

Hermes Property Unit Trust

Quarterly Update - September 2008

Overview

The final two weeks of September 2008 will be remembered as a new low point in the evolving credit crisis that has gripped world financial markets. The failures, nationalisations and mergers of key private sector institutions was unprecedented. This has led to a swift and equally unprecedented response from western governments into the start of October as they rallied to support financial markets and key market participants. At this stage the impact on the UK commercial real estate sector has been a further chilling of short-term investor sentiment as investors balance the benefits of the very real prospects for deep cuts in interest rates against the risks associated with weakening occupier markets as the economy moves into recession.

Performance

Reflecting the wider market declines, the Trust posted a return of -6.0% in Q3 2008 marginally outperforming its benchmark by 0.1%. Over the calendar year to date the Trust has returned -11.7% versus the benchmark of -13.6% and over one, three and five year rolling periods the Trust continues to display first quartile relative performance.

	Q3 2008 (%)	1 year (%)	3 years (% p.a.)**	5 years (% p.a.)**
HPUT	-6.0	-17.3	3.8	9.0
Benchmark*	-6.1	-20.9	1.3	7.2
Relative	0.1	3.6	2.5	1.8
Quartile	3	1	1	1

*IPD UK PPF1 Balanced PUT Index (Weighted average). **Years to end September 2008, annualised

Portfolio Management Transactions

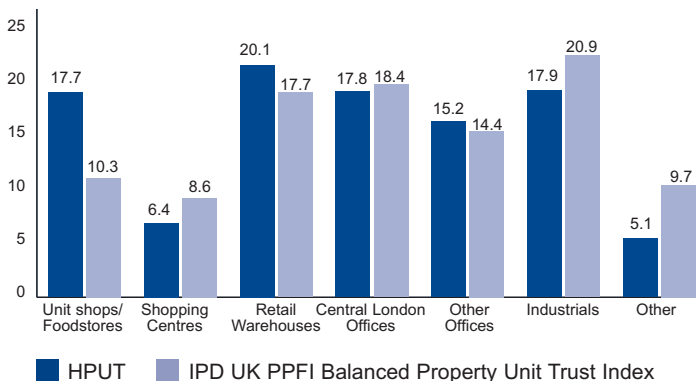
During the quarter we made two sales. First, a small industrial estate in Bristol for £2.6 million. Second, £7 million of units in the UNITE Student Accommodation Fund, with the balance of the Trust's holding sold immediately after quarter end. The rationale for both disposals was tactical, given our performance expectations for both investments.

Debt

The sale of units in UNITE reduced the Trust's debt to 7.3% at the quarter end. Further sales of units in early October has reduced this ratio further to approximately 6.3%. Part of the Trust's strategy for 2008 was to put in place a new debt facility of £75 million. This was completed in August and the Trust has access to a very competitively priced facility, at LIBOR plus 0.68%. This will allow the Trust to take advantage of market conditions during 2009.

Portfolio Structure Comparison As at end September 2008

Sector Weighting % Total Portfolio Value



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



The lobby of 20 Gresham Street, City of London.

Activities to note during the quarter:

20 Gresham Street, City of London The Trust holds 10% of this 240,000 sq.ft speculative City office development. The building reached practical completion on 1 October and almost 120,000 sq.ft has been let to Standard Bank on a new 16 year lease. This is one of the largest lettings in the City of London market in 2008 and reflects the quality and positioning of this development and a strong team responsible for delivering this project.

Maybird Shopping Park, Stratford-upon-Avon The extension works to the Shopping Park are almost complete and at end-September all units were let with the exception of a 5,000 sq.ft unit. This unit is under offer and we expect it to proceed to contract in the coming weeks.

Cavendish Square, West End of London However, not all is good news. Following lengthy negotiations we were disappointed by the news that an occupier of two floors at this property will be vacating at the end of December 2008. The short term impact will be the loss of £285,000 per annum of income, however these floors will be refurbished in early 2009 and will be available for letting in the spring.

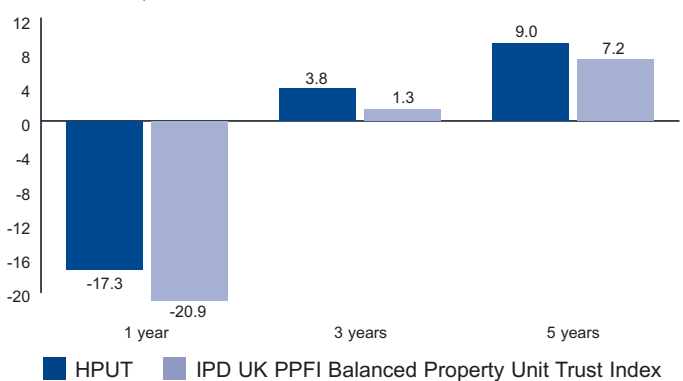
Outlook

During the final quarter of 2008 we expect UK commercial real estate to continue to fall in value, perhaps at the same rate as experienced during Q3. However as real estate yields continue to increase we do expect the market to find a degree of support as the yield arbitrage between income yields and the cost of borrowing grows. If interest rates fall further and Libor premiums continue to narrow, looking 6-9 months ahead, this may indicate UK commercial real estate is undervalued so providing long term investors with a cyclical opportunity to maximise returns.

In the meantime, the Trust should be relatively well placed against its peers, albeit in a market where we expect further negative returns. The Trust has a growing income yield, a modest level of gearing at just over 6% and development profit to be released at Maybird.

Unit Holder Performance As at end September 2008

Unit Holder % Return p.a.



Source: Hermes Real Estate and IPD UK PPF1, end September 2008. Net of fees.

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Key Statistics

As at end September 2008

Gross asset value*	£678.5m
Net asset value	£629.1m
Directly held assets	37
Indirect real estate vehicles	6
Offer Price	£5.229
Bid Price	£4.889
Net asset value per unit	£4.956
Number of Unit Holders	126
Distribution per unit (Quarter to June 2008)	6.12p
Distribution per unit (Year to June 2008)	23.43p
Yield on offer price	4.5%
12 Month return to Unit Holders	-17.3%
Quarterly return	-6.0%
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 September 2008

Top 10 Direct Holdings by Value Band (GAV)

As at end September 2008

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

Source: Hermes - end September 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 Porthoken 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.

About Hermes

Hermes Real Estate Investment Management is the dedicated real estate subsidiary of Hermes Fund Managers Limited (HFML). With assets of over £31.2 billion (at 30 September 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 £10.2 billion of gross assets under management (at 30 September 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

