



# BGO MEPT Fund

1Q 2024 | Quarterly Report





## Portfolio Manager's Letter

**Although 2024 began with** continued downward pressure on U.S. commercial real estate values, the first quarter showed marked improvement from the end of 2023. This gives us optimism that we are nearing the end of the current downcycle and that there will be continued improvement throughout 2024. In the first quarter, BGO MEPT Fund ("BGO MEPT", "MEPT" or the "Fund") generated a total gross return of -3.09% (-3.33%, net). Fund-level depreciation now totals 26.0%, on an NAV basis, from peak value in Q3 2022.

The commercial real estate world, much like the rest of finance, is coming to terms with the reality that we will be living in a higher rate environment for longer than most originally anticipated. Stickier inflation readings along with a strong jobs market have delayed the rate cuts broadly expected by the market. Most now expect two or fewer rate cuts in 2024 with them not occurring until later in the year, if at all. While negative sentiment permeates commercial real estate headlines, **we have several reasons to be optimistic for the Fund's future prospects:**

- Overweight allocations to Industrial and Multifamily;
- Appropriate valuations that reflect the market;
- Strong balance sheet with limited near-term maturity risk; and
- Successful fundraising momentum in a challenging environment

Maintaining the Fund's resilient capital structure and healthy balance sheet is vital to future performance as it has become increasingly clear we will be operating in a higher rate environment in the foreseeable future. Following the payoff of a \$150M Private Placement note in early April, MEPT has less than \$374M of debt maturities through the end of 2025 and only \$69M remaining this year. **The Fund was one of just a few ODCE funds to reduce total outstanding debt over the last year**, and we remain focused on reducing fund leverage in the

currently dilutive rate environment. The Fund's leverage ratio modestly increased during Q1 due solely to NAV depreciation.

Despite limited new manager searches for core funds in the past two years, we are proud to have onboarded a significant new investor in April. This investor, a prominent European pension fund, committed \$400M to the Fund, which we see as a considerable vote of confidence in both our investment strategy and in our decisive management of the Fund's balance sheet to navigate recent capital markets turbulence. **The Fund now has an almost 80% allocation to industrial, multifamily, and self-storage, which positions the Fund favorably for the resumption of positive returns.** Additionally, we believe the timing of this significant investment is another signal that we are nearing the end of value adjustments.

We continue to manage the Fund for near- and long-term performance, while also honoring our investor's liquidity needs. To that end, we are working towards the closing of a sale of a grocery-anchored retail center in Maryland, and we are looking to bring to market additional non-strategic properties that would close in 2024. Following our \$20M April distribution, the Fund has a redemption queue of \$1.7 billion. Since 2Q 2020, The U.S. Core Fund has distributed \$2.3 billion to investors.

As always, we greatly appreciate your continued confidence in our stewardship of your capital, and we remain committed to keeping you apprised of pertinent Fund and market developments.



Mike Keating  
Managing Partner,  
BGO  
Senior Portfolio Manager

## Contents

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Portfolio Manager's Letter  
Page 2

---

BGO MEPT Fund Overview  
Page 4

---

U.S. Market Overview  
Page 5

---

Property Sector Metrics  
and Performance  
Page 6

---

Transactions  
Page 8

---

BGO MEPT Fund by the Numbers  
Page 10

---

Debt Structure  
Page 14

---

Environmental, Social  
and Governance (ESG)  
Page 15

# BGO MEPT Fund Overview<sup>1</sup>

As of March 31, 2024

## Fund Snapshot

Gross Asset Value

**\$7.6B**

**98**  
Assets

Net Asset Value

**\$5.3B**

**25+**  
Markets

**283**  
Investors

**34.7M**  
Square Feet  
(Operating Portfolio)

**29.7%**  
Leverage as a  
% of GAV

**0.4%**  
Cash as a % of NAV

**91.1%**  
Percent Leased  
(Operating Portfolio)

**11.9 yrs**  
Average Property Age

## Fund Returns 1Q 2024<sup>2</sup>

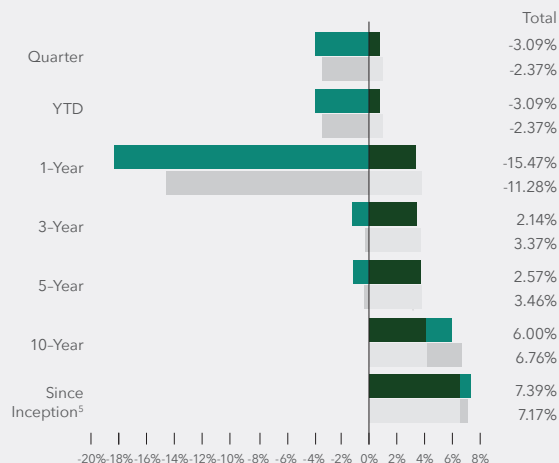
Gross of Fees

BGO MEPT Fund

NFI-ODCE<sup>3</sup>

Income Appreciation

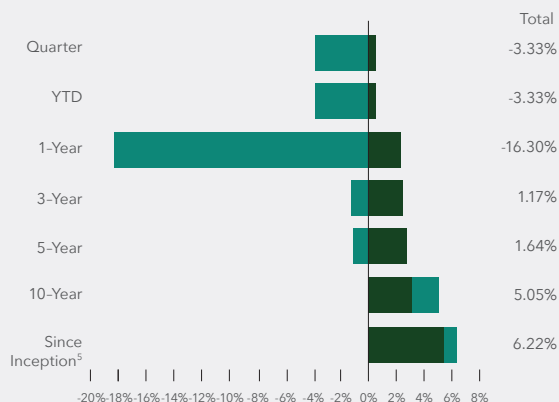
Income Appreciation



Net of Fees<sup>4</sup>

BGO MEPT Fund

Income Appreciation



<sup>1</sup> Asset values and performance returns set forth in this report are based upon and consistent with the methodologies used for calculating such information described in the current applicable fund document for MEPT. Schedules of investment performance for MEPT are prepared by NewTower Trust in accordance with the guidance provided within the National Council of Real Estate Investment Fiduciaries (NCREIF) Pension Real Estate Association (PREA) Reporting Standards, as sponsored by NCREIF and PREA (the Reporting Standards). Real estate revenue is reported when contractually earned and billable to be consistent with the valuation methodology used to determine unrealized gains and losses.

<sup>2</sup> Please note: Past performance is not indicative of future results. Performance objectives (whether based on market conditions that affect MEPT Fund or on MEPT Fund itself) reflect a variety of assumptions, which may not be realized and are subject to significant uncertainties and contingencies. Performance goals, including investment returns (e.g., Unit Value), acquisition and disposition activity, leverage, portfolio diversification (including cash position), and leasing rates could be adversely affected and actual results could differ materially from the Management Team's expectations.

<sup>3</sup> NCREIF, the National Council of Real Estate Investment Fiduciaries, is a trade association of institutional real estate professionals that includes investment managers, plan sponsors, academics, consultants, appraisers, CPA's and other services providers with significant involvement in institutional real estate investments. NCREIF collects and disseminates real estate performance information, most notably the NCREIF Property Index (NPI) but also the NFI-ODCE. NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE) is an index of investment returns reported on both a historical and current basis for open-end U.S. commingled funds with a core investment strategy. The NFI-ODCE index is capitalization-weighted and is reported gross of fees and measurement is time-weighted. Further information about this index is available at [www.ncreif.org](http://www.ncreif.org).

<sup>4</sup> The Fund's net returns noted above reflect the deduction of the highest level of fees charged during the respective time period noted. Net returns may be higher for clients who qualify for a lower fee. More information on the Fund's tiered fee structure is available upon request.

<sup>5</sup> MEPT inception date: 4/1/1982



# U.S. Market Overview

Economy Remains Resilient

**Through the first quarter** of 2024, the US economy remains resilient. Although growth came in below expectations, the details painted a much better picture. Consumption by consumers, the driving force in the economy, remained robust. Relatively weak readings on consumer confidence and sentiment have not prevented consumers from continuing to spend money. Consumers are benefitting from an incredibly tight labor market, exemplified by the persistence in open jobs.

With excess demand for labor persisting, companies remain reluctant to lay off workers given the difficulty in attracting and retaining talent. Ongoing job creation, coupled with real wage growth, is providing consumers with the ability to keep spending. But consumers have had help. Fiscal policy has supported both government spending, which has grown at a healthy pace since mid-2022, and private investment which is benefitting from government incentives.

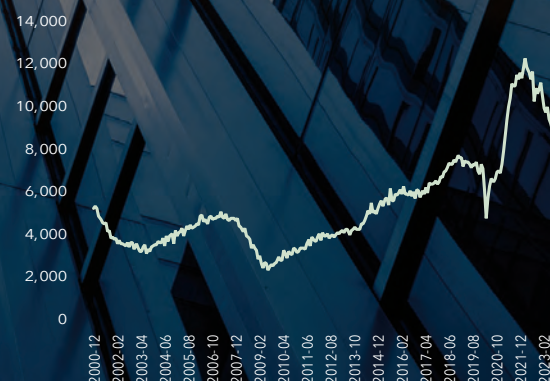
This potent combination is shrugging off any impact from higher interest rates. The Fed remained on hold through the first quarter, leaving rates elevated. But inflation is slowing, and real interest rates have turned positive, restraining economic growth. The Fed seems intent on delaying rate increases while inflation remains above target. The economy maintains significant momentum, which should carry through the balance of the year. But the longer the Fed waits, the more restrictive real rates will become, further impeding the economy. That would slow both growth and inflation, but risk collateral damage.

## Commercial Real Estate Still Holding Tight

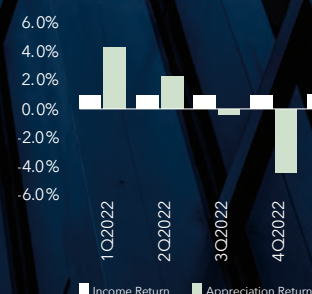
With economic growth persisting, commercial real estate (CRE) space market fundamentals have remained generally healthy. That has in turn supported income returns, which have remained incredibly consistent despite the significant increase in interest rates since early 2022. Meanwhile, capital markets, and consequently appreciation returns, remain weighed down by higher rates. Appreciation returns are still stuck in negative territory. But the outlook remains broadly positive. The combination of slowing inflation, decreasing interest rates, and positive economic growth has historically proven itself an ideal environment for CRE returns. While the timing remains a bit uncertain, the broad narrative remains intact.

### Open Jobs Still Hard To Fill

Nonfarm in Thousands (\$)



### Returns by Segment



Sources: NCREIF, BGO Research



# Property Sector Metrics and Performance

## Portfolio Metrics

As of March 31, 2024

	Assets <sup>1</sup>	% of Allocation (GAV) <sup>1</sup>	Gross Total Return <sup>2</sup>	Net Total Return <sup>3</sup>	Leased <sup>4</sup>	Average Stabilized Cap Rate <sup>4</sup>
Industrial	32	43.5%	-0.4%	-0.5%	95.2%	5.2%
Multifamily	27	32.8%	-0.9%	-1.1%	91.9%	4.9%
Office	19	18.3%	-6.8%	-7.0%	78.5%	7.0%
Self-Storage	14	2.3%	-6.7%	-6.9%	91.2%	5.4%
Retail	3	2.2%	4.0%	3.9%	90.2%	7.1%

Enso Pearl District  
Multifamily, Portland



1 Excludes land and parking assets.

2 Property level quarterly returns are gross of fees and shown on an unlevered basis.

3 Property level returns are shown on an unlevered basis, and the fee applied reflects the highest level of fee charged during the time period. Fees charged to investors are based on net asset value, and the fee applied to the property-level return is an implied gross asset value fee assuming the same fund level leverage ratio for each property type since MEPT has a combination of fund-level and property-level debt.

4 Excludes non-operating assets.



## Industrial

The Fund's industrial portfolio delivered a total gross return of -0.37% (-0.54%, net of fees), comprised of 0.86% income and 1.23% depreciation.

Industrial markets continue to adapt to the influx of new supply over the last few years. While rent growth has slowed from its historic highs, and national vacancy has risen modestly, this period of softness is expected to be short-lived. According to Cushman & Wakefield, industrial starts have fallen by 58% annually, and most markets are forecasted to absorb existing supply and return to favorable landlord dynamics by 2025, at the latest. In addition, the Fund's portfolio has in-place rents that are approximately 48% below market rates, so the portfolio will benefit from strong re-leasing spreads. As a result, the Fund's trailing 1-year same-store NOI growth for the industrial portfolio was 8.6% in Q1 2024.

MEPT has a 43.5% allocation to industrial, a significant overweight of 9.9 percentage points compared to the ODCE. The industrial portfolio remains well leased at 95.2% with a weighted average lease term of 4.7 years.



## Office

The Fund's office portfolio delivered a total gross return of -6.82% (-7.00%, net of fees) in the first quarter, consisting of 1.13% income and 7.96% depreciation. The Fund's office valuations were again affected by increased investment rates, and more conservative rental rate and lease-up assumptions. In many cases, we believe that we are approaching the land value of these assets, and expect the worst of the write-downs to be behind us. Following the Q1 valuations, the Fund's current office portfolio has depreciated by 48%, on a GAV basis, since Q1 2020.

Due to the glut of office supply in most markets, landlord-tenant relationships are more important than ever. The BGO asset management team has been at the forefront of proactively engaging with our tenants to help address their current and future space needs. This has allowed us to retain tenants in a highly competitive market for landlords. At 1900 16th St. in Denver, we successfully extended anchor tenants including: First Western, PWC and Meta. By shoring up the rent roll, we believe we are better positioned to bring this asset to market in the near future.

MEPT has an 18.3% allocation to office, an overweight of 0.3 percentage points compared to the ODCE. The Fund's office portfolio has a weighted average lease term of 6.3 years.



## Multifamily

The Fund's multifamily portfolio delivered a total gross return of -0.91% (-1.08%, net of fees), consisting of 0.92% income and 1.83% depreciation.

Multifamily markets continue to absorb the record new supply that was delivered in the last few years, which has adversely impacted rent growth and vacancy rates. However, sustained rental demand is mitigating the effects of new supply in most markets. According to a recent study<sup>1</sup>, the typical home now costs nearly 37% more to buy than to rent on a monthly basis. In addition, the analysis found that it is cheaper to rent than to buy in each of the top 50 metros in the US. With rates expected to remain higher for longer, and the structural housing shortage in the US, we believe that any multifamily weakness will be temporary, and that multifamily will remain a top performing property type.

MEPT has a 32.8% allocation to multifamily, an overweight of 3.6 percentage points compared to the ODCE. The multifamily portfolio is 91.9% leased, and the Fund's stabilized multifamily portfolio achieved an average rent growth of 3.9% on renewal trade-outs in the first quarter.



## Self-Storage and Other

The Fund's self-storage portfolio delivered a total gross return of -6.74% (-6.92%, net of fees), consisting of 0.73% income and 7.48% depreciation. The Fund's self-storage portfolio now consists of 14 properties and a 2.3% Fund allocation. The portfolio's negative return in Q1 was the result of declining market rental rates across most assets. While the Fund's portfolio continues to benefit from strong existing customer rent increases, market rental rates have been affected by subdued US home sales. Home sales have a strong correlation with self-storage demand, and so while mortgage rates remain high, the focus will be on pushing rate increases on in-place customers.

The Fund's retail portfolio delivered a total gross return of 4.04% (3.87%, net of fees) in the first quarter, consisting of 1.58% income and 2.46% appreciation. The Fund's retail portfolio consists of three properties, a 2.2% Fund allocation, which is a significant underweight of 8.4 percentage points compared to the ODCE. The retail portfolio has a weighted average lease term of 7.4 years.

<sup>1</sup> Source: <https://www.bankrate.com/real-estate/rent-vs-buy-affordability-study/>



## Transactions

### Cleveland Ave. Storage Expansion

376

Unit expansion

720

Unit existing facility

88%

Leased (existing facility)



**In the first quarter**, the Fund acquired Cleveland Ave. Storage expansion, a forward purchase of a 376-unit expansion of an existing 720-unit self-storage facility in Atlanta, GA that the Fund owns through its partnership with EXR.

Also in the first quarter, the Fund completed the sale of Northpoint, a Chicago industrial property. In late April, the Fund sold 575 Albany St., a Boston vacant-shell building. During the remainder of the second quarter the Fund expects to sell 1 of 2 buildings at Nordhoff XC, a Los Angeles industrial property. The Fund also expects to close on the sale of a grocery-anchored retail center in Maryland during the summer. Lastly, the Fund has started the sales process with additional properties as it continues to navigate a challenging transaction environment.

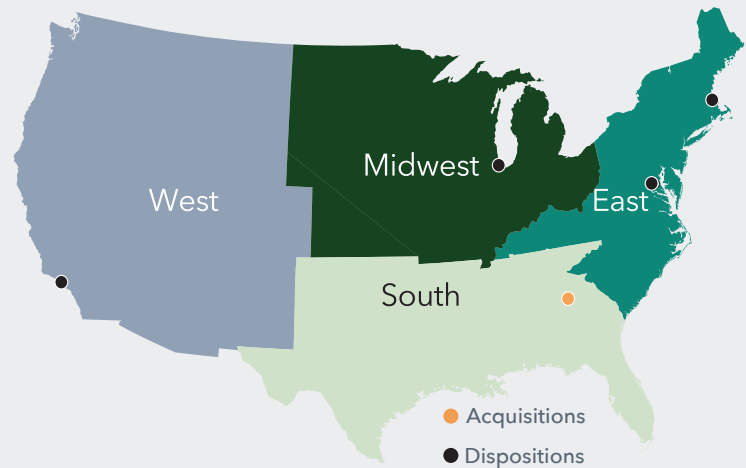


Cleveland Avenue  
Self-Storage, Atlanta





575 Albany Street  
Multifamily, Boston



### Acquisitions<sup>1</sup>



**\$5.3M**  
Closed



**\$0M**  
In Process



**\$5.3M**  
Acquisition Pipeline Total

### Dispositions<sup>2</sup>



**\$2.9M**  
Closed



**\$95.8M**  
In Process



**\$98.7M**  
Disposition Pipeline Total

## 2024 Transactions

Closed and In Process

Property Type	Acquisition Transaction Amount (\$M)	Disposition Transaction Amount (\$M)
Industrial	\$0	\$24
Multifamily	\$0	\$6
Office	\$0	\$0
Self-Storage	\$5	\$0
Retail	\$0	\$69
Other	\$0	\$0
Total	\$5	\$99

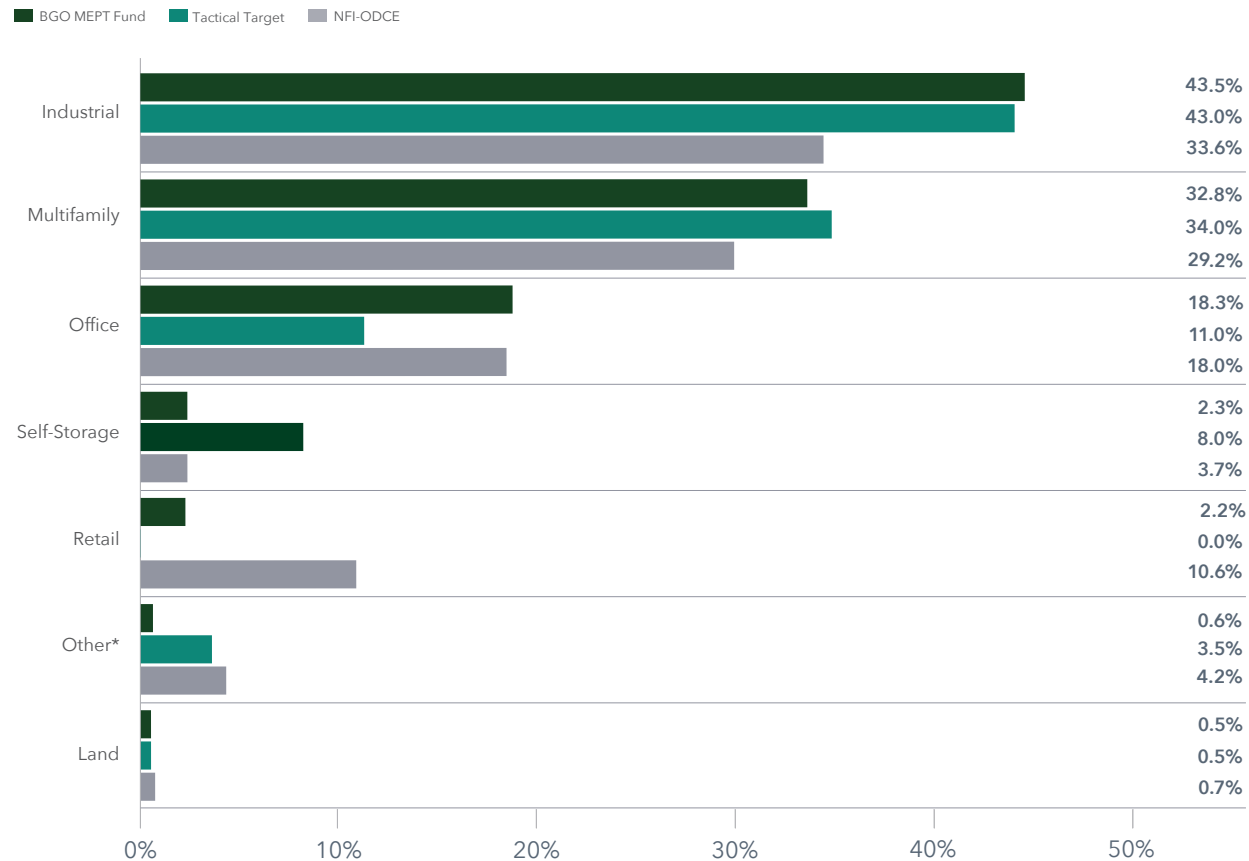
1 The transactions referenced herein represent certain prospective investments and there can be no assurance that the Fund will actually make investments that are comparable in scope, type or quality to such investments or that similar investments will be available to the Fund.

2 The Fund may sell the assets listed here for more or less than the amounts noted.

# BGO MEPT Fund by the Numbers

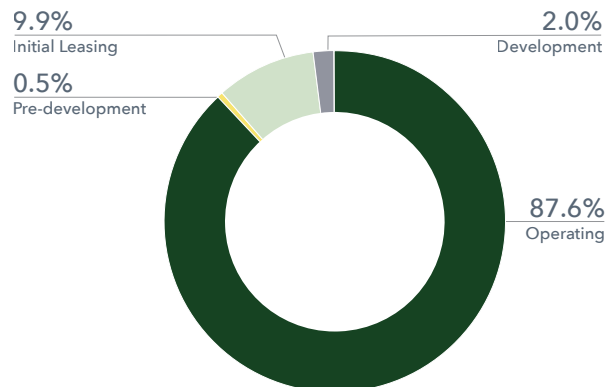
As of March 31, 2024

## By Property Type (GAV)

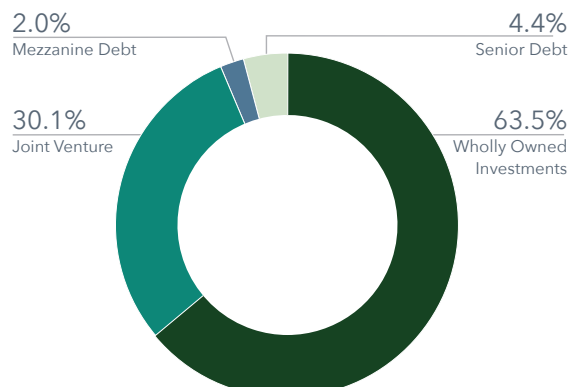


\*Includes life science and other property types.

## By Life Cycle (GAV)



## By Investment Structure (GAV)



### Notes

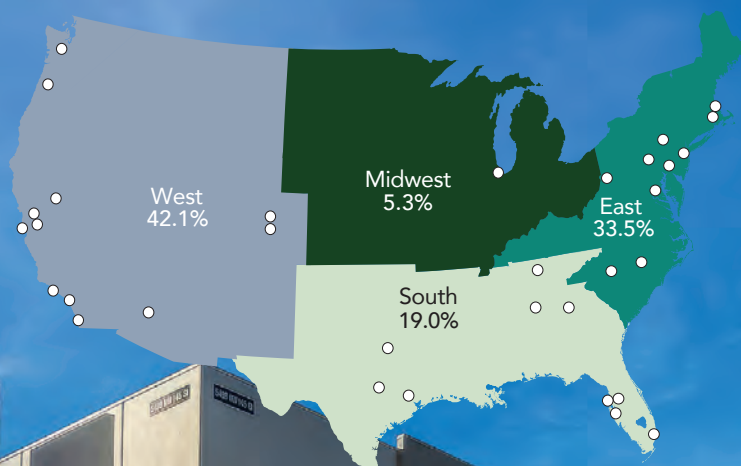
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Forward looking statements found in this report are subject to change and applicable only as of the date made. Many of the factors affecting such statements are impossible to predict with certainty, and as such, are outside the control of MEPT. Further, past performance is not indicative of future results.



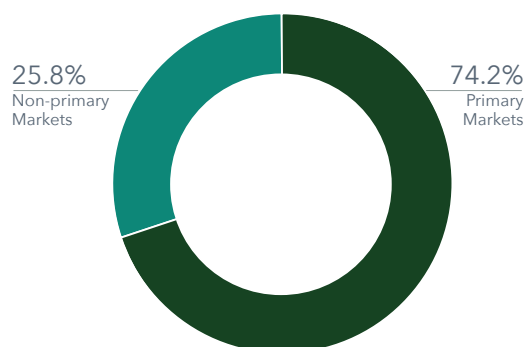
## Diversification by Geographic Region (GAV)

West	\$4,332.5M
Midwest	\$ 548.0M
East	\$3,443.7M
South	\$1,954.9M



AVE Aviation & Commerce Center  
Industrial, Miami

## By Market (GAV)



## Top Markets by Investment

As of March 31, 2024

Market	GAV (in \$m)	% of GAV
Los Angeles	\$ 1,411.8	13.7%
New York	1,095.0	10.7%
Dallas	904.7	8.8%
Boston	845.5	8.2%
Portland, OR	640.6	6.2%
Washington, DC	569.2	5.5%
Chicago	548.0	5.3%
Seattle	495.8	4.8%
San Francisco	404.0	3.9%
Other Markets	3,364.6	32.7%

Total \$10,279.2 100.0%

Primary Market Non-primary Market

## BGO MEPT Fund by the Numbers

### BGO MEPT Fund Top 10 Tenants by Revenue

As of March 31, 2024

Tenant Name	Lease End Date	Percent Total Revenue
Amazon	Varies	3.9%
GSA	Varies	2.5%
Disney	11/30/27	1.9%
Convene	02/28/33	1.0%
Walmart	01/31/29	0.9%
Chewy	09/30/25	0.7%
Grant Thornton	04/30/30	0.7%
Aurora Innovation	04/17/31	0.7%
BNP Paribas	07/31/42	0.6%
Post Consumer Brands	07/31/31	0.6%
<b>Total</b>		<b>13.7%</b>



Mission Trails Industrial Center  
Industrial, San Diego



1900 16th St  
Office, Denver

### BGO MEPT Fund 10 Largest Assets (GAV)

As of March 31, 2024

Property Name	Market	Gross Asset Value at Share (\$M)
The Smith Multifamily	Boston	\$414.0
Haven Gateway Industrial	Los Angeles	\$365.0
The Octagon Multifamily	New York	\$360.0
Newport Tower Office	New York	\$267.0
Solaire Multifamily	San Francisco	\$241.0
Mission Trails Industrial Center Industrial	San Diego	\$233.0
1900 16th St Office	Denver	\$221.3
200 West Madison Office	Chicago	\$194.0
AVE Aviation & Commerce Center Industrial	Miami	\$192.0
Eastgate 540 Industrial	Raleigh	\$182.0

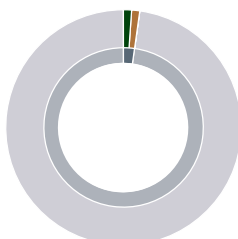


## Lease Rollover

Percent of Net Rentable Area

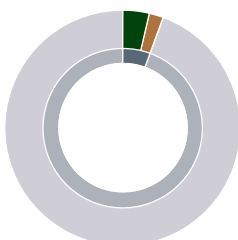
2024

Industrial	1.31%
Office	0.98%
Retail	0.05%
Consolidated	2.33%



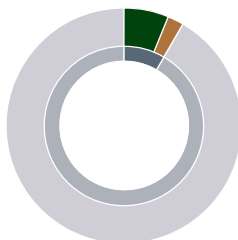
2025

Industrial	3.82%
Office	1.86%
Retail	0.10%
Consolidated	5.78%



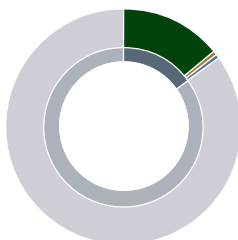
2026

Industrial	6.34%
Office	2.14%
Retail	0.07%
Consolidated	8.54%



2027

Industrial	14.02%
Office	0.70%
Retail	0.35%
Consolidated	15.07%

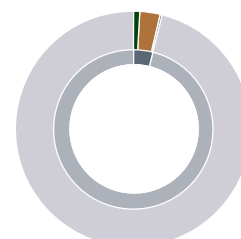


## Lease Rollover

Percent of Revenue

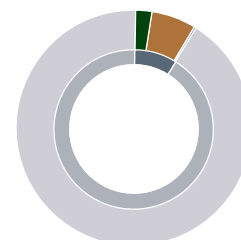
2024

Industrial	1.04%
Office	2.79%
Retail	0.11%
Consolidated	3.94%



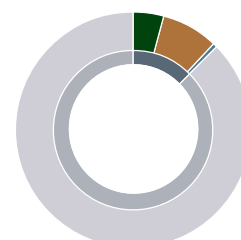
2025

Industrial	2.41%
Office	6.15%
Retail	0.23%
Consolidated	8.79%



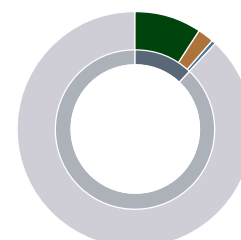
2026

Industrial	4.31%
Office	7.98%
Retail	0.18%
Consolidated	12.46%



2027

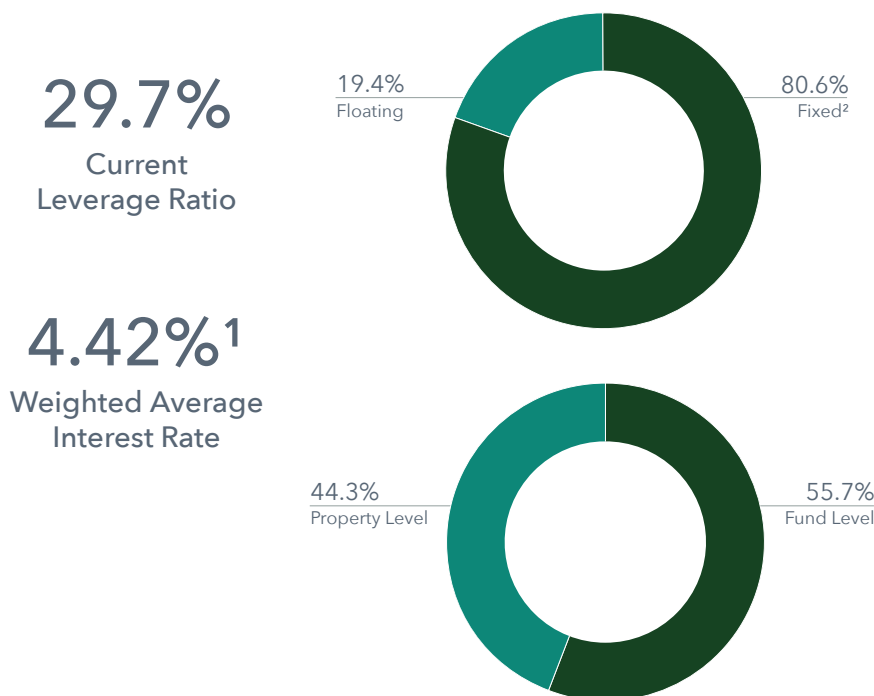
Industrial	9.27%
Office	2.28%
Retail	0.52%
Consolidated	12.07%



## Debt Structure

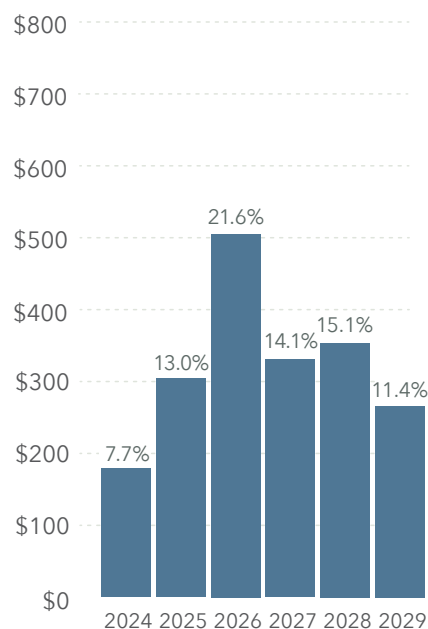
As of March 31, 2024

During the first quarter, the Fund's leverage ratio increased modestly from 28.8% to 29.7%, due to continued NAV depreciation. In addition, the Fund's average interest rate on its debt was reduced from 4.56%<sup>1</sup> to 4.42%<sup>1</sup>. Following the payoff of a \$150M Private Placement note in late April, the Fund now has \$69M of remaining maturities in 2024.



## Debt Maturity Schedule

As of March 31, 2024  
(in \$ millions)



<sup>1</sup> Includes interest rate hedging.

<sup>2</sup> Includes floating rate debt with interest rate hedging as fixed.

Tier 1 (T1) Leverage*	
Economic Share of Mortgages Payable	\$ 1,037,134,301
Economic Share of Lines of credit	\$ 293,834,997
Economic Share of Term Loans & Private Placements	\$ 1,010,057,803
<b>T1 Total Leverage</b>	<b>\$ 2,341,027,101</b>
Total Assets per consolidated statement of net assets	\$ 9,354,207,217
Non-controlling interest in net assets	\$ (2,690,822,612)
Fund's share of non-consolidated joint venture liabilities	\$ 956,317,661
Total Gross Assets	\$ 7,619,702,266
<b>T1 Leverage Percentage</b>	<b>30.72%</b>

\*The NCREIF PREA Reporting Standards require that T1 Leverage is disclosed. More information can be found at: <https://reportingstandards.info/>



## Environmental, Social and Governance (ESG)

MEPT has a 40+ year track record of job creation and direct economic impact through its investments in new construction projects and tenant improvements.\*

### 377

construction projects analyzed

### \$13.5B

economic activity generated

### 1,323

green construction jobs supported in 2022

### 65%

of jobs created in 2022 were direct green construction jobs

### 65,301

construction jobs created

### 127.7M

job hours generated

### 7,931

jobs for women created

### 19,603

jobs for minorities created

### Planned ESG Initiatives

**40 buildings** have planned ESG initiatives for 2024 budget cycle.

### Climate Resilience

**100% of buildings** provided with a custom climate adaptation plan, as of March 31, 2024.

### LED Lighting

Over 90% of industrial and retail sites have majority LED lighting fixtures.

### Tenant Engagement

**40 buildings** in the portfolio are participating in a tenant engagement program.

### Transportation

**80 buildings** offer at least one alternative transportation solution, including EV charging and bicycle storage.

### Carbon Targets

**17 buildings** are on track to meet their projected carbon target by 2025.

\*Since inception on April 1, 1982 through December 31, 2022, except green construction jobs, which include data for expenditures in sustainable development and energy-efficient property operations classified as green buildings in 2022. Source: The Economic and Fiscal Impacts of MEPT Fund Investments across the United States 1982-2022, which can be found at [https://mept.com/pdf/MEPT%20Job%20study\\_Nov\\_2023\\_final.pdf](https://mept.com/pdf/MEPT%20Job%20study_Nov_2023_final.pdf)

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Real Estate Advisor



[bgo.com](https://bgo.com)

Trustee



[newtowertrust.com](https://newtowertrust.com)

Forward looking statements found in this report are subject to change and applicable only as of the date made. Many of the factors affecting such statements are impossible to predict with certainty, and as such, are outside the control of MEPT. Further, past performance is not indicative of future results.

This report reflects the views of NewTower Trust Company, the trustee of The NewTower Trust Company Multi-Employer Property Fund ("BGO MEPT Fund," "BGO MEPT," "MEPT," "MEPT Fund" or "the Fund"), and BentallGreenOak (U.S.) Limited Partnership ("BGO"), the real estate advisor to the trustee, with respect to MEPT. It is prepared for distribution to existing investors in MEPT. It may not be reproduced or distributed to the public.

On July 1, 2019, Bentall Kennedy and GreenOak Real Estate merged to form BGO. The information on this page only applies to the legacy Bentall Kennedy business

GRESB Rating: GRESB B.V. (GRESB) created and tabulated the Fund's score, which covers activities taking place during each calendar year and its typically released on or around October 1 of the following year after materials for the Fund are submitted to GRESB. In order to obtain a rating, the Fund must pay a participation assessment fee for submission to GRESB. For more information regarding GRESB, please see <https://gresb.com/nl-en/>. BGO Diversified and MEPT were submitted together for the GRESB survey. For additional information, please see <https://mept.com> in the Publications, Quarterly Reports section.





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