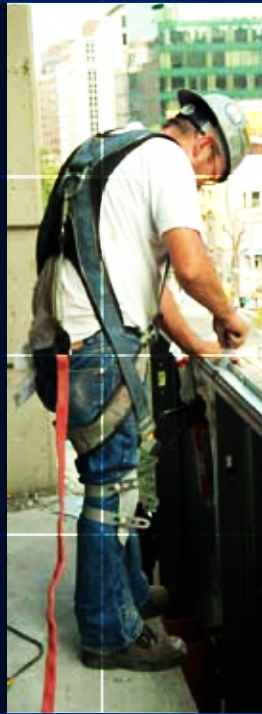


quality assets

strong performance

union jobs



AFL-CIO BUILDING INVESTMENT TRUST



ANNUAL REPORT 2007



AFL-CIO BUILDING INVESTMENT TRUST

MISSION STATEMENT

The BIT strives to be the investment vehicle of choice for Taft-Hartley and public employee pension plans seeking to diversify their portfolios by investing in real estate. For plans considering an investment in this important asset class, the BIT offers a valuable opportunity to diversify their portfolios, minimize risk and enhance returns. The BIT's principal objectives in making real estate investments are to obtain competitive levels of income and capital appreciation while protecting investors' capital and providing retirement security for union members. The BIT also seeks to create union jobs and to help build communities where working families live.

ABOUT THE AFL-CIO BUILDING INVESTMENT TRUST

The AFL-CIO Building Investment Trust (BIT) is a \$2.986 billion pooled real estate fund serving pension plans with union beneficiaries. The BIT seeks to provide competitive risk-adjusted returns for its participants through its investments in institutional quality commercial real estate while also promoting economic development for communities across the country and creating union jobs for America's working men and women.

The BIT is managed by a bank Trustee, PNC Bank, National Association (PNC Bank). PNC Bank is wholly owned by The PNC Financial Services Group, Inc., based in Pittsburgh. PNC Realty Investors, Inc., located in Washington, D.C., provides investment advisory services to the BIT. The AFL-CIO Investment Trust Corporation in Washington, D.C., provides non-fiduciary services that include marketing, labor relations and investor relations services.

THE BIT AT A GLANCE

at December 31, 2007

Net Asset Value	\$2,986*	3-Year Rolling Gross Return	16.35%
New Real Estate Commitments/ Investments (YTD)	\$705*	Number of Participants	162
1-Year Gross Return	14.26%	Number of Properties	96
1-Year Net Return	13.18%	*(\$ in millions)	

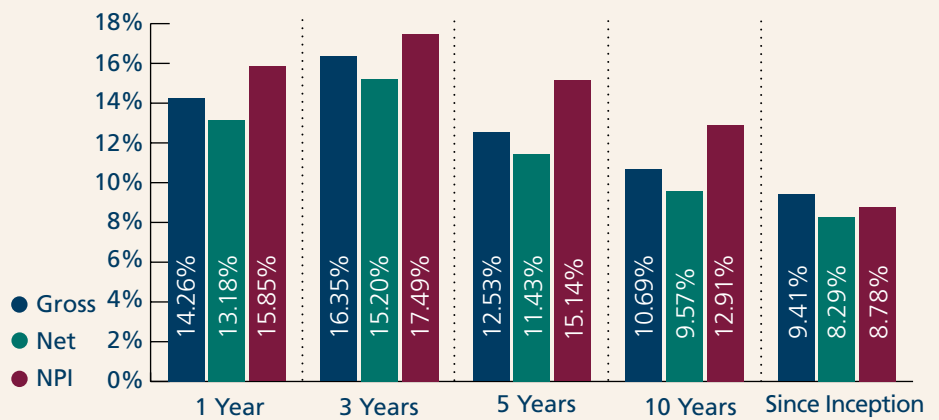
Background:
Urban Glass House
New York, NY



TOTAL NET ASSETS as of December 31 (\$ in millions)



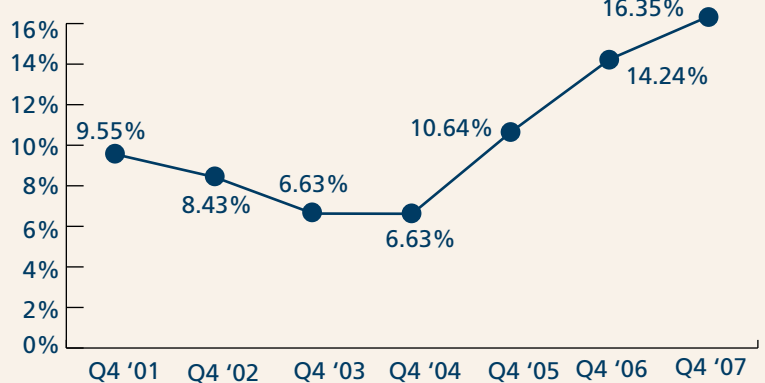
RETURNS SUMMARY as of December 31, 2007



UNIT VALUE As of December 31 (\$ in thousands)



3-YEAR ANNUALIZED GROSS ROLLING RETURNS



THE YEAR IN REVIEW

A strong portfolio, low cash position and experienced management team contribute to competitive **Performance** in 2007.

The BIT generated a total gross return of 14.26% in 2007. Returns in 2007 were again driven by significant capital appreciation, totaling \$200 million or 7.57%. Income returns of 6.34% were also competitive in 2007 as compared to similar open-end real estate funds. The total return on the BIT real estate equity portfolio, derived by eliminating the impact of cash and mortgage holdings, was 15.03% for 2007.

Office was the best performing property sector for the BIT in 2007, contributing over 40% of total portfolio appreciation during the year. Assets on the East and West coasts provided the BIT with its highest returns by region in 2007 and accounted for nearly 80% of BIT appreciation during the year. Also, a considerable portion of appreciation was due to successful leasing of single-tenant buildings with long-term leases.

The experienced team at PNC Realty Investors, Inc. (PRI), investment advisor to the Trustee, actively managed the portfolio to upgrade the quality of Trust assets and strengthen performance during 2007. New investments and commitments exceeded \$700 million, including new investments in all major property sectors. The strong capital

markets experienced during most of 2007 provided the Trust with an opportunity to selectively dispose of assets. In total, approximately \$250 million in asset sales or loan payoffs were completed in 2007, reducing existing or pending lease exposure. Efforts to selectively sell assets that no longer meet the BIT's long-term investment objectives are expected to continue in 2008.

The BIT expects to be a selective investor in 2008. An uncertain investment environment has led to decreased transactional volume. With moderating construction costs and diminishing capital available to fund development transactions, PRI believes that attractive development opportunities should be more prevalent in 2008.

PRI believes the portfolio is well positioned to produce reliable, income-oriented returns in 2008. The BIT faced substantial lease exposure in 2007 and was successful in executing 3.3 million square feet of new and renewal leases during the year, resulting in average rent increases of 3%. Occupancy rates for properties in the portfolio exceeded industry averages. These portfolio characteristics should continue to provide a sound foundation for competitive relative performance in the periods ahead.

A record level of new investment in 2007 reflects strong **Investor Confidence.**

The diversification and historically competitive returns offered by the BIT's portfolio of institutional-quality equity real estate continued to be attractive to pension plans seeking alternative investments to traditional asset classes, making 2007 a record year for new investments from participants. A total of 162 Taft-Hartley and public employee pension plans were invested with the BIT at year end. These included 11 new participants, three of which were public employee plans that invested \$62 million, some 40% of new capital raised in 2007.

Net participant investments of \$144.3 million were the highest in the BIT's 20-year history, while gross participant investments totaled \$163.2 million, the third highest level ever achieved by the BIT. The year also saw significant growth in net asset value with a 19% increase over 2006, from \$2.50 billion to \$2.98 billion at year end. This represents a doubling of the Trust's net assets in just five years, a clear reflection of heightened interest in real estate among pension plan investors.

Message from the AFL-CIO President

John J. Sweeney



With another year of successful real estate investment activity behind it, the AFL-CIO Building Investment Trust continues to be a source of pride for working men and women who value the retirement security generated by its prudent investment strategy and the thousands of family-supporting union jobs generated by its investments. The importance of these benefits has never been greater, given the needs of America's working families and pension beneficiaries in today's challenging economic climate.

Before the BIT was created by the AFL-CIO 20 years ago, union pension plans had few opportunities to make prudent investments in real estate. In the years since then, the BIT has evolved as a premier real estate fund, more than fulfilling its founders' goals as a sound investment vehicle. Investors' confidence in the BIT is reflected in its continuing growth. The Trust's assets have doubled in the past five years, and its expanding base of 162 investors represents an ever-broadening share of the unionized workforce, including growing participation from the public sector. The \$144 million in net cash investments from participants in 2007 exceeded the totals of any prior year in the fund's history.

While investors are attracted to the BIT's competitive risk-adjusted returns, its exemplary labor policies also provide a reason for the strong investor interest in the BIT. Investors can take satisfaction in knowing their assets have been put to work to generate thousands of family-supporting jobs in new construction, rehabilitation, or maintenance and operation of BIT properties. The two newest BIT development projects alone are expected to create 2,150 union construction jobs.

Rooted in the union movement and dedicated to achieving financial security for working people and retirees, the BIT continues to achieve the kinds of results union members have come to expect from an investment program that bears the name of the AFL-CIO, and it deserves our continued support.

A History of Service to Investors, Labor and Communities

The BIT was created in connection with the AFL-CIO's desire to meet the growing interest of union pension plans in investments in the commercial real estate market, and it remains today the only real estate investment company to bear the name AFL-CIO. The BIT became operational in 1988 and has since evolved into a premier real estate investment fund for Taft-Hartley and public sector pension plans – a fund that consistently delivers competitive returns to its participants through prudent investments in high quality assets. These investments also improve the economic vitality of America's urban centers by generating jobs, housing and long-term economic growth.



photo courtesy of the George Meany Memorial Archives

Creation of the BIT was unanimously endorsed by the AFL-CIO Executive Council in February 1987.

Since its founding in 1988, the BIT has participated in over \$4 billion in real estate investment transactions across the United States representing the development or acquisition of 160 office, retail, multifamily, hotel, warehouse and mixed-use properties.

As a result of labor policies that serve as a model for the investment industry, the BIT's investments have reportedly generated more than 54 million hours of employment for members of the building and construction trades unions as well as thousands of permanent union jobs in the service, maintenance and operation of BIT-owned properties.

The well-selected **Portfolio** continues to provide investors with important security and diversification benefits.

HIGH OCCUPANCY RATES, LONG-TERM LEASES, HIGH CREDIT TENANTS

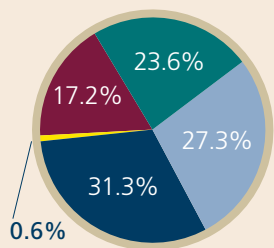
The BIT successfully managed a high level of lease rollover by leasing or renewing 3.3 million square feet of space in 2007, locking in leases with an average rental increase of 3%. The bulk of the leasing challenges in 2007 involved single-tenant industrial and office properties, all of which were successfully re-leased. Occupancy levels exceeded those of the industry as a whole. As of December 31, 2007, occupancy rates for the BIT's office, industrial and retail product sectors stood at 91%, 94% and 97%, respectively, comparing favorably to national occupancy levels of 88%, 90% and 90% for these sectors (source: Torto-Wheaton Research). In addition, more than 52% of the BIT's leases for commercial space extend beyond three years, and more than 40% of the income stream was from tenants with rated credit.

HIGHEST LEVEL OF INVESTMENT ACTIVITY IN BIT HISTORY

New real estate commitments and investments totaling \$705 million made 2007 the BIT's most productive year ever for new real estate investment. These commitments are for eight transactions including 24 retail, multifamily, office and industrial properties valued at \$1.4 billion. The new investments illustrate the BIT's continued emphasis on properties with the best risk-adjusted returns as well as geographic and product-type diversification. Investments were concentrated in major urban and suburban markets on both the East and West coasts.

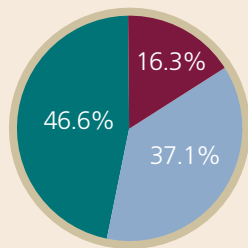
PORTFOLIO DIVERSIFICATION (at December 31, 2007) Net asset value, excluding cash

PROPERTY TYPE



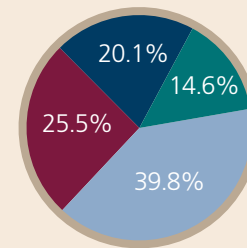
- Multifamily
- Office
- Retail
- Industrial
- Hotel

PROPERTY SIZE



- <\$20 MM
- >\$50 MM
- 20 MM-\$50 MM

REGIONAL



- South
- East
- Midwest
- West



Quality union construction, desirable locations and strong market interest distinguish **Development Projects** financed in 2007.

INVESTING IN DEVELOPMENT, INVESTING IN JOBS

In 2007, the BIT continued to fulfill its commitment to working men and women by investing in development projects valued at \$308 million that will bring jobs, housing and economic development to communities where union members live and work.

The BIT has created and implemented the most comprehensive union labor policies in the U.S. real estate investment industry. As a result of these policies, the BIT's 2007 commitments to new development projects are expected to generate approximately 2,150 union construction jobs for working men and women. In addition, union members from 13 national and international unions were employed in permanent jobs in the service, maintenance and operation of 77 BIT-owned properties during 2007, under 265 collective bargaining agreements with organized service contractors.



*Ritchie Station Marketplace – Capital Heights, Maryland
East Coast Retail Property*

RITCHIE STATION MARKETPLACE

The BIT committed \$53 million in equity capital in 2007 for the \$222 million Ritchie Station Marketplace project. The 996,433-square-foot retail center will be built in the Capital Heights neighborhood of Prince George's County,

Maryland, just outside of Washington, D.C. It will consist of two distinct shopping centers featuring a variety of national retail tenants. Adding to the property's appeal is its prime location on a 120-acre, elevated site with direct access to the Capital Beltway and I-95. Upon projected completion in late 2009, the asset should be well positioned to take advantage of an increase in residential development in the immediate vicinity of the site, which is anticipated to increase retail demand significantly over the long term. The project is expected to generate approximately 1,600 union construction jobs.



*Ballard Park – Seattle, Washington
West Coast Mixed-Use Property*

BALLARD PARK

The BIT entered into a joint venture with a Seattle-based multifamily developer to finance the \$86 million Ballard Park mixed-use project. The new residential and retail property will be built in Seattle's Ballard neighborhood, an area that is currently experiencing gentrification and strong growth in both residential and retail properties. When completed in 2009, the property will feature 268 residential rental units located above a 41,600-square-foot QFC grocery store. Work on Ballard Park will create an estimated 550 union construction jobs. The grocery store's employees will be represented by the United Food and Commercial Workers.

RIVERHOUSE
New York, NY



NO STAND ANYTIM



An expanded **Management** team creates greater efficiencies, broadens capabilities

THE TRUSTEE

On September 14, 2007, PNC Bank, National Association (PNC Bank) assumed Trusteeship of the BIT, becoming the third Trustee in the 20-year history of the BIT. This followed the overwhelming approval by participants of a new Declaration of Trust which provided for PNC Bank's assumption of the BIT Trusteeship. The vote by BIT participants followed the merger in March 2007 of the parent companies of PNC Bank and the former Trustee, Mercantile-Safe Deposit and Trust Company (Mercantile), and the subsequent related merger of PNC Bank and Mercantile on September 14, 2007. Mercantile had served as the BIT's Trustee since 1992, during which time the fund grew from \$261 million to over \$2.5 billion in net asset value.

With roots in commercial banking going back more than 150 years, PNC is today one of the nation's largest financial services companies with assets of \$139 billion as of December 31, 2007, and a diversified business mix that includes retail and corporate banking, wealth and asset management, and global processing businesses.

INVESTMENT ADVISOR

Investment advisory services for the BIT are provided by PNC Realty Investors, Inc. (PRI), formerly named Mercantile Real Estate Advisors, whose leadership team has a long association with the BIT. PRI's expertise in real estate was critical to the record level of investments made by the BIT in 2007 and the strong performance of the portfolio. With the experienced leadership in place as well as a growing staff of real estate professionals, PRI will continue to build a portfolio of diversified, well-leased and well-located assets, positioning the BIT for continued competitive performance going forward.

MARKETING, LABOR AND INVESTOR RELATIONS SERVICES

The professional staff of the AFL-CIO Investment Trust Corporation (ITC) continues to provide marketing, investor relations and labor relations services for the BIT. The ITC serves the BIT in a non-fiduciary capacity with a focus on raising new capital, managing investor communications, and providing important labor relations functions, an effective aid to the Trustee in implementing the strongest labor policies in the industry. This work helped make 2007 a record year for net cash investments in the BIT. Another important activity in 2007 was the extensive support ITC provided to facilitate the smooth transition of the BIT trusteeship to PNC Bank, National Association, including communications with BIT participants.





AFL-CIO BUILDING INVESTMENT TRUST CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006,
AND INDEPENDENT AUDITORS' REPORT

Consolidated Statements of Net Assets	11
Schedules of Investments	12
Consolidated Statements of Operations and Changes in Net Assets	16
Consolidated Statements of Cash Flows	17
Notes to Consolidated Financial Statements	18



Independent Auditors' Report

To PNC Bank, National Association,
as Trustee for, and the Participants of the
AFL-CIO Building Investment Trust
Baltimore, MD

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We have audited the consolidated statements of net assets, including the schedules of investments, of the AFL-CIO Building Investment Trust (the "Trust") as of December 31, 2007 and 2006, and the related consolidated statements of operations and changes in net assets, cash flows, and financial highlights for the years then ended. These consolidated financial statements and financial highlights are the responsibility of the Trustee. Our responsibility is to express an opinion on these consolidated financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements and financial highlights present fairly, in all material respects, the financial position of the Trust as of December 31, 2007 and 2006, and the results of its operations, its cash flows, changes in its net assets, and financial highlights for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Real estate and related investments, including the net partnership equity interests in joint ventures, are stated at fair value at December 31, 2007 and 2006, as discussed in Note 2 to the consolidated financial statements. Real estate investment fair value is determined in accordance with the policies and procedures of the Appraisal Standards Board and the Appraisal Foundation or readily available market data or by using a discounted cash flow methodology. Determination of fair value involves subjective judgment because the actual market value of real estate can be determined only by negotiation between the parties in a sales transaction, and the difference could be material.

Deloitte & Touche LLP

March 21, 2008

CONSOLIDATED STATEMENTS OF NET ASSETS

AS OF DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS:		
Real estate investments — at fair value (Note 2):		
Direct equity investments (cost of \$1,410,314,178 and \$1,213,212,454 in 2007 and 2006, respectively)	\$ 1,693,433,440	\$ 1,405,775,595
Joint venture equity investments and related notes receivable (cost of \$889,522,921 and \$515,412,944 in 2007 and 2006, respectively)	1,146,925,703	679,407,957
Mortgage loans receivable — net (cost of \$257,841,567 and \$396,223,215 in 2007 and 2006, respectively)	271,653,382	410,055,015
Total real estate and related investments — at fair value	3,112,012,525	2,495,238,567
Cash and cash equivalents	144,214,075	180,811,338
Accrued interest receivable	23,043,631	16,866,181
Other assets	34,640,230	18,057,078
Total assets	3,313,910,461	2,710,973,164
LIABILITIES:		
Mortgage and other notes payable	302,630,867	185,066,858
Accounts payable and accrued expenses	14,448,544	12,854,950
Total liabilities	317,079,411	197,921,808
MINORITY INTEREST	11,159,548	10,481,176
NET ASSETS	\$ 2,985,671,502	\$ 2,502,570,180
NUMBER OF UNITS OUTSTANDING	637,642	604,974
VALUE PER UNIT OUTSTANDING	\$ 4,682.36	\$ 4,136.66

See notes to consolidated financial statements.

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2007

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Market Value
OFFICE INVESTMENTS:						
15th & L Street	EJV	Washington	DC	174,536	\$ 96,849,312	\$ 149,169,749
Bixby Land Company JV	EJV	Seal Beach	CA	1,119,754	136,495,827	136,495,827
Cedar Hill I & III	DE	Vienna	VA	102,686	33,153,703	33,153,703
Century Park II	DE	San Diego	CA	198,306	25,407,149	57,074,618
Chamber Building	EJV	San Diego	CA	179,778	18,096,907	18,427,500
Columbia Office	DE	Columbia	MD	138,158	20,980,465	20,980,465
Fair Lakes	DE	Fairfax	VA	309,757	76,396,368	92,000,000
Four Woodfield Lakes	DE	Schaumburg	IL	106,382	19,423,929	18,900,000
Fremont Office	EJV	San Francisco	CA	402,529	5,000,000	5,000,000
Marin Executive Center	DE	San Rafael	CA	141,917	32,689,439	44,000,000
One Tower Bridge	EJV	West Conshohocken	PA	269,226	32,604,632	44,791,186
Plantation One	DE	Plantation	FL	170,152	50,182,674	59,500,000
Plantation Two	DE	Plantation	FL	109,659	20,394,175	35,300,000
Plantation Park	EJV	Plantation	FL	26 acres	1,303,244	7,674,784
Sawgrass Corporate Centre I	DE	Sunrise	FL	90,970	23,065,851	23,065,851
Sawgrass Corporate Centre III	DE	Sunrise	FL	98,926	25,028,430	25,028,430
Sawgrass International Place	DE	Sunrise	FL	93,780	23,719,979	23,719,979
Sawgrass Plaza	DE	Sunrise	FL	60,584	15,315,691	15,315,691
Technology Centre	EJV	North Brunswick	NJ	274,693	27,633,787	31,527,283
Town Center I & II	DE	Woodlands	TX	280,395	41,660,704	65,287,964
Washington Building	NR	Los Angeles	CA	97,081	12,768,220	12,768,220
Total office investments					738,170,486	919,181,250
MULTIFAMILY INVESTMENTS:						
91 Sidney Street	EJV	Cambridge	MA	135 units	11,617,027	16,213,028
Ballard Park	EJV	Seattle	WA	268 units	3,590,814	3,590,814
Battery Wharf	NR	Boston	MA	104 units	170,001,870	170,004,319
Cultural Trust	NR	Pittsburgh	PA	151 units	30,700,000	29,088,230
Curling Club	DE	Hoboken	NJ	240 units	79,167,262	106,000,000
Lakeshore East Land Sites	NR	Chicago	IL	28 acres	42,723,978	44,415,500
North Shore	NR	Pittsburgh	PA	232 units	19,450,000	30,311,353
One River Terrace	NR	New York	NY	264 units	74,000,000	74,000,000
Opal at Kew Gardens	EJV	Queens	NY	388 units	32,482,290	49,848,809
Ovaltine Courts	NR	Villa Park	IL	344 units	2,917,632	2,917,632
Ovaltine Courts	EJV	Villa Park	IL	344 units	14,249,191	22,808,525
Park Meadows	EJV	Littleton	CO	518 units	21,328,164	36,534,511
Park Towers II	EJV	Atlanta	GA	300 units	15,765,923	26,230,719
Queens Family Courthouse	EJV	Queens	NY	345 units	27,989,251	29,126,155
Shoreham	EJV	Chicago	IL	548 units	16,740,503	39,916,222
St. Tropez	DE	Plantation	FL	376 units	60,461,403	88,500,000
Tides	EJV	Chicago	IL	607 units	22,510,000	25,942,430
Village Green at Cantera	EJV	Warrenville	IL	343 units	7,144,029	19,112,970
Village of Lemont	NR	Lemont	IL	83 units	19,132,446	19,132,446
Villas at Katy Trails	DE	Dallas	TX	252 units	35,197,923	35,000,000
Westside Commons	NR	Philadelphia	PA	282 units	38,149,291	40,410,000
Unearned Commitments					(64,339)	(64,339)
Total multifamily investments					745,254,658	909,039,324

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2007

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Market Value
INDUSTRIAL INVESTMENTS:						
Albrecht Drive	DE	Lake Bluff	IL	256,431	\$ 16,204,756	\$19,000,000
Boldt Park	EJV	Romeoville	IL	55 acres	5,587,293	10,051,956
Carlisle Industrial	DE	Carlisle	PA	1,226,525	65,609,007	78,700,000
City Commerce Park	DE	Seattle	WA	179,413	12,120,262	16,619,077
DuPage Distribution Center	DE	Addison	IL	453,361	22,977,540	21,676,251
Etiwanda Distribution Center	DE	Ontario	CA	302,020	13,457,032	23,500,000
Fountain Lakes	DE	St. Charles	MO	852,523	37,932,505	37,100,000
Fremont Distribution Center	DE	Fremont	CA	494,202	39,809,397	41,400,000
LakeView Distribution	DE	Pleasant Prairie	WI	534,384	21,949,481	27,200,000
Metro West	DE	Plymouth	MI	258,000	21,764,429	16,000,000
National Archives	DE	Philadelphia	PA	300,000	18,625,211	24,900,000
ProLogis Properties	EJV	Indianapolis	IN	4,314,961	75,319,747	115,890,339
Renton Commerce Center	DE	Seattle	WA	114,307	13,920,549	16,000,000
Valley Distribution	DE	Renton	WA	480,820	24,703,080	40,900,000
Weingarten Properties	EJV	Richmond	VA	4,067,689	168,307,135	179,554,968
Wilsonville Business Center	DE	Portland	OR	530,002	41,304,254	42,000,000
Total industrial investments					599,591,678	710,492,591
RETAIL INVESTMENTS:						
Gallery Place	EJV	Washington	DC	478,728	273,692	29,396,705
Gateway Shopping Center	DE	Brea	CA	181,854	46,543,668	61,607,093
Hacienda Crossing	DE	Dublin	CA	262,285	69,005,626	93,000,000
Oak Park Commons	DE	South Plainfield	NJ	136,694	40,936,674	43,000,000
Prairie Point Shopping Center	DE	Aurora	IL	91,535	12,877,984	18,500,000
Ritchie Station	EJV	Capitol Heights	MD	996,433	27,706,741	27,706,741
Riverhead Center	DE	Riverhead	NY	395,158	69,869,763	82,000,000
Village at Bedminster	DE	Bedminster	NJ	109,800	39,908,166	40,000,000
Weingarten Retail	EJV	Dallas	TX	715,408	120,991,751	121,978,821
Woodinville Plaza	DE	Woodinville	WA	170,823	28,547,779	37,500,000
Total retail investments					456,661,844	554,689,360
HOTEL INVESTMENTS:						
Jacksonville Crowne Plaza	NR	Jacksonville	FL	292 units	18,000,000	18,610,000
Total hotel investments					18,000,000	18,610,000
TOTAL REAL ESTATE INVESTMENTS					\$ 2,557,678,666	\$3,112,012,525

DE — Direct Equity

EJV — Equity Joint Venture

NR — Mortgage Loans Receivable

See notes to consolidated financial statements.

(Concluded)

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2006

Property Name	Ownership	City	State	Sq. Ft./Units	Cost Basis	Market Value
				(Unaudited)		
OFFICE INVESTMENTS:						
15th & L Street	EJV	Washington	DC	174,536	\$69,660,998	\$85,713,658
Cedar Hill I & III	DE	Vienna	VA	102,686	759,500	759,500
Century Park II	DE	San Diego	CA	198,306	25,251,169	50,000,000
Chamber Building	EJV	San Diego	CA	179,778	22,042,593	25,119,832
Columbia Office	DE	Columbia	MD	138,158	759,500	759,500
Dublin Corporate Center	DE	Dublin	CA	415,492	108,504,275	106,000,000
Fair Lakes	DE	Fairfax	VA	309,757	76,396,368	85,000,000
Four Woodfield Lakes	DE	Schaumburg	IL	106,382	19,423,929	18,600,000
Marin Executive Center	DE	San Rafael	CA	141,917	32,689,439	39,000,000
One Tower Bridge	EJV	West Conshohocken	PA	269,226	32,604,632	44,222,431
Plantation One	DE	Plantation	FL	170,152	49,926,242	55,500,000
Plantation Two	DE	Plantation	FL	109,659	20,394,095	34,800,000
Plantation Park	EJV	Plantation	FL	26 acres	165,830	6,826,803
Technology Centre	EJV	North Brunswick	NJ	274,693	27,632,303	30,966,765
Town Center I & II	DE	Woodlands	TX	280,395	40,831,951	55,500,000
Washington Building	NR	Los Angeles	CA	97,081	12,971,387	12,971,387
Total office investments					540,014,211	651,739,876
MULTIFAMILY INVESTMENTS:						
91 Sidney Street	EJV	Cambridge	MA	135 units	11,617,027	15,008,028
Battery Wharf	NR	Boston	MA	104 units	48,666,371	48,666,371
Bella Condominium	NR	Atlantic City	NJ	200 units	17,262,641	17,262,641
Columbus Ave. Condominium	NR	Boston	MA	64 units	18,665,942	18,665,942
Cultural Trust	NR	Pittsburgh	PA	151 units	30,734,535	30,734,535
Curling Club	DE	Hoboken	NJ	240 units	79,056,362	94,500,000
Lakeshore East Land Sites	NR	Chicago	IL	28 acres	55,923,579	55,923,579
North Shore	NR	Pittsburgh	PA	232 units	19,450,000	28,481,455
One River Terrace	NR	New York	NY	264 units	74,000,000	74,000,000
Opal at Kew Gardens	EJV	Queens	NY	388 units	32,789,487	47,012,222
Ovaltine Courts	NR	Villa Park	IL	344 units	14,249,191	19,809,035
Ovaltine Courts	EJV	Villa Park	IL	344 units	3,157,852	3,157,852
Park Meadows	EJV	Littleton	CO	518 units	21,328,164	33,883,378
Park Towers II	EJV	Atlanta	GA	300 units	15,764,023	18,699,354
Queens Family Courthouse	EJV	Queens	NY	345 units	2,102,104	2,528,654
Shoreham	EJV	Chicago	IL	548 units	16,740,503	38,665,326
St. Tropez	DE	Plantation	FL	376 units	60,380,716	78,500,000
Tides	EJV	Chicago	IL	607 units	22,510,000	23,718,423
Urban Glass House	NR	New York	NY	40 units	19,141,868	19,141,868
Village Green at Cantera	EJV	Warrenville	IL	343 units	16,802,851	29,175,764
Village of Lemont	NR	Lemont	IL	83 units	7,317,587	7,317,587
Villas at Katy Trails	DE	Dallas	TX	252 units	34,755,093	35,000,000
Westside Commons	NR	Philadelphia	PA	282 units	38,780,838	41,067,819
Unearned Commitments					(29,339)	(29,339)
Total multifamily investments					661,167,395	780,890,494

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2006

	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Market Value
INDUSTRIAL INVESTMENTS:						
Albrecht Drive	DE	Lake Bluff	IL	256,431	\$16,204,756	\$18,000,000
Boldt Park	EJV	Romeoville	IL	55 acres	5,587,293	9,490,390
Carlisle Industrial	DE	Carlisle	PA	1,226,525	65,609,007	74,900,000
City Commerce Park	DE	Seattle	WA	179,413	11,995,052	13,000,000
DuPage Distribution Center	DE	Addison	IL	453,361	21,588,689	20,300,000
Etiwanda Distribution Center	DE	Ontario	CA	302,020	13,076,871	18,950,000
Fountain Lakes	DE	St. Charles	MO	852,523	37,463,778	36,000,000
Fremont Distribution Center	DE	Fremont	CA	494,202	39,793,889	39,000,000
LakeView Distribution	DE	Pleasant Prairie	WI	534,384	21,747,015	27,000,000
Metro West	DE	Plymouth	MI	258,000	21,764,429	20,500,000
National Archives	DE	Philadelphia	PA	300,000	18,619,649	23,900,000
Parkway Industrial	DE	Portland	OR	176,634	10,793,378	10,600,000
ProLogis Properties	EJV	Indianapolis	IN	4,314,961	79,423,481	111,362,785
Renton Commerce Center	DE	Seattle	WA	114,307	13,919,880	14,800,000
Valley Distribution	DE	Renton	WA	480,820	24,703,080	34,000,000
Weingarten Properties	EJV	San Diego	CA	2,058,768	99,423,290	99,423,290
Wilsonville Business Center	DE	Portland	OR	530,002	41,395,554	41,000,000
Total industrial investments					543,109,091	612,226,465
RETAIL INVESTMENTS:						
Gallery Place	EJV	Washington	DC	478,728	24,969,173	37,781,818
Gateway Shopping Center	DE	Brea	CA	181,854	45,531,565	60,106,596
Hacienda Crossing	DE	Dublin	CA	262,285	69,005,626	87,500,000
Oak Park Commons	DE	South Plainfield	NJ	136,694	40,871,511	41,800,000
Prairie Point Shopping Center	DE	Aurora	IL	91,535	12,853,165	16,000,000
Riverhead Center	DE	Riverhead	NY	395,158	69,523,886	80,700,000
Village at Bedminster	DE	Bedminster	NJ	109,800	39,147,774	39,800,000
Woodinville Plaza	DE	Woodinville	WA	170,823	28,475,260	34,000,000
Total retail investments					330,377,960	397,688,414
HOTEL INVESTMENTS:						
Jacksonville Crowne Plaza	NR	Jacksonville	FL	292 units	18,000,000	18,000,000
Hilton Garden Inn	NR	Philadelphia	PA	279 units	32,179,954	34,693,318
Total hotel investments					50,179,954	52,693,318
TOTAL REAL ESTATE INVESTMENTS					\$2,124,848,611	\$2,495,238,567

DE — Direct Equity

EJV — Equity Joint Venture

NR — Mortgage Loans Receivable

See notes to consolidated financial statements.

(Concluded)

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
INVESTMENT INCOME:		
Income from direct equity investments in real estate	\$ 78,452,509	\$ 73,208,145
Income from mortgage loans receivable	44,517,097	46,056,299
Equity in income from joint venture equities	39,613,098	24,484,573
Income from real estate and mortgage-backed securities		119,468
Income from short-term investments	6,430,152	6,787,960
Other	267,041	797,983
Total investment income	169,279,897	151,454,428
EXPENSES:		
Trustee fees	26,668,596	23,777,169
Operating expenses	1,938,633	1,523,756
Total expenses	28,607,229	25,300,925
NET INVESTMENT INCOME	140,672,668	126,153,503
REALIZED AND UNREALIZED GAIN:		
Net proceeds received from sales and dispositions	264,897,080	307,671,046
Less cost of investments sold and disposed	250,747,788	290,760,316
Realized gain from sales and dispositions	14,149,292	16,910,730
Less previously recorded unrealized gain on sales and dispositions	(16,152,922)	(13,330,373)
Net realized (loss) gain recognized from sales and dispositions	(2,003,630)	3,580,357
Change in gain on investments held at year-end	200,096,828	199,227,542
NET REALIZED AND UNREALIZED GAIN	198,093,198	202,807,899
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	338,765,866	328,961,402
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM PARTICIPANT TRANSACTIONS:		
Proceeds from unit sales	183,540,674	192,268,738
Redemption of units	(39,205,218)	(105,111,815)
Net increase in net assets resulting from participant transactions	144,335,456	87,156,923
INCREASE IN NET ASSETS	483,101,322	416,118,325
NET ASSETS — Beginning of year	2,502,570,180	2,086,451,855
NET ASSETS — End of year	\$ 2,985,671,502	\$ 2,502,570,180

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets resulting from operations	\$ 338,765,866	\$ 328,961,402
Adjustments to reconcile increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net realized and unrealized gain	(198,093,198)	(202,807,899)
Amortization of deferred financing costs	558,183	336,977
Amortization of notes payable premium	(1,527,852)	(1,527,852)
Minority interest in income from joint ventures	678,372	499,034
Increase in accrued interest receivable	(12,474,966)	(10,118,514)
Increase in other assets	(16,559,239)	(3,097,296)
Decrease in accrued incentive fees		(25,647,020)
Increase in accounts payable and accrued expenses	1,593,594	2,036,396
Proceeds from the sale of real estate and mortgage-backed securities		11,054,143
Equity investments in real estate	(114,285,548)	(6,133,960)
Equity investments in joint ventures	(416,885,237)	(185,367,181)
Proceeds from real estate investments sold	131,047,273	161,123,375
Proceeds from joint venture investments sold	10,721,715	11,989,000
Return of capital from equity joint venture investments	34,661,500	36,261,902
Investment in mortgage loans receivable	(19,273,164)	(113,926,154)
Repayments of mortgage loans receivable	106,222,342	125,498,372
Net cash (used in) provided by operating activities	(154,850,359)	129,134,725
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit		(3,400,000)
Payments for deferred financing costs	(582,096)	
Principal payments on notes payable	(25,500,264)	(41,748,596)
Proceeds from sales of units to participants	183,540,674	192,268,738
Redemption of participant units	(39,205,218)	(105,111,816)
Net cash provided by financing activities	118,253,096	42,008,326
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(36,597,263)	171,143,051
CASH AND CASHEQUIVALENTS — Beginning of year	180,811,338	9,668,287
CASH AND CASH EQUIVALENTS — End of year	\$ 144,214,075	\$ 180,811,338
SUPPLEMENTAL DISCLOSURES:		
Cash payments for interest	\$ 3,071,313	\$ 3,190,186
Noncash investing activity:		
Increase in notes payable from acquisition of equity investments in real estate (Note 6)	\$ 144,592,125	\$ 14,459,617
Reclassification of investment from mortgage loan receivable and joint venture to direct equity (Note 6)	\$ (57,794,326)	\$ (79,584,199)
Proceeds from the sale of joint venture property financed by the Trust (Note 6)	\$ 18,427,500.00	\$ —

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. ORGANIZATION

The AFL-CIO Building Investment Trust (the "Trust" or the "BIT") was established as of December 31, 1987. The Trust is a collective trust that provides qualified pension plans the opportunity to invest indirectly in commercial real estate developments and acquisitions located throughout the United States of America. In January 1992, Mercantile-Safe Deposit & Trust Company (the "Mercantile") became the trustee for the BIT. Subsequently, effective upon the merger of Mercantile with and into PNC Bank, National Association, a national bank organized under the laws of the United States, on September 14, 2007, PNC Bank, National Association became the trustee to the BIT pursuant to a Second Amended and Restated Declaration of Trust approved by BIT participants holding a majority interest in the BIT and dated as of the same date (the "Declaration of Trust"). The Declaration of Trust provides a description of the current trustee fee received by the Trustee in exchange for its management and administration of the Trust. Hereinafter PNC Bank, National Association and Mercantile are referred to collectively and individually as "PNC Bank" or "Trustee." The AFL-CIO Investment Trust Corporation (the "ITC") has been retained by PNC Bank to provide certain services, including marketing and other nonfiduciary services, in connection with the Trust. PNC Bank, at its sole cost and expense, pays to the ITC a fee for its services. The current fees are outlined more specifically in a Trust Services Agreement dated effective as of January 1, 2007. The annual fees during 2006 were governed by a Trust Services Agreement dated as of January 1, 2004. The annual fees paid by PNC Bank to the ITC aggregated approximately \$5,218,000 and \$5,469,000 for the years ended December 31, 2007 and 2006, respectively.

During the years 2006 and 2007, PNC Bank retained one or more investment advisors for the performance of investment advisory and management services in connection with the Trust pursuant to certain investment advisory agreements. Since July 1, 2006, PNC Realty Investors, Inc. ("PRI"), formerly known as Mercantile Real Estate Advisors, Inc., has been retained by PNC Bank as the sole investment advisor to the BIT. PRI is a wholly owned subsidiary of The PNC Financial Services Group, Inc. During 2006 and 2007, PNC Bank, at its sole cost and expense, paid asset management fees to the investment advisors for their services. Additionally, certain acquisition and incentive fees were paid by PNC Bank from the assets of the Trust to certain investment advisors, excluding PRI. The asset management fees paid by PNC Bank from its own assets to all investment advisors aggregated approximately \$16,088,000 and \$10,568,000 for the years ended December 31, 2007 and 2006, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Trust are as follows:

Basis of Accounting — The accompanying consolidated financial

statements of the Trust have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). These consolidated financial statements include the financial position and results of operations of the Trust and its majority-owned and controlled partnerships. All significant intercompany accounts and transactions among the Trust and its controlled partnerships have been eliminated in consolidation.

Cash and Cash Equivalents — Cash and cash equivalents consist of cash and money market funds. All highly liquid investments with maturities of three months or less are considered to be cash equivalents.

Investment Transactions — Real estate property acquisitions, sales, and dispositions are recorded as of the date of closing. Mortgage loans receivable, capital contributions to joint ventures, and investments in real estate and mortgage-backed securities are recorded as of the date funds are advanced. Distributions of income and return of capital from joint ventures and principal repayments of mortgage loans receivable are recorded as of the date funds are received.

Expenditures that extend the economic life of the property or directly relate to revenues of future periods, including tenant improvements and leasing commissions, are capitalized. For properties under development or major expansion, carrying costs related to the development or expansion are capitalized. Capitalized amounts are not depreciated or amortized since appraisals take into account the estimated effect of physical depreciation.

The Trust determines realized gain (loss) by comparing net proceeds from the sale or disposition of investments to the cost of the investments sold. The unrealized gain (loss) previously recorded for these investments is then reversed and reported as realization of unrealized gain (loss) on investments sold or disposed in the consolidated statements of operations and changes in net assets.

Investment Income and Expenses — Income from direct equity investments in real estate represents the net operating income from such investments. Rental income is recognized when due in accordance with the terms of the respective leases, rather than being recorded on a straight-line basis over the terms of the leases. Additional rents, which are provided for in individual tenant leases, primarily relate to the reimbursement of certain operating expenses of the real estate properties and rents based on a percentage of the tenants' revenues. The Trust recognizes such reimbursement of expenses by tenants in the period applicable expenses are incurred and percentage rents as revenue upon the tenants' sales exceeding the stipulated breakpoints.

Expenses are recognized when incurred. Premiums or discounts related to the issuance of notes payable are amortized to interest expense over the term of the related note using the straight-line method, which does not differ materially from the effective interest method. Costs incurred in connection with obtaining borrowings are deferred and amortized to interest expense over the term of the related debt using the straight-line method, which does not differ materially from the effective interest method. Interest expense is included in income from direct equity investments in real estate in the accompanying consolidated statements of operations and changes in net assets.

Interest income from mortgage loans receivable and short-term investments is recognized when earned. Mortgage loans receivable are ordinarily placed on nonaccrual status when, in management's opinion, the collection of principal or interest is unlikely, or when the collection of principal or interest is 120 days or more past due. Accrued but uncollectible interest is reversed and netted as a contra-account component of income from mortgage loans receivable when the loan is placed on nonaccrual status. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral is sufficient to recover the principal balance and accrued interest. Interest payments received on nonaccrual loans are normally applied to late fees, delinquent interest, contingent interest, and then principal, unless otherwise designated by the loan documents. At December 31, 2007 and 2006, there is no interest related to mortgage loans receivable included in accrued interest receivable in the consolidated balance sheet because of nonaccrual status.

Income from joint venture equity investments represents the Trust's share of joint venture income giving consideration to any preferential return provisions in the joint venture agreements.

Valuation of Real Estate Investments — Real estate investments are recorded at estimated fair value, which is determined in accordance with the policies and procedures of the Appraisal Standards Board and the Appraisal Foundation or readily available market data or by using a discounted cash flow methodology. Ultimate realization of the fair value is dependent to a great extent on economic and other conditions that are beyond the Trust's control, such as general economic conditions, conditions affecting tenants, and other events occurring in the markets in which individual properties are located. Further, values do not necessarily represent the prices at which the real estate investments would sell since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller.

Because the determination of fair value involves subjective judgments, and given the inherent uncertainty of real estate valuations related to assumptions regarding capitalization rates, discount rates, leasing, and other factors, the estimated fair values reflected in the consolidated financial statements may differ from values that would be determined by negotiation between independent parties in sales transactions, and the difference could be material.

Fair value considers the financial aspects of a property, market transactions, and the relative yield for an asset as measured against alternative investments. Although the fair values represent subjective estimates, the Trustee believes that these fair values are reasonable approximations of market prices for the Trust's real estate investments.

Direct Equity and Joint Venture Equity Investments — The values of real estate properties and real estate properties held in underlying joint ventures have been prepared giving consideration to the income, cost, and sales comparison approaches of estimating property value. The income approach estimates an income stream for a property (typically 10 years) and discounts this income plus a reversion (presumed sale) into a present value at a risk-adjusted rate. Yield rates and growth assumptions utilized in this approach are derived from market transactions, as well as other financial and industry data. The cost approach estimates the replacement cost of the building, less physical depreciation plus the land value. Generally, this approach provides a check on the value derived using the income approach. The sales comparison approach compares recent transactions to the appraised property. Adjustments are made for dissimilarities, which typically provide a range of value. Generally, the income approach carries the most weight in the value reconciliation.

Investment values are determined annually from limited restricted appraisals, in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), which include less documentation but nevertheless meet the minimum requirements of the Appraisal Standards Board and the Appraisal Foundation and are considered appraisals. In these appraisals, a full discounted cash flow analysis, which is the basis of an income approach, is the primary focus. Interim quarterly valuation adjustments, if necessary, are determined by the Trustee by giving consideration to material events related to the investment or the prevailing market conditions. Full appraisal reports are prepared on a rotating basis for all properties, so each property receives a full appraisal report at least once every three years.

Since appraisals take into consideration the estimated effect of physical depreciation, a more meaningful financial statement presentation is achieved by excluding historical cost depreciation and amortization on real estate-related assets from net investment income.

During 2007 and 2006, all appraisals for the Trust were prepared by independent external appraisers. All appraisal reports and appraisal reviews comply with the currently published USPAP, as promulgated by the Appraisal Foundation.

Real estate investments that are expected to be sold are recorded at estimated fair value, less estimated costs to sell. Fair value is generally determined based on sale negotiations, purchase offers received, broker quotes, appraisals, or comparable sales in the market. At December 31, 2007, the Trust had one office, and one industrial property valued at \$165.8 million, which met the criteria above and were included in real estate investments in the consolidated statements of net assets.

The values of properties undergoing development have been prepared giving consideration to key development risk factors, including entitlement risk, construction risk, leasing/sales risk, operating expense risk, credit risk, partnership risk (if applicable), capital market risk, pricing risk, event risk, and valuation risk. The fair value of properties undergoing development includes the timely recognition of estimated entrepreneurial profit after such considerations.

Joint venture equity investments are stated at the Trust's equity in the net assets of the joint ventures, which reflects the estimated fair value of the real estate properties held by the joint venture, net of the outstanding principal balance of any debt, and giving consideration to any applicable preferential return provisions in the applicable joint venture agreement.

Mortgage Loans Receivable — Mortgage loans receivable are carried at fair value as determined quarterly by the Trustee based on independent pricing services. Such loans provide for stated interest rates ranging from 6% to 25% and have maturity dates ranging from 2008 to 2017. In addition to principal and interest payments, certain mortgage loan agreements provide for the Trust to receive a portion of the cash flow generated by the underlying secured investment and a portion of the increase in the appraised value of the underlying collateral between the origination and maturity of the loan. Fair value is estimated by discounting the expected future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, including the value associated with the Trust's participation in operating cash flows and participation in the appreciation of the value of the property collateralizing the note receivable. Estimates of discounted cash flows consider the effect of estimated credit losses and delinquencies, as well as the effect of expected principal prepayments and prepayment penalties. Additionally, the Trustee will adjust these values to reflect any risks associated with the physical nature of the property, market factors, and other performance measurements.

Other Financial Instruments — The carrying values of the Trust's cash and cash equivalents, and other receivables, at December 31, 2007 and 2006, approximate fair value due to the short-term nature of these instruments.

Income Taxes — The Internal Revenue Service has ruled that the Trust is a qualified trust as described in Revenue Ruling 81-100 and is exempt from income tax under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for federal or state income tax has been made.

Commitment and Other Fees — The Trust receives fees resulting from the origination or restructuring of mortgage loans receivable. These fees are offset by any associated acquisition fees paid by PNC Bank from the assets of the Trust to an investment advisor as may be required by its respective investment advisory agreement, and are recorded when earned. Unearned commitment fees, included as a contra-account component of mortgage loans receivable in

the consolidated statements of net assets, totaled approximately \$64,000 and \$29,000 at December 31, 2007 and 2006, respectively.

Lease Termination and Mortgage Loan Prepayment Fees —

The Trust periodically receives fees from tenants who choose to terminate their lease prior to the end of the lease term and from mortgage loans receivable that are repaid prior to their stated maturity. These fees are recorded as income from direct equity investments and income from mortgage loans receivable. For the years ended December 31, 2007 and 2006, prepayment penalty fees from mortgage loans receivable of \$1,685,330 and \$5,065,901, respectively, are included as income from mortgage loans receivable.

Use of Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, realized gain (loss), and unrealized gain (loss) during the reporting period. Actual results could differ from those estimates.

The most significant estimates and assumptions for the Trust relate to the valuations of real estate investments.

Minority Interest — Minority interest represents the economic equity interests of the consolidated joint venture equity investments that are not owned by the Trust. The earnings or losses and distributions for the applicable partnerships are allocated based on the minority partner's share of joint venture income giving consideration to any preferential return provisions in the joint venture agreements. Income from direct equity investments in real estate and change in unrealized gain on investments are shown net of the effect of minority interest.

New Accounting Pronouncements — In September 2006, Financial Accounting Standard Board (the "FASB") issued FASB Statement No. 157, *Fair Value Measurement*, ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for the Trust's financial assets and liabilities on January 1, 2008. The FASB has proposed a deferral of the provisions of SFAS 157 relating to nonfinancial assets and liabilities that would delay implementation by the Trust until January 1, 2009. SFAS 157 is not expected to materially affect how the Trust determines fair value, but may result in certain additional disclosures.

In February 2007, the FASB issued FASB Statement No. 159, *Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*, ("SFAS 159"). SFAS 159 permits companies to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for the Trust on January 1, 2008. Management has elected not to adopt SFAS 159 for its existing financial assets and liabilities at January 1, 2008.

In December 2007, the FASB issued FASB Statement No. 141 (revised 2007), *Business Combinations*, ("SFAS 141R"). SFAS 141R broadens the guidance of SFAS 141, extending its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. It broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations. SFAS 141R expands on required disclosures to improve the statement users' abilities to evaluate the nature and financial effects of business combinations. SFAS 141R is effective for the Trust on January 1, 2009. Management is still evaluating the impact of the adoption of SFAS 141R on its consolidated financial statements.

3. ADMISSIONS, WITHDRAWALS, AND DISTRIBUTIONS

Unit values are determined at the end of each calendar quarter. Participants are admitted to and withdrawn from the Trust on the basis of the preceding quarterly unit value.

Income earned by the Trust may be retained for reinvestment and added to the unit value or may be distributed to participants at the Trustee's discretion. Since PNC Bank has been retained as trustee for the Trust, no distributions of income have been made to the participants.

4. INVESTMENT COMMITMENTS

As of December 31, 2007, the Trust had outstanding commitments to fund approximately \$290,943,000 of real estate investments, which are expected to be funded during 2008 and 2009.

5. RELATED-PARTY TRANSACTIONS

The Trust invests in a money market fund administered by PNC Bank. At December 31, 2007 and 2006, the balance of this investment was approximately \$144,214,000 and \$178,157,000, respectively. Income earned on this investment balance for the years ended December 31, 2007 and 2006, was \$6,430,000 and \$6,788,000, respectively. The related interest receivable was approximately

\$584,000 and \$762,000, at December 31, 2007 and 2006, respectively.

In 2006, Mercantile Mortgage provided construction loan administration services to the Trust pursuant to a certain contractual agreement. Fees of approximately \$296,000 were paid by the Trust to Mercantile Mortgage in 2006. The agreement with Mercantile Mortgage for the performance of such services in connection with the Trust was subsequently terminated. Such services are now rendered internally by PNC Bank or PRI as part of their advisory agreement.

In April 2006, Mercantile retained PRI (formerly MREA), an investment advisor registered with the Securities and Exchange Commission for the performance of investment advisory and management services, as well as administrative services, in connection with the BIT. On or about July 1, 2006, PNC Bank discontinued the use of all investment advisors other than PRI in an effort to increase Trust returns by, among other things, streamlining operations, and eliminating incentive and acquisition fees. The retention of PRI was not intended to alter the Trustee's role with respect to the Trust or change the structure or governance of the Trust. Rather, PNC Bank has retained full responsibility for the investment and management of the BIT. In March 2007, PRI became a subsidiary of The PNC Financial Services Group, Inc (PNC) effective upon the merger of Mercantile Bankshares Corporation into PNC.

Pursuant to the investment advisory agreement with PRI, PNC Bank paid asset management fees to PRI (formerly MREA) of approximately \$16,088,000 and \$7,966,000 in 2007 and 2006, respectively. The investment advisory agreement with PRI does not allow for, or require, the payment of any incentive or acquisition fees to PRI by PNC Bank or the Trust.

The Trust pays a management fee to the Trustee based on a percentage of the fair value of the real estate assets and commitments of the Trust. The fee is paid quarterly in arrears. The Trust paid management fees to the Trustee totaling approximately \$26,669,000 and \$18,308,000 for the years ended December 31, 2007 and 2006, respectively.

6. REAL ESTATE INVESTMENTS

The Trust's real estate investments at December 31, 2007 and 2006, are as follows (in millions):

	2007		2006	
	Cost	Value	Cost	Value
Direct equity investments:				
Office	\$ 407.4	\$ 513.3	\$ 374.9	\$ 445.9
Retail	307.7	375.6	305.4	360.0
Industrial/R&D	350.4	405.0	358.7	391.9
Multifamily	344.8	399.5	174.2	208.0
Total direct equity investments	1,410.3	1,693.4	1,213.2	1,405.8
Joint venture equity investments and related notes receivable:				
Office	318.0	393.1	152.1	192.8
Retail	149.0	179.1	25.0	37.8
Industrial/R&D	249.2	305.5	184.4	220.3
Multifamily	173.3	269.2	153.9	228.5
Total joint venture equity investments and related notes receivable	889.5	1,146.9	515.4	679.4
Mortgage loans receivable:				
Office	12.8	12.8	12.9	12.9
Multifamily	227.1	240.3	333.1	344.4
Hotel	18.0	18.6	50.2	52.7
Total mortgage loans receivable	257.9	271.7	396.2	410.0
Total real estate investments	\$ 2,557.7	\$ 3,112.0	\$ 2,124.8	\$2,495.2

The Trust's real estate investment acquisitions in 2007 and 2006 include the following significant investments:

2007 Acquisitions	Type	Month Acquired	Purchase Price (in millions)
Direct equity:			
Columbia Office	Office	February	\$ 20.0 (2)
Cedar Hill	Office	February	32.0 (2)
Sawgrass Corporate Centre I	Office	September	22.9
Sawgrass Corporate Centre III	Office	September	24.9
Sawgrass International Place	Office	September	23.6
Sawgrass Plaza	Office	September	15.2
Mortgage loans receivable:			
Urban Glass	Multifamily	(1)	2.1
Bella Condominiums	Multifamily	(1)	1.0
Battery Wharf	Multifamily	(1)	2.8 (3)
Columbus Avenue	Multifamily	(1)	1.6
Village of Lemont	Multifamily	(1)	11.8
Joint venture equity:			
Weingarten	Industrial	April and May	68.9
Bixby Land Co	Office	May and August	136.5
Queens Family Courthouse	Multifamily	(1)	25.9
Weingarten Retail	Retail	July	121.0
Ritchie Station	Retail	December	27.7
Ballard Park	Multifamily	November	3.6
Fremont Office	Office	December	5.0
15th & L	Office	(1)	27.4
Plantation Park	Office	(1)	1.1
Total			\$ 575.0

(1) The property was in the development stage during the year, and the purchase price represents development funding during the year.

(2) During 2007, the Trust acquired two direct equity investments for approximately \$52 million. Debt of approximately \$32.4 million existed at the date of acquisition.

(3) On September 4, 2007, in lieu of foreclosure, the Trust acquired the partner's interest in the joint venture and stepped up as a majority partner. As a result of this transaction, the Trust controls the joint venture, and the consolidated

financial statements include the financial position and results of operations of the joint venture as of December 31, 2007, and from the date of the transaction. The investment is reported as a direct equity investment at December 31, 2007. Prior to the acquisition of the partner's interest, the investment was recorded as a participating loan, and, during the year 2007, the Trust funded approximately \$2.8 million under the loan agreement. As a result of the consolidation, the Trust recorded a loan payable to a third party of \$112.2 million and increased its basis in the direct investment by the same amount. The Trust also transferred its investment balance of approximately \$51.5 million from mortgage loans receivable and \$6.3 million of accrued interest receivable to direct equity investments.

During 2007, mortgage loans receivable secured by three multifamily and one hotel property were paid off and one secured by one multifamily property was paid down, totaling approximately \$104.7 million. The Trust realized approximately \$1.7 million in prepayment fees during 2007, which are included in income from mortgage loans receivable in the consolidated statement of operations and changes in net assets.

During 2007, the Trust sold one office and one industrial property valued at approximately \$127.6 million realizing a net gain of approximately \$11.5 million. The Trust and a joint venture

partner sold an industrial property with an investment value of approximately \$5.6 million. The Trust realized approximately \$1.3 million preferred return. The Trust and a joint venture partner sold an office property with an investment value of approximately \$26.4 million and provided the financing of \$18.4 million for a term of one year. The Trust realized approximately a \$2.6 million gain.

During 2007, the Trust received capital returned from two joint ventures, which hold a retail property and a multifamily property, respectively, totaling approximately \$34.7 million.

2006 ACQUISITIONS

Name	Type	Month Acquired	Purchase Price (in millions)
Direct equity:			
Fountain Lakes	Industrial	March	\$ 1.2 (2)
Plantation One	Office	April	3.0 (3)
Plantation Two	Office	June	4.5 (3)
Mortgage loans receivable:			
Urban Glass	Multifamily	(1)	27.8
Battery Wharf	Multifamily	(1)	25.9
One River Terrace	Multifamily	(1)	26.1
Village of Lemont-TIF	Multifamily	August	6.8
Cultural Trust	Multifamily	December	24.5
Joint venture equity:			
15th & L	Office	(1)	31.1
Plantation Park	Office	(1)	22.0
Opal at Kew Gardens	Multifamily	(1)	7.0
Tides	Multifamily	(1)	22.5
Weingarten Properties	Industrial	September	99.4
Queens Family	Multifamily	November	2.1
Total			\$ 303.9

(1) The property was in the development stage during the year, and the purchase price represents development funding during the year.

(2) During 2006, the Trust acquired the partner's interest in the joint venture for approximately \$1.2 million. The Trust became the sole owner of the property, which is included in direct equity investments as of December 31, 2006. Debt of approximately \$14.5 million existed at the date of acquisition. The Trust transferred approximately \$20.7 million in investment balance from joint

venture equity investment to direct equity investment at the date of acquisition

(3) During 2006, the Trust acquired the partner's interest in the joint ventures for approximately \$7.5 million. The Trust became the sole owner of the properties, which are included in direct equity investments as of December 31, 2006. The Trust transferred approximately \$58.9 million in investment balance from joint venture equity investment to direct equity investment at the date of acquisition

During 2006, mortgage loans receivable secured by three office properties were paid off totaling approximately \$43.6 million. Mortgage loans receivable secured by three multifamily properties were partially paid off totaling approximately \$71.8 million. The Trust realized approximately \$0.3 million gain and \$6.4 million in prepayment fees during 2006, which are included in income from mortgage loans receivable in the consolidated statement of operations and changes in net assets.

During 2006, the Trust sold three offices, two industrial and one multifamily property valued, at approximately \$157.5 million

realizing a net gain of approximately \$3.6 million. The Trust sold a multifamily property with an investment value of approximately \$10.8 million to the joint venture partner. The Trust realized approximately a \$1.1 million gain.

Net operating income from the Trust's direct equity investments, recorded as income from direct equity investments in real estate in the consolidated statements of operations and changes in net assets for the years ended December 31, 2007 and 2006, is composed of the following:

	2007	2006
Income	\$128,238,850	\$121,294,065
Interest expense	11,899,177	10,750,696
Operating expenses	37,887,164	37,335,224
Net operating income	\$ 78,452,509	\$ 73,208,145

Net realized and unrealized gain (loss) on real estate investments and securities during the years ended December 31, 2007, and 2006, is as follows:

	2007	2006
Direct equity investments	\$104,648,790	\$117,566,846
Joint venture equity investments and related notes receivable	93,464,392	75,971,953
Mortgage loans receivable	(19,984)	9,379,499
Real estate and mortgage-backed securities		(110,399)
Net realized and unrealized gain	\$ 198,093,198	\$202,807,899

Minimum future rentals scheduled to be received on direct equity investments, excluding joint venture equity investments, under noncancelable operating leases in effect as of December 31, 2007, are as follows:

Years Ending December 31

2008	\$ 81,544,206
2009	73,693,241
2010	61,743,293
2011	54,878,927
2012	48,680,122
Thereafter	184,023,246
Total	\$ 504,563,035

The Trust is also entitled to additional rents, which are not included above, that are primarily based upon escalations of real estate taxes and operating expenses over base-period amounts and rents based on a percentage of tenants' revenues over base amounts.

None of the Trust's tenants represented more than 10% of total income from direct equity investments in real estate for the year ended December 31, 2007.

At December 31, 2007, approximately 41%, 16%, 19%, and 24% of the Trust's real estate investments, net of related mortgage debt, were located in the East, Midwest, South, and West regions of the United States of America, respectively, as defined by the National Council of Real Estate Investment Fiduciaries. At December 31, 2007, approximately 32%, 26%, 18%, 23%, and 1% of the Trust's real estate investments at net equity value consisted of investments in office properties, multifamily properties, retail properties, industrial properties, and hotel properties, respectively.

7. LINE OF CREDIT

In June, 2007, the Trust increased and extended the line of credit from Bank of America to a principal amount up to \$200,000,000, and extended its maturity date to October 1, 2008.

Interest on the line of credit floats at 65 basis points to 90 basis points and is determined based on the Trust's leverage ratio at the end of the preceding quarter. The Trust has provided \$48,009,596 in letters of credit to three joint ventures under the line of credit. The Trust had a balance of \$0 and \$0 outstanding at December 31, 2007 and 2006, respectively, and paid interest on the line of credit of \$335,705 and \$3,377, respectively, during the years then ended. Interest on the line of credit is recorded in operating expenses on the accompanying consolidated statements of operations and changes in net assets.

During 2007, the Trust incurred \$582,096 in financing costs with respect to the line of credit. As of December 31, 2007 and 2006, financing costs totaling \$402,160 and \$378,247, respectively, were unamortized and are included in other assets in the accompanying consolidated statements of net assets.

8. TRANSACTION AND INCENTIVE FEES

As of July 1, 2006, the sole investment advisor retained by PNC Bank in connection with the Trust is PRI. PRI is not entitled to, and does not, receive any acquisition, incentive, or performance fees. However, in 2006, investment advisors other than MREA were paid by PNC Bank, from the assets of the Trust, certain portfolio incentive and acquisition fees in

connection with applicable BIT investments pursuant to their respective investment advisory agreements. For example, in connection with equity investments, the applicable investment advisory agreements provided for portfolio incentive fees subject to certain terms and conditions. These portfolio incentive fees were based generally on hurdle rates applied to the performance of each advisor's portfolio and are included in the cost basis of the investment when incurred. The Trust has no recorded liabilities as of December 31, 2007 and 2006, for payment of these fees. These liabilities are included in accrued incentive fees on the accompanying consolidated statements of net assets.

The applicable investment advisory agreements permitted incentive fees in connection with participating loans made by the Trust. Said fees generally were calculated on a percentage of the participating cash flow received by the Trust. Participating mortgage loan incentive fees were paid annually and netted in income from mortgage loans receivable on the accompanying consolidated statements of operations and changes in net assets. Incentive fees incurred during the years ended December 31, 2007 and 2006, were \$0 and \$37,500, respectively.

The applicable investment advisory agreements also permitted investment advisors other than PRI to earn acquisition fees relating to BIT investments, subject to certain terms and conditions. Such fees were determined based on investment type and whether the investment is in development when incurred. The fees on direct equity and joint venture investments were included in the cost basis of the investment. Fees paid for mortgage loans receivable investments were expensed when incurred and are included in operating expenses on the accompanying consolidated statements of operations and changes in net assets.

9. MORTGAGE AND OTHER NOTES PAYABLE

Mortgage and other notes payable at December 31, 2007 and 2006, are as follows:

	2007	2006
8.00% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$18,900,000 and \$18,600,000 at December 31, 2007 and 2006, respectively; balloon payment at maturity, January 2012	\$ 368,229	\$ 2,586,611
7.86% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$27,000,000 at December 31, 2006		12,027,156
7.34% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$78,700,000 and \$74,900,000 at December 31, 2007 and 2006, respectively; balloon payment at maturity, May 2011	26,265,746	26,625,830
9.00% mortgage note, interest only, due monthly, collateralized by one real estate property with a market value of \$78,700,000 and \$74,900,000 at December 31, 2007 and 2006, respectively; balloon payment at maturity, May 2011	6,000,000	6,000,000
7.65% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$106,000,000 and \$94,500,000 at December 31, 2007 and 2006, respectively; balloon payment at maturity, May 2031	34,735,314	35,551,373
5.43% mortgage note, interest only, due monthly, collateralized by one real estate property with a market value of \$82,000,000 and \$80,700,000 at December 31, 2007 and 2006, respectively; balloon payment at maturity, January 2013	50,000,000	50,000,000

(Continued)

9. MORTGAGE AND OTHER NOTES PAYABLE

(Continued)

	2007	2006
5.95% mortgage note, interest only, due monthly, collateralized by one real estate property with a market value of \$36,000,000 at December 31, 2006	\$ —	\$ 9,000,000
6.00% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$20,980,465 at December 31, 2007; balloon payment at maturity, February 2013	14,782,316	
6.00% mortgage note amortizing monthly, collateralized by one real estate property with a market value of \$33,153,703 at December 31, 2007; balloon payment at maturity, February 2013	17,111,362	(continued)
30 day LIBOR +1100 bp first mortgage note (16.23% at December 31, 2007), interest only, accrued monthly, collateralized by one real estate property with a market value of \$170,004,319 at December 31, 2007; balloon payment at maturity, November 2008	20,505,837	
30 day LIBOR +270 bp second note secured by first mortgage (7.93% at December 31, 2007), interest only, accrued monthly, collateralized by one real estate property with a market value of \$170,004,319 at December 31, 2007; balloon payment at maturity, November 2008	91,659,477	
7.54% promissory note amortizing monthly, collateralized by three real estate properties with a total market value of \$94,900,000 and \$90,000,000 at December 31, 2007 and 2006, respectively; maturing April 2031, callable beginning in 2008	35,982,432	36,527,882
Subtotal	297,410,713	178,318,852
Unamortized premium	5,220,154	6,748,006
Total	\$ 302,630,867	\$ 185,066,858

(Concluded)

The estimated fair value of mortgages and notes payable is \$298,988,000 and \$186,525,000 at December 31, 2007 and 2006, respectively. The estimated fair value of the Trust's mortgage notes payable is calculated by discounting the future cash flows on the mortgage notes payable at estimated rates at which similar loans would have been made at December 31, 2007.

Aggregate future payments under the terms of the note agreements as of December 31, 2007, are as follows:

Years Ending December 31	
2008	\$114,945,224
2009	2,603,080
2010	2,797,636
2011	33,540,591
2012	2,705,697
Thereafter	140,818,485
Total	\$297,410,713

10. FINANCIAL HIGHLIGHTS

	Year Ended December 31, 2007	Year Ended December 31, 2006
(Per Unit)		
Net asset value — beginning of year	\$ 4,136.66	\$ 3,584.40
Net investment income after fees	227.79	213.05
Net realized and unrealized gain on investment transactions	317.91	339.21
Net asset value — end of year	<u>\$ 4,682.36</u>	<u>\$4,136.66</u>
Total return after fees for the year ended December 31	<u>13.18 %</u>	<u>15.39 %</u>
Supplemental data net assets — December 31	<u>\$ 2,985,671,502</u>	<u>\$ 2,502,570,180</u>
Ratio to average net assets*:		
Operating expenses	0.07 %	0.07 %
Trustee fees	0.98	1.04
Total expenses	<u>1.05 %</u>	<u>1.11 %</u>
Net investment income	<u>5.17 %</u>	<u>5.53 %</u>

* Average net assets are calculated based on the beginning and ending net asset balance for each quarter in the years ended December 31, 2007 and 2006

11. SUBSEQUENT EVENTS

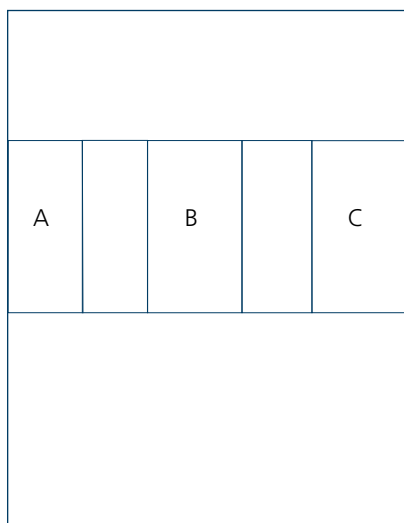
On January 7, 2008, the Trust purchased an interest in a joint venture which owns a 494,202 sq ft office property in San Francisco, CA for \$127.3 million

On March 6, 2008, the Trust paid off a promissory note for \$35.9 million, which was collateralized by three properties valued at \$94.9 million.

On March 18, 2008, the Trust sold an industrial property valued at \$16.6 million realizing a \$3.7 million gain.

On April 3, 2008, the Trust, through a joint venture, sold an office property with an investment value of approximately \$149.2 million realizing a preferred return of approximately \$49.2 million. (unaudited)

On April 9, 2008, a mortgage loan receivable secured by a multifamily property was repaid for approximately \$39.4 million, and the Trust realized approximately \$1.1 million in prepayment fees. (unaudited)



Key to Front Cover

A. Executive Building, Washington, DC

B. Cultural Trust Apartments, Pittsburgh, PA

C. The Tides, Chicago, IL

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