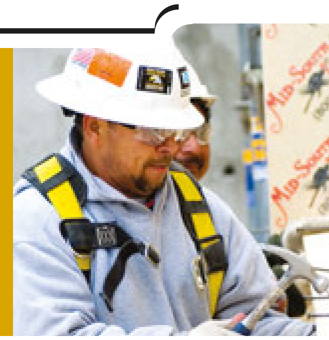
The Quarterly

Trust Report

Multi-Employer Property Trust



INSIDE

- **MEPT's Robust Transaction Volume in the Fourth Quarter**
- **Demand for Apartments Results in Over $600 Million of Development Projects for MEPT**

FOURTH QUARTER | DECEMBER 2011 | VOLUME 26, NUMBER 4

Multi-Employer Property Trust (MEPT) closed the fourth quarter of 2011 with a unit value of **$6,391.75** up **2.50 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **12.99 percent**.

U.S. Economic and Real Estate Overview

Economic growth in the U.S. continued to improve as the end of 2011 approached, albeit at a slow and arguably tenuous pace. Real Gross Domestic Product (GDP) grew at an annual rate of 2.8 percent in the fourth quarter, up from the annual rate of 1.8 percent at the end of the third quarter. Job growth accelerated in the second half of the year, and as a result, the unemployment rate fell to 8.5 percent in December from 9.0 percent in September 2011, according to the U.S. Bureau of Labor Statistics, with job growth across a variety of industry sectors including retail trade, manufacturing, and construction.

Job growth, combined with limited new supply, had a positive impact on demand for commercial real estate space in 2011. Vacancy rates declined year-over-year for the apartment, office and industrial sectors, but vacancy was slightly higher for retail.

Nationally, real estate investment sales activity totaled $220.0 billion and involved over 14,700 properties in 2011, according to Real Capital Analytics. The volume of property transactions increased by 57 percent over 2010.

Prices improved in 2011 across all property types, but the degree of improvement varied greatly by property type and market. For example, capitalization rates[1] fo r apartment properties in Manhattan averaged 4.5 percent, but cap rates for apartments remained in the 7.5 percent to 7.8 percent range in tertiary markets. In the office sector, declining cap rates for properties in the central business districts (CBDs) of Boston, Chicago, San Francisco and Los Angeles caused investors to seek higher yielding alternatives in suburban submarkets of major metro areas, leading to some improvement in the fourth quarter in office cap rates in those markets as well. Nationally, cap rates for industrial assets fell by 60 basis points over the year, but transaction volume slowed in the fourth quarter. Finally, grocery-anchored retail centers had the largest decrease in cap rates of all the property types, since investors viewed them as less risky than other retail property types.

([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

IN OCTOBER, MEPT ACQUIRED NEWPORT TOWER, A 1.1 MILLION SQUARE FOOT OFFICE TOWER, FOR A GROSS PURCHASE PRICE OF $377.5 MILLION. MEPT's acquisition of Newport Tower is one of the 25 largest transactions in the U.S. in 2011. It is a significant investment that provides the Fund with a high-quality, stabilized asset in the New York market — one of the strongest office markets in the U.S. Additionally, the property's U.S. Green Building Council (USGBC) Leadership in Environmental and Energy Design (LEED) Gold certification is a complement to MEPT's existing office portfolio and consistent with the Fund's global leadership in Responsible Property Investing. Built in 1990, the 36-story Newport Tower is 87.5 percent leased to a variety of high credit financial service firms and related service companies with limited rollover risk over the next several years. The building is directly across the river from lower Manhattan in the Hudson, New Jersey Waterfront submarket and offers quick and direct access to Midtown and Downtown via the PATH commuter train.

NEWPORT TOWER, OFFICE

DURING THE QUARTER, MEPT ACQUIRED WOODLAND PARK CROSSING FOR A GROSS PURCHASE PRICE OF $62.4 MILLION. The four-building, 137,028 square foot, grocery-anchored retail center is located in the Washington, D.C. market and is 97.5 percent leased to a mix of national and regional retailers that serve an affluent base of consumers in Fairfax County, VA. The four-year old retail center is part of a mixed-use complex and benefits from retail traffic from office workers and residents in an adjacent two million square foot office park and 200-unit apartment complex. It is easily accessed by major traffic arteries and is expected to benefit from increased traffic when Metrorail's planned Herndon-Monroe Station extension opens within walking distance of the property in 2016. The acquisition of the center achieves a strategic objective to increase MEPT's allocation to the retail sector since the Fund believes consumer demand for necessity goods will continue to drive sales growth at grocery-anchored, neighborhood centers.

WOODLAND PARK, RETAIL

DURING THE FOURTH QUARTER, MEPT RECEIVED $139.4 MILLION IN GROSS PROCEEDS FROM THE SALE OF EIGHT SUBURBAN OFFICE ASSETS. Consistent with MEPT's strategic objective to reduce the Fund's allocation to suburban office, the Fund identified assets for sale with limited upside potential either due to weak market fundamentals or anticipated leasing challenges. MEPT also targeted smaller, older assets that would require substantial capital investment to remain competitive. As a result, three office assets in suburban Denver, one asset in suburban Detroit, two assets outside Portland and one office asset located in suburban Chicago were sold. Local real estate investors and building users were the buyers of these assets.

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Fourth Quarter Results

Net Return, Fourth Quarter

2.50%

Net Return, 01/01/11–12/31/11

12.99%

Net Asset Value

$5.42 billion

Performance

Fourth Quarter Commentary

MEPT's 2011 performance has resulted in a total gross return of 14.00 percent, composed of 5.35 percent income and 8.31 percent appreciation. **The Fund's performance exceeded the management team's original expectation of 9 percent to 11 percent (gross of fees) return set at the start of 2011.**

The management team also exceeded many of its 2011 objectives. The team targeted $800 million to $1 billion in acquisitions for the Fund: **MEPT completed over $1.4 billion in investments, including 18 existing assets, four development commitments and one mezzanine loan.** These assets, totaling 4.4 million square feet, are located in 12 markets and are primarily mid- and high-rise multi-family assets, grocery-anchored neighborhood and community retail centers and CBD office buildings.

The team aimed to generate $400 million to $500 million in net sales revenue from dispositions of assets that no longer fit with the Fund's long-term strategy: **MEPT exceeded its sales objective.** The Fund sold 15 assets and three partial assets, including nine office buildings, four industrial buildings, one hotel, two land parcels, one multi-family asset and the full repayment to MEPT of two mezzanine loans. The total net sales price for all assets, including the loan repayments, was $518.7 million.

A significant contributor to net operating income during the year was the stable income generated by the 39.7 million square foot operating portfolio. Gross leasing activity for 2011 totaled over 5.7 million square feet in over 300 leases. **As a result, the Fund's occupancy increased to 89.7 percent at the end of December, up from 86.3 percent**

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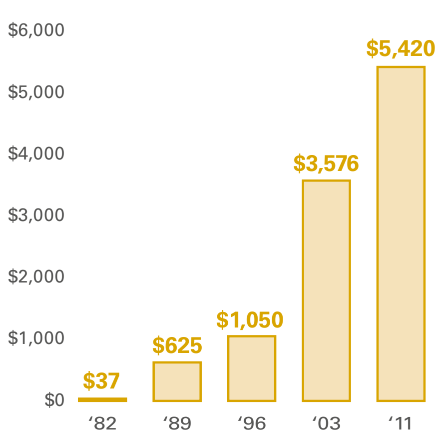
Yield

	Fourth Quarter 2011	Trailing Four Quarters (Compounded)
NET	**2.50%**	**12.99%**
INCOME	1.07%	4.41%
APPRECIATION	1.43%	8.31%
GROSS	**2.73%**	**14.00%**
INCOME	1.30%	5.35%
APPRECIATION	1.43%	8.31%

Net Asset Value Growth

December 31, 1982 – December 31, 2011

Based on Market Value ($Millions)

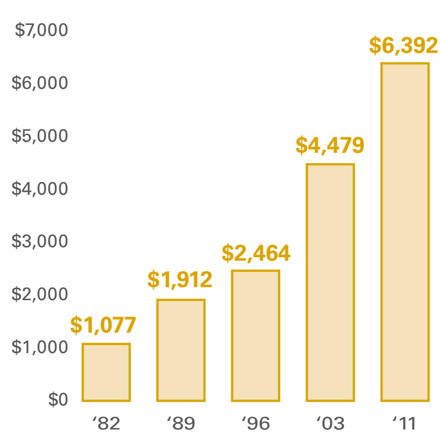


Values shown are for December 31 in each year.
Date of inception April 1, 1982.

Unit Value Growth

December 31, 1982 – December 31, 2011

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	12.3 years
Investments Held	146	Markets	29
Number of Buildings	356	Net Asset Value	$5.42 billion
Total Operating Square Footage	39.7 million	Unit Value	$6391.75
Operating Occupancy	89.7%	Participating Plans	363

Performance *(continued)*

at year-end 2010. Although market conditions varied by market and property type, some of the weaker markets started to experience stability, and landlord concessions began to wane in stronger markets.

Appreciation during the quarter was largely attributable to cap rate compression for several industrial assets located in major regional distribution hubs and office assets in primary CBD submarkets. Further, cap rate compression in CBD markets such as New York, Washington, D.C., and Boston, which have relatively solid fundamentals, contributed to the Fund's appreciation return. Finally, certain assets benefitted from the expiration of free rent concessions and other assets experienced higher than expected leasing activity.

News Briefs *(continued)*

MEPT RECEIVED GROSS PROCEEDS OF $37.6 MILLION FROM THE SALE OF CANYON PARK APARTMENTS IN THE LOS ANGELES MARKET AT THE END OF THE FOURTH QUARTER. The 256-unit Canyon Park Apartments was built in 2005 and was 94 percent occupied at the time of sale. MEPT had targeted the asset for sale due to the concerns regarding future upside potential as a result of near-term market fundamentals including weak growth expectations for the local economy and job market as well as the low barriers to entry for new construction and new competition. Furthermore, its suburban location and garden-style were not consistent with MEPT's strategy to invest in urban, mid- and high-rise apartments. The robust investor demand for multi-family assets resulted in very competitive bidding for the asset.

IN THE FOURTH QUARTER, MEPT RECEIVED $2.9 MILLION IN GROSS PROCEEDS FROM THE PAYOFF OF A MEZZANINE LOAN ON THE BUFFALO GROVE OFFICE ASSETS IN SUBURBAN CHICAGO. MEPT sold the four Buffalo Grove office assets in the fourth quarter of 2009 and provided $2.9 million in seller financing. The buyer recapitalized the asset in December 2011 and MEPT received a full payoff of the loan.

New Participants

NALC Annuity Trust Fund

Iron Workers 473 Pension Trust

IBEW Local 697 Pension Plan

32BJ Connecticut Pension Fund

Northwest Bricklayers Pension Trust

United Union of Roofers and Allied Workers Local Union No. 86 Pension Plan

Projects Committed

Newport Tower
New York, NY

Woodland Park Crossing
Washington, DC

309 Fifth Avenue
New York, NY

360 West Hubbard
Chicago, IL

Vermont Mezzanine Loan
Los Angeles, CA

Projects Sold

Tanasbourne I and II
Portland, OR

One Pierce/500 Park
Chicago, IL

Coal Creek Business Park I and II
Denver, CO

Kirts Equity
Detroit, MI

Canyon Park Apartments
Los Angeles, CA

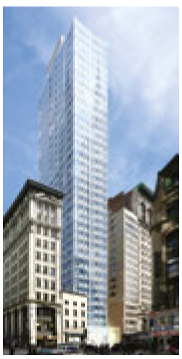
Peakview Office Plaza I and II
Denver, CO

Buffalo Grove (Mezzanine Loan Payoff)
Chicago, IL

Construction is Key for Growth in the Multi-Family Sector

MEPT Projects Total Over $600 Million in Development Activity

The apartment market has experienced the strongest recovery in asset pricing and market fundamentals of all the major property types over the past two years. Leasing demand for rental housing is being driven by the modestly improving job market as well as the formation of households by the "Echo Boom" generation — the 19 to 34 year old population currently entering the workforce. Additionally, the falling home ownership rate — down to 66.3 percent at the end of the third quarter 2011 from 69 percent in 2005 — has created more than 2.4 million new renter households.



309 FIFTH AVE RENDERING

While demand is strong, supply is extremely tight: the national apartment vacancy was 5.2 percent at the end of 2011, below its first quarter 2010 peak of 8.0 percent, and below the pre-recession vacancy rate. Net absorption has been positive in the apartment market for 12 consecutive quarters. According to Reis, Inc., in the fourth quarter of 2011, 90 percent of U.S. markets reported higher effective rents.

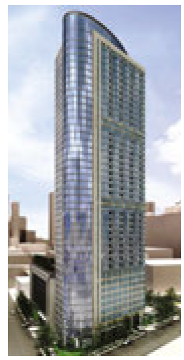
Because of these trends, investors have been aggressively acquiring well-leased, well-located mid and high-rise multi-family assets in urban markets. This has driven cap rates down to 2007–2008 yield rate levels of approximately 4.0 percent to 4.5 percent. Average apartment prices per unit are within 10 percent of peak levels, according to Real Capital Analytics.

Neither completions nor construction starts are at levels that will satisfy the anticipated growth in demand: there were approximately 38,000 units delivered in 2011 — well below the estimated 500,000 units per year needed. Despite steady increases over the past two years, multi-family permitting activity in 2011 was 43 percent below the average level experienced during the previous 10 years. According to the National Association of Home Builders, for buildings with five or more units, there were 168,000 multi-family unit starts in 2011, up from 104,000 unit starts in 2010.

Several years ago, as part of its strategic planning process, the MEPT Management Team established certain priorities, including increasing the Fund's allocation to the multi-family sector by acquiring existing and developing new apartment assets.

"We were actively buying multi-family assets for MEPT in late 2010 and mid-2011," stated **David Antonelli, Executive Vice President and MEPT Portfolio Manager, Bentall Kennedy**. "In 2010, MEPT was able to buy existing assets for attractive yields, but as the recovery gained momentum and cap rates continue to decrease — to sub-five percent and sub-four percent in certain markets — it makes sense for MEPT to develop multi-family properties since the Fund can achieve projected returns on cost, on trended rents, exceeding seven percent."

In 2010 and 2011, MEPT acquired five existing apartment properties in Houston, Washington, D.C., Miami and Portland.



360 WEST HUBBARD RENDERING

In 2011, MEPT made four commitments to multi-housing development projects with a total investment value of over $600 million in Seattle, New York, Chicago and Los Angeles.

MEPT looks for several key factors when pursuing new construction multi-family opportunities, including strong demographics, job growth, low vacancy rates, high barriers to entry, and strong effective rent growth. In addition, MEPT's activity is concentrated in urban areas where the Echo Boom population is more likely to live and the employment opportunities are most abundant. In addition, consistent with MEPT's global leadership in Responsible Property Investing, all of its construction commitments are designed at minimum to achieve USGBC LEED-Silver certification.

In the second quarter of 2011, MEPT committed $102 million to a joint venture to develop **Sixth and Lenora**, a $197.4 million two-tower, 654-unit project in downtown Seattle. MEPT had the site under control for many years and closely monitored the Seattle market for signs that demand for apartments warranted new construction. The project has access to public transit, retail and entertainment, and it is within walking distance of major employers, including Amazon.com, Gates Foundation, and many medical research and technology companies.

At the end of the fourth quarter, New

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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 Third $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)*

York City had the second lowest vacancy rate in the nation and cap rates, averaging 4.5 percent, were the lowest in the country. In December 2011, MEPT held a groundbreaking ceremony to commemorate the start of the development of **309 Fifth Avenue**, a $97.3 million, 35-story project in Manhattan's Midtown West submarket. The 122,000 square foot project will offer 165 apartments — some with views of the Empire State Building — as well as 10,400 square feet of retail space.

In Chicago, the apartment market has experienced strong absorption in the last several quarters. In December, MEPT committed $75.5 million to a joint venture to develop **360 West Hubbard**, a 43-story, 450-unit multi-family development in the River North neighborhood, where vacancy rates were 4.3 percent at the end of 2011. The project will total approximately 380,000 square-feet of rentable living space with nearly 400 parking spaces, and the all-in development budget is $142.8 million. The building is centrally located with proximity to many of Chicago's major downtown employment hubs including North Michigan Avenue, LaSalle Street, and the West Loop, and multiple transit options are within walking distance. A groundbreaking ceremony is planned for February 22, 2012 and completion is expected to occur in 2013.

Los Angeles continues to show favorable trends for the multi-family sector, including decreasing vacancy rates due to positive net absorption, strong effective rent growth, and significant constraints on supply due to a lack of available developable sites, a protracted entitlement process, and active community resistance to development approvals. In December, MEPT closed a $65.2 million mezzanine loan to fund development of a $176.9 million 464-unit apartment project in Los Angeles. **The Vermont**, a planned two-tower apartment complex in the Wilshire District of downtown Los Angeles, will encompass 355,050 rentable square feet with 892 parking spaces and will also have 33,200 square feet of retail space. Construction is scheduled to begin in the first quarter of 2012, with completion targeted for early 2014.

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**.

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