UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MAY 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from to .

Commission File Number: 0-17147

PAINE WEBBER QUALIFIED PLAN PROPERTY FUND THREE, LP
(Exact name of registrant as specified in its charter)

Delaware	04-2798638
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
265 Franklin Street, Boston, Massachusetts	02110
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (617) 439-8118

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No.

PAINE WEBBER QUALIFIED PLAN PROPERTY FUND THREE, LP

BALANCE SHEETS
May 31, 1995 and August 31, 1994
(Unaudited)

ASSETS

	May 31	August 31
Real estate investments:		
Investment property held for sale	$ 4,720,000	$ 4,720,000
Investment in operating property	-	250,000
Land	1,150,000	1,150,000
Mortgage loans receivable	9,185,000	9,185,000
	15,055,000	15,305,000
Cash and cash equivalents	2,270,731	1,853,703
Interest receivable	85,099	85,099
Tax and tenant security deposit escrows	71,654	71,153
Prepaid expenses	1,552	17,926
Deferred expenses, net	14,336	17,081
	$17,498,372	$17,349,962

LIABILITIES AND PARTNERS' CAPITAL

Accounts payable - affiliates	$ 19,373	$ 19,373
Accounts payable and accrued expenses	64,462	82,381
Tenant security deposits	14,258	14,240
Partners' capital	17,400,279	17,233,968
	$17,498,372	$17,349,962

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
For the nine months ended May 31, 1995 and 1994
(Unaudited)

	General Partners	Limited Partners
Balance at August 31, 1993	$ 7,063	$17,120,134
Net income	10,488	1,027,786
Cash distributions	(9,686)	(949,257)
BALANCE AT MAY 31, 1994	$ 7,865	$17,198,663
Balance at August 31, 1994	$ 8,142	$17,225,826
Net income	11,366	1,113,888
Cash distributions	(9,686)	(949,257)
BALANCE AT MAY 31, 1995	$ 9,822	$17,390,457

See accompanying notes.

PAINE WEBBER QUALIFIED PLAN PROPERTY FUND THREE, LP

STATEMENTS OF INCOME
For the three and nine months ended May 31, 1995 and 1994
(Unaudited)

	Three Months Ended May 31, 1995	Three Months Ended May 31, 1994	Nine Months Ended May 31, 1995	Nine Months Ended May 31, 1994
REVENUES:				
Interest from mortgage loans	$ 255,297	$ 255,297	$ 765,891	$ 765,891
Land rent	36,442	34,394	125,265	126,643
Interest earned on short-term investments	31,964	16,740	81,673	44,469
Other income	9,995	6,319	23,524	19,070
	333,698	312,750	996,353	956,073
EXPENSES:				
Management fees	22,601	22,601	67,804	67,804
General and administrative	95,787	88,493	275,525	263,539
Amortization of deferred expenses	914	914	2,745	2,745
	119,302	112,008	346,074	334,088
Operating income	214,396	200,742	650,279	621,985
Gain on sale of investment in operating property	61,079	-	61,079	-
Income from operations of investment property held for sale, net	117,662	129,655	413,896	416,289
NET INCOME	$ 393,137	$ 330,397	$1,125,254	$1,038,274
Net income per Limited Partnership Unit	$10.87	$ 9.14	$31.12	$28.72
Cash distributions per Limited Partnership Unit	$ 8.84	$ 8.84	$26.52	$26.52

The above net income and cash distributions per Limited Partnership Unit are based upon the 35,794 Units of Limited Partnership Interest outstanding during each period.

See accompanying notes.

PAINE WEBBER QUALIFIED PLAN PROPERTY FUND THREE, LP

STATEMENTS OF CASH FLOWS

For the nine months ended May 31, 1995 and 1994
Increase (Decrease) in Cash and Cash Equivalents
(Unaudited)

	1995	1994
Cash flows from operating activities:		
Net income	$1,125,254	$1,038,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of investment in operating property	(61,079)	-
Amortization of deferred expenses	2,745	2,745
Changes in assets and liabilities:		
Tax and tenant security deposit escrows	(501)	5,173
Prepaid expenses	16,374	11,513
Accounts payable - affiliates	-	(28,925)
Accounts payable and accrued expenses	(17,919)	(13,520)
Tenant security deposits	18	89
Total adjustments	(60,362)	(22,925)
Net cash provided by operating activities	1,064,892	1,015,349
Cash flows from investing activities:		
Proceeds from sale of investment in operating property	311,079	-
Cash flows from financing activities:		
Distributions to partners	(958,943)	(958,943)
Net increase in cash and cash equivalents	417,028	56,406
Cash and cash equivalents, beginning of period	1,853,703	1,769,705
Cash and cash equivalents, end of period	$ 2,270,731	$ 1,826,111

See accompanying notes.

1.General

The accompanying financial statements, footnotes and discussion should be read in conjunction with the financial statements and footnotes contained in the Partnership's Annual Report for the year ended August 31, 1994.

In the opinion of management, the accompanying financial statements, which have not been audited, reflect all adjustments necessary to present fairly the results for the interim period. All of the accounting adjustments reflected in the accompanying interim financial statements are of a normal recurring nature.

2.Mortgage Loan and Land Investments

The outstanding first mortgage loans and the cost of the related land to the Partnership at May 31, 1995 and August 31, 1994 are as follows:

Property	Amount of Mortgage Loan	Cost of Land
Appletree Apartments Omaha, NE	$ 4,850,000	$ 650,000
Woodcroft Shopping Center Durham, NC		
Phase I	3,100,000	360,000
Phase II	1,235,000	140,000
	$ 9,185,000	$1,150,000

The interest rates on the mortgage loans range from 11% to 11.25% per annum. The land leases have terms of 40 years. Among the provisions of the lease agreements, the Partnership is entitled to additional rent based upon the gross revenues from the operating properties in excess of a base amount, as defined. For the nine months ended May 31, 1995, additional rent of $29,452 was earned from the Woodcroft Shopping Center investment. For the nine months ended May 31, 1994, additional rent of $30,830 was earned from the Woodcroft Shopping Center investment. The lessees have the option to purchase the land for specified periods of time, as discussed in the Annual Report, at a price based on fair market value, as defined, but in no event less than the original cost to the Partnership. As of May 31, 1995, the option to purchase the land underlying the Appletree Apartments was exercisable. The Partnership's investments are structured to share in the appreciation in value of the underlying real estate. Accordingly, upon either sale, refinancing, maturity of the mortgage or exercise of the option to purchase the land, the Partnership will receive a 33% to 50% share of the appreciation above a specified base amount.

During fiscal 1995, the Partnership has received formal notice from the Appletree borrower of its intent to prepay the Partnership's mortgage loan and repurchase the underlying land. The amount to be received by the Partnership as its share of the appreciation of the Appletree property cannot be determined with certainty at the present time. The terms of the Appletree mortgage loan would require a prepayment penalty which would be equal to 3.75% of the outstanding principal balance. If completed, the proceeds of this prepayment transaction would be distributed to the Limited Partners. However, the prepayment transaction remains contingent on, amount other things, the borrower obtaining sufficient financing to repay its obligations

to the Partnership. Accordingly, there are no assurances that this transaction will be consummated.

3. Investment Properties

As discussed in the Annual Report, the Partnership foreclosed under the terms of the mortgage loan secured by Westside Creek Apartments on March 23, 1989 due to nonpayment of the required debt service. The Adviser has employed a local property management company to conduct the day-to-day operations of the property under the direction of the Managing General Partner. The property consists of 142 units and is located in Little Rock, Arkansas. The net carrying value of the Partnership's investment in the Westside Creek Apartments, of $4,720,000, is classified as investment property held for sale on the accompanying balance sheets as of May 31, 1995 and August 31, 1994.

The Partnership recognizes income from the operations of investment property held for sale in the amount of the excess of the property's gross revenues over the sum of property operating expenses (including capital improvement costs), taxes and insurance. Summarized operating results of the Westside Creek investment property for the three and nine months ended May 31, 1995 and 1994 are as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	1995	1994	1995	1994
Rental income	$219,115	$229,493	$690,620	$689,875
Other income	8,153	9,464	25,054	25,757
	227,268	238,957	715,674	715,632
Property operating expenses	84,499	88,311	235,343	236,702
Property taxes and insurance	25,107	20,991	66,435	62,641
	109,606	109,302	301,778	299,343
Income from operations, net	$117,662	$129,655	$413,896	$416,289

During the quarter ended February 28, 1995, the Partnership executed a purchase and sale agreement to sell the Westside Creek Apartments to an unaffiliated third party for $6,775,000. Subsequently, the prospective purchaser, which is a national pension fund advisor, encountered internal tax regulation compliance issues related to the sale which prevented the sale from closing. Accordingly, management has begun to actively re-market the property to other potential buyers. There are no assurances that a sale transaction will be completed in the near future.

Also, as discussed in the Annual Report, an affiliate of the Partnership, which held the mortgage and land lease on the Cordova Creek Apartments, foreclosed on the property in fiscal 1990 due to nonpayment of the required interest payments. The Partnership had held a 3.5% interest in the mortgage loan and land investments through an agreement with this affiliate. Subsequent to foreclosure, the Partnership recorded its investment at the net combined carrying value of its previous interest in the land and mortgage loan of $250,000. The Partnership's investment, which consisted of a 3.5% equity ownership in the operations and eventual sales proceeds of the Cordova Creek property, was accounted for on the cost method. The affiliate which held title to the operating property sold the Cordova Creek Apartments to an unaffiliated third party on April 12, 1995. The Partnership's share of the net sales proceeds was approximately $311,000, resulting in a $61,000 gain over the Partnership's cost basis of $250,000. A special distribution of $42 per original $1,000 investment, or $1,503,000, was made to Limited Partners on June 15, 1995, which represented approximately $9 from Cordova Creek net sales proceeds and $33 as a distribution from cash reserves which were deemed to be in excess of the Partnership's expected future requirements.

4. Related Party Transactions

The Adviser earned basic management fees of $67,804 for each of the nine-month periods ended May 31, 1995 and 1994. Accounts payable - affiliates at both May 31, 1995 and August 31, 1994 consists of management fees of $19,373 payable to the Adviser.

Included in general and administrative expenses for the nine months ended May 31, 1995 and 1994 is $133,501 and $120,755, respectively, representing reimbursements to an affiliate of the Managing General Partner for providing certain financial, accounting and investor communication services to the Partnership.

Also included in general and administrative expenses for the nine months ended May 31, 1995 and 1994 is $3,307 and $1,965, respectively, representing fees earned by Mitchell Hutchins Institutional Investors, Inc. for managing the Partnership's cash assets.

5. Contingencies

The Partnership is involved in certain legal actions. The Managing General Partner believes these actions will be resolved without material adverse effect on the Partnership's financial statements, taken as a whole.

PAINE WEBBER QUALIFIED PLAN PROPERTY FUND THREE, LP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

As previously reported, the affiliated partnership which held the title to the Cordova Creek Apartments, PaineWebber Qualified Plan Property Fund Four, LP, sold the property to an unaffiliated third party for $9,100,000 on April 12, 1995. The Partnership had an ownership interest of 3.5% in the Cordova Creek property. The Partnership's share of the net sales proceeds was approximately $311,000, which represented a $61,000 premium over the Partnership's cost basis. A special distribution of $42 per original $1,000 investment, or $1,503,000 was made to Limited Partners on June 15, 1995, which represented approximately $9 from Cordova Creek net sales proceeds and $33 as a distribution from cash reserves which were deemed to be in excess of the Partnership's expected future requirements.

Also as previously reported, in January 1995 the Partnership executed a purchase and sale agreement to sell the Westside Creek Apartments to an unaffiliated third party for $6,775,000. Subsequently, the prospective purchaser, which is a national pension fund, encountered internal tax regulation compliance issues related to the sale which prevented the sale from closing. Accordingly, management has begun to actively re-market the property to other potential buyers. However, there are no assurances that a sale transaction will be completed in the near future. Management will base its hold/sell decision with respect to Westside Creek on an assessment of the impact on the overall returns to the Limited Partners. Management continues to believe that the Partnership will realize a substantial gain over its original investment of $4,850,000 upon the eventual sale of the Westside Creek property.

Operations of the properties securing the Partnership's two remaining mortgage loan investments remained strong during the first nine months of fiscal 1995 and continue to fully support the debt service and land rent payments owed to the Partnership. During the nine months ended May 31, 1995, the Partnership received additional rent of $29,452 under the terms of the Woodcroft Shopping Center ground lease because cash flow from the property was in excess of certain base amounts specified in the lease agreement. Leasing levels at the Appletree Apartments and Woodcroft Shopping Center were 98% and 97%, respectively, as of May 31, 1995. The mortgage loans secured by the Appletree Apartments and Woodcroft Shopping Center bear interest at annual rates of 11.00% and 11.25%, respectively. With real estate market conditions improving along with the state of the overall economy, and with credit in the capital markets for real estate transactions more accessible than in prior years, it is possible, that the current loans secured by these projects could be refinanced at lower rates. However, the Appletree loan includes a prepayment premium for any prepayment between May 1994 and April 1998 at rates between 5% and 1.25% of the mortgage loan balance. In addition to repaying the outstanding mortgage loans, the borrowers would also have to exercise their options to purchase the underlying land as part of any prepayment transaction, including in such purchase the Partnership's share, if any, of the property's appreciation called for under the terms of the ground lease. As a practical matter, this requirement could make it difficult for the borrowers to finance a prepayment transaction. Nonetheless, it is possible that the loans secured by the Woodcroft Shopping Center and/or the Appletree Apartments could be prepaid in the near term.

Subsequent to quarter ended May 31, 1995, the Partnership has received formal notice from the Appletree borrower of its intent to prepay the Partnership's mortgage loan and repurchase the underlying land. The amount to be received by the Partnership as its share of the appreciation of the Appletree property cannot be determined with certainty at the present time. The terms of the Appletree mortgage loan would require a prepayment penalty which would be equal to 3.75% of the outstanding principal balance of $4,850,000. If completed, the proceeds of this prepayment transaction would be distributed to the Limited Partners. However, the prepayment transaction remains contingent on, amount other things, the borrower obtaining sufficient financing to repay its obligations to the Partnership. Accordingly, there are no assurances that this transaction will be consummated.

At May 31, 1995, the Partnership had available cash and cash equivalents of approximately $2,270,000. Such cash balance includes the $1,503,000 referred to above which was distributed to the Limited Partners in June 1995. The remaining amount of cash and cash equivalents will be used for the working capital needs of the Partnership and for distributions to the partners. The source of future liquidity and distributions to the partners is expected to be through cash generated from the Partnership's real estate investments, the repayment of the mortgage loans receivable and the future sales or refinancings of the underlying land and the investment properties. Such sources of liquidity are expected to be adequate to meet the Partnership's needs on both a short-term and long-term basis.

RESULTS OF OPERATIONS

Three Months Ended May 31, 1995

The Partnership's net income increased by approximately $63,000 for the three month period ended May 31, 1995, when compared to the same period in the prior year. The primary reason for the increase in net income during the current quarter is the gain realized by the Partnership from the sale of the Cordova Creek Apartments on April 12, 1995. As discussed further above, the Partnership held a 3.5% interest in Cordova Creek and realized a gain of approximately $61,000 from the sale of the property. Operating income also increased during the current quarter by approximately $14,000 as a result of an increase in interest income earned on short term investments. Interest income increased due to an increase in the interest rate earned on short term investments over the same period in the prior year. In addition, the Partnership's average outstanding cash reserve balances has increased over the prior period, due in part to the receipt of the Cordova proceeds. The gain from the sale of Cordova Creek and the increase in operating income were partially offset by a decrease in the income from the operations of the Westside Creek Apartments of approximately $12,000 due to a slight decrease in rental income.

Nine Months Ended May 31, 1995

The Partnership's net income increased by approximately $87,000 for the nine month period ended May 31, 1995, when compared to the same period in the prior year. The primary reason for the increase in net income is the aforementioned gain realized by the Partnership from the sale of Cordova Creek. In addition, operating income increased by approximately $28,000 primarily as a result of an increase in interest income earned on short term investments of approximately $37,000. Interest income increased due to an increase in the interest rates earned on short term investments and an increase in average cash balances over the same period in the prior year. This increase in interest income was partially offset by an increase in general and administrative expenses of approximately $12,000 for the current nine-month period. General and administrative expenses increased mainly due to certain legal expenses which were incurred in conjunction with the proposed sale of the Westside Creek Apartments. Income from the operations of the Westside Creek Apartments decreased by $2,000 due to a small increase in real estate tax expense.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

As discussed in the Partnership's quarterly report on Form 10-Q for the period ended February 28, 1995, in November 1994, a series of purported class actions (the "New York Limited Partnership Actions") were filed in the United States District Court for the Southern District of New York concerning PaineWebber Incorporated's sale and sponsorship of various limited partnership investments, including those offered by the Partnership. On May 30, 1995, the court certified class action treatment of the claims asserted in the litigation. Refer to the description of the claims in the prior quarterly report for further information. The General Partners continue to believe that the action will be resolved without material adverse effect on the Partnership's financial statements, taken as a whole.

Item 2. through 5. NONE

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: NONE

(b) Reports on Form 8-K:

No reports on Form 8-K have been filed by the registrant during the quarter for which this report is filed.

PAINE WEBBER QUALIFIED PLAN PROPERTY FUND THREE, LP

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PAINE WEBBER QUALIFIED PLAN PROPERTY FUND THREE, LP

By: THIRD QUALIFIED PROPERTIES, INC.
Managing General Partner

By: /s/ Walter V. Arnold
Walter V. Arnold
Senior Vice President and Chief
Financial Officer

Dated: July 14, 1995

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Partnership's interim financial statements for the 9 months ended May 31, 1995
and is qualified in its entirety by reference to such financial statements.
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