial space. The operating assets were sold to a Midwest-based real estate fund in the fourth quarter of 2009; however, MEPT retained the land parcel within the park. In line with MEPT's strategic objective to reduce its exposure to land holdings, MEPT targeted the asset for sale. The land parcel was sold to Becknell Industrial, a private firm specializing in the development, management and long-term ownership of industrial properties nationwide.

Third Quarter Results

Net Return, Third Quarter
3.53%

Net Return, 10/1/12–9/30/13
8.27%

Net Asset Value
$5.37 billion

Performance

Year-to-date, through September 30, 2013, MEPT's performance has resulted in a total gross return of 9.12 percent, composed of 4.30 percent income and 4.69 percent appreciation. As a result, MEPT is well-positioned to achieve the Fund's 10 percent to 11 percent, gross of fees, target return for 2013.

The net operating income generated by the 38.0 million square foot, operating portfolio was an important contributor to Fund performance. During the quarter, the Asset Management team executed 72 leases for a total of 1.4 million of gross leasing activity and the portfolio was 92.3 percent leased at the end of the quarter. Additionally, disposition activity in the quarter positively impacted performance. MEPT has been a net seller in 2013 as strong institutional investor demand for core assets and a favorable market environment has provided MEPT with an opportunity for net gains and liquidity from the sale of non-strategic assets.

All property types had appreciation in the third quarter. **The multi-family portfolio was a significant contributor of appreciation to the Fund and the value change reflects the solid market fundamentals in the asset class and the strong performance of MEPT's assets.** MEPT's multi-family development pipeline of approximately 1,690 units generated over 15 percent of the real estate appreciation in the Fund. In particular, this quarter, The Dylan in New York, which is over 49 percent leased at rental rates above pro forma, and Hubbard Place in Chicago, where leasing is underway, had outsized performance.

Yield

	THIRD QUARTER 2013	TRAILING FOUR QUARTERS (COMPOUNDED)
NET	**3.53%**	**8.27%**
INCOME	1.17%	4.80%
APPRECIATION	2.36%	3.36%
GROSS	**3.77%**	**9.24%**
INCOME	1.40%	5.74%
APPRECIATION	2.36%	3.36%

Additionally, existing assets such as The Octagon in New York, The Metro in Denver and McClurg Court in Chicago were all over 90 percent leased in the third quarter, and as a result, experienced considerable appreciation. Furthermore, Via6, a newly built asset in Seattle, which is now fully operational, was 81.5 percent leased at the end of the quarter and was a major contributor to the Fund's appreciation.

Cap rate[1] compression as well as leasing activity resulting in over 280,000 square feet of net absorption

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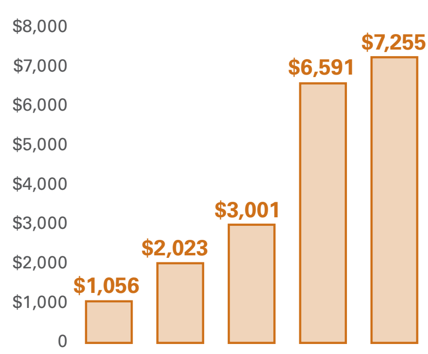
THE DYLAN, NEW YORK

Unit Value Growth

September 30,1982 – September 30, 2013

Based on Market Value



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

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

FUND OVERVIEW

Inception Date	April 1, 1982	Average Age of Properties	12.7 years
Investments Held	122	Markets	27
Number of Buildings	302	Net Asset Value	$5.37 billion
Total Operating Square Footage	38.0 million	Unit Value	$7,254.63
Operating Occupancy	92.3%	Participating Plans	343

PERFORMANCE *(continued)*

led to appreciation in the industrial portfolio and in particular, substantial appreciation was generated by Centerpointe Chino in Los Angeles and Alderwood Corporate Center III in Portland. Moreover, MEPT's central business district (CBD) office assets benefitted from tightening market conditions with 200 West Madison in Chicago as well as 1900 16th Street and Gates Plaza in Denver all experiencing sizable appreciation. Certain assets, many of which were suburban office properties, had modest depreciation due to anticipated lease expirations, market trends, and planned capital improvements. Also, some of MEPT's Washington, D.C. assets were negatively impacted by changes in appraisal assumptions as a result of a market slowdown due to anticipated Federal budget restrictions.

200 WEST MADISON, CHICAGO

The impact of marking debt to market provided additional positive impact to performance during the quarter. Rising interest rates resulted in a debt valuation adjustment, excluding joint venture leverage, of $18.1 million or 35 basis point contribution to the Fund's overall appreciation return.

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

Annuity Plan of the Electrical Industry

National Elevator Industry Pension Plan

PROJECTS SOLD

Burlington 100
Boston, MA

Burlington 300
Boston, MA

Burlington 400
Boston, MA

Burlington Land
Boston, MA

Burlington Office Center I
Boston, MA

Cranberry Woods
Mezzanine Loan – Loan Payoff
Pittsburgh, PA

Mount Eden
Loan Receivable – Loan Payoff
San Francisco, CA

North by Northwest Land
Indianapolis, IN

COVER STORY *(continued)*

30 basis points from the previous quarter, according to CBRE. Large blocks of new modernized space are particularly hard to find and given the sudden shortage of supply, new construction is gaining momentum.

The retail sector has experienced modest tightening quarter over quarter and in the third quarter, the vacancy rate dropped 10 basis points to 12.2 percent, according to CBRE. While e-commerce is a boon to the industrial sector, competition from online merchants continues to be threatening and disruptive for traditional retailers and is adversely impacting bricks-and-mortar sales. As a result, construction has been muted and new development is principally focused on select markets where prime locations are still available.

The apartment sector, by far the healthiest, saw vacancy rates fall slightly, according to Axiometrics, to 5.2 percent in the third quarter, down from 5.3 percent at the end of the second quarter, which is consistent with the 95 percent occupancy most landlords target for optimal operational flexibility. The decline in vacancy that has been the trend for the past few years has leveled off as supply of new units deliver to satisfy demand. Further, as job growth continues to improve, demand should remain strong.

MEPT Investments Build Sustainable Communites

Since its inception, MEPT has sought to invest in real estate projects that, first and foremost, provide competitive returns for its investors. A recent study confirmed that by investing in MEPT, pension plans also play a vital role in creating good jobs and stimulating and strengthening local economies.

For MEPT, what starts as an investment in a new construction project or a capital improvement in an existing building, multiplies and creates a significant economic boost that reaches well beyond the direct beneficiaries of the Fund's participating plans. **MEPT has spent a total of $7.5 billion[1] since 1982, which has translated into $15.9 billion in economic activity.** Consequently, 118,000 jobs have been created, $6.6 billion in income and benefits has been earned, and $526 million in tax revenues have been generated. Further, as the largest open-end fund in the country with a strict Responsible Contractor Policy and a growth strategy focused on new construction opportunities, MEPT is poised to continue to make a meaningful difference for its pension plan participants and their communities.

ECONorthwest and Pinnacle Economics (*the project team*) analyzed MEPT's projects acquired, built or invested in by the Fund from its inception in April 1, 1982 through December 31, 2012. In total, MEPT has funded 283 construction projects in 40 markets located in 27 states and the District of Columbia.

Of the $7.5 billion spent by MEPT, $6.0 billion represented hard costs (the services and labor provided by construction contractors). The remaining $1.5 billion represented soft costs (the work performed by professionals services such as architecture and engineering). The study revealed that MEPT's hard cost spending on the construction of new buildings and second generation tenant improvements has had a significant direct economic impact on the signatory contractors and local union construction trades members working on MEPT's assets:

- **42,450 jobs totaling 81.8 million hours of work for local union construction trades members**
- **$2.6 billion in wages and benefits for union construction trades workers who paid $130.9 million in state personal income taxes.**

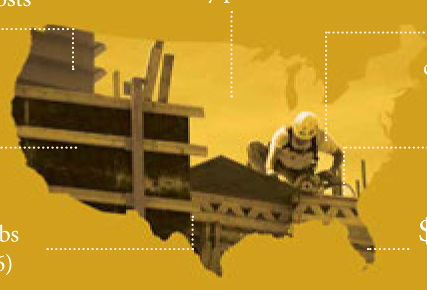
Further, additional economic benefits continue to ripple through the local economy long after the construction project has been completed. As a result, MEPT investment spending has a multiplier effect on communities which benefit from increased economic output, personal income, jobs and hours worked. In addition, local governments benefit

Impacts of MEPT Investments

$7.5 billion in hard costs investments by MEPT

$15.9 billion of economic activity produced

42,450 jobs created for union construction trades



213.8 million hours of work created nationally

$6.6 billion in wages and benefits paid

22,807 green jobs created (since 2006)

$526 million in tax revenues generated

[1] Investments analyzed in the study were based on 2012 U.S. dollars.

Impact Results of MEPT Investments *Tabulated by Market*

Market	Total Economic Effect	Total Job Hours of Work Created for Construction Industry
Anchorage	$15,041,832	67,034
Atlanta	$847,196	3,921
Austin	$226,733	1,324
Baltimore	$636,717,215	3,320,167
Boca Raton	$74,027,114	389,218
Boston	$479,579,698	2,442,761
Central New Jersey	$276,436,818	991,902
Charlotte	$22,114,063	7,461
Chicago	$1,617,024,448	7,561,539
Cincinatti	$103,007,471	595,237
Columbus	$34,090,709	145,861
Dallas	$22,288,150	121,158
Denver	$712,927,898	4,084,431
Detroit	$391,365,802	1,839,660
Houston	$85,995,919	367,788
Indianapolis	$169,883,308	814,230
Juneau	$309,088	1,854
Kansas City	$164,958,710	1,089,565
Lake of the Ozarks	$28,630,564	159,440
Las Vegas	$105,806,931	707,938
Los Angeles	$1,786,084,065	7,904,130
Miami	$1,266,315	10,087
Milwaukee	$130,895,501	572,812
Minneapolis	$54,064,408	324,218
New Haven	$267,141,876	2,206,013
New York	$1,188,187,800	6,357,012
Orlando	$52,547	73
Philadelphia	$586,090,185	2,023,483
Phoenix	$72,091,254	418,569
Pittsburgh	$369,177,735	1,531,639
Portland	$1,051,036,119	5,852,145
Reno	$97,250,033	540,815
San Diego	$177,784,169	676,670
San Francisco	$857,697,284	3,887,785
Santa Fe	$11,481,468	52,686
Seattle	$1,302,175,479	6,767,263
South Bend	$20,210,107	103,597
St. Louis	$597,849,069	3,059,153
Tampa	$399,796	2,820
Washington, D.C.	$2,081,809,627	14,165,728
US	$266,931,386	636,752
TOTAL	**$15,860,955,891**	**81,805,937**

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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 0.89%. 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)*

as well from the personal income tax and sales tax revenues that result from the economic activity.

While MEPT's assets clearly contribute to the financial sustainability of the participating plans and the communities where MEPT invests, MEPT is also committed to environmental sustainability. The Fund has played a leading role in developing green building practices and identifying opportunities to capture the value created by sustainable projects. To date, MEPT has achieved U.S. Green Building Council LEED® certification for new construction and existing buildings totaling approximately 11.3 million square feet and attained the EPA's ENERGY STAR label for approximately 9.7 million square feet of office and industrial space.

The project team analyzed MEPT's investments that involved the latest sustainable building practices and energy-efficient property operations. Although MEPT's sustainable investments began in the 1990's, MEPT officially began tracking its "green" investment activities in 2006 and since that time, MEPT has invested a total of $1.6 billion in sustainable development and energy-efficient property operations. These investments were made across 67 projects, in 19 markets and 16 states and the District of Columbia.

These sustainable and energy-efficient projects generated 10,812 "green" jobs, representing 20.8 million hours of work, for signatory contractors and local union construction trades members. Furthermore, the total economic impacts from these 67 projects include:

- $3.1 billion in economic activity
- $1.4 billion in personal income
- 22,807 "green" jobs with 41.3 million hours of work across several industries
- $75.3 million in state personal income tax revenues

The study covered MEPT investing activity through December 31, 2012 and does not capture the full impact of the sustainable projects currently under construction in the portfolio. MEPT is currently funding over $1 billion of new construction in seven projects in six markets, and MEPT estimates that these projects will create an additional 8.5 million job hours at these sites over the next 12-24 months.

For over 30 years, MEPT has leveraged its development expertise not only to generate competitive returns—7.74% (gross of fees) since inception—but also to create a substantial amount of jobs and economic activity in the markets where the Fund is active. It has proven to be a win-win for the pension plans that invest in MEPT, and the future promises continued success.

Please contact Vanessa Parrish at vparrish@lbutler.com or 202-737-8829 for a complete copy of the report.

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 and public employee 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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700 Thirteenth Street, NW, Suite 925 Washington, DC 20005

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