

THE QUARTERLY

TRUST REPORT

|| MULTI-EMPLOYER PROPERTY TRUST

SECOND QUARTER | JULY 2003 | VOLUME 18, NUMBER 2



THE MULTI-EMPLOYER PROPERTY TRUST closed the second quarter of 2003 with a unit value of **\$4,270.61 up 1.83 percent** (net of fees) from the previous quarter. For the trailing four quarters, MEPT's net return is **5.08 percent**.

MEPT's income return remained steady in the second quarter, the result of the stable performance by the Fund's operating properties and nominal positive appreciation led by The W Hotel at Union Square. During the quarter, occupancy of stabilized properties increased to 86.2 percent from 84.7 percent at the end of the first quarter. Currently, MEPT's portfolio consists of a total of 155 funded assets.

As of July 1, MEPT's net asset value stood at \$3.38 billion. During the quarter, MEPT was pleased to welcome 11 new investors as participants in the Fund, bringing the total number of investors to 230.

In the second quarter, companies continued to be cautious about spending money or expanding their operations. Some firms in certain industries continued to scale back their businesses by downsizing staff and reducing expenses, even though the economy has reportedly received, in the last three years, the largest fiscal and monetary stimulus in American history.

Leasing activity across the country lacked uniformity during the quarter, since demand for space was unpredictable from market to market. The markets where MEPT experienced activity were diverse and not necessarily those markets deemed the healthiest by real estate pundits. **Leasing activity was principally driven by existing tenants shifting locations and taking advantage of favorable lease terms and rental rates.**

With double digit vacancy rates in most markets, many tenants in older space took advantage of newer space, and looked to move to better quality, high-image properties. **In response, landlords aggressively competed to keep tenants in their buildings as leases renewed.** The intense competition for tenants can be expected to ease only when business optimism returns. At that time, tenant demand for space will increase and significant positive absorption will begin to impact vacancies.

USE EVERY TOOL YOU HAVE

NEWS BRIEFS

MEPT PURCHASED, IN JUNE, A \$115 MILLION PORTFOLIO OF 32 INDUSTRIAL BUILDINGS from San Diego-based Westcore Industrial Properties LLC. The properties are principally located in the Los Angeles metropolitan area with two assets in the San Francisco Bay area and one asset in Phoenix. (For more detail on the transaction, see “In-Depth Profile”.)

500 E. PRATT STREET GROUNDBREAKING CEREMONY WAS HELD IN BALTIMORE, MARYLAND IN MAY 2003. Baltimore’s Mayor O’Malley thanked members of the Baltimore Building Trades and MEPT for an “investment that will add new activity and new life along the Pratt Street corridor, increase the number of citizens who live and work in Baltimore, and add an important dimension to what attracts new people to” Baltimore. MEPT’s project is expected to create 500,000 job hours for the local building trades, and result in \$95 million in economic impact. The building is part of a multi-use complex called Lockwood Place, also planned to include 110,000 square feet of retail/entertainment space, and a 945-space state-of-the-art parking garage.



Attending ceremony, pictured, left to right: Ron DeJuliis, Stephen Gipprich, Donald Glen, Larry Vinck, John Schmidt, Councilman Young, Chuck Driscoll, Mayor O’Malley, Jim Correll, Landon Butler, Patrick Mayberry, and David Antonelli.



IN JUNE, MEPT SOLD EDGEWATER DISTRIBUTION CENTER TO THE AMB INSTITUTIONAL ALLIANCE FUND II.

Net proceeds from the sale totaled \$26.1 million with a realized gain from the sale totaling \$11.4 million. The 305,058 square foot industrial property,

located in the San Francisco area, was 85 percent leased. MEPT put the asset on the market in anticipation of tenant rollover expected within the next three years.

THE MEPT ADVISORY BOARD met on June 3, 2003, in Washington, D.C. MEPT management provided attendees with a recap of Fund activity since the last Advisory Board meeting in 2002, and reviewed 2002 performance and year-to-date 2003 performance. In addition, the management team outlined 2003 goals, and reported on progress toward achieving objectives.

SECOND QUARTER RESULTS

Net Return, Second Quarter:

1.83%

Net Return, 7/1/02–6/30/03:

5.08%

Net Asset Value:

\$3.38 billion

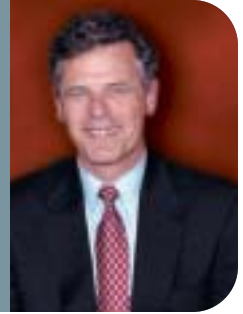


PERFORMANCE

SECOND QUARTER COMMENTARY

“With no signs of job growth, development in most markets has slowed. The market for acquiring real estate assets is still challenging because investors flush with capital are still overpaying for institutional quality assets. It remains tough to find assets at prices below replacement cost. For MEPT, we are focused on uncovering sizable “off-market” investments and portfolio opportunities in Midwest and East Coast markets.”

John M. Parker, Senior Vice President, Kennedy Associates Real Estate Counsel, Inc.



YEAR-TO-DATE MEPT produced a total gross return of 4.08 percent, composed of a 3.40 percent income return, and a 0.67 percent appreciation return. For the second quarter, the portfolio generated a 2.08 percent total gross return, including a 1.73 percent income return and a 0.35 percent appreciation return. The income during the quarter was principally driven by the strong and stable performance of the stabilized operating properties.

Valuation increases at The W Hotel at Union Square, Manhattan, NY; The Madison Hotel & Office, Washington, D.C.; Courthouse Tower, Arlington, VA; and Centerpointe Chino I, Chino, CA, accounted for

over 30 percent of the positive appreciation in value during the second quarter. The W Hotel at Union Square has performed well since it opened in 2000, and a recent survey revealed that guests have had extremely high overall satisfaction with their stays as a result of the hotel’s operational excellence, appealing physical décor, conditions and cleanliness, as well as superb customer service. The Madison Hotel is under going a renovation and is set to reopen in Fall 2003.

The valuation increases were offset by market declines in an array of assets in a variety of markets that reflected the overall ongoing softness in most real estate markets. Significant write-downs included The W Suites-Silicon Valley, Newark, CA; Burlington Centre, Burlington, MA; Northport Business Park I, Fremont, CA; and Westbrook Corporate Center, East Whiteland Township, PA.

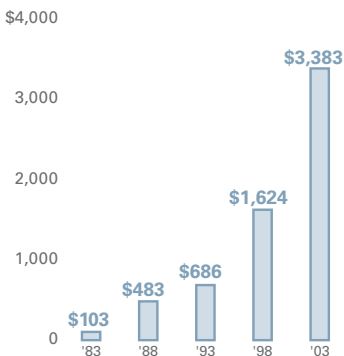
YIELD

| | SECOND QUARTER 2003 | TRAILING FOUR QUARTERS (COMPOUNDED) |
|--------------|---------------------|-------------------------------------|
| NET | 1.83% | 5.08% |
| INCOME | 1.49% | 5.85% |
| APPRECIATION | 0.35% | -0.74% |
| GROSS | 2.08% | 6.11% |
| INCOME | 1.73% | 6.89% |
| APPRECIATION | 0.35% | -0.74% |

NET ASSET VALUE GROWTH

July 1, 1983 – July 1, 2003

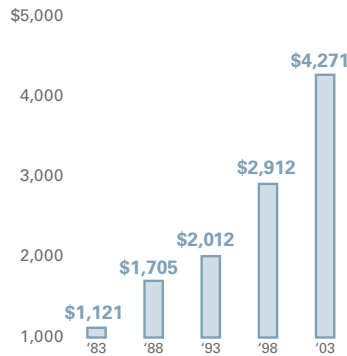
Based on Market Value (\$Millions)



UNIT GROWTH

July 1, 1983 – July 1, 2003

Based on Market Value



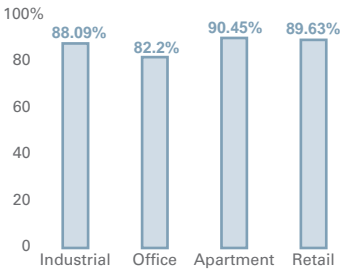
PORTFOLIO SPOTLIGHT

FUND OVERVIEW

| | | | |
|---------------------------------|----------------------|---------------------------|-----------------------|
| Inception Date | April 1, 1982 | Average Age of Properties | 6.6 years |
| Assets Held | 155 | Markets | 32 |
| Number of Buildings | 309 | Net Asset Value | \$3.38 billion |
| Total Stabilized Square Footage | 27.5 million | Unit Value | \$4,270.61 |
| Stabilized Occupancy | 86.2% | Participating Plans | 230 |

STABILIZED OCCUPANCY BY PROPERTY TYPE

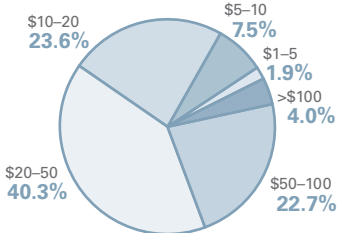
As of June 30, 2003



*Not applicable to stabilized hotel assets.

ASSETS BY SIZE OF INVESTMENT (MILLIONS)

As of June 30, 2003



*Based on net asset value.

IN 2003, LEASING ACTIVITY for MEPT has been steady, despite the challenging market conditions. Occupancy for the stabilized portfolio increased to 86.2 percent at the end of the second quarter from 84.7 percent at the end of the first quarter. The increase is a result of positive net absorption from signed leases during the quarter, as well as the addition of well-leased assets acquired in the Western Industrial transaction.

Positive net absorption during the first six months of the year exceeded 1,000,000 square feet for all MEPT assets, including almost 400,000 square feet in the stabilized portfolio.

In the second quarter, MEPT signed 26 new leases in addition to almost 50 renewals and expansions. Significant, large leases included a new 117,455 square foot lease at West 70 Commerce Center III in O'Fallon, MO, with CitiMortgage, and a 108,680 square foot lease at Centerpointe Chino I in Chino, CA, with Alorica, an outsource provider of customer support and computer repair services. In addition, Coca-Cola, a Fortune 500 company, renewed both of their leases for a total of 79,300 square feet at Rainier Corporate Park II in Fife, WA, and Cable Television Laboratories, the non-profit research and development association for the nation's cable TV industry, signed a 76,975 square foot, full-building new lease at Coal Creek II in Boulder, CO.

SECOND QUARTER ACTIVITY

NEW PARTICIPANTS

International Union of Operating Engineers Local 825 Pension Fund

Central Iowa Carpenters Pension Plan

Employees Security Fund of the Electrical Products Industries Pension Plan

Plumbers & Steamfitters Local 60 Pension Fund

Centennial State Carpenters' Pension Trust Fund

Northern Illinois Pension Fund

Southern Alaska Carpenters Retirement Plan

Employer-Industrial Sheet Metal Workers Local No. 16 Pension Trust

Northern New England Carpenters Pension Plan

Sacramento Area Electrical Workers Pension Trust Fund

San Diego County Cement Masons Pension Trust

PROJECTS COMMITTED

Western Industrial Portfolio
Los Angeles, California
San Francisco, California
Phoenix, Arizona

PROJECTS SOLD

Edgewater Distribution Center
San Francisco, California

TOP TEN ASSETS BY SIZE OF INVESTMENT

| PROPERTY NAME | PERCENT OF NET ASSET VALUE | PERCENT LEASED | MSA |
|-------------------------------|----------------------------|----------------|----------------|
| W HOTEL, UNION SQUARE | 4.0% | N/A | NEW YORK |
| WEST HILLS CORPORATE VILLAGE | 3.0% | 98.0% | LOS ANGELES |
| PACIFIC PLACE | 2.4% | 96.9% | SEATTLE |
| COURTHOUSE TOWER | 2.4% | 98.7% | WASHINGTON, DC |
| HARMAN INT'L BUSINESS CAMPUS | 2.3% | 92.6% | LOS ANGELES |
| LEGACY PLAZA | 2.0% | 100.0% | DENVER |
| 1660 INTERNATIONAL DRIVE | 1.8% | 97.1% | WASHINGTON, DC |
| SHAW PARK PLAZA | 1.8% | 63.8% | ST. LOUIS |
| MISSION TRAILS INDUSTRIAL CTR | 1.7% | 94.2% | SAN DIEGO |
| MOUNT EDEN | 1.6% | 93.6% | SAN FRANCISCO |
| TOTAL | 22.9% | | |

* 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 partners share (if any).

IN-DEPTH PROFILE

WESTERN INDUSTRIAL PORTFOLIO: MEPT Acquires Well-located Portfolio of Industrial Properties Below Replacement Cost

MEPT NOT ONLY COMPLETED one of the largest acquisitions of industrial properties in the Los Angeles area in the last 5 years, but also purchased the portfolio at a value significantly below replacement cost. The local market knowledge and thorough due diligence process of MEPT's advisor, Kennedy Associates Real Estate Counsel, Inc., ensured that MEPT overcame concerns and risks that deterred other institutional buyers from negotiating the purchase of the portfolio.

Fourteen of the assets are located in the Los Angeles basin, with two in the San Francisco East Bay area of San Leandro, CA, and one near Phoenix, AZ's Sky Harbor International Airport. All the properties are in mature markets where there is little land available for development. Based on current land costs and city zoning requirements, it would be economically difficult to build comparable properties for manufacturing or distribution use in these land constrained markets today. The replacement cost of these assets, built approximately 25 to 30 years ago, would be significantly higher than the price paid by MEPT.

The buildings are over 88 percent leased, primarily by garment and food-related companies that are steady users of regional manufacturing and distribution space regardless of fluctuations in the market. The tenants for the most part serve the local areas in which they operate and these infill locations are important to their distribution systems. Additionally, these properties have excellent access to major freeway systems, airports, and ports. Several of the properties are rail served.

Gregory G. Young, portfolio manager for Investment Development Services, Inc. (IDS), the local real estate services firm that brought the opportunity to Kennedy, stated,

“We recommended this portfolio to Kennedy as a long-term investment because of the stable nature of the tenant base, and the strong performance of the properties. These assets are located in areas that exhibit consistent demand.”

ACQUISITIONS DUE DILIGENCE

Kennedy began negotiating the purchase and sale

agreement with Westcore Industrial Properties in October 2002. The 2.3 million square foot portfolio was widely-marketed and attracted a lot of interest, but the urban infill location, potential releasing requirements and eventual renovation work, intimidated many buyers. For MEPT, with an already strong local presence and a proven ability for renovation work, these assets were a good fit with MEPT's existing portfolio.

According to Christopher Stirling, a Kennedy Senior Vice President,

“MEPT anticipates over the next five to seven years, the Fund will invest in excess of \$10 million in capital improvements at Western Industrial properties, including renovation projects, tenant improvements and other onsite work.”

Acquisition of the 32 industrial properties required almost nine months of work by the Kennedy team. Led by John Parker and Christopher Stirling, Kennedy acquisition staff, asset managers and accountants managed over 30 outside consultants, environmental experts, physical site inspectors, and lawyers throughout the due diligence process.

Kennedy was careful to focus on the biggest issues first in order to identify early any issues that could derail the transaction. The age of the properties presented challenges regarding environmental issues, structural integrity, and deferred maintenance that were addressed before the purchase was completed.

One by one, Kennedy tackled the issues and quantified any impact to the value of the portfolio which included reviewing the 55 existing tenants' leases and related correspondence to determine the financial strength and stability of the tenant base. Kennedy also attended to certain matters that arose from differences in tax laws and lease terms since the properties in the portfolio



Properties in the Western Industrial portfolio

(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 0.974%. 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.

WESTERN INDUSTRIAL PORTFOLIO *(continued from inside)*

were located in several different jurisdictions. In addition, approvals were required from agencies that had rated the commercial mortgage backed debt on the portfolio.

Throughout the process, Kennedy asset managers actively followed day-to-day operations and leasing activity to ensure that the properties were well-maintained and that the tenant base did not erode during the purchase negotiations. Efforts paid off when one tenant, DHL, which had considered moving out at the end of its lease term, signed a new lease that Kennedy negotiated just prior to the close of the transaction. The international air express shipping company was retained as part of the stable tenant base.

Additionally, Riggs Bank, MEPT’s Trustee, visited each asset, reviewed the financial records, capital improvement assumptions and financial projections for each property, and approved the \$115 million acquisition.



Henry Dudley

DUDLEY TO RETIRE

HENRY DUDLEY, A MEMBER OF MEPT’S POLICY BOARD, has announced his plans to retire from Riggs Bank to spend more time with his family and numerous community activities. Mr. Dudley had an accomplished 26-year career at Riggs, and served on MEPT’s Policy Board for over 9 years. MEPT appreciates the important contribution Mr. Dudley made to the Policy Board during his tenure.

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.