The Quarterly

Trust Report

Multi-Employer Property Trust

SECOND QUARTER | JULY 2004 | VOLUME 19, NUMBER 2

The Multi-Employer Property Trust closed the second quarter of 2004 with a unit value of **$4,678.35,** up **2.47 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **9.55 percent**. MEPT generated a gross return of **2.71 percent** for the second quarter, and a **10.60 percent** gross return for the trailing four quarters.

As of July 1, MEPT's net asset value stood at $3.89 billion. MEPT's portfolio consists of 158 funded properties in over 25 major metropolitan areas. In the second quarter, four new investors became participants in MEPT, bringing the total number to 250.

It remains a difficult leasing environment and many landlords continue to offer concessions, such as free rent and generous tenant improvement allowances, in order to attract tenants. Even with the strong competition for tenants, MEPT increased occupancy to 87.4 percent at the end of the second quarter, and MEPT's portfolio has experienced close to one million square feet of positive net absorption during the first six months of the year.

Market indicators show that fundamentals may be improving. For the first time in several years in certain markets, tenants are vying for the same available space.

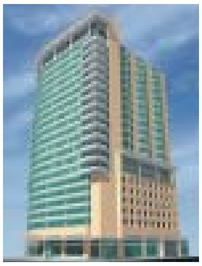
"As the market begins to improve, it is a time to be even more patient than in the past, so that we capture additional value in our new leases," stated Preston Sargent, Executive Vice President of Kennedy Associates Real Estate Counsel, Inc. "At the same time, we are capitalizing on our relationships with existing tenants to explore leasing opportunities for them across the entire MEPT portfolio—a strategy that also saves time and money."

Use Every Tool You Have

NEWS BRIEFS

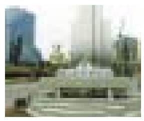
THE MEPT ADVISORY BOARD MET ON JUNE 15, 2004 IN WASHINGTON, DC. MEPT management discussed with attendees the MEPT trusteeship and alternatives for the trusteeship. Management also provided attendees a review of Fund activity since the last Advisory Board meeting in 2003, and reviewed 2003 performance and year-to-date 2004 performance. In addition, the management team outlined 2004 goals. For investors and their consultants, minutes from the meeting will be posted on the secure, password-protected area on www.mept.com.

MEPT COMMITS A TOTAL OF $95 MILLION TO FOUR NEW PROJECTS: **Gateway Distribution Center** is a planned 513,420-square-foot bulk distribution/warehouse center in the St. Louis market. In Baltimore, **Zenith** is a 200-unit Class A apartment building development to be built near the Inner Harbor and adjacent to Oriole Park at Camden Yards. **Russell Ranch Road** is a planned 180,000 square foot office building in Los Angeles and the 10.7 acre site allows for additional build-out as demand warrants. The acquisition of **Wicks Land** provides the Fund with future development capacity since it is adjacent to one of the existing assets acquired recently as part of the Western Industrial Portfolio.



Zenith rendering

GATEWAY BUSINESS CENTER IS SOLD FOR GROSS PROCEEDS OF $12.3 MILLION, OR $49 PER SQUARE FOOT. The 250,499 square foot industrial building in Cranbury, New Jersey was sold at the end of the second quarter as a result of an unsolicited offer from a pharmaceutical manufacturer who plans to occupy the building. Developed in 1989, MEPT forecast challenges in marketing the building to distribution or warehouse tenants, since it suffers from some obsolescence when compared to the new, state-of-the-art industrial buildings in the market. The final price was $5 per square foot (or 10 percent) higher than the asset's most recent appraisal.



SAVE THE DATE: On Sunday, September 19, 2004, MEPT invites you to experience New Orleans at Café Adelaide and the Swizzle Stick Bar at Loews New Orleans Hotel, 100% union-built by Multi-Employer Development Partners L.P. If you plan to attend the International Foundation of Employee Benefit Plans' 50th Annual Employee Benefits Conference, then join us for the cocktail reception by sending an RSVP to ppaul@lbutler.com.

SECOND QUARTER RESULTS

Net Return, Second Quarter:
2.47%

Net Return, 7/1/03–6/30/04:
9.55%

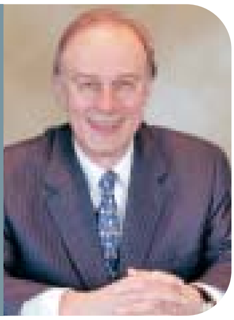
Net Asset Value:
$3.89 billion

Performance

Second Quarter Commentary

"It has been a very challenging market to buy in, which makes putting out cash extremely difficult. Compression in cap rates has pushed rates down to 6 percent to 7 percent, when historically they have been in the 8 percent to 9 percent range. The bond market has had substantial movement and interest rates are expected to go up, which means people who are using debt to acquire will be disadvantaged. We believe the climate for acquisitions is changing."

Jim Snyder, President, Kennedy Associates Real Estate Counsel, Inc.



MEPT's second quarter performance positions the Fund to achieve management's 2004 goal of 8 percent to 9 percent gross of fees return for the year. Year-to-date MEPT produced a total gross return of 4.96 percent, composed of 2.95 percent income return and 1.98 percent appreciation return.

MEPT assets experienced strong value gains during the second quarter, totaling 1.30 percent appreciation. Compression in capitalization rates for Class A properties across the country, and improved leasing at several MEPT assets were major factors in the positive appreciation. Valuation increases at Shaw Park Plaza, in St. Louis; Arena Corporate Center, in Los Angeles; Centerpointe Chino II, in Los Angeles; Brewery Block 2, in Portland, OR; and Pacific Vista, in Los Angeles, significantly contributed to the first quarter appreciation.

Declines in valuations at several assets offset some of the appreciation gains and were the result of ongoing softness in markets like suburban Chicago and suburban Boston.

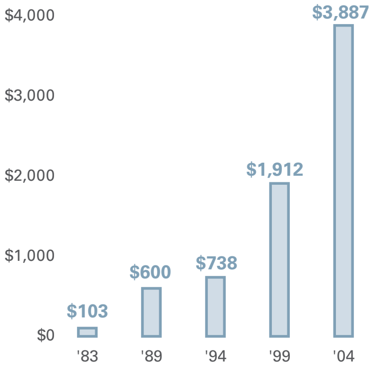
Yield

	SECOND QUARTER 2004	TRAILING FOUR QUARTERS (COMPOUNDED)
NET	**2.47%**	**9.55%**
INCOME	1.17%	5.21%
APPRECIATION	1.30%	4.18%
GROSS	**2.71%**	**10.60%**
INCOME	1.41%	6.23%
APPRECIATION	1.30%	4.18%

Net Asset Value Growth

July 1, 1983 — July 1, 2004

Based on Market Value ($Millions)

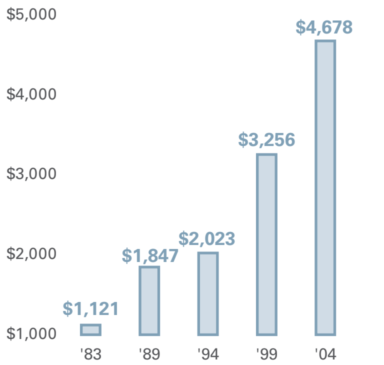


Values shown are for July 1 in each year.
Date of inception April 1, 1982.

Unit Value Growth

July 1, 1983 — July 1, 2004

Based on Market Value



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

July 2004

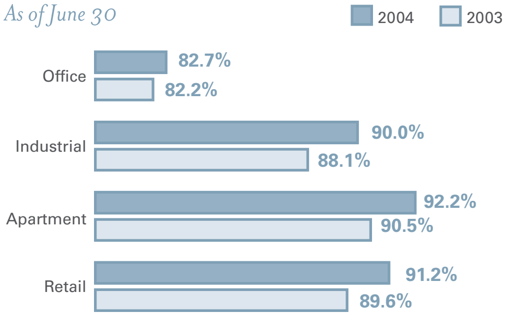
PORTFOLIO SPOTLIGHT

FUND OVERVIEW

Inception Date	April 1, 1982	Average Age of Properties	7.2 years
Assets Held	158	Markets	25
Number of Buildings	309	Net Asset Value	$3.89 billion
Total Operating Square Footage	28.4 million	Unit Value	$4,678.35
Operating Occupancy	87.4%	Participating Plans	250

OPERATING PORTFOLIO OCCUPANCY BY PROPERTY TYPE

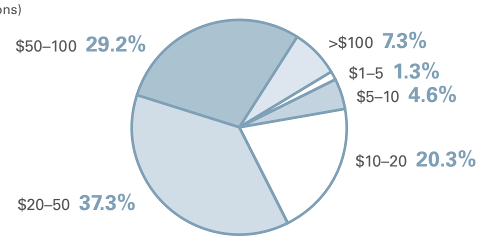
As of June 30



DIVERSIFICATION BY INVESTMENT SIZE

As of June 30, 2004

($Millions)



Based on net asset value.

IN THE SECOND QUARTER, MEPT signed more than 100 new, renewal and expansion leases. Tenant retention and tenant expansion were key factors in MEPT's strong leasing activity during the quarter. Significant renewals and expansions included Compucom's 308,500 square foot lease at Forest Park in the Philadelphia area; Fort James Corporation's lease of 204,550 square feet at Rivergate II in Portland, OR; Yoshida Family LP's lease for 76,500 square feet at Alderwood II in Portland, OR; L.R. Nelson Corp.'s lease of 61,500 square feet at Centerpointe Chino I in Los Angeles; and the 60,000 square feet leased by Packaging Corporation of America at Bandini in Los Angeles.

Notable new leases included the State of Ohio's 68,340 square foot lease at Pictoria Corporate Center in Cincinnati; and IBC of Arizona's lease of 63,750 square feet at Southwest Commerce Center IV in Reno.

TOP TEN ASSETS BY SIZE OF INVESTMENT

PROPERTY NAME	MSA	PROPERTY TYPE	PERCENT OF NET ASSET VALUE*
W NEW YORK – UNION SQUARE	NEW YORK	HOSPITALITY	3.8%
WEST HILLS CORPORATE VILLAGE	LOS ANGELES	OFFICE	2.9%
THE MADISON	WASHINGTON, DC	HOSPITALITY	2.5%
COURTHOUSE TOWER	WASHINGTON, DC	OFFICE	2.5%
HARMAN INTERNATIONAL BUSINESS CAMPUS	LOS ANGELES	INDUSTRIAL	2.3%
ARENA CORPORATE CENTER	LOS ANGELES	OFFICE	2.3%
3500 LACEY ROAD	CHICAGO	OFFICE	2.2%
LEGACY PLAZA	DENVER	OFFICE	2.0%
SHAW PARK PLAZA	ST. LOUIS	OFFICE	1.8%
MISSION TRAILS INDUSTRIAL CENTER	SAN DIEGO	INDUSTRIAL	1.7%
TOTAL			24.0%

* Net Asset Value represents MEPT current value. It does not represent "as-complete" value for projects under construction, renovation, leverage (if any), or value of joint ventures partner share (if any).

SECOND QUARTER ACTIVITY

NEW PARTICIPANTS

Inter-Local Pension Fund of the Graphic Communications International Union

Waterfront Employers—ILA Pension Fund

Electrical Workers Local No. 26 Pension Trust Fund

Upstate New York Bakery Drivers and Industry Pension Fund

PROJECTS COMMITTED

Gateway Distribution Center I
St. Louis, MO

Russell Ranch Road
Los Angeles, CA

Wicks Land
San Francisco, CA

Zenith
Baltimore, MD

PROJECTS SOLD

Gateway Business Center
Central New Jersey

The following excerpt from the article "Gloom or Bloom? Six Questions to Answer About the Economy and Your Real Estate Portfolio" by David P. Lindahl, Ph.D., Director of Research at Kennedy Associates Real Estate Counsel, Inc., provides an overview of current economic issues and their impact on real estate investments.

Gloom or Bloom?

Six Questions to Answer About the Economy and Your Real Estate Portfolio

How Will the Next Expansion Unfold? The US economy has just emerged from what turned out to be a normal, and even mild, recession and downturn by historical comparison. Recent fears concerning permanent job losses are largely a repeat of debates that have taken place since the US began its transition from a goods to a service-oriented economy. In the early 1960s, there were widespread fears of permanent job losses from automation. In the 1970s and early 1980s, predictions of "de-industrialization" were followed by the creation of 34 million jobs. The next expansion will likely mirror that of previous ones—where job creation will outpace the normal process of job destruction, led by long-term benefits of productivity, small and mid-sized firm births, and innovation of new activities.

Is Offshore Outsourcing Something to Worry About? Offshore outsourcing is a real phenomenon, a continuation of a process that has been occurring for decades, but its impacts have been widely over-exaggerated, and the US is a net beneficiary of global trade. We believe offshore outsourcing will have little net impact on overall demand for office and other commercial real estate. As one of the largest managers of office and flex space in the nation, we have yet to find a single example of a tenant terminating a lease or reducing their space needs because of foreign outsourcing.

Who Are the Consumers and Workers of Tomorrow? Baby Boomers and their offspring will continue to dictate demand for all forms of US real estate, but the growth of the nation's foreign-born population will increasingly become one of the most important demographic and economic forces in coming decades. The combination of immigration and delayed retirement will continue to generate modest increases in the overall labor force and demand for office space—from a past average rate of 3 to 5 percent annually to about 1 percent in the next two decades.

Is Growth in China and Other Emerging Economies a Threat or an Opportunity? Increased trade with China (that has grown by nearly 12 percent annually since 1997) offers exciting new opportunities for investment, particularly oriented towards ports, air cargo, and other transportation-related activities. While West Coast US ports will be the recipients of a large portion of this activity, changes in logistics systems and transportation costs are creating a moderate resurgence in East Coast goods traffic as shippers are choosing all-water routes through the Panama and Suez Canals. This is having a corresponding increase in demand for port-oriented warehouse space in select East Coast ports.

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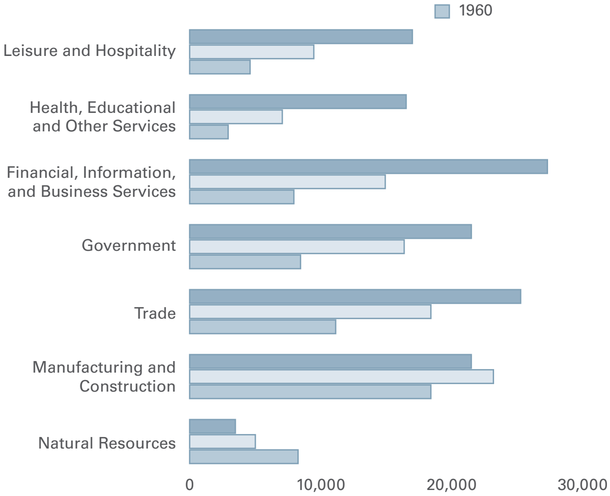
Employment by Major Sector

1960 – 2004

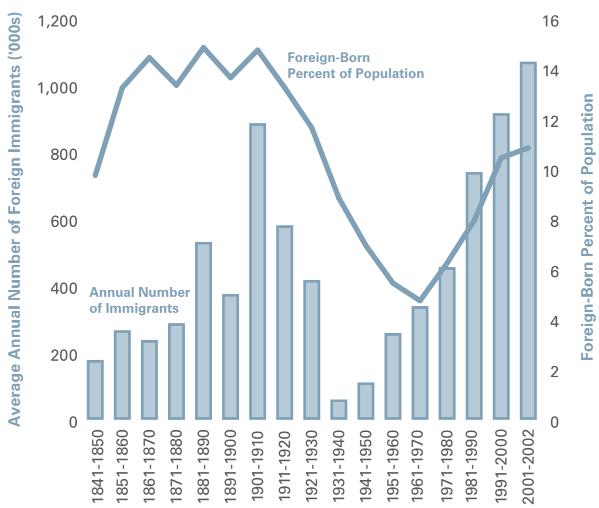
'000s of Employees



Source: Bureau of Labor Statistics, www.bis.gov

U.S. Immigration Trends

Annual Number of Immigrants and Foreign-Born Population



Source: U.S. Census

MANAGEMENT FEE—MEPT's Trustee, Riggs Bank N.A., charges an annual investment management fee based on the net assets of the Fund. The current annual MEPT fee is approximately 0.945%. 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 the third $1 billion of MEPT total net assets. 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.

GLOOM OR BLOOM? *(continued from inside)*

Are We Entering a New Era of Energy Shortages? The US potentially faces a new era of energy shortages not seen in nearly three decades, due to peaking of oil field production and accelerating energy demands from China and emerging economies. Higher energy prices are already changing the locational needs for businesses, including a renewed use of rail and preference for markets with access to multiple modes of transportation. Increased energy costs also highlights the need for energy-efficient buildings and production processes.

Where Will Capital Herd to (or Flee from) Next? The current capital market environment, where real estate has become a preferred asset class, has heightened investor risk due to aggressive pricing, particularly in what are perceived as the least risky assets and markets. Anticipated increases in interest rates will moderate this risk to some extent, but there remains a great deal of pent-up investment demand for real estate assets. The current pricing environment, where existing properties in prime locations are trading at a premium above replacement cost, creates opportunities for selective development and locations currently out of favor. Conversely, as capitalization rates generally revert to their historic means, assets acquired above replacement costs are likely to produce lower returns.

While there are many factors important to investors in real estate, we view these six questions as having a particularly significant impact on decisions made through the end of the 21st Century's first decade.

To obtain the full report, please go to www.kennedyusa.com or visit www.mept.com/team/ and click on Kennedy Associates Real Estate Counsel, Inc.

David P. Lindahl, Ph.D., leads the research team at Kennedy Associates Real Estate Counsel, Inc., as its Director. He is also a faculty member at the Runstad Center for Real Estate Studies at the University of Washington in Seattle. He has written numerous articles on the economy and real estate, which can be found at www.kennedyusa.com. Elliott Westerman, Research Associate, also contributed to the article.

The *Trust Report* is published by the Multi-Employer Property Trust (MEPT), a commingled open-end real estate equity fund that invests in a diversified portfolio of 100% union built, institutional-quality real estate 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 Landon Butler & Company at 202-737-7300, or through our Web site, **www.mept.com**.

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TRUSTEE

RIGGS

RIGGS BANK N.A.

INVESTMENT ADVISOR

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