

Hermes Property Unit Trust

Quarterly Update - June 2008

Overview

The UK commercial property sector experienced further declines during the second quarter of 2008. Since their peak in June 2007, capital values have fallen by almost 20% to the end of June 2008, as measured by the IPD Monthly Index and, as noted at the Trust's AGM held on 1st July, we expect the commercial property market to continue to weaken during the second half of 2008. One of the most striking changes in the economic outlook during the second quarter related to the build up of inflationary pressures within the UK and global economies and the implications for this on the direction of interest rate policy. The net effect has been an increase in medium term interest rates, so putting further downward pressure on commercial property values. Although the pressure to increase UK base rates seems to have subsided, both bond and interest rate swap rates (a key indicator of the affordability of property to debt funded investors) remain higher than they were at the end of the first quarter. As the UK economy flirts with recession a key consideration for the coming 12 months will be the impact this period of economic weakness will have on occupier markets for retail, office and industrial properties.

Performance

	Q2 2008 (%)	1 year (%)	3 years (% p.a.)**	5 years (% p.a.)**
HPUT	-3.1	-12.4	7.6	10.9
Benchmark*	-4.4	-17.2	5.1	9.1
Relative	1.4	5.8	2.4	1.6
Quartile	2	1	1	1

*IPD UK PPF I Balanced PUT Index (Weighted average). **Years to June 2008, annualised

During the three months to the end of June, the Trust recorded a unit holder return of -3.1%. Although negative, the Trust continued to outperform its benchmark and has maintained top quartile performance over one, three and five year periods. The variation of returns from individual funds within the benchmark during Q2 was significant, but HPUT has continued to deliver stable, albeit negative, returns.

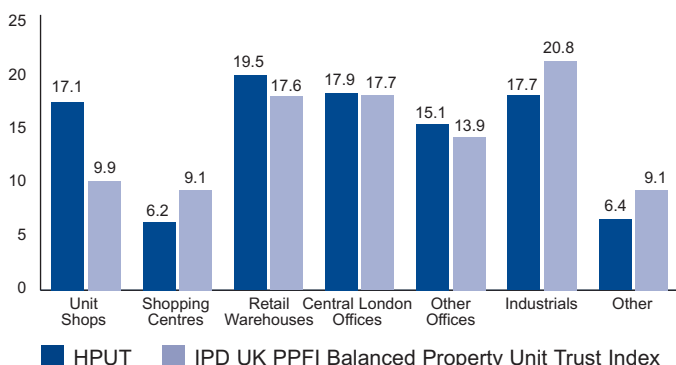
Investment Activity

In June the Trust completed the purchase of two Sainsbury's supermarkets for just over £58 million. Both stores have excellent catchment demographics with the larger store in Beaconsfield and the second in Cheltenham. Food anchored retail has been a target sector for the Trust for some time, given opportunities for rental value growth and longevity of income streams. This is a strategic acquisition for the Trust made at a significant discount on values prevailing in 2007. Such high quality supermarket assets are rarely available in such small lot sizes and our ability to secure these at this time reflects the strong position of the Trust in the market. The purchase was funded through a

Portfolio Structure Comparison

As at June 2008

Sector Weighting % Total Portfolio Value



Source: Hermes Real Estate and IPD UK PPF I Pooled Property Fund Indices, end June 2008.
Note: GAV basis, re-weighted to exclude cash



Sainsbury's, Prior Road, Oakley, Cheltenham, bought for £21.6m during Q2

blend of cash and debt. During the quarter, the Trust also concluded the sale of a small industrial holding in Northampton in June for just over £4 million.

Asset Management

We are continuing to see positive results from our asset management programme. At Maybird Shopping Park development works are progressing well and during the quarter contracts were signed for the letting of two further units, with Arcadia and New Look. Within the Trust's City of London portfolio, terms have been agreed to let almost half of the 240,000 sq.ft speculative office development at 20 Gresham Street, in which the Trust holds a 10% stake. We expect this to be contracted in early August and we will provide an update in the next Factsheet.

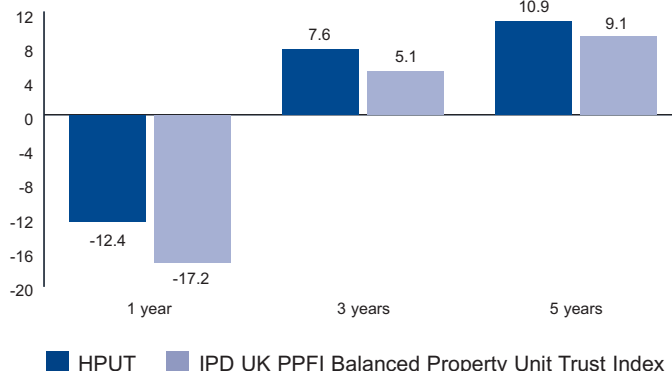
Outlook

Property market conditions remain difficult and as noted at July's AGM, we expect further falls in capital values during the second half of calendar year 2008 as the property market adjusts to reflect weaker economic conditions. However, in this period of weakness, we believe the Trust is well positioned to outperform its benchmark. Not only are we confident about the underlying portfolio, the Trust has a lower proportion of lease expiries within the next five years than its benchmark and a higher weighting to longer unexpired leases, it has a growing income base, particularly with completion of the Maybird Shopping Park in Q3 and, at 7%, the Trust's exposure to debt is lower than the 12.6% in the Trust's benchmark.

Unit Holder Performance

As at June 2008

Unit Holder % Return p.a.



Source: Hermes Real Estate and IPD UK PPF I, end June 2008. Net of fees.

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Key Statistics

As at June 2008

Gross asset value*	£728.4m
Net asset value	£677.5m
Directly held assets	37
Indirect real estate vehicles	6
Offer Price	£5.631
Bid Price	£5.265
Net asset value per unit	£5.337
Number of Unit Holders	127
Distribution per unit (Quarter to March 2008)	5.4698p
Distribution per unit (Year to March 2008)	22.79p
Yield on offer price	4.0%
12 Month return to Unit Holders	-12.4%
Quarterly return	-3.1%
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 - June 2008

Top 10 Direct Holdings by Value Band (GAV)

As at June 2008

Asset	Sector	Lot Size
Maybird Centre, Stratford-upon-Avon	Retail Warehouses	£80m to £100m
Sainsbury's, Beaconsfield	Unit Shops	£35m to £45m
101 Barbirolli Square, Manchester	Rest of UK Offices	£35m to £45m
1 Morrison Street & 118 Lothian Road, Edinburgh	Rest of UK Offices	£25m to £35m
2 Cavendish Square, London W1	Central London Offices	£25m to £35m
117 Jermyn Street, London SW1	Central London Offices	£25m to £35m
Fife Leisure Park, Dunfermline	Leisure	£15m to £25m
Sainsbury's, Cheltenham	Unit Shops	£15m to £25m
Church Street, Caversham	Unit Shops	£15m to £25m
Weymouth Shopping Centre, Weymouth	Shopping Centres	£15m to £25m

Source: Hermes - June 2008

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 Plan, Investment Adviser to the BBC Pension Trust and Non-Executive Director of New Star Asset Management Ltd.

Simon Melliss BA FCA

Group Finance Director of Hammerson 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, 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 Lloyds 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.

About Hermes

Hermes Real Estate Investment Management is the dedicated real estate subsidiary of Hermes Fund Managers Limited (HFML). With assets of over £35.5 billion (at 30 June 2008), HFML is wholly owned by one of the largest pension schemes 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 in excess of £11 billion of gross assets under management (at 30 June 2008). With effect from January 2001, Hermes was appointed by the independent Committee of Management as the Real Estate and Trust Manager.

This communication is directed only at recipients who are eligible counterparties or professional clients, as defined in the Glossary to the Financial Services Authority's Handbook of Rules and Guidance. Any investment or service to which this communication relates is only available to and will only be engaged in with such persons and any other persons who receive this communication should not rely on or act upon this communication.

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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

