

Hermes Property Unit Trust

Quarterly Update - June 2005

Overview

In the quarter to June 2005, HPUT continued to outperform its benchmark*, recording a total return to unitholders of 4.9% against a benchmark return of 4.4%. This takes the Trust's unitholder return in the first six months of the year to 7.7%, against a benchmark return of 7.0%. Over one and three year periods, the Trust has provided unitholders with top quartile performance against benchmark. Relative performance is set out in the table below.

	Q2 2005 (%)	1 year (%)	3 years (% p.a.)
HPUT	4.9	18.8	14.7
Benchmark	4.4	16.3	13.2
Relative	+0.5%	+2.2%	+1.3%
Quartile	1	1	1

During the quarter, £7.8 million of new units were created, bringing the total for the first six months of 2005 to just over £16.1 million. At the end of June 2005, the Trust was fully invested and remains open for new investment.

Portfolio Activity

Notable events in the quarter were as follows.

- 117 Jermyn Street, London SW1 - The Trust purchased this office investment in London's West End for almost £20 million. This is a 'value added' strategy for the Trust, and we will be letting the vacant office floors to take advantage of the strengthening West End occupier market. The property has been recently re-developed behind a retained façade, and is well located at the corner of



Maybird Retail Park, Stratford-upon-Avon, showing refurbished frontages.

Jermyn Street and Regent Street. Although principally an office investment, it has a ground floor retail unit let to Tesco, and a ground and lower ground floor cinema let to Apollo.

- Bishopsgate, London EC2 - Following negotiations with the principal tenant in this directly held City office, they decided not to exercise their option to break their lease at the end of March. This led to an increase in the value of this investment in April. In addition, terms have been agreed for the letting of the vacant floor.
- Maybird Retail Park, Stratford-upon-Avon - There are two activities to note. First, in April a new rental tone was set at £24.50 per sq.ft, an increase of almost 10%, following the negotiation of a surrender of an existing lease, and subsequent re-letting to Sportsworld. This continues the improvement in the quality of the retail offering at the Park.

Secondly, as reported at the Trust's AGM on 6th July, we have now obtained planning consent for the comprehensive redevelopment of the Regal Road Industrial Estate, which adjoins Maybird. Detailed consent has been granted for net additional retail floorspace of approximately 73,000 sq.ft, and outline consent for some 90 residential units.

Outlook

We believe the Trust is well positioned at both a structure and stock level to continue to deliver out-performance. The Trust maintains an overweight exposure of c.9% to Central London offices, a sub-sector which we expect to outperform over the next three years. Construction has started on site for the redevelopment of Carmel House, Sheffield and an important step in bringing forward the extension to the Maybird Retail Park has been achieved.

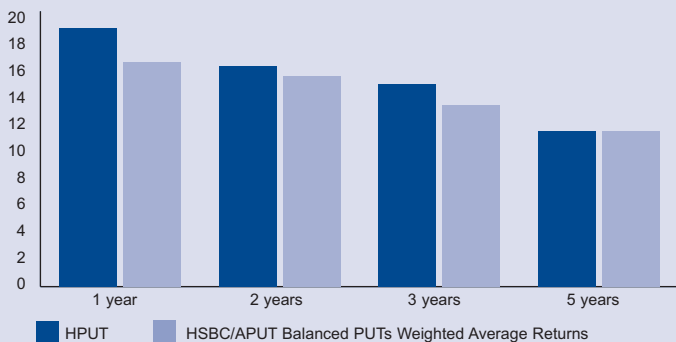
The Trust ends the second quarter fully invested. It remains open to new investment however we will closely monitor the inflow of new funds into the Trust to ensure this growth does not prejudice long-term performance for existing unitholders.

* HSBC/APUT Balanced PUT Index

Unitholder Performance

As at June 2005

Unitholder % Return



Source: Hermes Property Asset Management and HSBC Pooled Property Fund Indices, June 2005

Portfolio Structure Comparison

As at June 2005

Sector Weighting % total portfolio value



Source: Hermes Property Asset Management and HSBC Pooled Property Funds Survey, June 2005
Note: GAV basis, excluding cash

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Key Statistics

As at June 2005

Gross asset value*	£583.2m
Net asset value	£533.4m
Directly held properties	34
Indirect property vehicles	4
Offer Price	£5.086
Bid Price	£4.765
Net asset value per unit	£4.828
Number of unitholders	139
Distribution per unit (Quarter to 31 March 2005)	5.70p
Distribution per unit (Year to 31 March 2005)	23.53p
Yield on offer price	4.67%
12 Month return to unitholders	18.8%
Quarterly return	4.9%
Bid/offer spread	6.3%

*This is based on net asset value, plus the Trust's share of debt held within indirect investments.
Source: The Property Manager - June 2005.

Top 10 Holdings by Value Band

As at June 2005

Property	Sector	Lot Size
Maybird Centre, Stratford-upon-Avon	Retail Warehouse	Over £50m
Broadway II, Bexleyheath	Retail Unit	£25m to £40m
1 Morrison Street & 118 Lothian Road, Edinburgh	Office / Retail	£25m to £40m
7 Bishopsgate, London EC2	Office	£15m to £25m
117 Jermyn Street, London SW1	Office / Retail	£15m to £25m
New Bond Street Centre, Weymouth	Shopping Centre	£15m to £25m
The Broadway, Wimbledon SW19	Retail Unit	£15m to £25m
2 Cavendish Square, London W1	Office	£15m to £25m
Arcadia, Hayes Road, Southall	Industrial / Warehouse	£15m to £25m
Royal Buildings, Manchester	Retail Unit	£15m to £25m

Source: The Property Manager - June 2005

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 Property 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. A former member of the Investment Committee of the NAPF and NAPF Property Committee. A director and trustee of IBM (UK) Pension Funds and Investment Adviser to Family Investments and other funds.

Simon Melliss BA FCA

Group Finance Director of Hammerson since 1995. Held senior finance roles at Reed International and Sketchley before joining Hammerson in 1991.

Phillip Nelson FRICS

Formerly Chairman of Nelson Bakewell Holdings Ltd. Other appointments include Directorships with Seagrove Securities, Trehaven, and currently Trustee of Investment Property Forum Educational Trust.

Phillip Rose MA (Law)

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

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 Property Asset Management (HPAM) is the dedicated property subsidiary of Hermes Pensions Management Limited (HPML). With assets of over £54.2 billion (at 30 June 2005), HPML is wholly owned by the largest pension scheme in the UK, the BT Pension Scheme, thus giving its property investment perspective a unique alignment with other long-term investors.

HPAM in turn is one of the largest property managers in the UK, with over c.£6.5 billion of net assets (rising to c.£8.8 billion with debt included). With effect from January 2001, Hermes was appointed by the independent Committee of Management as the Property and Trust Manager.

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

Property 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.hpunit.co.uk

