

THE QUARTERLY
TRUST REPORT

|| MULTI-EMPLOYER PROPERTY TRUST

Celebrating 25 Years
1982-2007

FOURTH QUARTER | JANUARY 2008 | VOLUME 23, NUMBER 4



THE MULTI-EMPLOYER PROPERTY TRUST closed the fourth quarter of 2007 with a unit value of \$7,794.71, up **2.10 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **15.18 percent**.

MEPT achieved its 2007 performance target—the third highest one-year return in the Fund's history. Additionally, a total of 32 new investors became participants in MEPT during the year—bringing the total number of participating plans to 328.

Despite the slowing US economy, the continued credit turmoil, and reduced consumer demand, **commercial real estate market fundamentals remained sound at the end of the fourth quarter—particularly for office and industrial properties.** With the national office vacancy rate at 12.8 percent, and the national industrial vacancy rate at 10.2 percent, vacancy rates remained constant during 2007. In most markets, rental rates remained stable, or continued to rise. In addition, leasing activity during the quarter produced positive net absorption for both asset classes in many markets.

Because of the capital markets volatility and credit markets correction in the third quarter, many highly leveraged buyers for commercial real estate exited the market. Additionally, some sellers, electing to wait for more market stability, removed assets for sale. With this lingering uncertainty in the capital markets, office building sales volume in the fourth quarter was down substantially from the same period in 2006. **However, there is still significant equity capital available for high-quality, well-located real estate assets and prices for those assets have not declined.**

While some economists are predicting that a recession will occur in 2008, real estate industry experts have expressed moderate concern about the effect of a recession on commercial real estate. **Real estate market conditions are in healthier balance today than in periods leading up to previous recessionary periods when there was substantial over supply of commercial space due to overbuilding.** When the 2001 recession hit, construction activity was peaking just as the technology bubble burst, resulting in a severe drop in office space demand. In contrast, during the last few years, new development has been constrained, and demand has outpaced new supply. Employment growth has slowed but remains a positive driver of demand. Supply and demand are more closely matched in 2008 than in prior economic downturns.

USE EVERY TOOL YOU HAVE

NEWS BRIEFS

IN OCTOBER, MEPT ACQUIRED GATEWAY DISTRIBUTION CENTER II, A BULK DISTRIBUTION FACILITY, FOR \$14.3 MILLION. Located in the St. Louis market and completed in 1999, Gateway Distribution Center II is comprised of 406,497 square feet of Class A warehouse space. The facility is 100 percent occupied by a third-party logistics company. The property is located in Gateway Park, a large industrial park, in which MEPT owns a number of assets totaling nearly two million square feet and developable land.

MEPT COMMITTED \$145 MILLION IN EQUITY IN DECEMBER TO THE DEVELOPMENT OF THE SIXTH AND LENORA APARTMENTS in downtown Seattle. The proposed rental apartment project, located in the Belltown/Denny Triangle submarket, is planned to include a 24-story building with 644 rental units, 19,440 square feet of retail space, and 416 parking spaces. Rental rates in Seattle's apartment market continue to grow at a rate of nearly 10 percent per year. The units will be targeted toward young professionals. The project will offer easy walking access to major mass-transit facilities and is being designed to achieve LEED certification. Construction is scheduled to begin in the first quarter of 2009, with completion projected by 2011. The project is expected to create over three million job hours for members of the Building Trades.



Rendering:
745 Chapel Street

IN THE FOURTH QUARTER, MEPT COMMITTED \$138 MILLION TO THE DEVELOPMENT OF 745 CHAPEL STREET, a proposed multi-family and retail development in New Haven, CT. 745 Chapel Street will be developed in cooperation with Becker + Becker, the development firm with whom MEPT worked previously on The Octagon project in New York. The project will consist of 456 apartment units, 36,250 square feet of commercial space, and 500 parking spaces. It is a well-located site with immediate access to services, restaurants, retail, and mass-transit in an under-served apartment market. The strategy for the project is to capitalize on the revitalization of New Haven, and

the continued growth of its highly regarded medical and educational institutions. The project is expected to create approximately two million job hours for members of the local Building Trades. The project will seek to achieve a LEED Silver designation under a pilot program called LEED for Neighborhood Development, which integrates principles of smart growth and green building into the first national standard for neighborhood design.

DURING THE FOURTH QUARTER OF 2007, MEPT CONTRIBUTED \$77.3 MILLION FOR THE ACQUISITION OF 777 SIXTH STREET, NW, located in Washington, DC. MEPT acquired 777 Sixth Street, an 11-story, Class A office property from Trammell Crow Company. The building, completed in July 2007, contains 177,708 square feet of office space, with an additional 10,229 square feet of ground-floor retail. The property was 61 percent leased at closing and included a lease with MEPT's joint venture partner, the American Association of Justice, which will occupy the first three floors of the property. At 777 Sixth Street, MEPT will seek to achieve LEED-EB certification (Leadership in Energy and Environmental Design for Existing Buildings, a national rating system for converting existing buildings into high-energy performance operating properties).

(continued inside)

FOURTH QUARTER RESULTS

Net Return,
Fourth Quarter:
2.10%

Net Return,
1/1/07–12/31/07:
15.18%

Net Asset Value:
\$7.18 billion



PERFORMANCE

FOURTH QUARTER COMMENTARY

AT KENNEDY, SNYDER AND ROBERTS RETIRE: *On December 31, 2007, Jim Snyder, co-founder of Kennedy Associates Real Estate Counsel, Inc. in 1978, retired as Chairman. Ron Roberts, Executive Vice President – Portfolio Management, who led Kennedy’s Separate Account business and was a leader in promoting Responsible Property Investing, also retired. MEPT is grateful for Jim’s foresight in co-founding MEPT in 1982, and sincerely appreciates the commitment and leadership Jim and Ron provided over the last 25 years to ensure the Fund’s success. John Parker, who co-founded Kennedy with Jim, assumed the role of President and CEO of Kennedy in March 2007 and will continue to lead the company going forward. Bob Ratliffe, who joined Kennedy in 2002 assumed Ron’s responsibilities as planned.*



MEPT ACHIEVED THE POLICY BOARD’S STATED performance goals for 2007. MEPT’s one-year net return of 15.18 percent was within the Policy Board’s target range of 14.5 percent to 15.5 percent. **Additionally, during the year, the acquisitions team committed a total of \$651.4 million in net assets to new investments: the acquisition of seven existing assets; and the development of seven multi-family and industrial projects.** As for dispositions, MEPT received \$110.2 million in net proceeds from the sale of four office assets and one industrial building.

MEPT’s fourth-quarter performance of 2.1 percent, net of fees, further moderated from the third quarter, but remained solid. **The returns are attributable to the portfolio’s stable and consistent rental income, active leasing in the portfolio, and some additional gains from appreciation in value of a variety of MEPT’s investment grade properties.**

During the quarter, 41 operating assets were externally appraised and 120 assets were evaluated internally under the direction of NewTower Valuation Services. Value increases at 10 assets account for 88.9 percent of the Fund’s appreciation and significantly contributed to the Fund’s fourth-quarter appreciation. While minimal overall, declines in value at certain MEPT assets partially offset these appreciation gains.

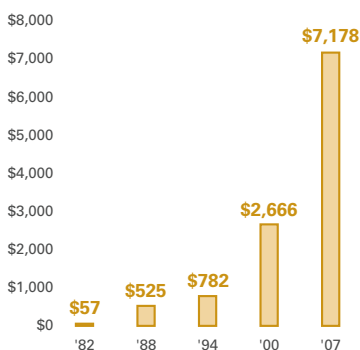
Yield

| | FOURTH QUARTER 2007 | TRAILING FOUR QUARTERS (COMPOUNDED) |
|--------------|---------------------|-------------------------------------|
| NET | 2.10% | 15.18% |
| INCOME | 1.04% | 4.50% |
| APPRECIATION | 1.06% | 10.34% |
| GROSS | 2.32% | 16.16% |
| INCOME | 1.26% | 5.41% |
| APPRECIATION | 1.06% | 10.34% |

NET ASSET VALUE GROWTH

December 31, 1982 – December 31, 2007

Based on Market Value (\$Millions)

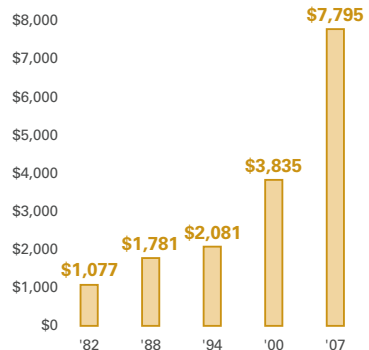


Values shown are for December 31 in each year. Date of inception April 1, 1982.

UNIT VALUE GROWTH

December 31, 1982 – December 31, 2007

Based on Market Value



Values shown are for December 31 in each year. Date of inception April 1, 1982.

PORTFOLIO SPOTLIGHT

FUND OVERVIEW

| | | | |
|--------------------------------|----------------------|---------------------------|-----------------------|
| Inception Date | April 1, 1982 | Average Age of Properties | 10.0 years |
| Assets Held | 186 | Markets | 25 |
| Number of Buildings | 514 | Net Asset Value | \$7.18 billion |
| Total Operating Square Footage | 39.5 million | Unit Value | \$7,794.71 |
| Operating Portfolio Occupancy | 91.4% | Participating Plans | 328 |

MEPT'S ASSET MANAGEMENT TEAM AT KENNEDY COMPLETED 342 LEASE TRANSACTIONS DURING 2007. During the fourth quarter, 80 lease transactions were completed including 28 new leases, 16 expansions, and 36 extensions and renewals.

In 2007, gross leasing activity totaled more than 4.95 million square feet. The operating portfolio was 91.4 percent leased at the end of 2007. Over the last 12 months, the operating portfolio grew by more than 8 percent from 36.4 million square feet to 39.5 million square feet.

NEWS BRIEFS *(continued)*

IN DECEMBER, MEPT COMMITTED \$57.1 MILLION TO INCREASE ITS ALLOCATION TO THE MULTI-FAMILY SECTOR by acquiring a portfolio of existing apartment properties. The portfolio contains 2,571 units in eight communities that are located throughout the greater Charlotte, NC market. The properties were all built in the late '80s to late '90s and are currently 92 percent occupied. MEPT plans to upgrade the units so that the maximum market rent can be achieved. It is anticipated that half of the units will be renovated in 2008, with the remaining units being upgraded in 2009. There is strong demand for apartments in the Charlotte market due to the excellent fundamentals of the Charlotte economy, including one of the highest employment growth rates in the country.

MEPT ACQUIRED USA PARKWAY DISTRIBUTION CENTER I AND II FOR \$41.7 MILLION IN LATE DECEMBER. USA Parkway Distribution Center I and II are two recently completed industrial buildings located in Reno, NV. Building I is 310,960 square feet and is 100 percent occupied. MEPT has an option to expand the facility by 287,000 square feet on an adjacent parcel. Building II is 491,400 square feet and is currently unoccupied. MEPT is looking to leverage USA Parkway's location in the Tahoe Reno Industrial Center (TRIC), an attractive distribution hub for companies trying to capitalize on the region's low cost of doing business, favorable tax environment, and ready access to the Western US.

SAVE THE DATE: NEWTOWER TO HOST THE MEPT REAL ESTATE CONFERENCE ON WEDNESDAY, JUNE 4, 2008. MEPT'S ADVISORY BOARD TO MEET ON THURSDAY, JUNE 5, 2008. Both meetings will be held in Washington, DC, and have been planned consecutively in order to bring together nationally recognized real estate industry leaders, valuation professionals, Advisory Board members, and MEPT management to discuss timely issues that impact real estate and MEPT. Details to follow in subsequent Trust Reports.

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

IBEW Local #64 Pension Fund
 Sheet Metal Workers Local 100 Pension Fund
 Sheet Metal Workers National Pension Fund
 Chicago Regional Council of Carpenters Pension Fund

NEW PARTICIPANTS

Millwrights Local No. 1102 Supplemental Pension Fund
 Teamsters Local 301 Pension Fund
 International Brotherhood of Electrical Workers Local No. 540 Pension Fund
 Northern California Tile Industry Defined Contribution Pension Trust Fund
 Marble Industry Annuity Fund

PROJECTS COMMITTED

Gateway Distribution Center II
St. Louis, MO
 745 Chapel Street
New Haven, CT
 Charlotte Apartment Portfolio
Charlotte, NC
 777 Sixth Street, NW
Washington, DC
 Sixth and Lenora
Seattle, WA
 USA Parkway I & II
Reno, NV

TRANSIT ORIENTED DEVELOPMENT

MEPT'S TOD STRATEGIES FIT WELL WITH ITS RESPONSIBLE PROPERTY INVESTING PRINCIPLES

MANY URBAN AREAS AROUND THE country are embracing a planning and development concept known as Transit Oriented Development (TOD). Simply put, TODs are typically mixed-use developments near new or existing public transportation infrastructure that serve housing, transportation and neighborhood goals.

Most TODs are located in high-density areas where it is feasible not to own a car, but rather rely on public transportation. TODs are usually built up rather than out, meaning that they are high-density, vertical developments that use less land and allow for more units in a smaller area. They also try to integrate the bottom levels of vertical developments for community uses, such as a small grocery store and other local services that can be useful to both residents in the area, as well as to people who travel along the public transport route. Because of this, TODs are essential



Rendering of Journal Square



Gates Plaza: In 2007, the Denver area BOMA (Building Owners and Managers Association) awarded Gates Plaza the Office Building of the Year/Corporate Headquarters Facility title, recognizing the building's quality and operational excellence.

to reducing the strain on land and other natural resources and they are increasingly being recommended by city planning boards and developers. Furthermore, residential and commercial tenants find properties located within close proximity of mass-transit very appealing.

Since **TODs maximize transit access, encourage transit ridership and non-motorized transit, conserve land, and reduce pollution**, the US Green Building Council (which established the LEED certifications for sustainable buildings) awards credits for those projects that have incorporated TOD strategies in their design.

Several years ago, Multi-Employer Property Trust (MEPT) recognized both the social and economic benefits of TOD. In May 2001, MEPT committed to build the first, from-the-ground-up, office development in the Central Platte Valley, a 120-acre expanse north of LoDo (Denver's Lower Downtown) made up of former rail yards. The project site was in close proximity to a transportation

hub that included a new light rail system offering easy entry to the city's attractions. Also nearby, the Millennium Bridge, a pedestrian bridge from the Central Platte Valley over remaining train tracks and the South Platte River, provides a direct pedestrian route into LoDo and the central business district.

In January 2003, the 285,197 square foot office building became the home of Gates Corporation. The company signed a 15-year lease for the entire building. **Gates selected the building for its premier location, the operating efficiencies offered by new construction, its many modern amenities, and the proximity to a new intermodal transportation hub with access to passenger trains, light-rail, and bus service.** Gates estimated that about 30 percent of its employees relied on public transportation to get to work. Gates' relocation to the MEPT project was also a win for the city of Denver since the lease kept the company headquartered in Downtown Denver.

(continued on back)

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 0.854%. 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)*

More recently, in the second quarter of 2007, MEPT announced the acquisition of land for future development in Jersey City, NJ. MEPT has under consideration for future approval, the development of the site that would include a two-phase, mixed-use project with more than one million square feet of residential and retail space. The project is planned to consist of two, 52-story apartment towers with 1,500 units and 134,000 square feet of ground-floor retail. The site is immediately adjacent to a PATH station, a primary rail transit link to Manhattan, Hoboken and Newark, NJ. The transit-oriented features will contribute to MEPT's goal of achieving LEED certification at the project.

This quarter, MEPT announced a commitment to build 745 Chapel Street, a planned 30-story apartment tower with retail space and parking. The project has a significant TOD component since it is located across the street from the New Haven State Street train station, which provides transportation directly to New York City, as well as to other points in between. 745 Chapel Street will be the first large-scale, mixed-use apartment building in the New Haven area. When completed, it is expected to offer residents the highest level of finishes and amenities (e.g., retail, day care center, pool) in the market as well as achieve LEED certification, which will be the first such designation for any building in New Haven.

TODs are a tool many cities are using to promote smart growth since they encourage economic development, environmental conservation and social diversity. **Recognizing the value inherent in smart growth programs, MEPT incorporated TOD strategies in its portfolio in alignment with MEPT's uncompromising commitment to Responsible Property Investing principles.**

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.