

THE QUARTERLY

TRUST REPORT

|| MULTI-EMPLOYER PROPERTY TRUST

THIRD QUARTER | OCTOBER 2004 | VOLUME 19, NUMBER 3



THE MULTI-EMPLOYER PROPERTY TRUST closed the third quarter of 2004 with a unit value of **\$4,806.26**, up **2.73 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **9.82 percent**. With the third quarter performance, MEPT's year-to-date net return is 7.32 percent, so MEPT is expected to exceed its 2004 net return goal of 7.00 percent to 8.00 percent. MEPT generated a gross return of **2.98 percent** for the third quarter, and produced a **10.86 percent** gross return for the trailing four quarters.

On October 1, 2004, MEPT achieved a milestone by surpassing \$4.0 billion in net assets. MEPT's portfolio consists of 157 funded properties in over 25 major metropolitan areas. In the second quarter, two new investors became participants in MEPT, bringing the total number of investors to 251.

Leasing activity continued to show strength in the third quarter in most markets. In many locations, tenants' willingness to make leasing decisions and commitments was driven by the improving market fundamentals and tenants' realization that they may need to move quickly to take advantage of current rental rates and space availability. With a few exceptions (Washington, D.C. and Southern California), rental rates remain flat. Certain markets (Boston, Seattle and San Francisco Bay area) continue to suffer from the fallout of the tech bust and are not yet experiencing improving conditions.

For MEPT, leasing activity has steadily increased in the first three quarters of 2004; more lease transactions for new occupancy were completed in the first nine months of 2004 than in all of 2003. MEPT's operating portfolio occupancy increased from 87.4 percent at the end of the second quarter to 88.2 percent at the end of the third quarter.

Real estate continues to be an asset class that is attracting an unprecedented volume of institutional capital. The pace of sale transactions has increased, and capitalization rates for high-quality, well-leased properties continue to decline. Investment activity for the first nine months of 2004 totaled \$116.2 billion, a 47 percent increase in volume over the same period last year, according to Real Estate Capital Analytics. MEPT continues to compete aggressively for acquisition investments while also maintaining its strict acquisition underwriting discipline.

USE EVERY TOOL YOU HAVE

NEWS BRIEFS

AT THE START OF THE THIRD QUARTER, MEPT COMMITTED

\$30 MILLION TO CONVENTRY GLEN, a 280-unit garden-style apartment complex to be built in the greater Chicago area in Round Lake, IL. The project is planned to include fourteen 20-unit buildings. Each of the residential buildings will contain a combination of one-bedroom, one-bath units, and two-bedroom, two-bath units. The apartments will feature in-unit laundry facilities and private outdoor balconies or patios with exterior storage. Ten garage buildings are planned, and ample surface parking will also be available throughout the development. A 4,000 square foot clubhouse will feature an indoor fitness facility, an outdoor swimming pool, meeting rooms and a fully appointed business center with Internet access, fax machine and photocopier. Playground facilities are also included in this planned residential community.

DURING THE QUARTER, MEPT SOLD VALENCIA COMMERCE CENTER III,



a 206,930 square foot industrial building in Los Angeles, CA, that MEPT built in 2001. MEPT sold this asset to Certified International Corp., the tenant, in accordance with a purchase option negotiated as part of the original lease agreement. Certified International Corp., an importer of ceramic products, purchased the building for gross proceeds of \$14 million.

MEPT SOLD EDGEWOOD TOWNE CENTRE,

a 339,791 square foot, grocery-anchored retail center in Pittsburgh, PA, to Phillips Edison & Company, a firm specializing in the acquisition and redevelopment of grocery store anchored shopping centers.



MEPT identified Edgewood as an asset for sale when persistent vacancies in the former PharMor space was evidence that competition from nearby retail centers was increasing and sustainable, and long-term appreciation for the asset was at risk. With many investors in the market for retail acquisitions, MEPT marketed the property and sold Edgewood for \$28 million in gross proceeds.

BURR DEPARTS LANDON BUTLER & COMPANY.



Shep Burr will be leaving Landon Butler & Company after 12 years of unparalleled service in order to pursue new professional opportunities. Shep has had responsibilities in all facets of LBC's operations. He has been a vital part of the LBC team, with oversight for marketing to new investors, serving current clients, communicating to investors, consultants, and the Taft-Hartley community, and strategically planning and developing new investment products for LBC clients. As a

member of the MEPT Operating Committee, he was involved in many of the decisions in managing the Fund, and was a major factor in MEPT's ability to grow to \$4 billion in assets at the end of the third quarter. MEPT appreciates his service, strategic insight, and overall contribution during his tenure.

THIRD QUARTER RESULTS

Net Return,
Third Quarter:

2.73%

Net Return,
10/1/03–9/30/04:

9.82%

Net Asset Value:

\$4.04 billion



PERFORMANCE

THIRD QUARTER COMMENTARY

"We actively pursue acquisition opportunities in all markets but are finding that cap rates continue to decline and yields on assets in most cases are unacceptably low. There are good quality assets on the market that we are pursuing aggressively, but the competition and capital chasing every asset remains fierce. We have seen bidding situations with dozens of bidders. However, we are optimistic about our current pipeline of potential investments."

John Parker, Executive Vice President and Director of Acquisition,
Kennedy Associates Real Estate Counsel, Inc.

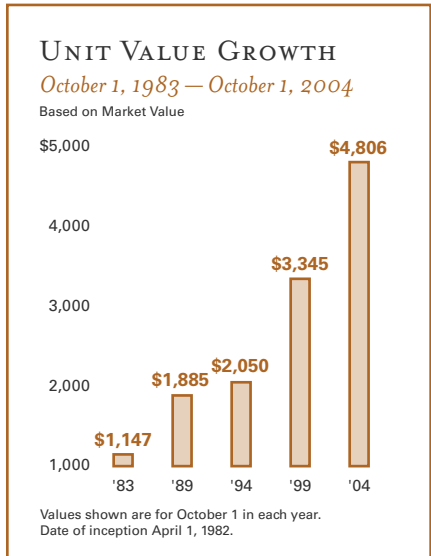
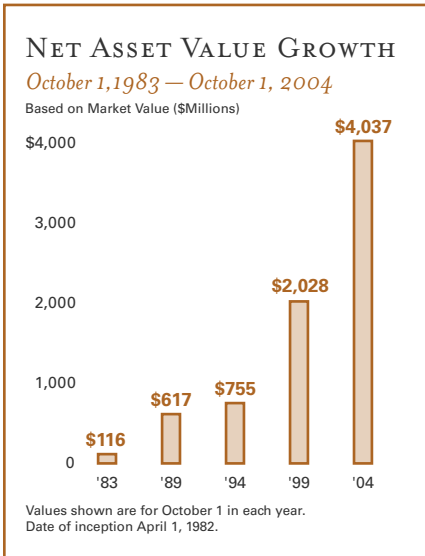


YEAR-TO-DATE MEPT produced a total gross return of 8.08 percent, composed of 4.46 percent income return and 3.52 percent appreciation return. The portfolio had strong gains in value during the quarter, totaling 1.52 percent.

Value increases have been driven by the impact of solid leasing activity in the portfolio, as well as the continued compression in capitalization rates. Additionally, an effort by MEPT to aggregate a select number of adjacent and similar properties, typically located in the same business park, that were historically valued as individual assets is having a positive impact on valuations. (For more information, see In-depth article.) Value increases at Legacy Plaza in Denver; Haven Gateway in Los Angeles; Oyster Point I in San Francisco; West Hills Corporate Village in Los Angeles; River Run in Chicago; and Lyndwood Executive Center in Baltimore significantly contributed to the third quarter appreciation.

Declines in value at certain MEPT assets partially offset the appreciation gains and were principally the result of continued softness in markets lacking sustained economic growth, as well as those still suffering from the persistent effects of the telecom and tech bust, such as Seattle, Detroit, Indianapolis, San Francisco Bay area, and Kansas City.

YIELD		
	THIRD QUARTER 2004	TRAILING FOUR QUARTERS (COMPOUNDED)
NET	2.73%	9.82%
INCOME	1.22%	5.03%
APPRECIATION	1.52%	4.61%
GROSS	2.98%	10.86%
INCOME	1.46%	6.05%
APPRECIATION	1.52%	4.61%



PORTFOLIO SPOTLIGHT

FUND OVERVIEW

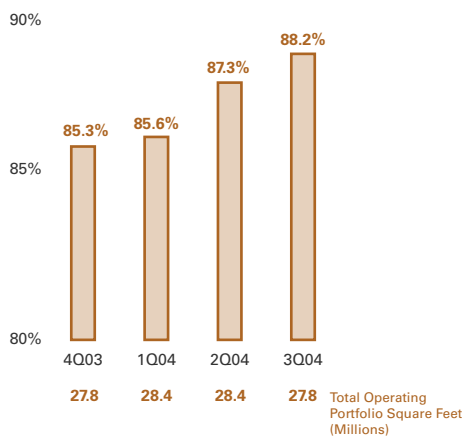
Inception Date	April 1, 1982	Average Age of Properties	7.1 years
Assets Held	157	Markets	25
Number of Buildings	321	Net Asset Value	\$4.04 billion
Total Operating Square Footage	27.8 million	Unit Value	\$4,806.26
Operating Occupancy	88.2%	Participating Plans	251

DURING THE THIRD QUARTER, MEPT completed 102 lease transactions, bringing the total for 2004 year-to-date to 306. This total reflects 197 new or expansion leases, as well as 109 renewals or lease extensions. Leasing interest and activity in 2004 has outpaced that experienced by MEPT in 2003 with total leasing activity

for the first nine months of the year being approximately equal to the total observed during all of 2003.

Significant leases of over 25,000 square feet, signed during the third quarter, included Walker Furniture's 420,000 square foot lease at Cheyenne Corporate Center in Las Vegas, NV; Lockheed Martin's lease of 120,904 square feet at Maryland 95 Corporate Center in Washington, DC; Ozburn-Hessey Logistics' lease for 101,340 square feet in St. Louis, MO, at West 70 Commerce Center I; an 83,006 square foot lease signed by Heller Ehrman at 1717 Rhode Island Avenue in Washington, DC; Reznick, Fedder & Silverman, CPAs' 67,465 square foot lease at 500 East Pratt Street in Baltimore, MD; Unilab Corporation's lease for 38,795 square feet at Corporate Point at West Hills in Los Angeles, CA; a lease signed by Safeco for 34,976 square feet at Greenspoint Office I; and, Tire Centers' lease for 25,747 square feet at West 70 Commerce Center V in St. Louis, MO.

OPERATING PORTFOLIO OCCUPANCY BY QUARTER



LEASE ROLLOVER FOR THE OPERATING PORTFOLIO BY PROPERTY TYPE

As a Percent of Net Rentable Square Feet

As of September 30, 2004

	% LEASED	ROLLOVER				
		2004	2005	2006	2007	2008
OFFICE	83.30%	4.00%	9.99%	9.62%	8.73%	10.53%
INDUSTRIAL	91.08%	2.62%	16.24%	14.77%	13.40%	9.52%
RETAIL	97.91%	2.80%	1.02%	1.22%	0.00%	9.52%
APARTMENT	89.50%	—	—	—	—	—

THIRD QUARTER ACTIVITY

NEW PARTICIPANTS

Carpenters Pension Trust Fund of Northern California II

Carpenters Annuity Trust Fund of Northern California

PROJECTS COMMITTED

Coventry Glen
Chicago, IL

PROJECTS SOLD

Edgewood Towne Centre
Pittsburgh, PA

Valencia Commerce Center III
Los Angeles, CA

MEPT'S VALUATION PROCESS: WHAT MAKES IT INDEPENDENT AND THOROUGH?



Patrick Mayberry



Brent Palmer

MULTI-EMPLOYER PROPERTY TRUST maintains one of the most thorough and disciplined valuation processes of any open-end real estate fund. Patrick Mayberry, Senior Vice President of Riggs Bank and trustee of MEPT, and Brent Palmer, Vice President and Director of Kennedy Associates Real Estate Counsel, Inc.'s Asset Valuation Group, share information on asset valuation and MEPT's rigorous process.

How often is each asset appraised and why does MEPT appraise with that frequency?

Brent Palmer: Each asset in the

MEPT portfolio is appraised annually by an independent MAI-designated appraiser. The appraisal process is staggered throughout the calendar year so that independent appraisers value approximately 25 percent of the total portfolio each quarter.

Every property in the MEPT portfolio not being independently appraised during any given quarter is "marked-to-market" by MEPT asset managers under the direction of the Asset Valuation Group. This extensive quarterly valuation process not only addresses material changes in the physical or financial condition of the asset and associated market environment, but also utilizes information from recent MAI appraisals and numerous market data sources such as Kennedy's proprietary portfolio database and comparative market and property information.

Patrick Mayberry: We believe annual appraisals by independent MAI-appraisers combined with internal interim marking-to-market ensure that the valuation process captures changes in market conditions and property characteristics such as the signing of new leases. Ultimately, it means more accuracy in the Fund's quarterly valuation of each unit holder's ownership.

What is an MAI?

Brent Palmer: MAI is the commercial property designation conferred by the Appraisal Institute. This designation signifies that the appraiser has completed what is frequently regarded as the most rigorous, professional appraisal qualification process available. On average, it

takes approximately 7 to 10 years to complete the required combination of education, examination and 6,000 hours of experience in commercial real estate appraisal and valuation consulting.

Why doesn't MEPT have the entire portfolio valued by appraisers at one time, instead of appraising 25 percent per quarter?

Brent Palmer: The answer is really twofold. With 321 buildings in the portfolio, managing the workload of obtaining and reviewing all of these appraisals at the same time would be both difficult and impractical. Further, and of even more importance, is that the effective staggering of appraisals provides us with continuous current market intelligence from appraisers on a quarterly and ongoing basis. This appraisal data allows us to monitor relevant trends across the markets and property types that comprise MEPT. In addition, we can then compare this market information with the "real-time" experience of Kennedy's acquisitions and asset managers that are active in these same markets on a daily basis. It is this unique combination of information and analysis that serves as the basis for accurately marking-to-market each asset not being appraised during the quarter.

Who is responsible for engaging the appraisal firms?

Patrick Mayberry: Riggs Bank, as MEPT's trustee, engages each appraiser. MEPT utilizes about 20 to 30 of the most qualified appraisers from across the country. Assignments to these appraisers are rotated at least every three years to maintain an appropriate system of checks and balances.

What is the process after an appraiser completes each appraisal for an asset in the Fund?

Brent Palmer: Once the draft appraisal is received, MEPT's Asset Valuation Group—staffed with MAI-designated appraisers—together with MEPT's asset managers, thoroughly review each report and its accompanying discounted cash flow analysis to evaluate the appropriateness of valuation methodologies employed and ensure the accuracy of property descriptive and financial information. This critical data being verified includes total building and net rentable areas, rent roll, expenses, and occupancy, as well as essential market information such as competitive supply and demand characteristics and leasing activity.

(continued on back)

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 0.937%. 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 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.

MEPT’S VALUATION PROCESS *(continued from inside)*

Patrick Mayberry: As an additional safeguard, MEPT retains independent appraisal review firms (currently Deloitte & Touche and PriceWaterhouseCoopers) to assist in verifying the accuracy of the appraisal and appropriateness of the process. The firm retained reviews each appraisal report to determine compliance, completeness, appropriateness of methodology, accuracy of calculations, and reasonableness of conclusions. This independent review firm must also concur with each MAI appraisal before it is finalized and accepted by MEPT. Lastly, the final appraisal is examined by the trustee before being approved on behalf of the Fund. The methodology of the appraisal and review process is also examined annually by the Fund’s external auditor, KPMG, and approximately every three years by the Office of the Comptroller of the Currency.

What do you think investors should know about the MEPT valuation process, which they may not know?

Brent Palmer: This year we implemented a new approach designed to further increase the valuation accuracy for a number of assets in the portfolio. For this initiative, Kennedy focused upon assets that qualify for aggregation in MEPT’s portfolio. As most MEPT assets have been built from the ground up, each property has typically been categorized and valued as a single asset. Subsequently, MEPT completed other buildings on adjacent land parcels in the same business park with each being individually categorized and valued. Today, if these assets were being marketed for sale, they would prudently be bundled into a single “aggregated” asset or “portfolio” and the value would reflect the benefits and efficiencies of owning a business campus rather than a collection of separate and individually valued buildings in the same market location. The appropriateness of this approach is also evidenced by numerous acquisition and disposition transactions in the marketplace. Of even greater significance is that this initiative results in improved accuracy in the valuation process that directly impacts MEPT investors.

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.