

Hermes Property Unit Trust Quarterly Update

Q1 / 09

March 2009

Overview

In the Trust's fourth quarter Factsheet we noted the continuing weakness in the UK commercial real estate market and anticipated further falls in capital values during 2009. It is now evident that the UK recession will be deeper during 2009 than many had anticipated at the start of the year, with the Treasury now forecasting a contraction in GDP of 3.5%. This compares with the forecast for 2009 GDP of broadly -1% in the Treasury's November 2008 pre-Budget report. With unemployment rising quickly and public debt forecast to soar the short term prospects for the UK economy are very poor. Many commentators also question the Treasury's forecast of an economic 'bounce' in 2010.

This deteriorating economic background continued to depress the commercial real estate markets and capital values continued to fall during Q1, albeit that the pace of the decline slowed when compared with the very significant falls experienced during Q4 2008. Nevertheless the IPD Monthly Index recorded a quarterly fall in capital values of 9%. From the peak of the market in June 2007 to the end of March 2009 capital values have fallen by 41%.

Performance

During Q1 the Trust recorded a total return to unit holders of -5.9% and, although negative, this was ahead of the benchmark which recorded a return of -8.7%. During the quarter the Trust's unit shop, foodstore and retail warehouse investments delivered relatively better returns, but the Trust's City and West End of London investments continued to experience sharp falls in capital values reflecting the significant downward pressure on rental values.

	Q1 2009 (%)	1 year (%)	3 year (%pa)**	5 years (%pa)**
HPUT	-5.9	-26.4	-7.0	3.4
Benchmark*	-8.7	-29.8	-10.0	0.8
Relative	3.1	4.8	3.3	2.6
Quartile	1	2	1	1

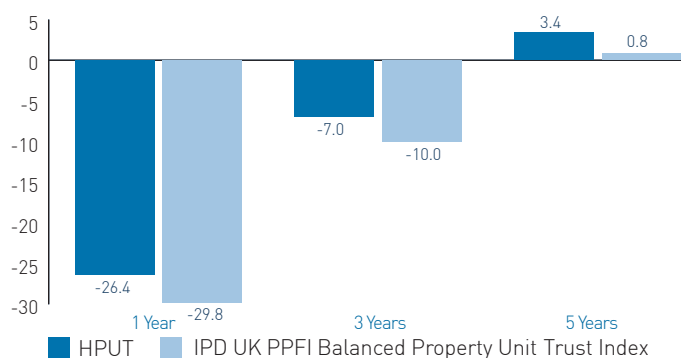
*IPD UK PPFI Balanced PUT Index (Weighted average). **Years to end March 2009, annualised

On a longer term basis, the Trust is top quartile over 3, 5 and 10 year time periods, but despite its strong relative performance in the 12 months to the end of March 2009, it was ranked in the second quartile of funds within its benchmark.

Unit Holder Performance

As at end March 2009

Unit Holder % Return p.a.



Source: Hermes Real Estate and IPD UK Pooled Property Fund Indices, end March 2009. Net of fees.

Portfolio Activity

The principal activity in the portfolio to report during the quarter was the exchange of contracts to sell the Trust's long leasehold interest in 117 Jermyn Street in the West End of London. The exchange took place in mid-March and the transaction should conclude at the end of April. This asset is a mixed office and retail investment with the office floors let on relatively short leases. The rationale for sale was tactical, reflecting stock specific weakness, but also reflecting our view that rental values in the West End are likely to experience further material falls during the next part of the cycle. Encouragingly the sale was contracted at a small premium to the independent valuation and so supporting the level of the Trust's independent valuations against transaction prices in the underlying market.

During the quarter a number of new lettings have been concluded, the most significant being the letting of a 10,000 sq.ft unit at the Guinness Road Industrial Estate, Trafford Park to Tri-Star Packaging. A second letting in the industrial portfolio was agreed during Q1 and was concluded in early April. This was the letting of a 8,900 sq.ft unit at the Bellknowes Industrial Estate at Inverkeithing to Network Rail.

Outlook

The outlook for the remainder of 2009 remains poor and we anticipate further falls in values in the wider property market into the Autumn. We expect this fall to be principally driven by demonstrable falls in rental values in most sectors of the property market with this being compounded by rising vacancy rates through occupiers reigning in their occupational requirements and given the tough economic environment, increasing insolvency. We expect these falls to impact particularly on more secondary style assets let on short leases, where the falls in rental values will be crystallised in the coming 24/36 months.

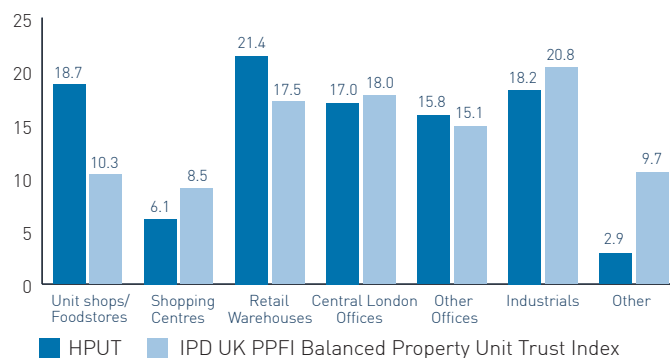
Despite this weakness, there have been two encouraging signs over the past quarter. First is the emergence of an increasing level of market support for well-let and good quality assets and we expect this style of asset to be far less adversely impacted by the pressures on the types of weaker stocks noted above. Secondly, there is some anecdotal evidence of increasing interest from long-term investors looking to allocate to real estate over the coming six to nine months, a time we expect to represent the bottom of the market.

The Trust's portfolio is relatively well positioned from a number of measures. First it has a lower exposure to lease expiries over the coming five years in comparison with its benchmark, and conversely has a higher exposure to leases with longer unexpired terms. Secondly, it has approximately a 10% lower exposure to debt than its benchmark. Third the quality of the Trust's assets is generally high with this position being complemented by the purchase of two Sainsburys foodstores during 2008.

Portfolio Structure Comparison

As at end March 2009

Sector Weighting % Total Portfolio Value



Source: Hermes Real Estate and IPD UK Pooled Property Fund Indices, end March 2009
Note: GAV basis, re-weighted to exclude cash

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Key Statistics

As at end March 2009

Gross asset value*	£538.4m
Net asset value	£495.6m
Directly held assets	36
Indirect real estate vehicles	5
Offer Price	£4.120
Bid Price	£3.851
Net asset value per unit	£3.904
Number of Unit Holders	125
Distribution per unit (Quarter to December 2008)	4.97p
Distribution per unit (Year to December 2008)	21.81p
Yield on offer price	5.3%
12 Month return to Unit Holders	-26.4%
Quarterly return	-5.9%
Bid/offer spread	6.5%

*This is based on net asset value, plus the Trust's share of debt held within indirect investments.
Source: Hermes – end March 2009

Top 10 Direct Holdings by Value Band (GAV)

As at end March 2009

Asset	Sector	Lot Size
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	£70 to £80m
Sainsbury's, Beaconsfield	Unit Shops	£25m to £35m
101 Barbirolli Square, Manchester	Rest of UK Offices	£25m to £35m
1 Morrison Street & 118 Lothian Road, Edinburgh	Rest of UK Offices	£15m to £25m
117 Jermyn Street, London SW1	Central London Offices	£15m to £25m
Sainsbury's, Cheltenham	Unit Shops	£15m to £25m
Church Street, Caversham	Unit Shops	£15m to £25m
Fife Leisure Park, Dunfermline	Leisure	£15m to £25m
2 Cavendish Square, London W1	Central London Offices	£15m to £25m
15 - 29 The Broadway, Wimbledon	Unit Shops	£5m to £15m

*Source: Hermes – end March 2009

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 and a member of the Investment Committee of the NAPF and NAPF Property Committee. He holds various non-executive directorships and advisory roles including being a trustee of the IBM (UK) Pension Trust, Investment Adviser to the BBC Pension Trust.

Phillip Nelson

Phillip is a Director of Trehaven Group and its associated companies. Prior to joining Trehaven, Phillip 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 (the "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.

Hermes Fund Managers Limited is the parent company of a number of companies falling within the Hermes Group, including Hermes Investment Management Limited ("HIML") and Hermes Real Estate Investment Management Limited ("HREIML"). HIML is separately authorised and regulated by the Financial Services Authority.

This communication is issued and approved only (for the purposes Markets Act 2000) by Hermes Investment Management Limited ("HIML"). HIML has its registered office at Lloyd's Chambers, 1 Portsoken Street, London E1 8HZ. The Hermes Property Unit Trust ("HPUT") is constituted by an amended and restated trust deed between the Committee of Management and the Trustee both of which are authorised and regulated by the Financial Services Authority. The Committee of Management appoints the trust manager (HIML) and the property investment managers (HREIML) and has overall responsibility for the trust.

The main aim of the Trust is to generate, for its unit holders, a combination of capital appreciation and income from real estate assets. Units in the Trust are not within the wider or narrower range of investments under the Trustee Act 2000.

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 and member of HM Treasury Productivity Improvement Panel. Caroline is currently an investment advisor to a number of local authority pension funds and holds non-executive positions at TR Property Investment Trust and Teesland Advantage Property Income Trust. She has been a member of the Committee of Management since February 2005.

Simon Melliss BA FCA

Group Finance Director of Hammerson plc since 1995 having joined in 1991 as Group Financial Controller. He is a Non-Executive Director of Whitbread plc.

About Hermes

Hermes Real Estate Investment Management is one of the largest real estate managers in the UK and is the dedicated real estate subsidiary of Hermes Fund Managers Limited (HFML). HFML is wholly owned by the BT Pension Scheme. Its position as one of the UK's largest corporate pension schemes affords Hermes Real Estate a privileged insight into the issues faced by pension schemes today and facilitates a unique alignment with other long-term investors.

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The opportunities described in this document have unique risks that may make them unsuitable for certain investors. This communication indicates where figures used refer to past or simulated past performance. Past performance is not a reliable indicator of future results. Also, certain returns shown in this document are compared against returns for the relevant benchmark index during similar periods. It is important to note that the underlying volatility and risk of the funds' portfolios and that of their benchmark indices vary materially.

Property is an illiquid investment and may result in deferral of redemption of units. The value of the property is a matter of a valuer's opinion rather than fact.

Figures, unless otherwise indicated, are sourced from Hermes.

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

