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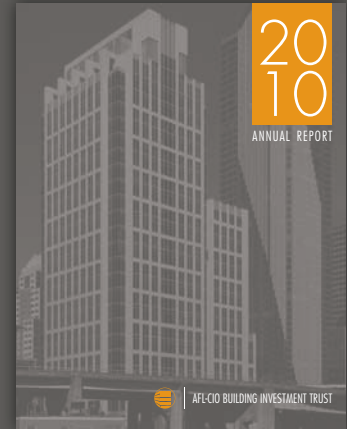
ANNUAL REPORT



AFL-CIO BUILDING INVESTMENT TRUST

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ON THE COVER:
199 FREMONT
San Francisco, California

TOWN CENTER I & II

Woodlands, Texas





MESSAGE FROM THE **AFL-CIO PRESIDENT**

The AFL-CIO Building Investment Trust (BIT) is guided by a union philosophy towards pension investment. This philosophy centers on strong investment fundamentals designed to strengthen workers' retirement security while creating value for all Americans. The BIT accomplishes this dual goal through its investments in commercial real estate, which provide investors with competitive returns, while creating good union jobs that pay living wages and provide fringe benefits.

The BIT's philosophy has served the fund well and successfully guided it through several commercial real estate downturns. With steady management, the BIT is bouncing back from the recent economic

downturn and continues to outperform its benchmark over the long-term. Most impressively, pension plans are continuing to show confidence in the BIT, investing \$167 million in new capital over the past four quarters.

I am proud of the BIT's success. For more than 20 years, it has consistently provided investors with a high degree of security and competitive returns, without sacrificing its collateral objectives. The BIT enters 2011 in a position of strength. With solid real estate investments and support from its pension plan investors, the BIT will continue to implement its strategy for responsible pension investment.

RICHARD L. TRUMKA

ABOUT THE **AFL-CIO BUILDING INVESTMENT TRUST**

The AFL-CIO Building Investment Trust (BIT) is a collective trust fund that provides qualified pension plans with union beneficiaries the opportunity to invest in commercial real estate throughout the United States. The mission of the BIT is to provide investors with competitive risk-adjusted returns through investments in institutional quality real estate that generate competitive levels of income and long-term capital appreciation. The BIT also promotes economic development and creates union jobs by maintaining one of the most comprehensive union labor policies in the U.S. real estate industry.

Since beginning operations in 1988, the BIT has invested over \$4 billion for the development and acquisition of more than 160 office, retail, multifamily, hotel, warehouse, and mixed use properties across the country. These investments have created approximately 54 million hours in union construction work and created thousands of permanent union jobs in the service, maintenance and operations of facilities owned by the BIT.

The BIT is managed by PNC Bank, National Association (PNC Bank), as Trustee, with its headquarters located in Pittsburgh, Pennsylvania. PNC Realty Investors (PRI), with an office located in Washington, DC, provides investment advisory services to the BIT. PRI is indirectly owned by PNC Financial Services Group (PNC). The AFL-CIO Investment Trust Corporation (ITC) located in Washington, DC, provides marketing, investor relations and labor relation services. ☰

SHOREHAM
Chicago, Illinois



BIT AT A GLANCE

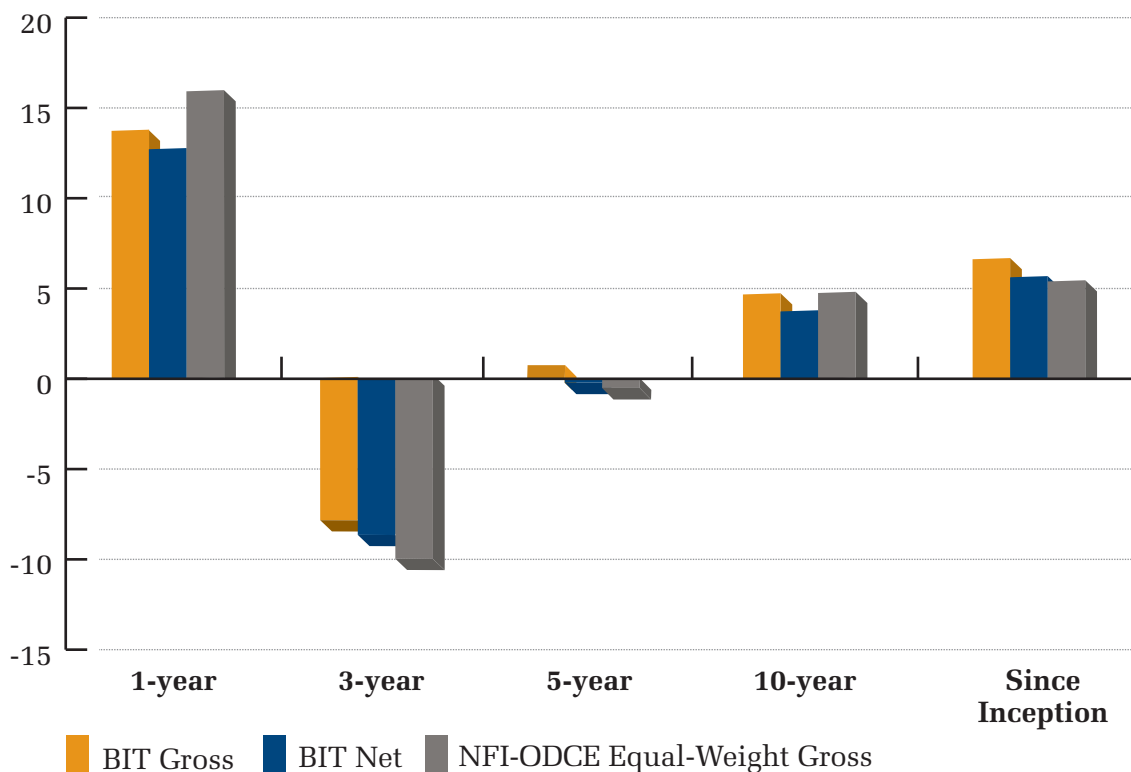
at December 31, 2010

Gross Asset Value	\$2.913 billion	Total Square Footage	17.6 million
Net Asset Value	\$1.863 billion	Multifamily Units	3,866
One-Year Gross Return	14.05%	Occupancy, Commercial	82%
One-Year Net Return	12.95%	Occupancy, Multifamily	93%
Number of Investors	152	Portfolio Leverage	36%
Number of Properties	79	Cash Position	7%

BIT RETURNS SUMMARY

as of December 31, 2010

	One-Year Return (1/1/10- 12/31/10)	Three-Year Return (1/1/08- 12/31/10)	Five-Year Return (1/1/06- 12/31/10)	Ten-Year Return (1/1/01-12/31/10)	Since BIT Inception (7/1/88- 12/31/10)
BIT Returns					
BIT Gross	14.05%	-7.99%	0.74%	4.87%	6.91%
BIT Net	12.95%	-8.88%	-0.24%	3.85%	5.83%
NFI-ODCE Equal- Weight Gross	16.14%	-10.29%	-0.54%	4.82%	5.53%



Source: PNC Bank and the National Council of Real Estate Investment Fiduciaries (NCREIF)

2010 YEAR IN REVIEW

PERFORMANCE

2010 marked a year of recovery for the industry and the AFL-CIO Building Investment Trust (“BIT”). For the year, the BIT reported gross and net returns of 14.05% and 12.95%, respectively, with its multifamily and retail holdings experiencing particularly strong appreciation. As a result of the strong earnings coupled with net investor contributions, the BIT’s net asset value grew to \$1.86 billion from \$1.76 billion the prior year.

The BIT’s returns were positively impacted by significant improvement in the commercial real estate capital markets. The high relative returns offered by the asset class combined with the significant institutional demand for equity real estate, resulted in increased transaction volume and rebound-

ing prices for top quality assets. During the year, core property values, which declined on average 40% from their peak in 2007, recovered almost half of those losses.

Reflecting the strong demand for core investments, overall discount and terminal cap rates for well-leased BIT multifamily and retail assets declined by approximately 100 basis points in 2010. Changes in capitalization rates for other product types were more modest as investors priced leasing risk into property valuations for the office and industrial sector. For the year, the BIT reported portfolio level appreciation of 7.88%, with its multifamily and retail portfolios accounting for nearly all of the appreciation gains. >>



During 2010, the BIT’s multifamily and retail holdings experienced particularly strong appreciation while its net asset value grew to \$1.86 billion.



INCOME/APPRECIATION/TOTAL RETURN

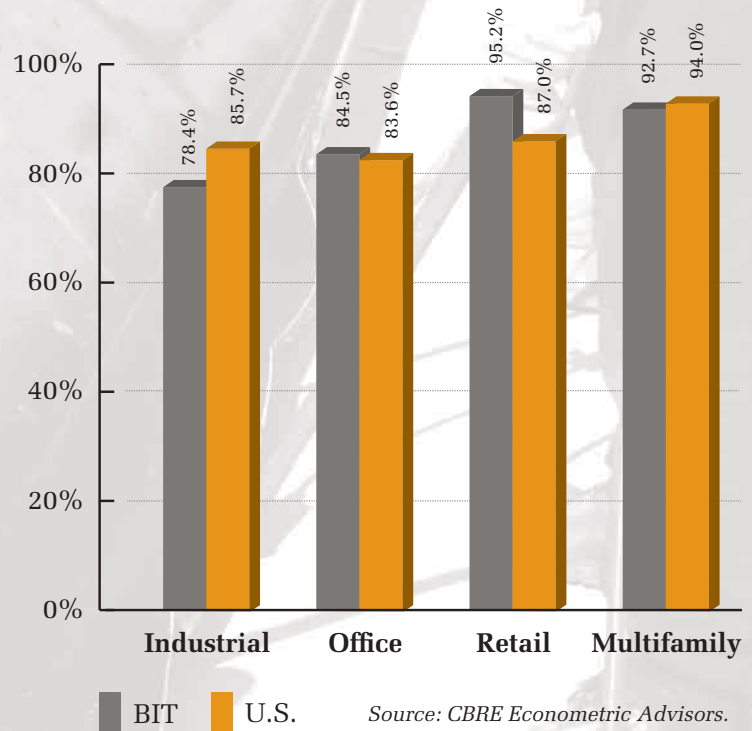
as of December 31, 2010

	2001	2002	2003	2004	2005
BIT Gross Income Return	7.94%	7.33%	6.40%	6.54%	7.72%
BIT Appreciation Return	0.23%	-1.43%	-0.49%	1.56%	9.96%
BIT Total Gross Return	8.18%	5.83%	5.89%	8.17%	18.25%
	2006	2007	2008	2009	2010
BIT Gross Income Return	6.82%	6.34%	5.56%	6.39%	5.83%
BIT Appreciation Return	9.28%	7.57%	-14.20%	-29.67%	7.88%
BIT Gross Return	16.57%	14.26%	-9.23%	-24.75%	14.05%



PORTFOLIO OCCUPANCY

as of December 31, 2010



PERFORMANCE (CONT.)

» Vacancy rates remained elevated throughout the year with only the multifamily sector showing meaningful occupancy gains. At year-end, the occupancy levels for BIT's retail and office portfolios remained above the national averages for their respective sectors, standing at 95% and 85%, respectively. Occupancy for the BIT's multifamily portfolio stood at 93%, slightly below the national average of 94%. While occupancy of the BIT's industrial portfolio lagged national averages, industrial space generates far less rent per square foot than office and retail space and therefore has limited economic impact on the portfolio.

Although the BIT's one-year returns modestly trailed its benchmark, the NCREIF Open End Fund Index Equal Weight (NFI-ODCE-EW), the fund continues to outperform over the long-term. For the periods ended December 31, 2010, the BIT's gross returns exceeded the NFI-ODCE-EW by 230, 128, and 5 basis points (bps) on a three-, five-, and ten-year basis, respectively. Several factors have contributed to the BIT's longer term outperformance. Some BIT joint venture investments included preferred return provisions which provided a cushion to the BIT during the recent valuation adjustment cycle as partners absorbed a



91 SIDNEY STREET
Cambridge, Massachusetts

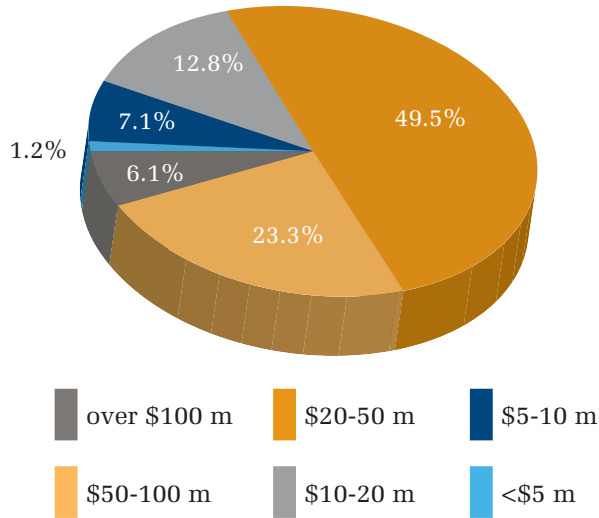
disproportionate share of the loss. BIT returns also were impacted on a relative basis by several debt investments in the portfolio which escaped capital loss and provided solid income returns.

Looking forward, the BIT's overweight position in the multifamily and retail sectors relative to the NFI-ODCE-EW should serve the fund well. Most of the BIT's multifamily and retail assets are located in top-tier markets with stable employment and prospects for significant rent growth. ☺

The BIT's overweight position in the multifamily and retail sectors relative to the NFI-ODCE-EW should serve the fund well.

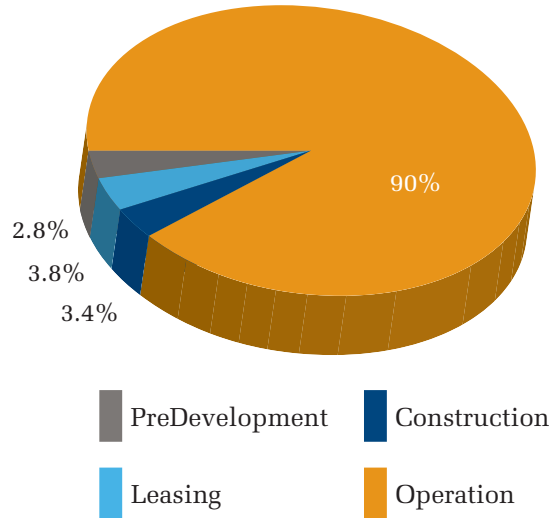
INVESTMENT SIZE

(at December 31, 2010) Net asset value, excluding cash



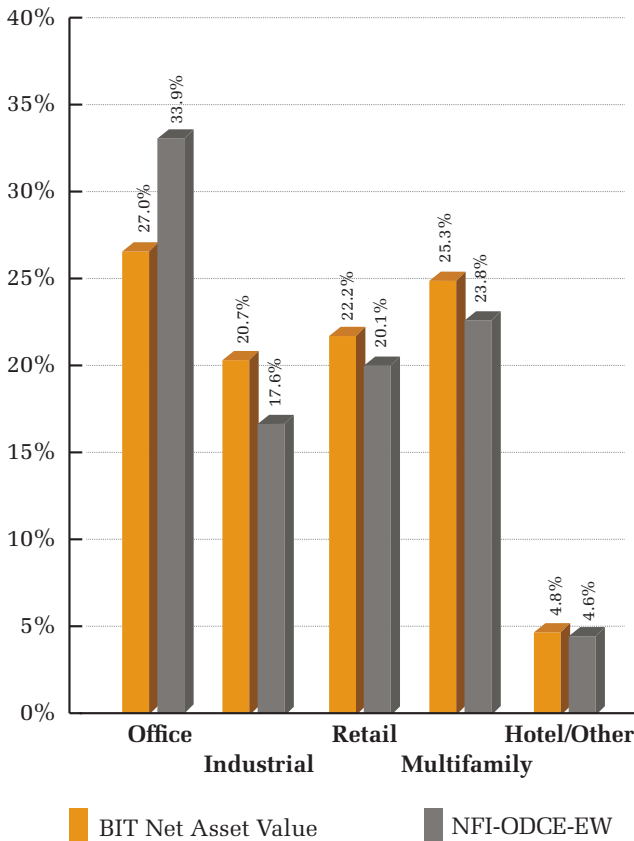
LIFE CYCLE

(at December 31, 2010) Net asset value, excluding cash



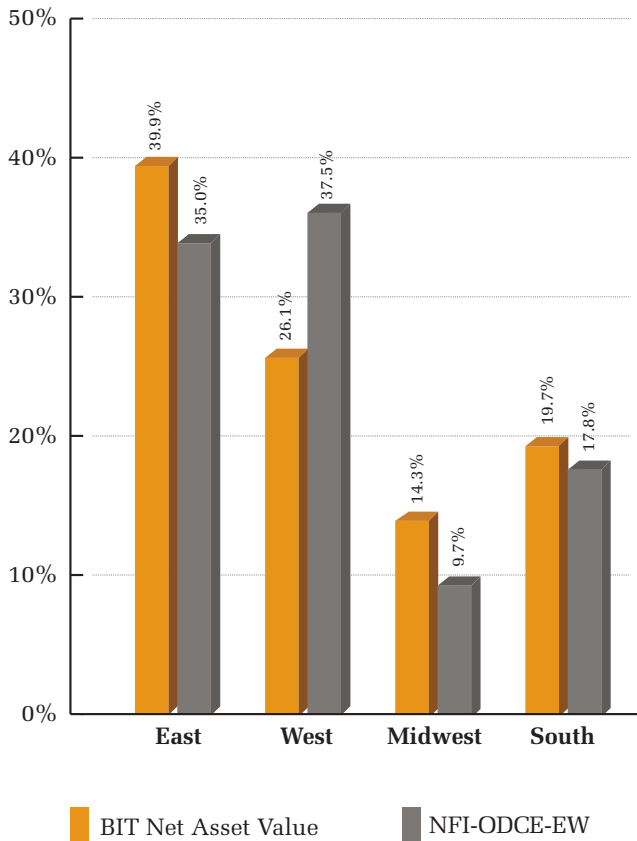
PORTFOLIO DIVERSIFICATION

by property type



PORTFOLIO DIVERSIFICATION

by geographic region



Source: PNC Bank and NCREIF

PORTFOLIO ACTIVITY

The BIT's portfolio was actively managed throughout 2010 in order to generate steady income while prudently generating liquidity to meet investor needs and positioning the fund to take advantage of anticipated investment opportunities. PRI disposed of several BIT assets during the year, generating \$178 million in net proceeds. The resulting liquidity, coupled with BIT participants rescinding 25 redemption requests totaling \$203 million, enabled the Trustee to retire the redemption queue in October 2010. Growing investor confidence in the asset class and the BIT gener-

ated \$167 million in new capital contributions over the past four quarters, including commitments from 18 new participants to the BIT.

The new investor commitments and the repayment of the queue allowed for PRI to resume its investment activities during the latter half of 2010. In November 2010, the BIT committed \$37 million to a multifamily development project in Minneapolis, Minnesota. Looking forward, PRI has built an active pipeline of new development opportunities that are currently being reviewed and underwritten. ☺

2010 PORTFOLIO TRANSACTIONS

FOLLOWING ARE DISPOSITIONS MADE FROM THE BIT PORTFOLIO IN 2010:

- 】 Prairie Point Shipping Center, Aurora, Illinois, 1Q10, proceeds from sale = \$11 million
- 】 One River Terrace, New York, New York, 1Q10, proceeds from loan sale = \$56 million
- 】 Battery Wharf, Boston, Massachusetts, proceeds from condo sales = \$29 million
- 】 Washington Building, Los Angeles, California, 2Q10, proceeds from loan repayment = \$10 million
- 】 Lakeshore East Land Sites, Chicago, Illinois, 2Q10, proceeds from partial loan repayment = \$15 million
- 】 Etiwanda Distribution Center, Ontario, California, 3Q10, proceeds from sale = \$14 million
- 】 Valley Distribution Center, Renton, Washington, 4Q10, proceeds from sale = \$29 million
- 】 Park Towers, Atlanta, Georgia, 4Q10, proceeds from sale = \$13 million

THE FOLLOWING TRANSACTION WAS ADDED TO THE BIT PORTFOLIO IN 2010:

- 】 Uptown Apartments, Minneapolis, Minnesota, 4Q10 = \$37 million



UPTOWN APARTMENTS

Started in 2010



RITCHIE STATION MARKETPLACE

Started in 2010



BALLARD PARK

Completed in 2010

UPTOWN APARTMENTS

MINNEAPOLIS, MINNESOTA

In November, the BIT approved an investment in the \$37 million, 216-unit multifamily development project known as the Uptown Apartments. Construction on the project has commenced and is expected to create much-needed union construction jobs for the men and women of the Minneapolis building and construction trade unions.

RITCHIE STATION MARKETPLACE

CAPITOL HEIGHTS, MARYLAND

In March, construction began at the \$222 million Ritchie Station Marketplace retail development project. Phase 1 of construction was completed by November with the opening of a BJ's Wholesale Club at the site. When completed the Ritchie Station project will bring approximately 1 million square feet of retail space while generating approximately 1,100 union construction jobs.

BALLARD PARK

SEATTLE, WASHINGTON

In August, vertical construction on the BIT's \$86 million Ballard Park residential and retail property was completed. The eight-story property contains 268 rental apartments located over a 41,600 square-foot QFC (Kroger's) grocery store. The project created an estimated 560 union construction jobs while the grocery store employees are represented by the United Food and Commercial Workers. Lease-up is progressing well, with 78% of the units occupied at year-end.

TOP 10 MSAS

based on nav, excluding cash — as of December 31, 2010

MSA	NAV (\$'s in thousands)	%
San Francisco/Bay Area	\$ 211,200	12.2%
New York Metro	\$ 196,600	11.3%
Miami/Ft. Lauderdale	\$ 186,600	10.8%
Chicago	\$ 162,600	9.4%
Washington DC Metro	\$ 150,600	8.7%
Boston	\$ 116,900	6.7%
Philadelphia	\$ 98,500	5.7%
Seattle	\$ 88,500	5.1%
Richmond	\$ 54,300	3.1%
Dallas	\$ 53,600	3.1%
Total	\$ 1,319,400	76.1%



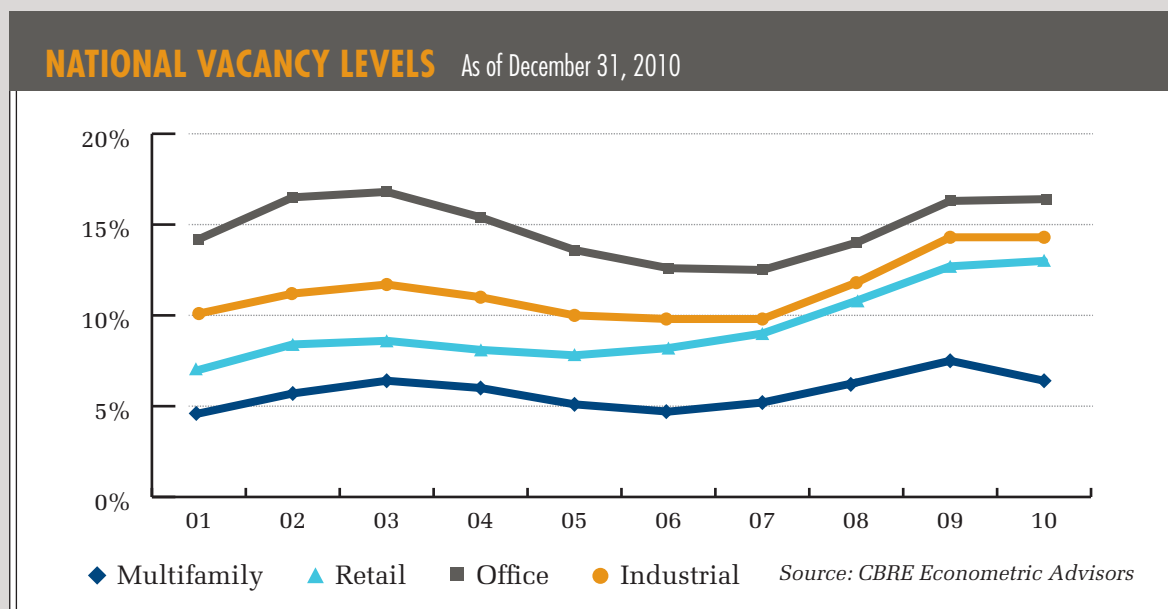
REAL ESTATE PROPERTY MARKETS

MULTIFAMILY: The multifamily housing sector is leading the way to recovery. As of year-end 2010, the national multifamily vacancy level stood at 6.0%, down 140 basis points from year ago levels. Job creation, new household formations, a reduced national home ownership rate, and a lack of new supply all contributed to increased occupancy levels. The BIT maintains an overweight position in the multifamily sector relative to the NFI-ODCE-EW, and most BIT holdings are located in primary markets such as Chicago, Boston, and New York.

RETAIL: The national retail vacancy level stood at 13.0% at year-end 2010, a 50 basis points increase over the prior year. Although significant stress remains, the retail sector is showing signs of stabilization. Same store sales at major retailers are showing positive trends, but concerns remain as evidence by the recent bankruptcy filings by A&P and Blockbuster Video. The BIT retail portfolio is largely comprised of grocery-anchored and power centers containing long-term anchor tenants and historically has seen vacancy levels below 5%.

OFFICE: As of year-end 2010, the national office vacancy rate stood at 16.4%, a 10 basis points increase over the prior year. The office sector is directly impacted by employment levels which continue to be distressed. Although private sector employment has turned positive over the past year, it remains far below the rate of previous recoveries. Rents are expected to continue to decline as an abundance of available space options allows tenants to negotiate rent concessions at lease renewal. As the economy continues to recover, PRI expects to see fundamentals improve in the office sector in 2011.

INDUSTRIAL: The national industrial vacancy level at year-end 2010 stood at 14.3%, a 40 basis points increase over the prior year. Industrial vacancy levels remain at historic highs and while new supply is not an issue, it is expected to take several years for existing vacant space to be absorbed. Fortunately, several port markets are experiencing positive net absorption as inventory replenishment has spurred demand. PRI has reduced the BIT's exposure to industrial properties in low growth markets over the past several years. 🇺🇸



2011 OUTLOOK

The global economy appears to be on the mend with the emerging economies leading the way and with the Eurozone and the U.S. struggling as they deal with massive debt loads at both the sovereign and private sector level. The U.S. consumer is saving more, spending less and paying down debt. Easy credit available throughout the past decade led to a property bubble from which it will take years to recover. Unemployment remains at historically high levels as uncertainty on tax policy and regulation force businesses to get by with less and postpone hiring. Pressure on state and local governments to get budgets under control is impacting the public sector as well. Most economists expect unemployment to remain stubbornly high and expect only modest employment growth in 2011.

The U.S. commercial real estate markets remain weak but conditions have improved steadily over the past year as transaction volume has increased, pricing has rebounded for top quality assets, healthy financial institutions are back in the lending business, and even the CMBS market is making a comeback. However, this cautious optimism is prevalent only in the institutional core sector of the market which focuses on the best assets in the major property markets. Core property values fell by an average of 40% from the market peak in late 2007, but have recovered almost half of these losses over the past year. Non-core assets experienced even greater diminution in values and will face

a much more drawn out recovery process. Owners of highly leveraged commercial real estate continue the deleveraging process, working with lenders to buy more time, raising capital to restructure transactions or in many cases giving up and handing back assets to lenders. Lenders and servicers are working through their problem real estate loan portfolios by extending loans where appropriate, foreclosing when necessary, selling notes and foreclosed assets, and taking write-downs. Regional and local banks, burdened with disproportionately higher real estate exposure in secondary and tertiary markets are facing more significant challenges. These regional and local banks, traditionally a major source of capital to the industry will not be making new real estate loans for the foreseeable future. However, the deleveraging and restructuring process is progressing at a faster pace than many anticipated only a year ago.

The outlook for 2011 is one of cautious optimism. Vacancy levels appear to be topping out and in the case of multi-family are declining. Credit availability remains constrained but credit is readily available for investors with strong sponsorship and quality assets from a variety of lending sources most notably, life insurance companies, money center banks, GSE's and revived CMBS conduit lenders. Investor return expectations are expected to decline as inflation remains low, demand for core assets remains high, and debt is again readily available and inexpensive. >>



2011 OUTLOOK (CONT.)

» Transaction volume is projected to continue increasing as sellers see more attractive pricing while institutional buyers need to place significant amounts of equity capital. Pricing is also expected to continue rebounding especially for the most sought after multifamily and office properties in the major gateway markets. The bifurcated pricing structure is expected to continue with lower quality, leasing challenged assets in secondary and tertiary markets generating little if any interest. With very few exceptions, commercial real estate can still be acquired below replacement cost, and as a result new development activity will be limited until rent levels rise. Development opportunities in 2011 will be limited to multifamily housing in high barrier to entry markets and build-to-suit office and industrial product.

The longer term outlook for real estate is brighter. As the U.S. economy recovers, the deleveraging process will continue, job growth should accelerate and space will get absorbed. With the development pipeline essentially shut down for several years across

the U.S., positive absorption will lead to higher rents which in turn will lead to new development opportunities. Long term favorable demographic trends and a well educated work force will also aid the U.S. as it looks to recover from a period of extraordinary economic weakness.

During 2011, PRI will continue to pursue development of multifamily rental properties and commercial build-to-suit opportunities as well as strategic acquisitions, likely in the office and retail sectors. Target markets for multifamily development will include gateway cities on the east and west coast along with major markets in the mid-west. Acquisitions will focus on large well leased office and retail assets in the major gateway markets on the east and west coast. Disposition activity is expected to be modest and will likely focus on a handful of smaller assets in the industrial sector. On the operating level, PRI will continue to focus on leasing vacant space, particularly in the industrial sector. PRI will also seek to strengthen the BIT's balance sheet by reducing portfolio leverage where feasible. ☺

MARIN EXECUTIVE CENTER

San Rafael, California



AFL-CIO BUILDING INVESTMENT TRUST CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT 14

FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009:

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Deloitte & Touche LLP
Suite 800
1750 Tysons Boulevard
McLean, VA 22102-4219
USA
Tel: +1 703 251 1000
Fax: +1 703 251 3400
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

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, 2010 and 2009, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements 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 present fairly, in all material respects, the financial position of the Trust as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Trust's real estate and related investments, including the net partnership equity interests in joint ventures, are carried at fair value. The fair value of the Trust's real estate investments is determined by the Trust's management utilizing independent third party appraisals, 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.

Deloitte & Touche LLP

March 9, 2011

CONSOLIDATED STATEMENTS OF NET ASSETS

AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS:		
Real estate investments — at fair value (Note 2):		
Direct equity investments (cost of \$1,263,717,976 and \$1,323,038,625 in 2010 and 2009, respectively)	\$ 1,072,548,158	\$ 1,110,140,935
Joint venture equity investments and related notes receivable (cost of \$1,049,052,980 and \$1,000,179,141 in 2010 and 2009, respectively)	777,265,097	621,340,784
Mortgage loans receivable — net (cost of \$47,597,326 and \$123,129,172 in 2010 and 2009, respectively)	47,498,998	115,012,511
Total real estate and related investments — at fair value	1,897,312,253	1,846,494,230
Cash and cash equivalents	134,171,703	96,832,308
Accrued interest receivable	1,615,180	9,328,153
Other assets	27,513,560	24,684,827
Total assets	<u>2,060,612,696</u>	<u>1,977,339,518</u>
LIABILITIES:		
Line of credit	—	—
Mortgage and other notes payable	175,024,315	184,666,388
Accounts payable and accrued expenses	13,180,207	10,975,743
Total liabilities	<u>188,204,522</u>	<u>195,642,131</u>
TOTAL NET ASSETS	1,872,408,174	1,781,697,387
LESS NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	8,922,948	6,938,569
NET ASSETS ATTRIBUTABLE TO PARTICIPANTS	<u>\$ 1,863,485,226</u>	<u>\$ 1,774,758,818</u>
NUMBER OF UNITS OUTSTANDING	<u>526,090</u>	<u>566,007</u>
NET ASSETS PER UNIT OUTSTANDING	<u>\$ 3,542</u>	<u>\$ 3,136</u>

See notes to consolidated financial statements.

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2010

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Fair Value
OFFICE INVESTMENTS:						
Bixby Office	EJV	Seal Beach	CA	1,119,754	\$ 140,471,585	\$ 4,067,142
Cedar Hill I & III	DE	Vienna	VA	102,686	34,672,075	20,392,839
Chamber Building	EJV	San Diego	CA	179,778	16,679,406	17,108,614
Columbia Office	DE	Columbia	MD	138,158	22,138,822	12,744,961
Fair Lakes	DE	Fairfax	VA	309,757	76,396,368	81,600,000
Four Woodfield Lake	DE	Schaumburg	IL	106,382	19,534,652	9,375,000
Fremont Office	EJV	San Francisco	CA	404,188	127,127,582	79,109,252
Marin Executive Center	DE	San Rafael	CA	141,917	32,796,363	27,550,000
One Tower Bridge	EJV	West Conshohocken	PA	269,226	32,604,632	37,316,137
Plantation One	DE	Plantation	FL	170,152	52,362,924	43,000,000
Plantation Two	DE	Plantation	FL	109,659	20,346,625	26,800,000
Plantation Park	EJV	Plantation	FL	12 acres	2,150,880	8,044,967
Sawgrass Corporate Centre I	DE	Sunrise	FL	90,970	23,649,639	14,600,000
Sawgrass Corporate Centre III	DE	Sunrise	FL	98,926	25,909,098	16,300,000
Sawgrass International Place	DE	Sunrise	FL	93,780	24,880,195	15,400,000
Sawgrass Plaza	DE	Sunrise	FL	60,584	15,405,428	9,100,000
Technology Centre	EJV	North Brunswick	NJ	274,693	27,633,787	27,099,283
Town Center I & II	DE	Woodlands	TX	280,397	46,307,819	49,500,000
Total office investments					741,067,880	499,108,195
MULTIFAMILY INVESTMENTS:						
91 Sidney Street	EJV	Cambridge	MA	135 units	11,617,027	10,584,774
Ballard Park	EJV	Seattle	WA	268 units	73,647,419	59,674,126
Battery Wharf	DE	Boston	MA	47 units	165,695,753	105,795,220
Cultural Trust	DE	Pittsburgh	PA	151 units	33,898,041	27,925,000
Curling Club	DE	Hoboken	NJ	240 units	79,981,285	78,000,000
Lakeshore East Land Sites	MLR	Chicago	IL	5 acres	27,628,551	27,621,223
Opal at Kew Gardens	EJV	Queens	NY	388 units	32,484,628	33,802,472
Ovaltine Courts	EJV	Villa Park	IL	344 units	14,249,191	16,527,694
Ovaltine Courts	MLR	Villa Park	IL	344 units	1,968,775	1,968,775
Park Meadows	EJV	Littleton	CO	518 units	21,328,164	26,999,055
Queens Family Courthouse	EJV	Queens	NY	346 units	39,516,340	5,360,090
Shoreham	EJV	Chicago	IL	548 units	16,740,618	38,489,185
St. Tropez	DE	Plantation	FL	376 units	61,275,065	69,100,000
Tides	EJV	Chicago	IL	607 units	22,510,115	41,978,753
Uptown Apartments	EJV	Minneapolis	MN	216 units	5,884,643	5,991,500
Village Green at Cantera	EJV	Warrenville	IL	343 units	7,144,029	16,742,958
Total multifamily investments					615,569,644	566,560,825

(Continued)

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2010

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Fair Value
INDUSTRIAL INVESTMENTS:						
Boldt Park	EJV	Romeoville	IL	55 acres	\$ 6,142,628	\$ 6,669,073
Carlisle Industrial	DE	Carlisle	PA	1,226,525	65,559,007	65,000,000
Fountain Lakes	DE	St. Charles	MO	852,523	38,712,720	25,000,000
Fremont Distribution Center	DE	Fremont	CA	494,202	41,206,224	28,634,774
Metro West	DE	Plymouth	MI	258,000	21,884,017	7,250,000
National Archives	DE	Philadelphia	PA	300,000	18,633,718	19,000,000
ProLogis Industrial	EJV	Indianapolis	IN	3,615,817	94,432,131	86,383,376
Weingarten Industrial	EJV	Richmond	VA	4,067,689	172,807,964	102,820,799
Wilsonville Business Center	DE	Portland	OR	530,002	43,895,883	30,459,095
Total industrial investments					503,274,292	371,217,117
RETAIL INVESTMENTS:						
Gallery Place	EJV	Washington	DC	478,728	273,692	12,116,865
Gateway Shopping Center	DE	Brea	CA	181,854	44,192,892	52,921,269
Hacienda Crossing	DE	Dublin	CA	262,285	69,718,210	76,500,000
Oak Park Commons	DE	South Plainfield	NJ	136,694	43,215,131	25,300,000
Ritchie Station	EJV	Capitol Heights	MD	996,433	62,614,767	51,750,791
Riverhead Centre	DE	Riverhead	NY	394,900	71,135,301	71,400,000
Village at Bedminster	DE	Bedminster	NJ	109,800	41,096,172	35,200,000
Weingarten Retail	EJV	Dallas	TX	715,408	120,991,750	88,628,191
Woodinville Plaza	DE	Woodinville	WA	170,823	29,218,551	28,700,000
Total retail investments					482,456,466	442,517,116
HOTEL INVESTMENTS						
Jacksonville Crowne Plaza	MLR	Jacksonville	FL	292 units	18,000,000	17,909,000
Total hotel investments					18,000,000	17,909,000
TOTAL REAL ESTATE INVESTMENTS					\$ 2,360,368,282	\$ 1,897,312,253

DE — Direct Equity

EJV — Equity Joint Venture

MLR — Mortgage Loans Receivable

See notes to consolidated financial statements.

(Concluded)

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2009

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Fair Value
OFFICE INVESTMENTS:						
Bixby Office	EJV	Seal Beach	CA	1,119,754	\$ 140,383,950	\$ 5,264,404
Cedar Hill I & III	DE	Vienna	VA	102,686	33,498,862	21,300,000
Chamber Building	EJV	San Diego	CA	179,778	16,949,407	16,815,480
Columbia Office	DE	Columbia	MD	138,158	21,722,631	13,600,000
Fair Lakes	DE	Fairfax	VA	309,757	76,396,368	73,000,000
Four Woodfield Lake	DE	Schaumburg	IL	106,382	19,468,730	12,000,000
Fremont Office	EJV	San Francisco	CA	404,188	127,127,582	78,654,993
Marin Executive Center	DE	San Rafael	CA	141,917	32,991,353	27,500,000
One Tower Bridge	EJV	West Conshohocken	PA	269,226	32,604,632	33,498,825
Plantation One	DE	Plantation	FL	170,152	51,082,376	42,100,000
Plantation Two	DE	Plantation	FL	109,659	20,394,175	26,700,000
Plantation Park	EJV	Plantation	FL	12 acres	1,797,388	8,207,297
Sawgrass Corporate Centre I	DE	Sunrise	FL	90,970	23,632,873	14,600,000
Sawgrass Corporate Centre III	DE	Sunrise	FL	98,926	25,573,553	15,200,000
Sawgrass International Place	DE	Sunrise	FL	93,780	23,728,522	14,400,000
Sawgrass Plaza	DE	Sunrise	FL	60,584	15,405,428	9,100,000
Technology Centre	EJV	North Brunswick	NJ	274,693	27,633,787	26,982,809
Town Center I & II	DE	Woodlands	TX	280,397	44,631,180	49,000,000
Washington Building	MLR	Los Angeles	CA	97,081	9,585,913	9,585,913
Total office investments					744,608,710	497,509,721
MULTIFAMILY INVESTMENTS:						
91 Sidney Street	EJV	Cambridge	MA	135 units	11,617,177	5,527,011
Ballard Park	EJV	Seattle	WA	268 units	63,129,451	44,203,691
Battery Wharf	DE	Boston	MA	47 units	188,188,850	144,734,030
Cultural Trust	DE	Pittsburgh	PA	151 units	33,862,514	24,000,000
Curling Club	DE	Hoboken	NJ	240 units	79,883,636	74,000,000
Lakeshore East Land Sites	MLR	Chicago	IL	5 acres	36,338,369	35,875,020
One River Terrace	MLR	New York	NY	80 units	53,088,174	48,065,431
Opal at Kew Gardens	EJV	Queens	NY	388 units	32,482,290	30,240,873
Ovaltine Courts	EJV	Villa Park	IL	344 units	14,249,191	8,990,500
Ovaltine Courts	MLR	Villa Park	IL	344 units	2,326,680	2,326,680
Park Meadows	EJV	Littleton	CO	518 units	21,328,164	13,432,350
Park Towers II	EJV	Atlanta	GA	300 units	15,765,923	3,445,375
Queens Family Courthouse	EJV	Queens	NY	346 units	39,516,340	1,750,090
Shoreham	EJV	Chicago	IL	548 units	16,740,503	13,360,468
St. Tropez	DE	Plantation	FL	376 units	61,098,507	61,000,000
Tides	EJV	Chicago	IL	607 units	22,510,000	29,028,732
Village Green at Cantera	EJV	Warrenville	IL	343 units	7,144,029	8,940,513
Village of Lemont	MLR	Lemont	IL		3,790,037	1,227,467
Unearned commitments					(64,340)	(64,340)
Total multifamily investments					702,995,495	550,083,891

(Continued)

SCHEDULE OF INVESTMENTS

AS OF DECEMBER 31, 2009

Property Name	Ownership	City	State	Sq. Ft./Units (Unaudited)	Cost Basis	Fair Value
INDUSTRIAL INVESTMENTS:						
Boldt Park	EJV	Romeoville	IL	55 acres	\$ 6,033,113	\$ 7,103,985
Carlisle Industrial	DE	Carlisle	PA	1,226,525	65,559,007	57,100,000
Etiwanda Distribution Center	DE	Ontario	CA	302,020	13,472,875	13,300,000
Fountain Lakes	DE	St. Charles	MO	852,523	38,710,168	24,800,000
Fremont Distribution Center	DE	Fremont	CA	494,202	40,789,836	31,000,000
Metro West	DE	Plymouth	MI	258,000	21,778,579	8,900,000
National Archives	DE	Philadelphia	PA	300,000	18,626,186	20,100,000
ProLogis Industrial	EJV	Indianapolis	IN	3,615,817	60,454,252	59,057,541
Valley Distribution Center	DE	Renton	WA	480,820	24,703,080	29,000,000
Weingarten Industrial	EJV	Richmond	VA	4,067,689	168,307,135	109,279,750
Wilsonville Business Center	DE	Portland	OR	530,002	42,386,207	28,900,000
Total industrial investments					500,820,438	388,541,276
RETAIL INVESTMENTS:						
Gallery Place	EJV	Washington	DC	478,728	273,692	
Gateway Shopping Center	DE	Brea	CA	181,854	42,414,838	45,214,945
Hacienda Crossing	DE	Dublin	CA	262,285	69,199,495	67,900,000
Oak Park Commons	DE	South Plainfield	NJ	136,694	41,179,949	26,200,000
Prairie Point Shopping Center	DE	Aurora	IL	91,535	12,938,321	10,891,960
Ritchie Station	EJV	Capitol Heights	MD	996,433	53,203,723	33,412,131
Riverhead Centre	DE	Riverhead	NY	394,900	69,872,298	62,500,000
Village at Bedminster	DE	Bedminster	NJ	109,800	40,825,961	33,000,000
Weingarten Retail	EJV	Dallas	TX	715,408	120,991,750	84,208,306
Woodinville Plaza	DE	Woodinville	WA	170,823	29,022,268	29,100,000
Total retail investments					479,922,295	392,427,342
HOTEL INVESTMENTS —						
Jacksonville Crowne Plaza	MLR	Jacksonville	FL	292 units	18,000,000	17,932,000
Total hotel investments					18,000,000	17,932,000
TOTAL REAL ESTATE INVESTMENTS					\$ 2,446,346,938	\$ 1,846,494,230

DE — Direct Equity

EJV — Equity Joint Venture

MLR — 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, 2010 AND 2009

	2010	2009
INVESTMENT INCOME:		
Income from direct equity investments in real estate	\$ 50,673,253	\$ 62,810,381
Income from mortgage loans receivable	7,431,203	26,791,491
Equity income from joint venture equities	42,288,199	47,453,378
Income from cash equivalents	675,574	344,935
Other	2,873	67,484
Total investment income	<u>101,071,102</u>	<u>137,467,669</u>
EXPENSES:		
Trustee fees	17,488,908	19,767,627
Operating expenses	1,047,062	2,580,941
Total expenses	<u>18,535,970</u>	<u>22,348,568</u>
NET INVESTMENT INCOME	<u>82,535,132</u>	<u>115,119,101</u>
REALIZED AND UNREALIZED GAIN (LOSS):		
Net proceeds received from sales and dispositions	166,611,603	179,210,754
Less cost of investments sold and disposed	168,287,296	227,492,928
Realized (loss) gain from sales and dispositions	<u>(1,675,693)</u>	<u>(48,282,174)</u>
Less previously recorded unrealized loss (gain) on sales and dispositions	6,257,680	37,023,341
Net realized gain (loss) recognized from sales and dispositions	4,581,987	(11,258,833)
Change in gain (loss) on investments held at year-end	132,523,378	(737,501,668)
Net realized and unrealized gain (loss)	<u>137,105,365</u>	<u>(748,760,501)</u>
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	219,640,497	(633,641,400)
LESS (INCREASE) DECREASE IN NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>(1,984,379)</u>	<u>3,246,487</u>
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO PARTICIPANTS	<u>217,656,118</u>	<u>(630,394,913)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM PARTICIPANT TRANSACTIONS:		
Proceeds from unit sales	103,604,268	15,806,032
Redemption of units	(232,533,978)	(162,677,540)
Net decrease in net assets resulting from participant transactions	<u>(128,929,710)</u>	<u>(146,871,508)</u>
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO PARTICIPANTS	88,726,408	(777,266,421)
NET ASSETS ATTRIBUTABLE TO PARTICIPANTS — Beginning of year	<u>1,774,758,818</u>	<u>2,552,025,239</u>
NET ASSETS ATTRIBUTABLE TO PARTICIPANTS — End of year	<u>\$ 1,863,485,226</u>	<u>\$ 1,774,758,818</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets resulting from operations	\$ 219,640,498	\$ (633,641,401)
Adjustments to reconcile increase (decrease) in net assets resulting from operations to net cash provided by operating activities:		
Net realized and unrealized loss	(137,105,365)	748,760,501
Amortization of deferred financing costs	292,976	260,744
Amortization of notes payable premium	(1,527,851)	(1,527,851)
Increase (Decrease) in accrued interest receivable	7,712,973	4,898,272
Increase (Decrease) in other assets	(3,121,709)	1,738,673
Increase (Decrease) in accounts payable and accrued expenses	2,204,463	(1,743,693)
Equity investments in real estate	(15,611,950)	(26,075,907)
Equity investments in joint ventures	(64,909,761)	(61,080,359)
Proceeds from real estate investments sold	83,352,675	125,156,131
Proceeds from joint venture investments sold	13,669,201	—
Return of capital from equity joint venture investments	270,000	25,586,678
Investment in mortgage loans receivable	(166,293)	(10,311,136)
Repayments of mortgage loans receivable	19,486,772	50,733,651
Proceeds from mortgage loan receivables sold	50,196,697	4,166,724
Net cash provided by operating activities	<u>174,383,326</u>	<u>226,921,027</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	—	(80,000,000)
Payments for deferred financing costs	—	(585,951)
Proceeds from mortgage and other notes payable	—	37,400,000
Principal payments on mortgage and other notes payable	(8,114,220)	(1,969,150)
Proceeds from sales of units to participants	103,604,267	15,806,032
Redemption of participant units	(232,533,978)	(162,677,540)
Net cash used in financing activities	<u>(137,043,931)</u>	<u>(192,026,609)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	37,339,395	34,894,418
CASH AND CASH EQUIVALENTS — Beginning of year	<u>96,832,308</u>	<u>61,937,890</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 134,171,703</u>	<u>\$ 96,832,308</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. ORGANIZATION

The AFL-CIO Building Investment Trust (the “Trust” or the “BIT”) is a bank 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. The Trust is managed by PNC Bank, National Association pursuant to the Third Amended and Restated Declaration of Trust effective as of January 1, 2010 (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 is referred to as “PNC Bank” or “Trustee.”

The AFL-CIO Investment Trust Corporation (the “ITC”) has been retained by PNC Bank to provide certain services, including certain marketing and other nonfiduciary services, in connection with the Trust. PNC Bank, at its sole cost and expense, pays the ITC a fee for its services. The fees paid ITC during 2009 and 2010 are outlined in a Trust Services agreement effective as of January 1, 2007. The fees paid by PNC Bank to the ITC aggregated approximately \$3,000,000 and \$5,078,000 for the years ended December 31, 2010 and 2009, respectively.

During 2009 and 2010, PNC Bank retained PNC Realty Investors, Inc. (“PRI”) for the performance of investment advisory and management services in connection with the Trust pursuant to certain investment advisory agreements as amended from time to time. PRI is a wholly owned subsidiary of PNC Holding, LLC, which is a wholly owned subsidiary of The PNC Financial Services Group, Inc. During 2009 and 2010, PNC Bank, at its sole cost and expense, paid asset management fees to PRI for its services. The asset management fees paid by PNC Bank from its own assets to PRI aggregated approximately \$10,060,000 and \$11,447,000 for the years ended December 31, 2010 and 2009, 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”) for investment companies. These consolidated financial statements include the consolidated 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. 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 because the Trust’s estimates of fair value 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 di-

rect 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 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. There are no mortgage loans receivable on a nonaccrual status as of December 31, 2010 and 2009.

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 by the Trust's management utilizing independent third party appraisals, readily available market data or by using a discounted cash flow methodology. Ultimate realization of the fair value is dependent 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.

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 willing parties and an orderly disposition of assets, that is, other than a forced or liquidation sale.

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 estimated market prices for the Trust's real estate investments.

Direct Equity and Joint Venture Equity Investments — The fair 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 over 10 years) and discounts this income plus a 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.

Independent appraisals are performed quarterly for each investment by independent third party appraisers who are certified members of the Appraisal Institute. In these appraisals, a full discounted cash flow analysis, which is the basis of an income approach, is generally the primary focus.

The fair value of real estate investments that are expected to be sold in the near term is based on the estimated net proceeds to be derived from the contemplated sale if the sales price is fixed. The Trust had two office properties valued at \$33.1 million at December 31, 2010, one retail property valued at \$10.8 million at December 31, 2009, that met the criteria above.

The fair values of properties undergoing development have been estimated 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 markets risk, pricing risk, event risk, and valuation risk.

Joint venture equity investments are stated at fair value which is derived from the Trust's equity in the net assets of the joint ventures. The net assets are calculated as 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 estimated quarterly by the Trust's management utilizing independent pricing services, appraisals, available market data or a discounted cash flow methodology. Such loans provide for stated interest rates ranging from 6.5% to 8.25% and have maturity dates ranging from 2011 to 2012. 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 property collateralizing the loan and a portion of any increase in the property's appraised value between the origination and maturity of the loan. The fair value of the mortgage loans receivable is estimated by discounting the expected future cash flows using rates at which the Trust's management believes similar loans would be made for properties with similar credit profiles 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 estimate fair values re-

flect 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, 2010 and 2009, 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 recorded in the accompanying consolidated financial statements. Generally accepted accounting principles require the Trust to determine whether a tax position taken by the Trust is more-likely-than-not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. The Trust has no unrecognized tax benefits or liabilities and consequently had no related accrued interest and penalties at the beginning or end of 2010 and 2009.

Commitment and Other Fees — The Trust generally receives fees resulting from the origination or restructuring of mortgage loans receivable. Unearned commitment fees, included as a contra-account component of mortgage loans receivable in the consolidated statements of net assets, totaled approximately \$0 and \$64,000 at December 31, 2010 and 2009 respectively.

Lease Termination and Mortgage Loan Prepayment Fees — The Trust periodically receives fees from tenants who 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, 2010 and 2009, prepayment penalty fees from mortgage loans receivable of \$52,500 and

\$12,100, respectively, are included as income from mortgage loans receivable.

Use of Accounting Estimates — The preparation of financial statements in conformity with generally accepted accounting principles 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.

Noncontrolling Interest — Noncontrolling 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.

New Accounting Pronouncements — In January 2010, the FASB issued Accounting Standards Update ("ASU") 2010-06, which requires new disclosures including (i) details of significant transfers in and out of Level 1 and Level 2 measurements and the reasons for the transfers, (ii) the reasons for any transfers in or out of Level 3 and (iii) a gross presentation of activity within the Level 3 roll forward, presenting separately information about purchases, sales, issuances, and settlements. ASU 2010-06 was effective for Trust on January 1, 2010, except for the gross presentation of the Level 3 roll forward, which will be required in the Trust's 2011 financial statements. The adoption of ASU 2010-06 did not have a material impact on the Trust's consolidated financial statements.

3. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a three-tier valuation hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that are accessible at the measurement date

Level 2 — Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3 — Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable

In determining the fair value of its real estate investments, the Trust uses appropriate valuation techniques based on

available inputs. If market data is not readily available, fair value is based upon other significant unobservable inputs such as inputs that reflect the Trust's own assumptions about the inputs market participants would use in valuing the investment. Investments valued using unobservable inputs are classified to the lowest level of any input that is most significant to the valuation. Thus, a valuation may be classified as Level 3 even though the valuation may include significant inputs that are readily observable. Investments held for sale where the value is based on estimated proceeds are classified as Level 2 as the valuation is based on quoted market price where the inputs are readily observable.

The valuation of the Trust's investments in real estate are considered Level 2 and Level 3 measurements. Transfers between levels only occurs once the investment meets the criteria for Level 2. The changes in the Level 2 and Level 3 fair value category are as follows:

LEVEL 2 AND LEVEL 3 FAIR VALUE MEASUREMENTS

for the Year Ended December 31, 2010 Investments in Real Estate

	Level 2	Level 3	Total
Beginning balance — January 1, 2010	\$ 125,802,161	\$ 1,720,692,069	\$ 1,846,494,230
Purchases	166,293	80,521,711	80,688,004
Sales and repayments	(80,602,447)	(86,372,899)	(166,975,346)
Transfers between levels	33,240,110	(33,240,110)	—
Net realized and unrealized gains	4,050,024	133,055,341	137,105,365
Ending balance — December 31, 2010	\$ 82,656,141	\$ 1,814,656,112	\$ 1,897,312,253
Net change in unrealized appreciation (depreciation) from investments still held — December 31, 2010	\$ 2,918,583	\$ (135,441,961)	\$ (132,523,378)

LEVEL 2 AND LEVEL 3 FAIR VALUE MEASUREMENTS

for the Year Ended December 31, 2009 Investments in Real Estate

	Level 2	Level 3	Total
Beginning balance — January 1, 2009	\$ 197,567,954	\$ 2,505,862,559	\$ 2,703,430,513
Purchases	10,311,136	87,156,266	97,467,402
Sales and repayments	(54,900,375)	(150,742,809)	(205,643,184)
Transfers between levels	12,931,921	(12,931,921)	—
Net realized and unrealized losses	(40,108,475)	(708,652,026)	(748,760,501)
Ending balance — December 31, 2009	\$ 125,802,161	\$ 1,720,692,069	\$ 1,846,494,230
Net change in unrealized appreciation (depreciation) from investments still held — December 31, 2009	\$ (29,777,547)	\$ (707,724,121)	\$ (737,501,668)

Total net realized and unrealized gains recorded for Level 2 and Level 3 investments in real estate are reported in the consolidated statements of operations and changes in net assets.

The Trust makes direct or indirect investments in real estate meeting the Trust's criteria and objectives. In selecting real estate investments,

one of the Trust's principal objectives is to generate competitive net adjusted returns by investing in real estate investments that have potential to offer the Trust current cash return, long-term capital appreciation, or both. The Trust generally invests in real estate through equity investments or by providing financing on real estate.

4. ADMISSIONS, WITHDRAWALS, AND DISTRIBUTIONS

Unit values are determined by the Trustee at the end of each calendar quarter. Participants are admitted to and withdrawn from the Trust on the basis of the preceding quarter's 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. There have been no distributions of income to the participants under the current Trustee.

In 2008, the Trust was the subject of an examination by the Department of Labor (DOL). The DOL concluded that certain fees paid to third-party investment advisors were not authorized by the BIT Declaration of Trust in effect at the time and should be reimbursed to the Trust and its participants. PNC entered into a settlement agreement with the DOL on September 29, 2008, pursuant to which PNC, from its own assets, reimbursed \$5,883,258 in total disputed fees to participants who invested in the Trust during the years 2004 to 2006, the period during which such fees were paid. Those participants who were no longer invested in the Trust received their applicable portion of the reimbursement, plus interest, in the fourth quarter of 2008. For those participants who were still invested in the Trust as of December 31, 2008, their applicable portion of the reimbursement totaling \$5,453,853, plus interest, was converted into additional units in the Trust effective in the first quarter of 2009.

Requests by participants for partial and full redemptions of their units in the BIT, in the aggregate based on net asset value that had been submitted and queued during the economic recession in 2009 and 2010 were repaid in October 2010. Regulations of the Office of the Comptroller (the "OCC") require bank collective trusts such as the Trust to complete redemption requests no later than the expiration of a one-year notice period (the "One Year Redemption Requirement"). In 2009, the Trust applied for, and received from the OCC, a waiver of the One Year Redemption Requirement. The waiver effectively permitted the Trust to complete redemption requests over an

indefinite period of time while certain economic and market conditions continue, subject to, among other requirements, the provision of quarterly reports by the Trustee to the OCC regarding its progress in satisfying redemption requests. By letter dated February 17, 2011, the OCC notified the Trustee that given the current liquidity of the Trust and the elimination of the redemption queue, the Waiver was no longer needed and future redemptions would once again be subject to the One-Year Redemption Requirement. The BIT shall fund all future redemption requests in accordance with the provisions of the Trust agreement dated effective as of January 1, 2010.

5. INVESTMENT COMMITMENTS

As of December 31, 2010, the Trust had outstanding commitments to fund approximately \$77,464,000 of real estate investments, which are expected to be funded during 2011 and 2012.

6. RELATED-PARTY TRANSACTIONS

The Trust invested in a money market fund administered by PNC Bank until November 2010. At December 31, 2009, the balance of this investment was approximately \$96,832,000. Income earned on this investment balance for the years ended December 31, 2010 and 2009, was approximately \$12,000 and \$345,000, respectively. The related interest receivable was approximately \$9,300 at December 31, 2009.

Pursuant to the investment advisory agreement with PRI, PNC Bank paid asset management fees to PRI of approximately \$10,060,000 and \$11,447,000 in 2010 and 2009, 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 net asset value of the Trust. The fee is paid quarterly in arrears. The Trust paid management fees to the Trustee totaling approximately \$17,489,000 and \$19,768,000 for the years ended December 31, 2010 and 2009, respectively.

7. REAL ESTATE INVESTMENTS

The Trust's real estate investments at December 31, 2010 and 2009, are as follows (in millions):

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
DIRECT EQUITY INVESTMENTS:				
Office	\$ 394.4	\$ 326.4	\$ 388.5	\$ 318.5
Retail	298.6	290.0	305.5	274.8
Industrial	229.9	175.3	266.0	213.1
Multifamily	340.8	280.8	363.0	303.7
Total direct equity investments	1,263.7	1,072.5	1,323.0	1,110.1
JOINT VENTURE EQUITY INVESTMENTS AND RELATED NOTES RECEIVABLE:				
Office	346.7	172.7	346.5	169.4
Retail	183.9	152.5	174.5	117.6
Industrial	273.4	195.9	234.8	175.4
Multifamily	245.1	256.2	244.4	158.9
Total joint venture equity investments and related notes receivable	1,049.1	777.3	1,000.2	621.3
MORTGAGE LOANS RECEIVABLE:				
Office	-	-	9.6	9.6
Multifamily	29.6	29.6	95.5	87.5
Hotel	18.0	17.9	18.0	17.9
Total mortgage loans receivable	47.6	47.5	123.1	115.0
Total real estate investments	\$ 2,360.4	\$ 1,897.3	\$ 2,446.3	\$ 1,846.4

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

2010 acquisitions and investments	Type	Investment Month	Purchase Price (In millions)
Joint venture equity:			
Ballard Park	Multifamily	(1)	\$ 10.5
Plantation Park	Office	(1)	0.5
ProLogis Industrial	Industrial	(2)	34.0
Ritchie Station	Retail	(1)	9.4
Uptown Apartments	Multifamily	(1)	5.9
Weingarten Industrial	Industrial	(2)	4.5
Total			\$ 64.8

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

(2) Additional investment to pay off debt.

During 2010, mortgage loans receivable secured by one multifamily and one office property were repaid, and two loans secured by multifamily properties were paid down, resulting in proceeds of approximately \$20.0 million. The Trust recorded a net realized gain of approximately \$0.7 million in connection with these repayments. The Trust sold a mortgage loans receivable valued at \$55.7 million, secured by a multifamily property, realizing a net gain of approximately \$0.8 million that is included in net realized gain (loss) from sales in the consolidated statements of operations and changes in net assets. The Trust realized approximately \$52,500 in prepayment fees, which were included in income from mortgage loans receivable in the consolidated

statements of operations and changes in net assets.

During 2010, the Trust sold two industrial properties, one retail property and units in one multifamily property valued at approximately \$83.4 million realizing a net gain of approximately \$0.2 million.

The Trust and a joint venture partner sold a multifamily property with an investment value of approximately \$13.9 million. The Trust realized a net loss of approximately \$0.2 million.

During 2010, the Trust received capital distributions from one joint venture, which holds a mortgage loan receivable secured by one office property, of approximately \$0.3 million.

2009 acquisitions and investments	Type	Month Acquired	Purchase Price (In millions)
Direct equity — Battery Wharf	Multifamily	(1)	\$ 22.8
Mortgage loans receivable:			
Lakeshore East	Multifamily	(1)	1.6
Village of Lemont	Multifamily	(1)	7.9
One River Terrace	Multifamily	(1)	0.7
Joint venture equity:			
ProLogis Industrial	Industrial	June	11.5
Ballard Park	Multifamily	(1)	32.4
Bixby Land Co	Office	(1)	0.2
Boldt Park	Industrial	(1)	0.1
Plantation Park	Office	(1)	0.1
Ritchie Station	Retail	(1)	16.7
Total			\$ 94.0

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

During 2009, mortgage loans receivable secured by one multifamily property were repaid, and three loans secured by multifamily properties were paid down, resulting in proceeds of approximately \$50.8 million. The Trust recorded a net realized gain of approximately \$1.4 million in connection with these repayments. The Trust sold a mortgage loan receivable valued at \$4.2 million, secured by a multifamily property, realizing a net loss of approximately \$27.6 million. The Trust realized approximately \$12,000 in prepayment fees, which were included in income from mortgage

loans receivable in the consolidated statements of operations and changes in net assets.

During 2009, The Trust sold four industrial properties, one office, and one multifamily property and units in one multifamily property valued at approximately \$125 million realizing a net loss of approximately \$22.1 million.

During 2009, the Trust received capital distributions from two joint ventures, which hold industrial and office properties, of approximately \$25.6 million.

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, 2010 and 2009, is composed of the following:

	2010	2009
Income	\$ 119,034,879	\$ 129,997,368
Interest expense	10,289,128	10,421,800
Operating expenses	58,072,498	56,765,187
Net operating income	\$ 50,673,253	\$ 62,810,381

Net realized and unrealized gain (loss) on real estate investments and securities during the years ended December 31, 2010 and 2009, is as follows:

	2010	2009
Direct equity investments	\$ 30,147,948	\$ (323,794,015)
Joint venture equity investments and related notes receivable	104,953,753	(387,916,772)
Mortgage loans receivable	2,003,664	(37,049,714)
Net realized and unrealized gain (loss)	\$ 137,105,365	\$ (748,760,501)

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, 2010, are as follows:

Years Ending December 31

2011	\$ 68,916,836
2012	62,661,001
2013	59,133,406
2014	49,565,058
2015	33,492,110
Thereafter	77,356,659
Total	\$ 351,125,070

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. The Trust received approximately \$22,121,000 and \$23,823,000 of such additional rents for the years ended December 31, 2010 and 2009, respectively, which is included in income from direct equity investments in real estate.

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, 2010.

At December 31, 2010, approximately 40%, 16%, 19%, and 25% 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. At December 31, 2010, approximately 27%, 29%, 23%, 20%, 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.

8. LINE OF CREDIT

In October 2008, the Trust extended the maturity date of its \$200 million line of credit with Bank of America until October 1, 2009. On October 1, 2009, the Trust further extended the maturity date until October 1, 2011, and agreed to the reduction of the principal amount of the line to \$50 million. Since the October 1, 2009 extension, Bank of America and the Trust have entered into forbearance agreements regarding loan defaults that arose in connection with the Bixby office properties located in Orange County, California. By letter dated March 9, 2011, Bank of America irrevocably waived their respective rights and remedies, and released the BIT from any liability, arising under the credit facility and other loan documents as a result of such defaults.

Interest on the line of credit floats at 275 basis points to 388 basis points over London InterBank Offered Rate and is determined based on the Trust's leverage ratio at the end of the preceding quarter. The Trust has provided \$22 million in letters of credit to two joint ventures under the line of credit. The Trust did not have a balance outstanding at December 31, 2010 and 2009 and

paid interest on the line of credit of \$82,639 and \$1,211,343, 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 2009, the Trust incurred \$585,951 in financing costs with respect to the line of credit. As of December 31, 2010 and 2009, financing costs totaling \$219,731 and \$512,707, respectively, were unamortized and are included in other assets in the accompanying consolidated statements of op-

erations and changes in net assets.

9. LEGAL PROCEEDINGS

The Trust is subject to legal actions arising in the ordinary course of business. In management's opinion, we believe we have adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions. We do not believe any settlement or judgment would materially affect the Trust's financial position, results of operations or cash flows.

10. MORTGAGE AND OTHER NOTES PAYABLE

Mortgage and other notes payable at December 31, 2010 and 2009 are as follows:

	2010	2009
7.34% first mortgage note amortizing monthly, collateralized by one real estate property with a fair value of \$65,000,000 and \$57,100,000 at December 31, 2010 and 2009, respectively; balloon payment at maturity, May 2011	\$ 25,017,512	\$ 25,466,692
9.00% mezzanine note, interest only, due monthly, collateralized by one real estate property with a fair value of \$65,000,000 and \$57,100,000 at December 31, 2010 and 2009, respectively; balloon payment at maturity, May 2011	—	6,000,000
7.65% mortgage note amortizing monthly, collateralized by one real estate property with a fair value of \$78,000,000 and \$74,000,000 at December 31, 2010 and 2009, respectively; balloon payment at maturity, July 2026	31,878,248	32,904,079
5.43% mortgage note, interest only, due monthly, collateralized by one real estate property with a fair value of \$71,400,000 and \$62,500,000 at December 31, 2010 and 2009, respectively; balloon payment at maturity, January 2013	50,000,000	50,000,000
6.00% mortgage note amortizing monthly, collateralized by one real estate property with a fair value of \$12,744,961 and \$13,600,000 at December 31, 2010 and 2009, respectively; balloon payment at maturity, February 2013	13,947,241	14,243,507
6.00% mortgage note amortizing monthly, collateralized by one real estate property with a fair value of \$20,392,839 and \$21,300,000 at December 31, 2010 and 2009, respectively; balloon payment at maturity, February 2013	16,144,716	16,487,660
5.89% mortgage note, interest only, due monthly, collateralized by one real estate property with a fair value of \$69,100,000 and \$61,000,000 at December 31, 2010 and 2009, respectively; balloon payment at maturity, January 2016	37,400,000	37,400,000
Subtotal	174,387,717	182,501,938
Unamortized premium	636,598	2,164,450
Total	\$ 175,024,315	\$ 184,666,388

The estimated fair value of mortgages and notes payable is \$178,159,000 and \$187,927,000 at December 31, 2010 and 2009, 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 using rates at which the Trust's management believes similar loans would have been made at those dates. Cash payments for interest were \$11,745,544 in 2010 and \$12,790,454 in 2009. At December 31, 2010, management believes the Trust is in compliance with all of its loan covenants.

Aggregate future payments under the terms of the note agreements as of December 31, 2010, are as follows:

Years Ending December 31

2011	\$	26,803,827
2012		1,911,421
2013		79,985,709
2014		1,391,707
2015		1,501,986
Thereafter		62,793,067
Total	\$	174,387,717

11. FINANCIAL HIGHLIGHTS

(Per Unit)	Year Ended December 31, 2010	Year Ended December 31, 2009
Net asset value — beginning of year	\$ 3,136	\$ 4,209
Net investment income after fees	151	196
Net realized and unrealized loss on investment transactions	255	(1,269)
Net asset value — end of year	\$ 3,542	\$ 3,136
Total loss after fees for the year ended December 31	12.95 %	(25.49)%
Supplemental data Net assets — December 31	\$ 1,863,485,226	\$ 1,774,758,818
Ratio to average net assets*:		
Operating expenses	0.06 %	0.13 %
Trustee fees	0.97	0.94
Total expenses	1.03 %	1.07 %
Net investment income	4.59 %	5.49 %

* Average net assets are calculated based on the beginning and ending net asset balance for each quarter.

12. SUBSEQUENT EVENTS

The Trust has evaluated subsequent events for disclosure through March 9, 2011, the date on which the financial statements were available to be issued.

On February 1, 2011, the Trust paid in full \$25 million of a mortgage note payable secured by one industrial property.

On February 22, 2011, the Trust sold two office properties valued at \$31 million realizing a net gain of approximately \$0.1 million.

In October 2010, Bixby Office lenders appointed receivers for five of seven properties held in the joint venture that had a recorded value of \$0 at December 31, 2010. In February 2011, the lenders executed foreclosure sales on the properties and the Trust realized the previously recorded loss of \$110.5 million. The remaining two properties had a recorded value of \$4.1 million as of December 31, 2010 and were not subject to this transaction.

PNC Bank, National Association

Trustee
Pittsburgh, Pennsylvania

PNC Realty Investors, Inc.

Investment Advisor
Washington, D.C.

Kevin McCarthy
Managing Principal and President

Rinse Brink
Principal, Portfolio Manager

AFL-CIO Investment Trust Corporation

Marketing, Investor Relations, Labor Relations
Washington, D.C.

Michael Stotz
President

James Lingberg
Chief Operating Officer

IMPORTANT INVESTOR NOTICE

The performance data quoted represents past performance. Past performance is no guarantee of future results, and future performance is based on a variety of factors, many of which are outside the control of PNC Bank, National Association. Economic and market conditions change and may cause investment returns, principal value and yield to fluctuate so that a participant's units when redeemed may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For ease of reporting and performing calculations set forth herein, data, figures, and numbers may have been rounded up or down.

PNC Bank, National Association assumes no obligation to update forward looking statements and may from time to time change or eliminate objectives, plans, or goals associated with the fund without notice, except as required by law or in fund documents. Data current to the most recent quarter-end is available at www.aflcio-bit.com.

Investors should consider the BIT's investment objectives, risks and expenses carefully before investing. Information on the BIT is contained in the BIT Investment Memorandum.



AFL-CIO Building Investment Trust
www.aflcio-bit.com

PNC Bank, National Association

Trustee

249 Fifth Avenue, 1 PNC Plaza
Pittsburgh, PA 15222
(412) 762-2000

PNC Realty Investors, Inc.

Investment Advisor

1601 K Street, NW, Suite 1100
Washington, DC 20006
(202) 496-4700

AFL-CIO Investment Trust Corporation

Marketing, Investor Relations, Labor Relations

1425 K Street, NW, Suite 900
Washington, DC 20005
(202) 898-9190