The Quarterly

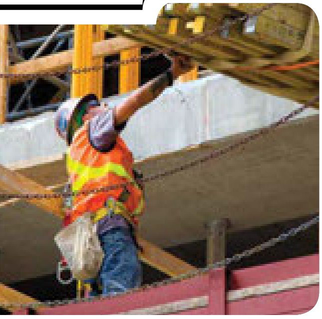
Trust Report

MEPT

INSIDE:

- MEPT is on track to achieve 2015 total return target of 8.0 percent to 10.0 percent
- Mid-Year Q & A with Doug Poutasse

SECOND QUARTER | JULY 2015 | VOLUME 30, NUMBER 2



Multi-Employer Property Trust (MEPT) closed the second quarter of 2015 with a unit value of **$8,875.12** up **2.71 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **12.63 percent**.

U.S. Economic and Real Estate Overview

Signs of moderate U.S. economic growth were evident, though mixed, in the second quarter of 2015. **The unemployment rate hit a seven-year low of 5.3 percent after 223,000 jobs were added in June and a total of over 660,000 jobs were added in the quarter.** Wage growth for the period was flat, except for certain primary markets; stronger employment growth continued in primary urban markets such as Austin, Boston, San Francisco, San Jose, Denver, and Seattle, which have a concentration of highly educated workforces and STEM-sector (science, technology, engineering and math) employers.

Early estimates show Gross Domestic Product (GDP) for the second quarter improving. Coming off a contraction of 0.2 percent in the first quarter, GDP is forecast to potentially achieve 2 to 3 percent growth. This growth occurred amidst a period marked by global uncertainty as Greece threatened to abandon the Euro, China's stock market collapsed, and, closer to home, Puerto Rico flirted with an unprecedented default on municipal bond payments.

The positive momentum in the U.S. economy translated to improved commercial real estate market conditions in the second quarter. According to CBRE, office vacancy dropped 40 basis points to 13.5 percent, the 21st consecutive quarter of improving occupancy. Among the markets with the lowest vacancy rates were San Francisco (6.7 percent), Austin (8.0 percent), and New York (9.1 percent). Demand for office space continues to increase and leasing activity reached its highest level in eight quarters. Additionally, the majority of primary markets have experienced modest to strong rent growth.

With increased consumer spending and e-commerce sales, the industrial market continued its strong performance, producing its 21st consecutive quarter of flat or declining availability rates and a 30 basis points drop to 9.8 percent vacancy. CBRE reports that lower availability rates during the quarter occurred across most markets.

The apartment market remained strong, as the national occupancy rate rose to a post-recession peak of 95.2 percent, according to Axiometrics. Effective rent growth reached 5.0 percent, the highest rate since the 5.1 percent reached in July 2011. STEM-centric markets such as the Bay Area, Denver, Portland and Seattle continue to see the most significant increases in rental rates.

Retail continued to show slow but steady improvement with CBRE reporting retail availability rates dropping 10 basis points to 11.4 percent, almost 200 basis points below its post-recession peak of 13.3 percent. According to Reis, average vacancy at U.S. strip centers remained flat at 10.1 percent in the second quarter.

News Briefs

IN APRIL, MEPT ACQUIRED 757 THIRD AVENUE IN NEW YORK CITY FOR $356.7 MILLION. The 504,413 square foot, Class A, 26-story office building is located in Midtown Manhattan. The submarket is one of the most dynamic and attractive office investment markets, with numerous dining and entertainment options, transit access and compelling market fundamentals that reflect New York's continuing strong economic growth. With its diverse, highly-skilled workforce, the city has continued to attract employers in the fast-growing technology and educational sectors as well as in financial, creative and commercial services. This acquisition advances several aspects of MEPT's strategy, including increasing investment in primary markets and acquiring office properties in urban locations that appeal to knowledge industries.

757 THIRD AVENUE

(continued on back page)

MEPT'S MANAGEMENT TEAM TAKE STEPS TO EXPAND NORTH AMERICAN PLATFORM

On May 15, 2015, Bentall Kennedy acquired MEPT's investor relations provider, Landon Butler & Company, LP® (LBC) and the Fund's trustee and fiduciary, NewTower Trust Company (NewTower) and integrated the firms to form a single fund management platform.

"Our mission at Bentall Kennedy is to continue to build a North American real estate platform that stands apart for its exceptional client service and high performance culture, all with a strong commitment to leading fiduciary, ESG and Responsible Property Investing principles," stated Gary Whitelaw, Bentall Kennedy's Group CEO. **"By formally combining after 33 years, MEPT's management structure will be simplified and will enable us to further achieve our mission."**

LBC's senior team and staff continues to provide client service to MEPT investors as members of Bentall Kennedy's expanded Client Relations Team. NewTower remains trustee and continues to provide fiduciary services including fund administration, valuation, compliance, trust custody, financial reporting, and risk management with a dedicated and majority-independent Board of Directors responsible for providing governance and fiduciary oversight. The Bentall Kennedy real estate investment team responsible for managing the MEPT investment strategy and delivering competitive performance is unchanged. **Bentall Kennedy intends to maximize the collective resources to create an even more competitive organization to continue to deliver market-leading services to MEPT and its participating plans.**

Bentall Kennedy

Second Quarter Results

Net Return
Second Quarter
2.71%

Net Return
07/1/14–6/30/15
12.63%

Net Asset Value
$5.7 billion

PERFORMANCE

FOR THE FIRST SIX MONTHS OF 2015, MEPT's year-to-date return is 6.15 percent gross of fees, comprised of 2.32 percent gross income and 3.79 percent appreciation. **As a result, the Fund is well positioned to attain the Management Team's 2015 total return target of 8.0 percent to 10.0 percent.**

The Fund is also on track to achieve its 2015 acquisitions target of $1.25 billion to $1.5 billion. Year-to-date, Bentall Kennedy has closed over $784 million in six strategic transactions for MEPT, including two transactions in the second quarter. (*See News Briefs for more detail.*)

MEPT's gross return for the quarter was 2.93 percent, comprised of 1.14 percent income and 1.79 percent appreciation. The stable income generated by the 30.8 million square foot, 93.3 percent leased, operating portfolio was a major contributor to the income return. Furthermore, the fundamentals for the portfolio such as NOI growth and leasing activity remain strong while lease rollover is manageable and write-offs/delinquencies are negligible.

With strong market conditions for the office sector, material contributors to MEPT's appreciation in the second quarter included the Fund's central business district (CBD) operating office properties in Boston and Denver. Additionally, the acquisition of the 98-percent leased 757 Third Avenue in Manhattan

YIELD

	SECOND QUARTER 2015	TRAILING FOUR QUARTERS (COMPOUNDED)
NET	**2.71%**	**12.63%**
INCOME	0.91%	4.00%
APPRECIATION	1.79%	8.38%
GROSS	**2.93%**	**13.63%**
INCOME	1.14%	4.95%
APPRECIATION	1.79%	8.38%

HOLLYWOOD 959

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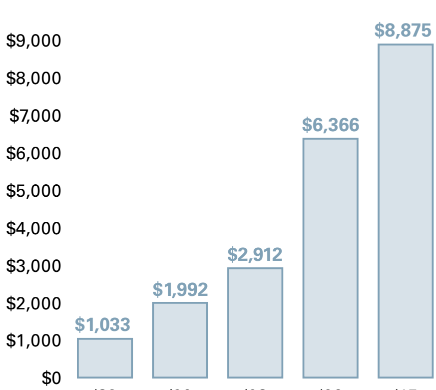
UNIT VALUE GROWTH

June 30, 1982 – June 30, 2015

Based on Market Value

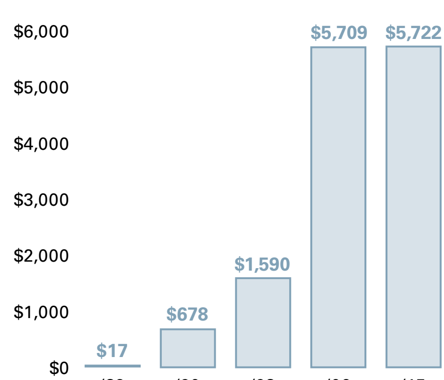


Values shown are for June 30 in each year.
Date of inception April 1, 1982.

NET ASSET VALUE GROWTH

June 30, 1982 – June 30, 2015

Based on Market Value ($Millions)



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

FUND OVERVIEW

Inception Date	April 1, 1982	Average Age of Properties	14.0 years
Investments Held	96	Markets	25
Number of Buildings	247	Net Asset Value	$5.72 billion
Total Operating Square Footage	30.8 million	Unit Value	$8,875.12
Operating Occupancy	93.3%	Participating Plans	322

PERFORMANCE *(continued)*

in April generated appreciation during the quarter. Furthermore, Hollywood 959, an office development in Los Angeles, realized appreciation as the project progressed and pre-leasing activity began.

Several of the Fund's urban, transit-oriented, multi-family operating assets had measurable appreciation, including Mondrian CityPlace in Dallas, NeMa in San Francisco and Via6 in Seattle. At the same time, industrial warehouse properties experienced value gains, among which the Trimble Distribution Center in the San Jose market was a large contributor to Fund appreciation.

Modest depreciation occurred at a mix of property types and locations due to various reasons including tenant move outs, pending lease expirations, rising property tax assessments, market trends, or capital expenditures.

TRIMBLE DISTRIBUTION CENTER

NEMA

During the second quarter, MEPT amended and extended its existing $350.0 million credit facility through 2020, increased the capacity to $500.0 million, and expanded the revolving portion from $250.0 million to $350.0 million. The combination of abundant capital available for highly qualified borrowers in the current capital market environment as well as MEPT's track record with the existing line of credit provided an opportunity for MEPT to refinance with highly attractive interest rates, add borrowing capacity, and gain greater flexibility with larger transactions.

NEW PARTICIPANTS

Annuity Plan of the Electrical Industry

UFCW Heartland Pension Fund

Minneapolis Painting Industry Pension Fund

United Association of Journeymen Plumbers & Journeymen Steamfitters & Pipefitters Local 357 Pension Plan

Fort Pierce Police Officers' Retirement Trust Fund

PROJECTS COMMITTED

160 Post Loan
San Jose, CA

757 Third Avenue
New York, NY

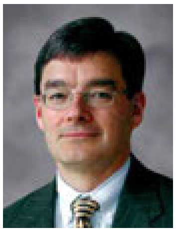
PROJECTS SOLD

Century Technology Campus Loan (Loan Payoff)
Washington, DC

MONDRIAN CITYPLACE

This time, it's different.

A Mid-Year Discussion with Doug Poutasse, Executive Vice President and Head of Strategy and Research, Bentall Kennedy


Doug Poutasse

Commercial real estate continued to improve during the first half of 2015. How would you characterize the upward cycle we are experiencing?

Poutasse: Today's upward cycle is different than those of the past, and in a very positive way. In the mid-2000s, real estate growth was in the Sun Belt: Florida, Arizona, Nevada, Southern California – and this growth combined to create the housing bubble. It all proved unsustainable; no one imagined that irresponsible lending for single family home mortgages could lead to a global market meltdown and the loss of institutions like Lehman Brothers. Today, these same markets have been slower to recover but are finally showing signs of promise.

Looking back to the mid-to-late 1990s, we see similarities to our market today. During this dot-com era, technology companies were creating jobs and driving growth in primary urban markets just as the STEM-oriented companies are doing today. What makes today's market very different, however, is that thanks to the pace of development of both urban apartments and offices, primary urban centers can accommodate expanding workforces.

Back when the dot-com bubble was inflating, CRE costs became prohibitively expensive very quickly in urban cores like San Francisco, choking off job growth and leading to expansion away from those cores to outlying areas like Silicon Valley. Today, even though job growth in San Francisco is greater than it was during the dot-com era, the city can handle its expanding workforce thanks to the increasing office and apartment supply.

Thus, what makes this expansion different is also why I believe it has room to continue, particularly as the economy improves. I see this as a *virtuous circle:* development is successful due to strong demand, but demand growth persists in these urban cores as employers move in to tap an increasing supply of highly-educated workers who have migrated there. These workers can afford to move into these core markets because of the increasing supply of housing. As the economy continues to grow, it fuels this virtuous circle.

Plus this time, our improving economy is built on fundamentals and lessons learned from both the Great Recession and the dot-com era; it's not built on a bubble like those that sent the last two expansion periods into tailspins.

Last quarter, unemployment hit a seven-year low. How has the recovery in jobs influenced your investment strategy?

Poutasse: Opportunity during this period of expansion is highly focused, much like job growth and especially like wage growth. Last quarter data showed that wage growth on a national level was flat and lagging expectations. But the national data can be deceiving: wage growth and job growth have both been strong in the *learned locals* markets we target that are benefiting from the virtuous circle. These markets are where employers are creating jobs and paying higher wages as they compete for the well-educated workforces flocking into these cities.

Higher wages drive consumer spending, so in these markets you're seeing improvements not only in apartment rental rates but also in retail. The shopping habits of this workforce are also increasingly online. As a result, demand for industrial continues to increase not just in large port cities as goods continue to flow into the U.S. at an ever increasing rate, but near primary urban markets to serve overnight and same-day delivery demands.

The demographics of the urban workforce in the cities enjoying the virtuous circle are also changing, further helping sustain growth. Markets driven by STEM-oriented companies are experiencing a rapid rise in their well-educated, foreign-born populations. This labor pool is drawn to major U.S. markets to complete their advanced education, and their legal entry into the U.S. workforce has eased employer concerns about a shortage of highly-skilled labor supply. Further, this population is also highly entrepreneurial, and entrepreneurs create jobs for everyone – last year, over 20 percent of *Inc. 500* CEOs were foreign born. So it's another virtuous circle that bodes well for primary urban markets that are fed by exceptional educational institutions.

Clearly, we see reasons for continued strength in the urban cores of our target markets as the economy improves. That said, we are always looking for and trying to anticipate the unpredictable especially as we carefully monitor supply trends. For instance, the sudden, rapid decline in the U.S. energy market left cities like Houston with an oversupply in development virtually overnight. For this reason, we take a highly disciplined, diversified approach to building the MEPT portfolio on behalf of its investors.

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 0.88%. 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.

News Briefs *(continued)*

757 Third Avenue also adds a stabilized, cash-flowing, long-term investment to the portfolio. The property was renovated between 2008 and 2011 and $21 million was invested by the prior owner to modernize the asset, improve energy efficiency, and reposition 757 Third Avenue as a high-quality Class A office asset able to compete as a value alternative to adjacent properties on nearby Lexington, Park and Madison Avenues. The building was 97.6 percent leased at acquisition, with a diverse tenancy including financial services, real estate, technology, media and marketing firms.

IN MAY, MEPT PROVIDED A $6 MILLION LOAN FOR 160 POST STREET IN SAN JOSE, CALIFORNIA. The fixed-rate, 8 percent land loan facilitates the development of a planned 182-unit, 21-story multi-family project at 160 Post Street. With MEPT's loan proceeds, the current land owner intends to undertake necessary design work and other pre-development activities to pursue construction on or before the loan maturity date. MEPT has the right of first refusal on the development of the multi-family project, or the option to acquire the land, should the owner decide not to move forward with the development. The site's location in the city of San Jose has enticing market characteristics that meet MEPT's investment criteria, including a vibrant, walkable community located near mass transit and a variety of dining and retail amenities. This development would further the Fund's strategic goals of increasing it's multi-family exposure. The one-year land loan has a projected IRR of 10 percent.

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 Bentall Kennedy at 202-737-7300, or through the Web site, **www.mept.com**.

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