The Quarterly

Trust Report

MEPT

INSIDE:

- MEPT Again Ranked as Top NFI-ODCE Fund for Sustainability by GRESB
- Ground-breaking Research Based on Bentall Kennedy Office Data Confirms Economic Merits of Green Buildings
- Bentall Kennedy Joins Sun Life Investment Management to Expand North American Platform

THIRD QUARTER | OCTOBER 2015 | VOLUME 30, NUMBER 3

Multi-Employer Property Trust (MEPT) closed the third quarter of 2015 with a unit value of **$9,154.44** up **3.15%** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **12.45%**.

U.S. Economic and Real Estate Overview

The U.S. economy continues to grow despite concerns relating to China's economic slowdown and geopolitical turmoil which unsettled global financial markets in recent months. Consumer spending growth exceeded expectations in the third quarter, while personal income and consumer confidence also improved. **Moreover, labor market trends corroborate the positive economic indicators and foreshadow continued healthy demand for commercial real estate.**

The unemployment rate held steady at 5.1% in September, maintaining a level not seen since early 2008. **High-paying sectors such as the technology-heavy professional and business services sector and healthcare are experiencing some of the strongest rates of growth.** Acceleration in the financial and retail sectors also bode well. National job growth of 2.75 million in the past year brings total employment to 2.9% above its January 2008 peak. With jobless claims falling close to a 42-year low, the labor market continues to tighten and wage growth is now accelerating in many areas of the country.

The strength of the U.S. economy drove improving conditions in the commercial real estate market. **Office market conditions have become increasingly "landlord favorable" with strong absorption and significant declines in vacancy rates across primary markets.** According to CBRE, the national office vacancy rate was 13.4% at the end of the third quarter, a 10 basis point decline from second quarter, and a 70 basis point drop from the same period a year ago. CBRE also reported that central business district (CBD) markets posted strong annual rent growth of 6.9% in the third quarter, while suburban markets had lower growth of 3.1%.

The multi-family sector continued its strong performance in the third quarter. The apartment market held firm with a 4.3% vacancy rate, according to Reis Inc. Additionally, the sector had 5.2% annual effective rent growth, the highest since July 2011 and the eighth straight month the rate has been 5.0% or higher, according to Axiometrics. **Portland, Oregon had the highest annual effective rent growth followed by Oakland, San Francisco, Sacramento, San Jose and Denver.**

In the industrial market, e-commerce fulfillment and increasing consumer spending contributed to strong fundamentals. According to CBRE, industrial availability continued to decline, falling by 20 basis points to 9.6% – marking 22 consecutive quarters that the rate that has been flat or in decline. Demand for industrial space remains high, and there

News Briefs

BENTALL KENNEDY JOINS SUN LIFE INVESTMENT MANAGEMENT AND FURTHER EXPANDS NORTH AMERICAN PLATFORM

Sun Life Financial Inc. and Bentall Kennedy, MEPT's real estate advisor, announced on September 1, 2015 that Sun Life Financial acquired Bentall Kennedy. Bentall Kennedy continues to be managed by its current team and retains its brand. There are no changes to the MEPT management team. Bentall Kennedy will operate as a unit of Sun Life Investment Management (SLIM), which provides investment services to institutional investors and manages Sun Life Financial's general account assets. The two firms will combine their real estate and commercial mortgage investment management teams to have approximately $48 billion in assets under management, serving over 550 institutional clients and investors in these asset classes.

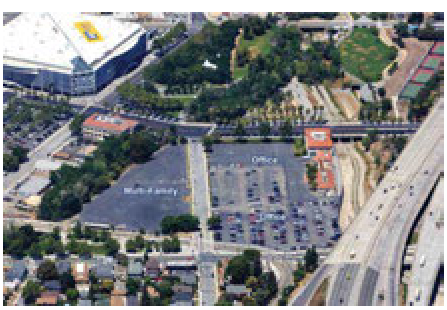
STEVE PEACHER AND GARY WHITELAW

"We are excited about the additional capabilities and resources that Bentall Kennedy will have as a SLIM company to further strengthen our North American real estate platform," said **Gary Whitelaw, Group Chief Executive Officer of Bentall Kennedy**. "We see this as a next step in our evolution and we look forward to working together with our new Sun Life colleagues to continue to deliver exceptional client service and consistently strong results."

"SLIM achieved a significant milestone, adding the premier real estate investment expertise of Bentall Kennedy to our high calibre real estate and commercial mortgage investment capabilities," said **Steve Peacher, President, SLIM, and Chief Investment Officer, Sun Life Financial**. "This transaction continues to expand and diversify Sun Life Financial's asset management pillar as part of our growth strategy, and further extends and strengthens our offering to institutional investors seeking alternative asset classes."

Bentall Kennedy's former institutional shareholders, the British Columbia Investment Management Corporation (bcIMC) and the California Public Employees' Retirement System (CalPERS) will continue as key clients of Bentall Kennedy.

IN SEPTEMBER, MEPT ACQUIRED A PRIME DEVELOPMENT SITE AT DIRIDON STATION IN SAN JOSE, CALIFORNIA FOR $73.8 MILLION, IN JOINT VENTURE WITH TRAMMELL CROW COMPANY. This planned multi-phased development advances MEPT's long-term strategic plan by accessing the urban growth opportunity in the Downtown San Jose submarket, a prime location in innovation-focused Silicon Valley, with a high-rise transit oriented development that will bring a significant number of new, high-quality jobs to the area. Diridon Station is the southern terminus for Caltrain baby bullet and ACE trains, a VTA light rail stop and a planned BART station. With 10 million square feet of active office tenants in the market and strong demand for apartments, MEPT's plans for



DIRIDON STATION – DEVELOPMENT SITE

(continued on inside)

Third Quarter Results

Net Return
Third Quarter
3.15%

Net Return
10/1/14–9/30/15
12.45%

Net Asset Value
$5.9 billion

PERFORMANCE

YEAR-TO-DATE, THROUGH SEPTEMBER 30, 2015, MEPT's performance has resulted in a total gross return of 9.73%, composed of 3.56% income and 6.03% appreciation. **As a result, MEPT is positioned to significantly exceed the Fund's 8.0% to 10.0%, gross of fees, target return for 2015.** To-date in 2015, the improvement in underlying fundamentals for commercial real estate and resulting net operating income (NOI) growth has enhanced values, replacing yield compression, driven by demand for core real estate, as the primary factor in value increases for well-leased, well-located properties.

During the quarter, the 31.5 million square foot operating portfolio generated $55.9 million of NOI which was an important contributor to Fund performance. MEPT's income reflects the strength and health of the in-place leases and the stability of the operating portfolio. The operating portfolio was 94.2% leased at the end of the third quarter.

Additionally, the MEPT portfolio appreciated by a total of $121.5 million during the quarter. MEPT's industrial portfolio (representing 14.8% of net asset value (NAV)) drove the Fund's real estate performance with a total (unlevered) return of 3.79% for the quarter. **MEPT's industrial operating portfolio was 95.9% leased at the end of the quarter and continues to benefit from strong tenant and investor demand for bulk distribution facilities with access to major intermodal hubs.**

YIELD

	THIRD QUARTER 2015	TRAILING FOUR QUARTERS (COMPOUNDED)
NET	**3.15%**	**12.45%**
INCOME	0.98%	3.86%
APPRECIATION	2.16%	8.35%
GROSS	**3.37%**	**13.45%**
INCOME	1.21%	4.80%
APPRECIATION	2.16%	8.35%

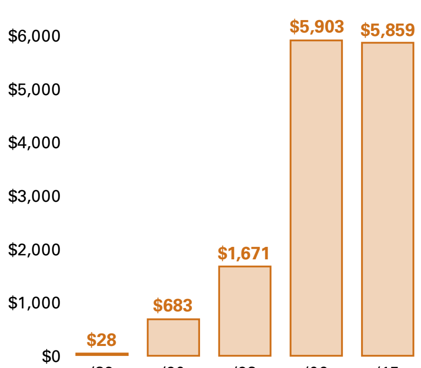
The office portfolio (44.0% of NAV) generated a total (unlevered) return of 2.77%. **More than 73% of MEPT's office portfolio is comprised of urban properties where tenant demand is strong and vacancies have declined.** While the national average vacancy for downtown office properties was 10.4% at September 30th, according to CBRE, the vacancy rate for MEPT's CBD operating assets was only 7.8%.

MEPT's multi-family portfolio (27.6% of NAV) delivered a 2.66% total unlevered return. The operating assets are 92.8% leased. Currently, **MEPT has one asset in development in the very strong San Francisco market and as the project progresses through the development stage to initial lease-up, the Fund continues to recognize appreciation.** The retail portfolio (10.9% of NAV) was 96.2% leased at the end of the quarter and delivered a 2.51% total unlevered return.

NET ASSET VALUE GROWTH

September 30, 1982 – September 30, 2015

Based on Market Value ($Millions)

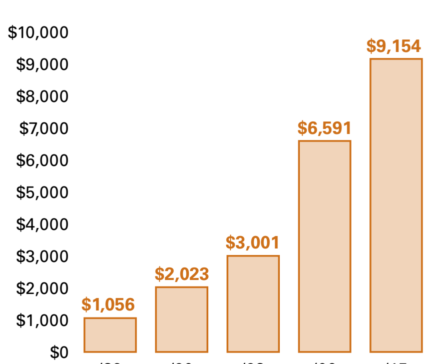


Values shown are for September 30 in each year.
Date of inception April 1, 1982.

UNIT VALUE GROWTH

September 30, 1982 – September 30, 2015

Based on Market Value



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

FUND OVERVIEW

Inception Date	**April 1, 1982**	Average Age of Properties	**13.9 years**
Investments Held	**97**	Markets	**25**
Number of Buildings	**250**	Net Asset Value	**$5.86 billion**
Total Operating Square Footage	**31.5 million**	Unit Value	**$9,154.44**
Operating Occupancy	**94.2%**	Participating Plans	**324**

NEW PARTICIPANTS

Plumbers & Pipefitters Local #562 Pension Plan

Plumbers and Pipefitters Local 562 Supplemental Pension Plan

Will County Local 174 Carpenters Pension Plan

U. A. Local 447 Pension Trust Fund

Iron Workers Local 597 Pension Fund

Iron Workers Local 568 Retirement Plan

PROJECTS COMMITTED

Diridon Station
San Jose, CA

Stony Creek Promenade
Chicago, IL

PROJECTS SOLD

Medinah Land
Chicago, IL

NEWS BRIEFS *(continued)*

higher-density development – up to 960,000 square feet of tech-oriented, large floorplate, high-clear height office space, over 30,000 square feet of retail and 325 multi-family residential units – should attract tenants in Silicon Valley and transform Diridon Station into a thriving live/work/play environment.

IN AUGUST, MEPT PURCHASED STONY CREEK PROMENADE, A RETAIL ASSET IN CHICAGO, FOR $34.2 MILLION. The 100,000 square foot, grocery-anchored retail center is located in the Oak Lawn trade area and was fully-leased at acquisition. Completed in 2015, Stony Creek is the most modern and high-quality property in the submarket and has long-term leases in place and no near-term turnover. The center's largest tenant is Mariano's, a leading Chicago-area grocery store, and other key tenants include national chains such as Starbucks, Sleepy's and Massage Envy. The population within this submarket has above-average net worth and disposable income, according to the U.S. Census Bureau and ESRI, which should equate to healthy sales for the tenants at Stony Creek Promenade. This combination of factors make Stony Creek a strong investment opportunity for MEPT.

COVER STORY

(continued from front page)

were significant availability declines in major U.S. markets led by Los Angeles, New York and Philadelphia, each of which fell 40 basis points. Construction is increasing but still well off past peaks and far below the 20-year average of new deliveries.

The trend in retail continues to be one of gradual improvement, with another quarterly drop in availability. The third quarter availability rate of 11.3%, according to CBRE, is down from 11.4% in the prior quarter, and is now 200 basis points below its 13.3% post-recession peak.

STONY CREEK PROMENADE

Breakthrough Study Demonstrates Green Buildings Outperform Financially

Improved property performance is strongly correlated to green building certification, according to a ground-breaking academic research study of Bentall Kennedy's clients' office assets in North America. The study, "*Green Certification and Building Performance: Implications for Tangibles and Intangibles*," conducted by Dr. Nils Kok of Maastricht University in The Netherlands and Dr. Avis Devine of the University of Guelph in Canada was published in the September 2015 issue of the Journal of Portfolio Management.

Their research analyzed ten years of financial performance data across MEPT and other Bentall Kennedy client office portfolios totaling 58 million square feet – 34 million in the U.S., and 24 million in Canada. **Overall, the results provide compelling evidence that buildings with sustainable certification outperform similar non-green buildings in the key areas of rental rates, occupancy levels, tenant satisfaction scores, and the probability of lease renewals.**

To assess the relationship between various proxies for green buildings, including ENERGY STAR, LEED®, and BOMA BESt certifications, and both financial and non-financial outcomes, the researchers analyzed lease-level data such as rents, rent concessions and lease renewal rates, as well as building-level information such as occupancy rates, tenant satisfaction scores, energy and water consumption, and green building certifications.

According to the study, the benefits uncovered through this analysis of both tenant-satisfaction and financial metrics carry "significant income and value

MEPT at Top of 2015 GRESB Rankings

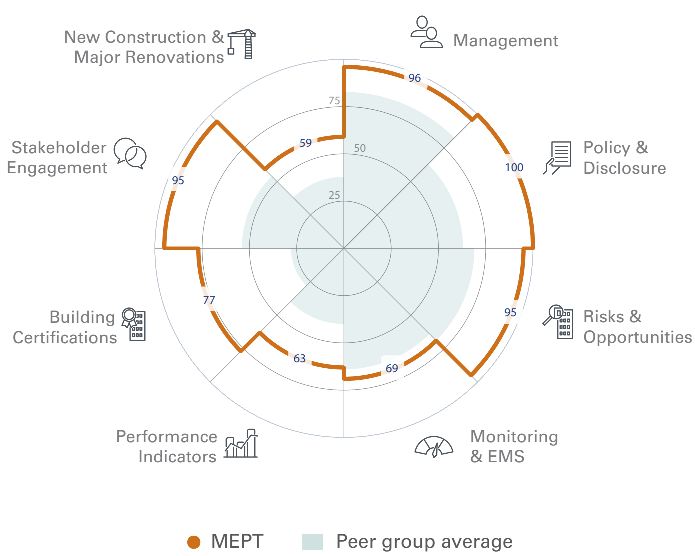
In September, the Global Real Estate Sustainability Benchmark (GRESB) ranked MEPT as the #1 Global Sector Leader for the Private, Diversified – Residential/Office Peer Group. MEPT has previously been ranked by GRESB as a U.S. Sector Leader, but the 2015 ranking is the first time that MEPT has achieved the global recognition. Furthermore, MEPT is the top fund among the 18 NFI-ODCE participants ranked by GRESB.

This is the fifth year in a row that MEPT has been named a Green Star, a fund with "an integrated organizational approach towards measurement and management of environmental key performance indicators" resulting in innovation in measures beyond energy efficiency and a reduction in resource consumption.

Bentall Kennedy was also recognized for major milestones. For the fifth consecutive year, Bentall Kennedy has been ranked among the top firms worldwide in environmental performance by GRESB and 2015 is the second year in a row that Bentall Kennedy has been named the number one firm globally among 153 companies ranked by GRESB in the "Diversified" category.

"MEPT has been a leader in responsible property investing in the U.S. for over 30 years," stated David Antonelli, Executive Vice President and MEPT Portfolio Manager at Bentall Kennedy. "With the recently published study by Dr. Nils Kok and Dr. Avis Devine verifying that investing in sustainable office buildings brings improved financial results, our commitment to responsible property investing has once again been validated. We pride ourselves on our ability to deliver a high level of sustainability performance for MEPT participants, which reinforces their efforts as leaders in responsible property investing."

GRESB 2015 rankings are based on a survey of 707 participants covering 61,000 buildings with an aggregate value of USD 2.3 trillion. The survey gathers information on sustainable management practices and policies, risk management, environmental performance indicators (such as energy, water and carbon), building certifications, and stakeholder engagement.



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.

In-Depth Report *(continued from inside)*

implications," including:

- **Higher net effective rents:** Rents, including the cost of tenant incentives, averaged 3.7% higher in LEED certified properties in the U.S. than in similar non-certified buildings.
- **Higher occupancy rates:** During the period, occupancy rates were 9.5% higher in U.S. buildings with ENERGY STAR certification and 18.7% higher in Canadian buildings having both LEED and BOMA BESt certification, than in buildings without certifications.
- **Lower energy consumption:** Per square foot, consumption was 14% lower in U.S. LEED certified properties than in buildings without certification.

In reviewing the results, **Gary Whitelaw, Group CEO for the Bentall Kennedy** noted that "This is the most in-depth and conclusive analysis conducted to date of the link between responsible property investment practice and financial returns. By examining a large North American portfolio with consistent data across multiple market cycles, this study validates Bentall Kennedy's focus on energy and sustainability improvement in buildings not only as a socially responsible strategy, but also as a way to enhance property income for our clients."

For a copy of the published article featuring the study please contact Vanessa Parrish at vparrish@bentallkennedy.com.

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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TRUSTEE

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INVESTMENT ADVISOR AND INVESTOR RELATIONS

Bentall Kennedy