The Quarterly

Trust Report

Multi-Employer Property Trust

INSIDE

- **Bentall Kennedy Releases its Research Report and Outlook: *Perspectives on Real Estate | US***
- **MEPT Will Hold its Sixth Annual Real Estate Conference on Wednesday, May 11, 2011**
- **The Annual Meeting of the MEPT Advisory Board to be Held on Thursday, May 12, 2011**

FOURTH QUARTER | DECEMBER 2010 | VOLUME 25, NUMBER 4

Multi-Employer Property Trust (MEPT) closed the fourth quarter of 2010 with a unit value of **$5,656.77** up **4.71 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **13.91 percent.**

Economic and Real Estate Overview

While there are headwinds slowing the U.S. economic recovery, leading indicators suggest that the U.S. will not dip back into recession. The job losses that resurfaced in May 2010 ended in the fourth quarter, and positive job growth, mostly attributable to the private sector, returned. Positive year-over-year growth in the equities market and retail sales provide additional support for the belief that the economy has low risk of another recession over the near-term.

In 2010, U.S. consumers drove the growth in retail sales and continued to reduce personal debt and increase their savings, however, consumer spending will likely remain subdued until the job market improves significantly and the housing market bottoms. A record level of mortgages remain more than 90 days past due, which is a deterrent to recovery in the housing market. In addition, state and local governments have begun contracting and cutting spending. Reductions in government employment levels could accelerate in the first half of 2011 and negatively impact the unemployment rate.

Based on recent earning reports, U.S. businesses recovered to previous record profit levels in 2010, but remain cautious about hiring new employees heading into 2011. The federal government continues to take steps to support a sustained recovery. At the end of 2010, an $858 billion bipartisan tax bill was passed with the goal of getting cash into the hands of consumers. Additionally, the Federal Reserve began a second round of quantitative easing to keep short-term interest rates low and encourage economic expansion.

With the employment situation beginning to show signs of improvement and real estate market fundamentals reaching a bottom in more markets and property types, risk for commercial real estate can be more accurately underwritten and valued. Furthermore, a low interest rate environment and more credit availability benefitted the real estate asset class in 2010. The combination of these factors has resulted in a marked increase in commercial real estate transactions in 2010. According to Real Capital Analytics, property sales totaled $134.1 billion in 2010 — double the volume in 2009. **Markets such as Washington D.C., New York, and San Francisco, with stable current conditions and expectations for solid fundamentals, experienced the greatest transaction volume and recovery in pricing.**

Vacancy rates for the multi-family sector peaked at the end of 2009 and the fundamentals for multi-family assets continued to improve throughout 2010, driving capitalization rates[1] lower and prices higher for well-leased, well-located, amenity-rich apartment properties. Vacancy rates for office, industrial and retail appear to have peaked at the end of 2010. The improvement in market pricing should broaden from high-quality multi-family assets to office, industrial and retail assets in anticipation of fundamentals improving further across markets and property sectors.

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

News Briefs

THE SIXTH ANNUAL MEPT REAL ESTATE CONFERENCE WILL BE HELD ON WEDNESDAY, MAY 11, 2011. The MEPT management team is sponsoring this one-day educational conference at The Fairmont Waterfront Hotel in Vancouver, Canada in order to bring MEPT investors together with nationally recognized industry leaders to engage in timely, thought-provoking discussions about the challenges and opportunities in the current market environment. All MEPT participating plans and their service providers are invited to participate in the conference and lunch (11:00am to 5:30pm). *Please RSVP by April 6, 2011 to Philomena Paul at ppaul@lbutler.com or (202) 737-8823.*

DURING THE FOURTH QUARTER, MEPT ACQUIRED THE RESIDENCES AT CONGRESSIONAL VILLAGE IN WASHINGTON, D.C. FOR $68.0 MILLION. Situated on a 7.2-acre in-fill site, the 404-unit, multi-family project was built in 2005. The property is 92.1 percent leased, which gives MEPT the benefit of an established and stable income stream from the in-place leases. The acquisition provides the Fund with exposure to one of the top multi-family markets in the U.S. and also satisfies one of MEPT's Responsible Property Investing (RPI) goals of acquiring transit-oriented developments (TOD's) since the property is located a short distance from a Metro station, with direct access to downtown Washington, D.C. In a related transaction, MEPT will purchase the land on which the asset is situated in mid-2012 for an additional $34 million.

IN OCTOBER, MEPT ACQUIRED THE BOARDWALK AT TOWN CENTER, A CLASS-A, 450-UNIT MULTI-FAMILY ASSET IN THE WOODLANDS MASTER PLANNED COMMUNITY, IN THE HOUSTON MARKET. The acquisition of the Boardwalk not only furthers a strategic goal to increase the Fund's allocation to the multi-family sector, but also to achieve greater geographic diversification by investing in the South.

BOARDWALK AT TOWN CENTER

The Boardwalk was completed in two phases in 2007 and 2008 and is currently 92.9 percent leased. By acquiring a newly built property, MEPT should benefit from an investment with little to no capital improvements anticipated to occur during the holding period of the asset. MEPT will also benefit from the in-place income currently generated by the well-leased asset. MEPT purchased the asset from the USAA Real Estate Co.

AT THE END OF THE FOURTH QUARTER, MEPT BOUGHT ASHTON AT DULLES CORNER FOR $102.0 MILLION. Located in the Washington, D.C. market, Ashton at Dulles Corner, a 453-unit, Class A, apartment property, was built in two phases in 2008 and 2009. The property is currently 93.6 percent leased and generating stable income from its current tenancy. Ashton at Dulles Corner is located in the Reston-Herndon submarket which has a low 5.0 percent vacancy rate and is expected to rapidly tighten over the coming years, due in part to limited pipeline of new developments. Additionally, there has been strong job creation in the submarket by numerous employers that could drive demand for apartments and cause rental rate growth in the near term. The acquisition furthers MEPT's goal of increasing the Fund's multi-family allocation.

MEPT PURCHASED THE HILLSBORO BAY CLUB, A 366-UNIT GARDEN-STYLE APARTMENT COMPLEX, IN THE MIAMI MARKET FOR $53.1 MILLION. The acquisition furthers MEPT's goal of increasing its geographic diversification in the South, and also increases the Fund's allocation to the multi-family sector. Hillsboro Bay Club is located in the well-leased Coconut Creek/Coral Springs submarket and the property is currently 96.4 percent leased. Built in 1998, the complex has a strong operating history with average occupancy of 96.3 percent over the last three years. As part of the investment

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Fourth Quarter Results

Net Return,
Fourth Quarter
4.71%

Net Return,
01/01/10–12/31/10
13.91%

Net Asset Value
$4.34 billion

Performance

In the fourth quarter, MEPT produced a total gross return of 4.95 percent, composed of 1.09 percent income and 3.86 percent of appreciation. **For 2010, MEPT's performance has resulted in a total gross return of 14.99 percent, composed of 5.47 percent income and 9.14 percent appreciation.** MEPT far exceeded the Fund's 2010 return expectation of 7 percent to 9 percent (gross of fees) that the management team set for MEPT at the start of 2010, which was based on market conditions and expectations at that time.

Income Return: The fourth quarter income return was principally generated by the 36.3 million square foot operating portfolio which was 86.3 percent leased at the end of the quarter. The operating portfolio performed as expected by the management team. However, the Fund's income return as a component of the total return declined since appreciation in the portfolio increased the total asset value disproportionately to the income growth. This was principally the result of certain investments that are not currently generating income, but in the fourth quarter, had substantial increases in value due to pre-leasing activity, such as a development asset in Washington, D.C. and a mezzanine loan in New York City. Further, while leasing activity increased during the quarter, the leasing environment remained extremely competitive between landlords and, at certain MEPT properties, leasing concessions (including free rent) were necessary in order to win new tenants. Those assets should contribute positive net income as concessions expire in 2012 and 2013.

Yield

	Fourth Quarter 2010	Trailing Four Quarters (Compounded)
NET	**4.71%**	**13.91%**
INCOME	0.85%	4.46%
APPRECIATION	3.86%	9.14%
GROSS	**4.95%**	**14.99%**
INCOME	1.09%	5.47%
APPRECIATION	3.86%	9.14 %

Another factor is that MEPT was a net seller of assets in 2009 and for the first three quarters of 2010. MEPT strategically sold certain assets with in-place income with the expectation that the Fund could re-invest those proceeds into properties with a higher potential for long-term value creation. Consequently, during the fourth quarter, **MEPT acquired four well-leased multi-family assets that immediately began to contribute to the Fund's income stream.**

Appreciation Return: Appreciation in the fourth quarter was materially impacted by positive leasing activity, yield rate compression, and improved rent growth assumptions. As rental rates began to stabilize in the fourth quarter, the outlook for many property sectors improved and expectations

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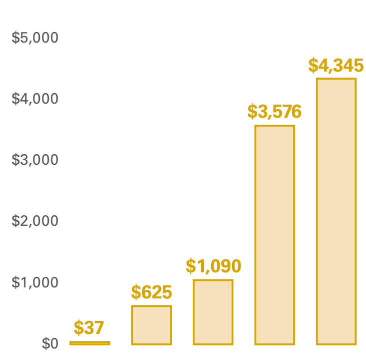
Net Asset Value Growth

December 31, 1982 – December 31, 2010

Based on Market Value ($Millions)

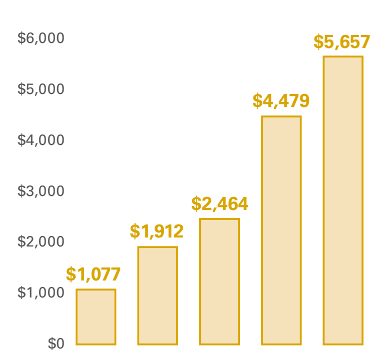


Values shown are for December 31 in each year.
Date of inception April 1, 1982.

Unit Value Growth

December 31, 1982 – December 31, 2010

Based on Market Value



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

Fund Overview

Inception Date	April 1, 1982	Average Age of Properties	11.2 years
Investments Held	143	Markets	26
Number of Buildings	346	Net Asset Value	$4.34 billion
Total Operating Square Footage	36.3 million	Unit Value	$5,656.77
Operating Occupancy	86.3%	Participating Plans	336

News Briefs *(continued from back page)*

strategy for this property, MEPT plans to invest an additional $3.9 million to further improve the asset's competitive position and renovate the rental units and leasing center.

IN DECEMBER, MEPT COMMITTED $20.4 MILLION TO DEVELOP RIVERGATE CORPORATE CENTER IV, A BUILD-TO-SUIT PROJECT IN PORTLAND FOR SUBARU OF AMERICA. Rivergate IV, a planned 413,000 square foot industrial building, will be built in MEPT's Rivergate Corporate Center, a 1.7 million square foot, bulk-distribution industrial park that is situated on land leased from the Port of Portland. Built over several phases and timed to meet demand, the park has maintained high occupancy since its high-ceiling heights, large volume containerization and proximity to the Port and major transportation routes satisfies the requirements of many major distribution users. Rivergate IV will be fully occupied by Subaru. Construction is scheduled to begin in March, 2011. Rivergate IV will seek to achieve LEED-Silver certification.

IN NOVEMBER, BENTALL KENNEDY, REAL ESTATE ADVISOR TO MEPT, APPOINTED DAVID ANTONELLI AS MEPT PORTFOLIO MANAGER. Mr. Antonelli will succeed Preston Sargent who served in the role since 2007. For fifteen years, Mr. Antonelli has managed Bentall Kennedy's investment activities in the East region of the U.S. Under his leadership, the Bethesda, Maryland-based team executed over 50 transactions totaling $2.5 billion in aggregate value. Mr. Antonelli is a voting member on Bentall Kennedy's Investment Committee. As MEPT Portfolio Manager, Mr. Antonelli works closely with Bentall Kennedy's Acquisitions, Asset Management, RPI and Strategy and Research teams and with NewTower Trust Company, MEPT's trustee, in the execution of MEPT's investment strategy and objectives.

IN THE FOURTH QUARTER, MEPT SOLD AMAR IN LOS ANGELES FOR GROSS PROCEEDS OF $13.6 MILLION. Amar, composed of four buildings totaling 318,898 square feet, was originally purchased in 2003 as part of a 17-asset industrial portfolio. When acquired, the stated strategy for the portfolio was to sell each asset individually to maximize the sale price for MEPT. Amar was targeted for sale as part of MEPT's strategy to dispose of older and smaller assets.

THE ANNUAL MEETING OF THE MEPT ADVISORY BOARD IS SCHEDULED FOR THURSDAY, MAY 12, 2011 at The Fairmont Waterfront Hotel in Vancouver, Canada at 9:00am. The MEPT management team looks forward to discussing the Fund's performance, strategy, market conditions, and other topical issues. The Advisory Board is comprised of trustees of MEPT participating plans. Other trustees and service providers of MEPT participating plans are invited to attend as observers. *Please RSVP by April 6, 2011 to Philomena Paul at ppaul@lbutler.com or (202) 737-8823.*

In Appreciation and Recognition of Our 25 Year Partnership MEPT Salutes:

Iron Workers' Mid-America Pension Fund

New Participants

Pipe Fitters' Local #597 Retirement Fund

City of Clearwater's (FL) Employees' Pension Fund

Service Employees International Union Master Pension Trust

Erie County Employees' Retirement System

Officers' and Employees' Pension Plan of the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers

City of Bethlehem's Aggregated Pension Board

Construction and General Laborers' Local 190 Pension Fund

Millcreek Township Combined Pension Plan

Laborer's Local #231 Pension Fund

Indiana County Employees Retirement System

Plumbers and Pipefitters Local No. 172 Pension Fund

Rockford Pipetrades Industry Pension Fund

Pension Fund for Nursing Home & Health Care Employees, Philadelphia & Vicinity

Plumbers & Pipefitters Local 99 Pension Fund

Plumbers & Steamfitters Local No.42 Pension Plan

Projects Committed

Ashton at Dulles Corner
Washington, DC

Boardwalk at Town Center
Houston, TX

Hillsboro Bay Club
Miami, FL

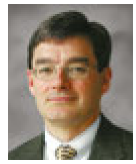
Residences at Congressional Village
Washington, DC

Rivergate IV
Portland, OR

Projects Sold

Amar
Los Angeles, CA

Bentall Kennedy's Strategy and Research Team Releases *Perspectives on Real Estate | US*



Doug Poutasse, Head of Strategy and Research – North America

Jim Valente, Senior Vice President and Director of U.S. Research

MEPT's Real Estate Advisor Expects Investment Opportunities Over the Next Five Years as Real Estate Markets Recover

Bentall Kennedy's retrospective analysis of economic and real estate market conditions in 2010 reveals that the mid-year slowing of the economic recovery was the result of heightened near-term risks to growth. A persistent and elevated level of unemployment, the changing composition of the U.S. labor force, the continued deleveraging of the U.S. consumer and small businesses, contracting state and local governments and record levels of late mortgage delinquencies all were impediments to economic growth in 2010. These factors will continue to pose a threat to an accelerated recovery in 2011.

At the same time, the Bentall Kennedy report examines major economic trends that indicate that the economy is, in fact, recovering. The Bentall Kennedy team notes that one positive sign is that the manufacturing and non-manufacturing sectors are expanding. Additionally, retail sales are increasing and corporate profits have recovered to pre-recession historic record levels. The report discusses in detail actions taken by both the U.S. government and the Federal Reserve (Fed) to further stimulate growth.

One result of the Fed's actions is a low interest rate environment that persisted throughout the year. **The Bentall Kennedy research notes that the slow growth, low inflation and low interest rates combined to create a boost for commercial real estate investors.** As the report points out, commercial real estate returns became attractive in 2010, relative to other asset classes, with the low interest rates, high property yields and potential for longer-term appreciation after a period of severe depreciation. As a result, there were significant capital inflows into commercial real estate that helped improve asset pricing and compress yield rates.

The Bentall Kennedy Strategy and Research team also outlined their outlook for the economy and real estate markets. They note that several positive indicators lead them to believe the economy will continue to show signs of improvement. However, they caution that certain imbalances and longer-term risks challenge the strength and duration of the next growth cycle.

For commercial real estate markets, the team explains that while vacancy rates have peaked for most property types, property fundamentals have yet to recover since vacancy rates are above long-term equilibrium levels. **Bentall Kennedy expects property markets to fully recover over the next five years as vacancies drop and stronger rent growth resumes.** Based on supply/demand characteristics, Bentall Kennedy has differing expectations for recovery in each property sector:

- **Multi-family:** Vacancy rates in the apartment sector peaked in late 2009 and fell steadily through 2010. Now, effective rents are starting to rise and strong demand is being driven by a decline in home ownership, continued job growth, and the formation of households by the "echo boom" generation. Bentall Kennedy expects that the apartment sector will outperform the other property types for the next few years.
- **Retail:** Retail sales remain below the level where they peaked in the last cycle, despite the fact that consumers are spending again and sales have been growing at a healthy pace. Although the vacancy rate in the retail sector began stabilizing in the latter half of 2010, recovery may be tempered by the continued high unemployment, consumers working to reduce personal debt, and competition from online sales. Additionally, big box retailers are struggling to regain the sales lost during the recession. Bentall Kennedy believes these trends indicate some centers and retailers will outperform while others will continue to contract, and a broad recovery will only occur after the job market improves and consumers end deleveraging.
- **Industrial:** Bentall Kennedy believes that the recovery for the industrial sector will be more protracted than during past cycles since consumption and trade levels remain well below prior peaks. However, both consumption and trade are growing and, as a result, a recovery in demand will likely occur in late 2011. Bentall Kennedy's research suggests that industrial assets in primary U.S. population centers with direct access to primary shipping hubs should perform better than more remote, bulk distribution facilities.
- **Office:** Vacancy in the office sector appears to have stabilized in the second half of 2010, but prospects for a broad recovery are uncertain. Bentall Kennedy is monitoring the imbalance between the contraction in office-using employment and

(continued on back page)

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 0.92%. 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)*

the contraction in occupied space that occurred during the recent recession. It is further assumed that even as office-intensive job growth recovers, employers still have ample space to accommodate new workers. At the same time, office vacancy could increase if the economic recovery and job growth are inconsistent. Bentall Kennedy believes it will be another year before material rent growth is evident, but as this sector starts to recover, urban and close-in suburban locations in major markets will capture a disproportionate share of the growth.

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PERFORMANCE *(continued from inside)*

grew for continued improvement in market leasing fundamentals. Accordingly, appraisers incorporated more optimistic assumptions into valuations regarding future rent growth for certain asset types markets. Furthermore, the increased transaction activity in 2010 broadened by year-end, occurring in more markets and property, thereby providing appraisers with increased documentation regarding sustainable market underwriting and pricing factors.

In addition, appraisers clearly recognize that market conditions and asset quality differs significantly across the U.S. As a result, valuation assumptions vary appropriately so that higher quality assets, especially those located in the better performing coastal and other primary markets, reflect the greatest increases in value. To some degree, this illustrates a reversal of the trend evidenced during the downturn when all assets, irrespective of quality and location, experienced significant value deterioration.

For the MEPT portfolio, approximately 60 percent of the appreciation in the fourth quarter was generated by 10 assets. Four of the assets were office assets in the Washington, D.C. market with significant fourth quarter leasing activity. Three of the assets were well-leased, multi-family assets in Portland, Chicago and Minneapolis. The three other assets were office and industrial assets in stable California markets.

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INVESTOR RELATIONS

LANDON BUTLER & COMPANY

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 empl oyee 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**.

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