THE QUARTERLY

TRUST REPORT

MULTI-EMPLOYER PROPERTY TRUST

INSIDE:

FOURTH QUARTER | JANUARY 2007 | VOLUME 21, NUMBER 4

THE MULTI-EMPLOYER PROPERTY TRUST closed the fourth quarter of 2006 with a unit value of **$6,767.36,** up **2.67 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **14.63 percent**.

MEPT's 2006 performance is one of the Fund's best annual returns in its 24-year history, second only to its 2005 performance. MEPT hit a significant milestone when the Fund's net asset value crossed the $6 billion threshold and reached $6.18 billion in net assets at January 1, 2007. In the fourth quarter, 11 new investors became participants in MEPT, joining 38 other new investors in 2006 and increasing the number of investors to 312. **MEPT remains one of the largest open-end, commingled real estate equity funds in the country.**

"In 1982, when MEPT was started, the concept of investing pension dollars to achieve competitive, risk-adjusted returns as well as collateral benefits was a new idea, and had not been tested. **With more than $6 billion in assets, 312 investors, and a net return since inception of 8.0 percent, MEPT and its plan participants have shown that this concept is an extremely effective vehicle for growing pension fund investments, providing necessary liquidity, generating employment opportunities for pension plan members, and positively impacting local communities,"** stated Landon Butler, President and CEO, Landon Butler & Company, LP.

MEPT outperformed the management team's stated goals and objectives for 2006. MEPT's one-year net return of 14.63 percent exceeded the 12 percent to 14 percent return goal. Additionally, the acquisitions team, which set a target of $600 million in acquisitions at the start of the year, committed a total of $642.1 million in 2006 to the acquisition of four existing assets and development of six office and industrial projects. The disposition target set for 2006 was $150 million. MEPT received $316.3 million in net proceeds from the sale and repayment of seven assets.

SAVE THE DATE: The 2007 MEPT Advisory Board Meeting is scheduled for Wednesday, June 6, 2007. Details of the meeting will be provided in an upcoming Trust Report.

USE EVERY TOOL YOU HAVE

NEWS BRIEFS

DURING THE QUARTER, MEPT COMMITTED $141.6 MILLION TO THE DEVELOPMENT OF PATRIOTS PLAZA II AND III, the second and third buildings in the Patriots Plaza office complex in Washington, DC. Phase I, completed in 2005, is 96.5 percent leased to five federal government tenants. With current market conditions, MEPT expects that Phases II and III, a total of 701,589 square feet, will have leasing success similar to Phase I. Phases II and III will also be designed to incorporate enhanced security measures required post-9/11 and both will be designed to satisfy certification requirements of LEED, a national rating system for developing high-energy performance, sustainable or "green" buildings.

IN DECEMBER, MEPT COMMITTED $129.8 MILLION TO BUILD 1900 16TH STREET IN DENVER. The site is adjacent to MEPT's Gates Plaza, a fully occupied 285,197 square foot office building. 1900 16th Street encompasses 3.35 acres in the Central Platte Valley neighborhood of Downtown Denver with access to Union Station, soon to be the city's regional intermodal transit hub. MEPT plans to initially build Phase I, an 18-story, 328,257 square foot Class A office building with parking for 1,263 cars, and will seek LEED certification to be recognized as a sustainable project.

MEPT COMMITTED $40.0 MILLION IN DECEMBER TO THE ACQUISITION OF JEFFERSON AT PLYMOUTH, a high-profile suburban apartment community in Minneapolis. The 301-unit property is 90.2 percent leased and was acquired at a discount to replacement cost. The property has a superior location and design, and improving conditions for apartment properties in the market are projected to continue. The 16-acre gated community includes a 7,000 square foot clubhouse, a 24-hour business center, a fully equipped fitness center, and a heated, outdoor pool and hot-tub spa.

IN THE FOURTH QUARTER, MEPT COMMITTED $36.1 MILLION TO THE DEVELOPMENT OF MILESTONE IV, a 165,000 square foot office building in the Washington, DC market. The six-story office project will be the third building in the 44.7 acre park that MEPT acquired in 2004. The other buildings in the park are 100 percent leased and the project is located in a submarket with vacancy of about 8.3 percent. MEPT expects that demand for space in this land constrained submarket will lead to strong user interest for this property.

MEPT SOLD SEVERAL ASSETS DURING THE QUARTER, including South Hill, a 32,926 square foot industrial building in Los Angeles. MEPT was preparing to re-lease the building when an unsolicited offer was received from a warehouse user. MEPT sold the building for $5.8 million in gross proceeds (or $175 per square foot). MEPT also received $2.9 million in gross proceeds ($97 per square foot) for Factor, a 30,000 square foot warehouse building in San Francisco. The building, which was 50 percent leased, was also bought by a user who plans to occupy half the building and expand into the remaining space when the existing tenant vacates. In Chicago, MEPT sold a surplus land parcel at Meadows Office Park for gross proceeds of $700,000. As reported in the third quarter, MEPT received net proceeds of $215.2 million related to the financing of the W New York Union Square.

FOURTH QUARTER RESULTS

Net Return, Fourth Quarter:
2.67%

Net Return, 1/1/06–12/31/06:
14.63%

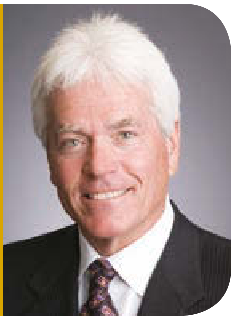
Net Asset Value:
$6.18 billion

PERFORMANCE

FOURTH QUARTER COMMENTARY

"In 2006, the combination of ongoing institutional investment in commercial real estate and improving market fundamentals resulted in another year of extraordinary performance for real estate. Underlying the tremendous transaction volume and higher pricing are optimistic assumptions made by many investors about rental rate and NOI growth across most asset classes and especially in the office sector."

Patrick Mayberry, President, NewTower Trust Company



IN 2006, MEPT'S PERFORMANCE was attributable to solid leasing activity in the portfolio as well as continued compression in capitalization rates (i.e., net operating income divided by purchase price, an approximation of expected current income return). Real estate values rose during the year, causing further yield compression as capital was invested in real estate and property fundamentals improved across most markets. There was a record level of investment in real estate with over $129 billion of office sale transactions occurring in 2006, a 28 percent increase over the volume in 2005.

YIELD

	FOURTH QUARTER 2006	TRAILING FOUR QUARTERS (COMPOUNDED)
NET	**2.67%**	**14.63%**
INCOME	1.15%	4.62%
APPRECIATION	1.52%	9.68%
GROSS	**2.89%**	**15.64%**
INCOME	1.37%	5.57%
APPRECIATION	1.52%	9.68%

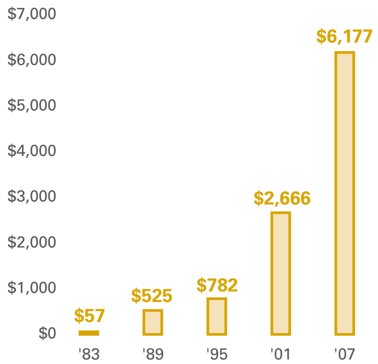
In the fourth quarter, moderate job growth in the service industries helped fuel steady demand for office space. Tenants absorbed more than 100 million square feet of office space across the country. Conditions in Class A downtown office markets, in particular, showed marked improvement. Nationally, the central business district (CBD) vacancy rate dropped by nearly 200 basis points during 2006, and led to double-digit rental rate increases in several markets.

While MEPT's portfolio benefited from improving market conditions in the office sector, MEPT's office properties are principally located in suburban submarkets with only 13.3 percent of MEPT's net assets located in office CBDs. Although most of the markets where MEPT assets

NET ASSET VALUE GROWTH

January 1, 1983 — January 1, 2007

Based on Market Value ($Millions)

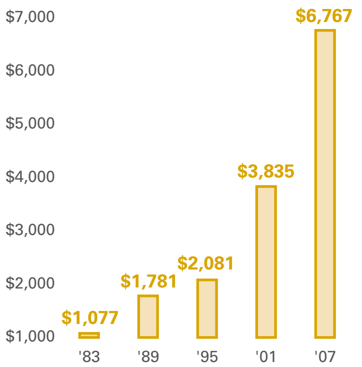


Values shown are for January 1 in each year.
Date of inception April 1, 1982.

UNIT VALUE GROWTH

January 1, 1983 — January 1, 2007

Based on Market Value



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

Portfolio Spotlight

Fund Overview

Inception Date	April 1, 1982	Average Age of Properties	8.6 years
Assets Held	172	Markets	25
Number of Buildings	348	Net Asset Value	$6.18 billion
Total Operating Square Footage	36.4 million	Unit Value	$6,767.36
Operating Occupancy	92.9%	Participating Plans	312

With continued focus on renewals and extensions of the existing tenant base as well as leases with new tenants, MEPT's Asset Management team at Kennedy completed 394 lease transactions during 2006. Gross leasing activity totaled more than seven million square feet and resulted in over one million square feet of net absorption. The operating portfolio was 92.9 percent leased at the end of 2006, a 170 basis point improvement compared to the leased percentage at year-end 2005. Over the last 12 months, the operating portfolio grew by more than 6 percent from 34.1 million square feet to 36.4 million square feet, thereby increasing the amount of space up for renewal or re-lease in the portfolio in 2006.

During the fourth quarter, 78 lease transactions were completed including 27 new leases, 14 expansions and 37 extensions and renewals. There were several notable leases. At Pacific Vista Business Center in Orange County, CA, Lehman Brothers Bank signed a new lease for 107,600 square feet. Currently a tenant in the building under a sublease, this new lease

Pacific Vista

expands Lehman's space by 70,558 square feet and consolidates their space under one lease with a term extension. At North by Northwest in the northern suburbs of Indianapolis, a 98,720 square foot new lease was signed with Laticrete International, a 50-year-old manufacturer and marketer of ceramic tile and stone materials. The tenant agreed to a long 15-year term that required lengthy negotiation and extensive consultation with several parties. MEPT signed a new lease with Thermage, Inc. for 88,831 square feet at Mt. Eden Business Park in Hayward, CA. Coupled with another new lease signed at the park for 42,855 square feet, Mt. Eden remains 100 percent leased in a submarket with 22 percent vacancy.

Performance *(continued from left)*

are located experienced continued market recovery, they did not experience the same sharp turnaround that occurred in many CBD markets during the year. One cause for the difference between market conditions is that construction activity in suburban markets has been adding new supply. Development of office space in downtown markets has generally been more constrained than in suburban markets.

A factor to consider is that while there is more new supply in the suburban markets, a greater share of the job growth is occurring in the suburbs. Companies are beginning to seek less expensive alternatives to CBD properties in the suburbs.

Fourth Quarter Activity

New Participants

Heating, Piping and Refrigeration Pension Fund

FELRA & UFCW Health & Welfare Fund

Stationary Engineers Local 39 Pension Trust Fund

Northwest Indiana Regional Council of Carpenters Pension Plan

Holzer Clinic, Inc. 401(k) Profit Sharing Plan

U.A. #290 Plumber, Steamfitter & Shipfitter Industry Pre-funded Retiree Medical Trust

Board of Administration Graphic Communications Union Local 2-C Retirement Benefit Plan

Board of Administration Graphic Communications International Union Local 20-B Retirement Benefit Plan

Sheet Metal Workers Local Union 20 South Bend Area Pension Plan

Plumbers Local #210 Retirement Fund

Joseph B. Fay Co. Profit Sharing Retirement Plan

Projects Committed

Patriots Plaza II & III
Washington, DC

Jefferson at Plymouth
Minneapolis

1900 16th Street
Denver

Milestone IV
Washington, DC

Projects Sold

South Hill
Los Angeles

Factor
San Francisco

Medina – Land
Chicago

Apartments Benefit from Housing Downturn

MEPT's Multi-Family Portfolio Well-Positioned in the Current Market

Many MEPT plan participants have asked what the slowdown in the housing market means for their real estate portfolio. In general, the end of the housing boom has had limited impact on commercial real estate. The factors that are causing the downturn in the housing market are not affecting the demand for office and industrial space. Leasing activity for office and industrial properties has been steady because of the generally healthy U.S. economy and job growth. Additionally, there has been moderate new supply added to the market. Together, the demand and supply fundamentals have resulted in declining vacancy rates and upward trending rental rates.

Rather than a negative effect from the housing market, apartment assets have benefited from the decline in the single-family housing market. As prices for houses have increased and the cost of owning a home has moved beyond the reach of many would-be buyers, the demand for apartments is increasing.

Furthermore, over the past several years, the supply of apartments in many markets has actually declined as the housing market boomed, since condominium converters removed a significant supply of units from the market to convert to condo use in 2003, 2004 and 2005. Additionally, due to high construction costs, new development has been constrained and little new supply has been added to the apartment market.

As a result of the increased demand and limited new supply, the national vacancy rate for apartments is now approximately 5.5 percent and rent concessions from landlords that were prevalent in most markets for many years are rare. Landlords, over the past 12 months, have had the ability to increase rents and this rent growth trend is anticipated to continue in 2007.

MEPT believes its multi-family portfolio is well-positioned in the current market environment. MEPT currently owns and operates nine multi-family assets, or a total of 3,294 units, with 191 units under development. MEPT's multi-family operating portfolio was 92.2 percent leased at the end of 2006.

MEPT's Multi-Family Portfolio

Jefferson at Plymouth
Acquired in the fourth quarter
Market: Minneapolis
Location: Suburban
Type: Low-rise
Number of Units: 301
Percent Leased: 90.2%

McClurg Court Center
Market: Chicago
Location: CBD
Type: High-rise
Number of Units: 1,058
Percent Leased: 91.6%

Canyon Park Apartments
Market: Los Angeles
Location: Suburban
Type: Garden style
Number of Units: 256
Percent Leased: 95.3%

The Octagon
Market: New York
Location: CBD
Type: High-rise
Number of Units: 501
Percent Leased: 100.0%

MEPT acquired **McClurg Court**, the second largest apartment complex in downtown Chicago, in May 2006. MEPT has plans underway for a long-term capital improvement program that will address deferred maintenance and add amenities to complement the existing health club, laundry facilities, retail, and garage. When the building was acquired, MEPT adopted an aggressive leasing strategy of increasing rents while maintaining stabilized occupancy (i.e., 93 percent to 95 percent). The strategy has been successful and, in six months, rents have increased by over 6 percent on studios, convertibles and one-bedroom apartments.

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In 2004, MEPT committed $137 million to build **The Octagon**, an apartment complex on New York City's Roosevelt Island. The Octagon has a historic building as the centerpiece of the new LEED-certified apartment community that includes a day care center, public tennis courts, and an urban waterfront ecological park. The Octagon's construction costs came in below budget, and an estimated 1.5 million job hours were created for the building trades. The project reached stabilized occupancy in less than half of its projected lease-up time at rents above budget projections.

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 0.867%. 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)*

Coventry Glen
Market: Chicago
Location: Suburban
Type: Garden Style
Number of Units: 280
Percent Leased: 78.6%

The Zenith
Under Development
Market: Baltimore
Location: CBD
Type: High-rise
Number of Units: 191

River Run
Market: Chicago
Location: Suburban
Type: Low-rise
Number of Units: 374
Percent Leased: 94.6%

MEPT committed $30 million to build **Coventry Glen** in suburban Chicago in mid-2004. The development of the community created 515,000 job hours for the building trades. The project includes 14 buildings, with 60 percent of the units designed as one-bedrooms and 40 percent as two-bedrooms. The community features in-unit laundry facilities and private outdoor balconies. A clubhouse offers residents a fitness facility, a swimming pool, meeting rooms, and a fully appointed business center. Using a variety of marketing tools and some rent concessions, the leasing team achieved close to 80 percent occupancy during the initial lease-up, and it is anticipated that Coventry Glen will reach full stabilization in early 2007.

The McGuire (Carpenters Tower)
Market: Seattle
Location: CBD
Type: High-rise
Number of Units: 272
Percent Leased: 91.5%

Seven Bridges
Market: Chicago
Location: Suburban
Type: Garden-style
Number of Units: 252
Percent Leased: 93.3%

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**.

MULTI-EMPLOYER PROPERTY TRUST

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