

Hermes Property Unit Trust

Quarterly Update - March 2006

Overview

The strong performance displayed by HPUT in 2005 has continued into 2006. HPUT's return to unit holders during Q1 06 was 6.1%, which brought its total return for the 12 months to March 2006 to 23.3%. This placed HPUT 3rd out of 20 funds in the Balanced PUT sector, behind two highly geared vehicles, and 1.5% ahead of its benchmark on a relative basis. HPUT has now registered 1st quartile performance over 1, 3 and 5 year time periods under the management of Hermes Real Estate.

	Q1 2006 (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
HPUT	6.1	23.3	18.5	14.5
Benchmark*	4.9	21.5	16.9	13.1
Relative	1.1	1.5	1.4	1.2
Upper Quartile	5.2 (1st)	22.3 (1st)	17.4 (1st)	13.7 (1st)

* HSBC/APUT Balanced PUTs Weighted Average Return

The focus during the first quarter of 2006 has again been on seeking suitable new investment opportunities. The intense competition for high quality assets has meant that this has proved to be a challenging process and we have been extremely selective in terms of what we are prepared to bid for and disciplined in terms of what we are prepared to pay. Many assets are now changing hands for prices that we do not believe are in the best interests of unitholders to pursue. Our preferred sectors remain Central London and Rest of UK Offices and we continue to seek out prime assets in these areas. We would like to increase our exposure to the Industrial sector but its current popularity means that at present it is difficult to identify quality assets offering reasonable value.

As reported in the last factsheet, we instituted a waiting list system for new applicants in December 2005. While we are delighted to accept further applications, in order to protect existing unitholder interests, HPUT itself has remained closed to new investment. This will be the case until we are able to invest the current cash holding. As and when we acquire new assets we will drawdown new funds from the waiting list in a controlled fashion.

Transactions

- Clements House, Gresham Street, London, EC2**
 HPUT has taken a 10% stake in this speculative City of London redevelopment project, initially worth approximately £7m, alongside another Hermes Real Estate client. The intention is to completely demolish the existing structure and redevelop a grade A office building of 240,000 sq.ft. This will be due for completion in 2008 and is intended to benefit from the projected ongoing strength of the City Office market.

Asset Management

- Maybird Retail Park, Stratford-upon-Avon**
 This asset, the largest in the portfolio, has been the focus of much work during the last two years. After some refurbishment work, a

Portfolio Structure Comparison

As at March 2006

Sector Weighting % total portfolio value



Source: Hermes Real Estate and HSBC Pooled Property Funds Survey, March 2006.
 Note: GAV basis, excluding cash



Artist's impression of the completed Clements House, Gresham Street, London EC2.

new rental tone was established in 2005 at £24.50 per sq. ft. Now, after protracted negotiations, planning permission for the construction of a further 80,000 sq. ft. of retail space and residential units has been granted. Work is due to commence later this year.

- 117 Jermyn St. London, SW1**
 The last vacant floor of this West End office building has been let and it is now fully income producing. The rental level agreed was in line with expectations.
- Carmel House, Sheffield**
 This City-centre retail redevelopment project remains on course for completion this summer. During the quarter pre-lets have been agreed on two of the units and Heads of Terms have been agreed for the remaining two.

Outlook

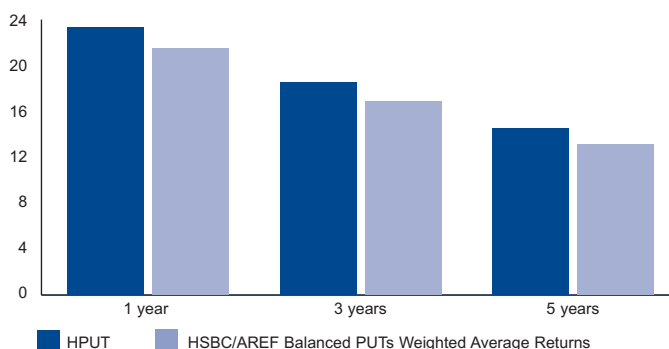
HPUT's performance has remained strong going into 2006, and we are focused on ensuring that this is maintained. This will be achieved by the efficient management of assets as well as by selective acquisitions in line with our overall strategy. In addition we will continue to control the amount of cash held within HPUT and only drawdown further moneys when we feel it is prudent to do so.

2005 proved to be another rewarding year for investment in high quality UK commercial real estate. While we expect returns to moderate during 2006, we believe that it will continue to be an attractive asset class for both institutional and private investors, and that HPUT will continue to be one of the best balanced vehicles for accessing it.

Unit Holder Performance

As at March 2006

Unitholder % Return



Source: Hermes Real Estate and HSBC Pooled Property Fund Indices, March 2006. Net of fees.

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Key Statistics

As at March 2006

Gross asset value*	£705.0m
Net asset value	£661.4m
Directly held assets	36
Indirect real estate vehicles	5
Offer Price	£5.770
Bid Price	£5.427
Net asset value per unit	£5.495
Number of unit holders	151
Distribution per unit (Quarter to March 2006)	5.5292p
Distribution per unit (Year to March 2006)	22.8p
Yield on offer price	4.0%
12 Month return to unit holders	23.3%
Quarterly return	6.1%
Bid/offer spread	6.6%

*This is based on net asset value, plus the Trust's share of debt held within indirect investments.
Source: The Real Estate Manager - March 2006.

Top 10 Holdings by Value Band (GAV)

As at March 2006

Asset	Sector	Lot Size
Maybird Centre, Stratford-upon-Avon	Retail Warehouses	Over £50m
1 Morrison Street & 118 Lothian Road, Edinburgh	Rest of UK Offices	£30m to £35m
Broadway II, Bexleyheath	Unit Shops	£30m to £35m
Tower 42 (LP), London, EC2	Central London Offices	£30m to £35m
Hermes Factory Outlets	Shopping Centres	£30m to £35m
7 Bishopsgate, London, EC2	Central London Offices	£25m to £30m
West End of London PUT	Central London Offices	£25m to £30m
117 Jermyn Street, London SW1	Central London Offices	£20m to £25m
2 Cavendish Square, London W1	Central London Offices	£20m to £25m
New Bond Street, Weymouth	Shopping Centres	£20m to £25m

Source: The Real Estate Manager - March 2006.

The Structure of the Hermes Property Unit Trust

The Committee of Management

The Committee of Management is the legal operator of the Trust and has delegated the Real Estate and Trust Management to Hermes, from whom it is wholly independent. The Committee is authorised and regulated by the Financial Services Authority. The members of the Committee are as follows:

Chairman – David Gamble BCom

Formerly Chief Executive of British Airways Pensions Investment Management. David is a former member of the Investment Committee of the NAPF and NAPF Property Committee. He is now a director and trustee of IBM (UK) Pension Fund and holds various other directorships and advisory roles.

Simon Melliss BA FCA

Group Finance Director of Hammerson plc and a non-executive director of Associated British Ports Holdings plc. Simon held senior finance roles at Reed International and Sketchley before joining Hammerson in 1991.

Phillip Nelson FRICS

Phillip is a Director of Trehaven Group and its associated companies. Prior to joining Trehaven, Philip was Chairman of Nelson Bakewell, Property Consultants, the company of which he was also a founding member in 1982. He is also a Trustee of the Investment Property Forum Educational Trust.

Important Notes for Investors

The Hermes Property Unit Trust is categorised as an unregulated collective investment scheme. The Trust is not authorised, or otherwise approved by the Financial Services Authority (FSA) and, as an unregulated scheme, cannot be marketed to the general public in the UK. For the avoidance of doubt, any offer or promotion of units in the Trust is not directed at private customers. Pursuant to the Financial Services and Markets Act 2000 (the "Act"), the only categories of persons in the UK to whom this document may be distributed are those set out in the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 and the FSA Handbook. The transmission of this document to any other person in the UK is unauthorised and may contravene the Act. Additionally units in the Trust may only be held by funds which are exempted from capital gains tax. Nothing in this document should be construed as investment advice.

This communication is issued and approved (for the purposes of section 21 of the Financial Services and Markets Act 2000) by Hermes Investment Management Limited ("HIML"). HIML has its registered office at Lloyds Chambers, 1 Portsoken Street, London E1 8HZ.

Units in the Trust are not within the wider or narrower range of investments under the Trustee Investments Act 1961.

Investors must satisfy themselves that they have adequate investment powers and should note that units in the Trust constitute an investment which is not readily realisable for the purposes of the FSA rules.

In order to comply with the Financial Services and Markets Act 2000 (Promotion of Collective Investment Scheme) (Exemptions) Order 2001 and the FSA Handbook, when offering units in the Trust to smaller Exempt Funds, typically those with assets under £10m, special care should be taken to ensure that an investment in the Trust is suitable and information should be sought regarding the applicant's circumstances and investment objectives.

For enquiries contact:

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Phillip Rose MA (Law)

Chief Executive Officer of Alpha Real Capital and Non-Executive Director of Great Portland Estates plc. Phillip was previously Head of Real Estate at ABN Amro. His investment career includes Morgan Grenfell, Ord Minnett Securities, TrizecHahn Europe and Lend Lease Global Investments Ltd.

Caroline Burton MA

Formerly Executive Director of Investments, Guardian Royal Exchange PLC. Currently investment advisor to a number of local authority pension funds and holds non-executive positions at TR Property Investment Trust, Martin Currie Japan Investment Trust and others. Formerly a member of HM Treasury Productivity Improvement Panel.

About Hermes

Hermes Real Estate Investment Management is the dedicated real estate subsidiary of Hermes Pensions Management Limited (HPML). With assets of over £65.5 billion (at 31 March 2006), HPML is wholly owned by the largest pension scheme in the UK, the BT Pension Scheme, giving its real estate investment perspective a unique alignment with other long-term investors.

Hermes Real Estate is one of the largest real estate managers in the UK, with c.£9.8 billion of gross assets under management (at 31 March 2006). With effect from January 2001, Hermes was appointed by the independent Committee of Management as the Real Estate and Trust Manager.

The main aim of the Trust is to generate, for its unitholders, a combination of capital appreciation and income from real estate assets.

Investors are reminded that as the value of the investments may fluctuate in price and the income from units may go down as well as up and there is no assurance that investors will get back the amount invested. Past performance is not necessarily a guide to future returns.

Real estate valuation is based on a valuer's opinion.

While units in the Trust may ordinarily be redeemed, investors should be aware that the Committee of Management has the right to defer the operation of any redemption notice in the circumstances listed in the section on "Disposal of Units by Redemption", and in such circumstances investors may not be able to readily realise their investment.

Units in the Trust are intended to represent a medium to long term investment and should not be regarded as a short term holding. The Trust is not an authorised unit trust scheme for the purposes of the Financial Services and Markets Act 2000 and the Income and Corporation Taxes Act 1988.

The Trust is constituted by an amended and restated trust deed (the "Trust Deed") between the Committee of Management and the Trustee. The Trust Deed ensures control by the unitholders through their power to appoint the members of the Committee of Management. The Committee of Management may, subject to the approval of unitholders, remove the Trustee. Copies of the Trust Deed may be inspected or obtained from the offices of the Trust Manager at a price not exceeding £10 per copy.

All figures, unless otherwise stated, are sourced from Hermes.

Details regarding the purchase, redemption and transfer of units can be found on our website: www.hput.co.uk

