

Kennedy-Wilson Holdings, Inc.  
Form 10-K  
March 01, 2019  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K  
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 001-33824  
Kennedy-Wilson Holdings, Inc.  
(Exact Name of Registrant as Specified in Its Charter)  
Delaware 26-0508760  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

151 S El Camino Dr 90212  
Beverly Hills, CA  
(Address of Principal Executive Offices) (Zip Code)  
(310) 887-6400  
(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class	Name of Each Exchange on which Registered
Common Stock, \$.0001 par value	NYSE

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically on its corporate Website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer       Accelerated filer     

Non-accelerated filer       Smaller reporting company

Emerging growth company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Based on the last sale at the close of business on June 30, 2018, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately \$2,380,956,787.

The number of shares of common stock outstanding as of February 25, 2019 was 142,980,454.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this report incorporates certain information by reference from the registrant’s definitive proxy statement for the annual meeting of stockholders to be held on or around June 13, 2019, which proxy statement will be filed no later than 120 days after the close of the registrant’s fiscal year ended December 31, 2018.

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**FORWARD-LOOKING STATEMENTS**

Statements made by us in this report and in other reports and statements released by us that are not historical facts constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements are necessarily estimates reflecting the judgment of our senior management based on our current estimates, expectations, forecasts and projections and include comments that express our current opinions about trends and factors that may impact future results. Disclosures that use words such as “believe,” “may,” “anticipate,” “estimate,” “intend,” “could,” “plan,” “expect,” “project” or the negative of these, as well as similar expressions, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance, rely on a number of assumptions concerning future events, many of which are outside of our control, and involve known and unknown risks and uncertainties that could cause our actual results, performance or achievement, or industry results, to differ materially from any future results, performance or achievements, expressed or implied by such forward-looking statements. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we do not guarantee that the transactions and events described will happen as described (or that they will happen at all). For a further discussion of these and other factors that could impact our future results, performance or transactions, please carefully read “Risk Factors” in Part I, Item 1A below in addition to the following factors:

- disruptions in general economic and business conditions, particularly in geographies where our business may be concentrated;
- volatility and disruption of the capital and credit markets, higher interest rates, higher loan costs, less desirable loan terms and a reduction in the availability of mortgage loans, all of which could increase costs and could limit our ability to acquire additional real estate assets;
- high levels of unemployment and general slowdowns in commercial activity;
- our leverage and ability to refinance existing indebtedness or incur additional indebtedness;
- an increase in our debt service obligations;
- our ability to generate a sufficient amount of cash to satisfy working capital requirements and to service our existing and future indebtedness and maintain our dividend payments;
- our ability to achieve improvements in operating efficiency;
- decreasing rental rates or increasing tenant incentive and vacancy rates or an increase in operating costs to maintain our investments;
- adverse changes to rent control laws and regulations;
- risks associated with our development projects, including, among other things, material delays in completing such projects, inability to secure third-party financing on favorable terms or at all and increase in construction costs;
- foreign currency fluctuations;
- performance of our foreign currency hedges and similar instruments;
- adverse changes in the securities markets;
- our ability to retain our senior management and attract and retain qualified and experienced employees;
- changes in tax laws in the United States (including those made by the Tax Cuts and Jobs Act enacted in December 2017), Ireland, United Kingdom, Spain, Italy or Japan that reduce or eliminate deductions or other tax benefits we receive;
- our ability to repatriate funds in a tax-efficient manner;
- future acquisitions and dispositions may not be available at favorable prices or upon advantageous terms and conditions;
- costs relating to the acquisition of assets we may acquire could be higher than anticipated;
- our ability to retain major clients and renew related contracts; and
- trends in use of large, full-service commercial real estate providers.

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Any such forward-looking statements, whether made in this report or elsewhere, should be considered in the context of the various disclosures made by us about our businesses including, without limitation, the risk factors discussed in this Annual Report. Except as required under the federal securities laws and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, changes in assumptions, or otherwise. Please refer to "Non-GAAP Measures and Certain Definitions" for definitions of certain terms used throughout this report.

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PART I

Item 1. Business

Company Overview

Kennedy Wilson is a global real estate investment company. We own, operate, and invest in real estate both on our own and through our investment management platform. We focus primarily on multifamily and office properties located in the Western United States, United Kingdom, and Ireland. To complement our investment business, the Company also provides real estate services primarily to financial services clients.

Our value is primarily derived from our ownership in income producing real estate assets as well as management's track record of producing attractive returns on its investments. We have an ownership interest in approximately 53 million square feet of property globally, including 28,613 multifamily rental units and 18.9 million square feet of commercial property. At December 31, 2018, we and our equity partners held portfolio with assets at a book value of approximately \$11.3 billion. For the year ended December 31, 2018, these assets generated total revenues of approximately \$1.0 billion. The Company has an average ownership interest across all of its investments of approximately 63% as of December 31, 2018. In addition to our income producing real estate, we engage in development, redevelopment and value add initiatives through which we enhance cash flows or reposition asset to increase value.

We have 375 employees in 17 offices primarily located throughout the United States, the United Kingdom, Ireland and Spain.

The following is our business model:

• Identify countries and markets with an attractive investment landscape

• Establish operating platforms in our target markets

• Develop local intelligence and create long-lasting relationships, primarily with financial institutions

• Leverage relationships and local knowledge to drive proprietary investment opportunities with a focus on off-market transactions that we expect will result in above average cash flows and returns over the long term

• Acquire high quality assets, either on our own or with strategic partners, utilizing cash from our balance sheet (funded by cash flows from operations, refinancing of current investments, investments sales or the sale of equity or debt securities) and typically financing them on a long-term basis

• Reposition assets to enhance cash flows post-acquisition

• Explore development opportunities on underutilized portions of assets, primarily excess land with little or no basis that is adjacent to income producing properties or acquire development assets that fit within our overall investment strategy

• Continuously evaluate and selectively harvest asset and entity value through strategic realizations using both the public and private markets

• Use our services businesses to meet client needs, strengthen relationships with financial institutions, and position ourselves as a valuable resource and partner to these institutions for any future real estate opportunities

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The table below highlights some of the Company's performance metrics over the past five years:

(In millions, except per share amounts)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Statements of income data and dividends:					
Revenue	\$773.5	\$801.8	\$690.4	\$583.8	\$384.9
Net income to Kennedy-Wilson Holdings Inc. common shareholders <sup>(1)</sup>	150.0	100.5	2.8	71.1	13.8
Basic income per share	1.04	0.83	0.01	0.66	0.14
Dividends declared per share of common stock	0.78	0.70	0.56	0.48	0.36
Adjusted EBITDA <sup>(2)</sup>	712.7	455.7	349.9	371.2	317.8
Adjusted EBITDA annual increase (decrease)	56	% 30	% (6	)% 17	%
Adjusted Net Income <sup>(2)</sup>	397	242.5	191.3	208.2	133.7
Adjusted Net Income annual increase (decrease)	64	% 27	% (8	)% 56	%
Adjusted Fees <sup>(2)</sup>	86.3	86.6	108.9	158.2	121.0
Adjusted Fees annual (decrease) increase	—	% (20	)% (31	)% 31	%
	As of December 31,				
	2018	2017	2016	2015	2014
Balance sheet data:					
Cash and cash equivalents	\$488.0	\$351.3	\$885.7	\$731.6	\$937.7
Total assets	7,357.1	7,724.8	7,656.6	7,595.6	6,297.6
Mortgage debt	2,950.3	3,156.6	2,770.4	2,772.5	2,175.7
KW unsecured debt	1,202.0	1,179.4	934.1	688.8	813.1
KWE unsecured bonds	1,260.5	1,325.9	1,185.7	855.0	—
Kennedy Wilson equity	1,246.7	1,365.6	1,048.0	1,133.8	901.1
Noncontrolling interests	184.5	211.9	1,295.1	1,731.3	2,142.8
Total equity	1,431.2	1,577.5	2,343.1	2,865.1	3,043.9
Common shares outstanding	143.2	151.6	115.7	114.5	96.1

<sup>(1)</sup> GAAP Net Income to Common Shareholders for the year ended December 31, 2017, includes a one-time tax benefit of \$44.8 million that was recorded in the quarter ended December 31, 2017, or \$0.38 per share.

<sup>(2)</sup> See Non-GAAP Measures and Certain Definitions and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Non-GAAP measures" for a description of adjusted EBITDA, adjusted net income and Adjusted fees and a reconciliation of these metrics to net income as reported under GAAP.

#### Business Segments

Our operations are defined by two core business units: KW Investments and KW Investment Management and Real Estate Services (IMRES).

- KW Investments invests our capital in real estate-related assets using a mixture of wholly owned investments and investments made with equity partners.

IMRES encompasses our fee generating businesses, which includes our investment management platform and the property services platform. These businesses offer a comprehensive line of real estate services for the full lifecycle of real estate ownership to clients that include financial institutions, institutional investors, insurance companies, developers, builders and government agencies.

Our segments have a symbiotic relationship and work closely together. IMRES plays a critical role in supporting our investment strategy by providing local market intelligence and real-time data for evaluating investments, generating proprietary transaction flow and creating value through efficient implementation of asset management or repositioning strategies. KW Investments enables clients to benefit from the capabilities of IMRES.

KW Investments

We invest our capital in real estate assets either on our own or through our investment management platform. When we have partners, we are typically the general partner in the arrangement generated management fees with a promoted interest in the profits of our investments beyond our ownership percentage. The Company has an average ownership interest across all its investments of approximately 63% as of December 31, 2018. Our equity partners include, financial institutions, foundations,

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endowments, high net worth individuals and other institutional investors. We typically act as asset managers on our investments and generally will outsource the day to day property management to third parties.

The following are product types we invest in through the KW Investments segment:

**Multifamily**

We pursue multifamily acquisition opportunities where we can unlock value through a myriad of strategies, including institutional management, asset rehabilitation, repositioning and creative recapitalization. We focus primarily on apartments in supply-constrained, infill markets.

As of December 31, 2018, we hold investments in 28,613 multifamily apartment units across 108 assets primarily located in the Western United States, Ireland and United Kingdom. Based on our share of net operating income, 43% of our Western United States multifamily assets are located in the Pacific Northwest, primarily in suburbs of Seattle and Portland. The rest of the Western United States portfolio is in Northern and Southern California and the Mountain States region of Utah, Idaho and Nevada.

Through our Vintage Housing Holdings ("VHH") partnership we acquire and develop income and age restricted properties. The VHH portfolio includes over 6,900 rental units with approximately another 2,000 units currently under development or undergoing entitlements in the Western United States. VHH typically utilizes tax-exempt bond financing and the sale of federal tax credits to help finance its investments.

**Commercial**

We pursue office acquisitions opportunities that typically have a value-add component that can benefit from our asset management expertise. After acquisition, the properties are generally repositioned to enhance market value.

Our retail portfolio has different characteristics based on the geographic markets that the properties are located in. In Europe, we have a mixture of high street retail, suburban shopping centers and leisure assets which are mainly located in the United Kingdom as well as Dublin and Madrid. In our Western United States retail portfolio we invest in shopping centers that are generally grocery anchored.

Our industrial portfolio is mainly distribution centers located in the United Kingdom.

As of December 31, 2018, we hold investments in 198 commercial properties, totaling over 18.9 million square feet, predominately in the United Kingdom and Ireland with additional investments in Italy, Spain, the Pacific Northwest and Southern California.

**Hotel**

We acquire hotels in certain opportunistic situations in which we are able to purchase at a discount to replacement cost or can implement our value-add investment approach. As of December 31, 2018, we have an ownership interest in 6 hotels (including one hotel under development) with 999 hotel rooms located in Ireland, the United Kingdom, Hawaii and Northern California.

**Residential, Loan and Other**

In certain cases, we may pursue for sale housing acquisition opportunities, including land for entitlements, finished lots, urban infill housing sites and partially finished and finished housing projects. On certain income-producing acquisitions, there are adjacent land parcels for which we may pursue entitlement activities or, in some cases, development or re-development opportunities.

We acquire and/or originate loans secured by real estate. Our acquisitions and originations include individual notes on all real estate property types as well as portfolios of loans purchased from financial institutions, corporations and government agencies. We deliver value through loan resolutions, discounted payoffs, and sales. We also convert certain loans into a direct ownership in the underlying real estate collateral.

Our loan investment portfolio is generally countercyclical to our other real estate investment businesses. When market conditions deteriorate there are more opportunities in acquiring loan portfolios. Our portfolio is principally related to loans acquired at a discount from their contractual balance due as a result of deteriorated credit quality of the borrower or market conditions. Such loans are underwritten by us based on the value of the underlying real estate collateral.

Due to the discounted purchase price, we seek and are generally able to accomplish near term realization of the loan in a cash settlement or by obtaining title to the property. Accordingly, the credit quality of the borrower is not of substantial importance to our evaluation of the risk of recovery from the investment.

This group also includes our investment in liquid non-real estate investments which include marketable securities, investment funds that hold marketable securities and private equity investments.

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As of December 31, 2018, we hold 20 investments which are primarily comprised of 340 residential units/lots and 4,004 acres located in Hawaii and the Western United States. As of December 31, 2018, these investments had a gross asset value of \$274.7 million and the Company had a weighted average ownership in such of investments of 55%. These investments are in various stages of completion, ranging from securing the proper entitlements on land positions to sales of units/lots. Please also see the sections titled "Industry Overview - Western United States" and "Industry Overview - Hawaii".

### Development and redevelopment

We have a number of development, redevelopment and entitlement projects that are underway or in the planning stages. Unlike the residential projects that are held for sale and described in the section directly above, these initiatives may ultimately result in income-producing assets (4,153 multifamily units and 0.9 million commercial rentable square feet), along with substantial upgrades to certain multifamily and commercial properties and hotels that are already producing income for the Company. If these projects are brought to completion, the Company's estimated share of the total capitalization of these projects would be approximately \$1.1 billion (approximately 30% of which has already been funded), which we expect would be funded through our existing equity, third party equity, project sales, tax credit financing and secured debt financing. This represents total capital over the life of the projects and is not a representation of peak capital and does not take into account any distributions over the course of the investment. We and our equity partners are under no obligation to complete these projects and may dispose of any such assets after adding value through the entitlement process. Please also see the section titled "Liquidity and Capital Resources - Development and redevelopment" in the Management's Discussion and Analysis of Financial Condition and Results of Operations for additional detail on these investments.

### KW Investment Management and Real Estate Services (IMRES)

IMRES includes both our investment management platform and to a lesser extent our third-party services business and offers a comprehensive line of real estate services for the full lifecycle of real estate ownership to clients that include financial institutions, institutional investors, insurance companies, developers, builders and government agencies. IMRES has four main lines of business: investment management, property services, brokerage, and auction and conventional sales. These four business lines generate revenue for us through fees and commissions.

We manage approximately \$16 billion of IMRES AUM, the majority of which we have an ownership interest in and the balance we manage for third parties (please see definition of IMRES AUM in the section titled "Non-GAAP Measures and Certain Definitions"). With 17 offices throughout the United States, the United Kingdom, Ireland, Jersey and Spain, we have the capabilities and resources to provide property services to real estate owners as well as the experience, as a real estate investor, to understand client concerns. The managers of IMRES have an extensive track record in their respective lines of business and in the real estate community as a whole. Their knowledge and relationships are an excellent driver of business through the services business as well as on the investment front. Additionally, IMRES plays a critical role in supporting our investment strategy by providing local market intelligence and real-time data for evaluating investments, generating proprietary transaction flow and creating value through efficient implementation of asset management or repositioning strategies.

### Investment Management

Our investment management platform utilizes a number of different investment vehicles for which we provide acquisition, asset management, financing, and other investment-related services, and typically includes a co-investment from us. We usually provide investment management services on our consolidated investment portfolio as well as investments with strategic partners many of whom have separate account agreements with us. Through our fund management business we have two active closed end funds seeking to generate attractive, risk adjusted returns. As of December 31, 2018, the Company manages a total of \$2.2 billion in fee-bearing capital.

### Commingled funds

We currently have two closed end funds that we manage and receive investment management fees. We focus on sourcing investors in the U.S., Europe and Middle East and investments in U.S and Europe with respect to our commingled funds.

### Separate accounts

We have a few equity partners that have separate account agreements with us. As part of the agreement we act as the general partner and receive investment management fees including potential acquisition, disposition, financing, construction management, performance and other fees.

Property Services

This division manages or provides advice with respect to office, retail and residential real estate for third-party clients, fund investors, and investments held by the Company. In addition to earning property management fees, consulting fees, lease

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commissions, construction management fees, disposition fees, and accounting fees, the property services group gives us insight into local markets and potential acquisitions.

### Brokerage

Our brokerage division represents tenants and landlords on every aspect of site selection, negotiation and occupancy. The division also specializes in innovative marketing programs tailored to client objectives for all types of investment grade and income producing real estate. The division's property marketing programs combine proven techniques with its detailed market knowledge to create optimum results.

### Auction and Conventional Sales

Kennedy Wilson was founded in 1977 as a real estate auction business and has since grown into a global real estate company. The auction and conventional sales division provides innovative marketing and sales strategies for all types of commercial and residential real estate, including single family homes, mixed-use developments, estate homes, multifamily dwellings, new home projects, and conversions. Generally, the division's auction sales business is countercyclical to the traditional sales real estate market and has been a bellwether for us in forecasting market conditions.

### Research

Meyers Research LLC ("Meyers") was a research business specializing in residential real estate research and advisory. We sold the business in December 2018 for \$48.0 million and recognized a gain on sale of business of \$40.4 million. We used part of the proceeds from such sale to reinvest \$15.0 million for an 11% ownership interest in a new partnership between Meyers Research and another premiere residential real estate construction service company. We no longer control Meyers and will treat the new investment as an unconsolidated investment.

### Value Creation

Our differentiated and unique approach to investing is the cornerstone of how we create value for our shareholders.

Our investment philosophy is based on three core fundamentals:

- Leverage our global footprint and complementary investments and services businesses to identify attractive investment markets across the world.

- Selectively invest in opportunities across many real estate product types with a goal of maximizing cash flow and risk-adjusted return on capital.

- Actively manage assets and finance our assets in a manner designed to generate stable, predictable and growing cash flows for shareholders and clients.

Kennedy Wilson is able to create value for its shareholders in the following ways:

- We are able to identify and acquire attractive real estate assets across many markets, in part due to the significant proprietary deal flow driven from an established global network of industry relationships, particularly with financial institutions. This can create value by allowing us to maintain and develop a large pipeline of attractive opportunities.

Our operating expertise allows us to focus on opportunistic investments where we believe we can increase the value of assets and cash flows, and include transactions with distressed real estate owners or lenders seeking liquidity, or purchases of under-managed or under-leased assets, and repositioning opportunities.

Many times, these investments are acquired at a discount to replacement cost or recent comparative sales, thereby offering opportunities to achieve above average total returns. In many cases, this may lead to significant additional returns, such as a promoted interest (where we have partners), based on the performance of the assets.

Our long-lasting and deep relationships with financial institutions allow us to refinance loans to reduce interest rates and/or increase borrowings due to property appreciation and thereby obtain cash flow to use for new investments. We generally implement this strategy after our value-add initiatives have been executed, thus allowing us to maintain moderate levels of leverage.

We have been able to attract third party capital due to our ability to generate above-market returns for our partners, diversity of geographic markets and investment product types as well as our flexibility in structuring deals through funds, separate accounts and equity partner arrangements.

KW Investment Management and Real Estate Services (IMRES) plays a critical role in supporting our investment strategy by providing local market intelligence and real-time data for evaluating investments, generating proprietary

transaction flow and creating value through efficient implementation of asset management or repositioning strategies.

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We understand that real estate is cyclical. Our management team employs a multi-cyclical approach that has resulted in our IMRES AUM being globally diversified across many sectors of real estate while maintaining a healthy liquidity position and adequate access to capital.

### Competitive Strengths

We have a unique platform from which to execute our investment and services strategy. The combination of an investment platform and a service business provides several competitive strengths when compared to other real estate buyers and asset managers operating stand-alone or investment-focused firms and may allow us to generate superior risk-adjusted returns. Our investment strategy focuses on investments that offer significant appreciation potential through intensive asset management, leasing, repositioning, redevelopment and the opportunistic use of capital. We differentiate ourselves from other firms in the industry with our full service, investment-oriented structure. Whereas most other firms use an investment platform to obtain additional service business revenue, we use our service platform to enhance the investment process and ensure the alignment of interests with our investors.

Our competitive strengths include:

**Transaction experience:** Our senior management team has an average of 23 years of real estate experience and has been working and investing together on average for over 10 years. Members of the senior management team have collectively acquired, developed and managed in excess of \$30 billion of real estate investments in the United States, the United Kingdom, Ireland, Spain, Italy and Japan throughout various economic cycles, both at our Company and throughout their careers.

**Extensive relationship and sourcing network:** We leverage our relationships in order to source off-market deals. In addition, the senior management team and our acquisition team have transacted deals in nearly every major metropolitan market on the West Coast of the United States, as well as in the United Kingdom, Ireland, Spain, Italy and Japan. Their local presence and reputation in these markets have enabled them to cultivate key relationships with major holders of property inventory, in particularly financial institutions, throughout the real estate community.

**Structuring expertise and speed of execution:** Prior acquisitions completed by us have taken a variety of forms, including direct property investments, joint ventures, exchanges involving stock or operating partnership units, participating loans and investments in performing and non-performing mortgages at various capital stack positions with the objective of long-term ownership. We believe we have developed a reputation of being able to quickly execute, as well as originate and creatively structure acquisitions, dispositions and financing transactions.

**Vertically integrated platform for operational enhancement:** We have over 375 employees in both KW Investments and IMRES, with 17 offices throughout the United States, the United Kingdom, Ireland, Spain, Jersey and Japan. We have a hands-on approach to real estate investing and possess the local expertise in property and asset management, leasing, construction management, development and investment sales, which we believe enable us to invest successfully in selected submarkets.

**Risk protection and investment discipline:** We underwrite our investments based upon a thorough examination of property economics and a critical understanding of market dynamics and risk management strategies. We conduct an in-depth sensitivity analysis on each of our acquisitions. This analysis applies various economic scenarios that include changes to rental rates, absorption periods, operating expenses, interest rates, exit values and holding periods. We use this analysis to develop our disciplined acquisition strategies.

**Management's alignment with shareholders:** As of December 31, 2018, our directors and executive officers and their respective affiliates owned an aggregate of approximately 14% of the outstanding shares of our common stock. Due to management team's ownership interest in the Company its interests are in alignment with common shareholders of the Company.

The real estate business is cyclical. Real estate cycles are generally impacted by many factors, including availability of equity and debt capital, borrowing cost, rent levels, and asset values. Our strategy has resulted in a strong track record of creating both asset and entity value for the benefit of our shareholders and partners over these various real estate cycles.

## Industry Overview

Key Investment Markets

Western United States

In 2018, the U.S. real estate market continued to improve benefiting from fiscal stimulus and record-low unemployment. U.S. GDP growth accelerated to an estimated 3.0% from 2.2% in 2017. The job market continued to improve during the year, with

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payrolls growing at a faster rate in 2018 as compared to 2016 and 2017. The unemployment rate ended the year at 3.9%, down from 4.1% in December 2017.

The demand for multifamily housing remained strong in 2018, despite the elevated level of new supply. A significant portion of new construction continues to be centered around the urban core in large metropolitan cities in the Western U.S. However, Kennedy Wilson's portfolio is largely comprised of garden style communities in suburban locations. Demand for workforce housing has exceeded supply, resulting in above-average rent growth. The multifamily market is expected to remain healthy in 2019, as demographic and lifestyle preferences, along with the financial challenges of homeownership, continue to drive demand.

The U.S. office market is expected to have moderate growth in 2019, with office-using employment expected to grow by 1.6% or more than 300,000 jobs. Kennedy Wilson's U.S. office portfolio is primarily located in Southern California and the Greater Seattle market, which both continue to benefit from the expansion of large tech companies. Demand remains firm heading into 2019, with much of the new supply already preleased. Tenants in the science, technology, engineering and math (STEM) industries and flexible space providers are expected to continue fueling demand for office space.

The U.S. economic outlook for 2019 remains positive, with consumer and business confidence remaining high. However, a number of important factors will continue to play a large role in the performance of real estate in 2019, including the future direction of interest rates, upward inflationary pressures, and the effect on the US economy from the on-going US trade war with China.

### Hawaii

In Hawaii, natural disasters were the headline stories in 2018 with major flooding on Kauai and volcanic eruptions on the Big Island (where we hold an interest in a residential development project and the Kona Village Resort). The volcanic eruption that lasted between the months of May to August 2018 had a measurable adverse impact on tourism to the Big Island, which led to a decrease in visitors and sales volume at our residential development project during 2018 as compared to 2017. However, visitor volumes and transactional activity have increased at our project since August 2018 and the Company believes that the natural disasters, primarily the volcanic eruptions, did not affect the long-term viability of its investments on the Big Island.

Even with the natural disasters and the nationwide media coverage of the same, Hawaii's economy in 2018 remained favorable, with record-low unemployment and an increase in the number of visitors to the Hawaiian Islands overall (as discussed above, tourism was down for the Big Island during 2018). Major economic drivers included a strong global economy in the Pacific region, increased airline seat capacity, and ready access to non-traditional accommodations. In 2019, Hawaii's economy is expected to continue expanding albeit at a modestly slower pace than in 2018. The Hawaiian economy, which had the country's second lowest unemployment rate at year-end of 2.5%, continues to depend significantly on the US economy and certain key international economies, especially Japan.

### United Kingdom

Despite the challenging political outlook following the lack of clarity over the terms of the U.K.'s exit from the European Union and the terms of the U.K.'s future relationship with the European Union, the U.K. economy continues to be relatively resilient. Unemployment rates in the U.K. were approximately 4% in 2018, a near record figure. The tight labor market has translated to real wage growth, growing at its fastest rate in a decade, up 3.4% compared to 2017.

Investment volumes in the U.K. hit £73 billion in 2018, 28% ahead of the 10-year average. Given the U.K.'s attractive market fundamentals and transparent investment environment, foreign investments into the U.K. remained strong in 2018, making up 46% of the total investment volume.

Central London office investment and occupational market fundamentals remain strong, underpinned by London's world-class city status. Significant infrastructure improvements, with the arrival of Crossrail, a world-leading cultural standing and a level of diversity and talent that few cities enjoy, London continues to lure significant investments from

global tech companies retaining its top spot in Europe for technology investment funding in 2018. London office absorption of 13.7 million square feet, exceeded the last two years and was above the 10-year average absorption of 12.8 million square feet.

The U.K. retail sector remains under pressure, with weakening occupation demand as a number of high-profile retailers have gone into bankruptcy during 2018. Rent pressure is particularly being felt on secondary and tertiary retail assets, while retail assets that serve as popular and convenient destinations continue to perform strongly.

Prime industrial continues to outperform, with capital value growth of 12% over 2018, driven by shifts to e-commerce. Core locations, longer-dated income and inflation-linked rental increases remain in high demand, as the Company has seen across its own industrial portfolio.

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### Ireland

Ireland's economy remains the best performing in Europe for the fifth consecutive year, with unemployment at 5.7%, the lowest rate in over a decade. Strong economic activity has contributed to an active investment market with strong employment fundamentals. Investment volume for 2018 was €3.6 billion, significantly up compared to €2.3 billion in 2017. Office and multifamily transactions represented almost one-third of investment volume in 2018. A strong handful of institutions have announced new funds targeting multifamily assets in Dublin with billions of institutional equity available for this relatively new asset class for Ireland. A further benefit to the depth of the market is that the pool of buyers has expanded further with more institutional purchasers and purchasers from Asia.

Dublin office absorption reached a peak of 3.9 million square feet in 2018, compared to the 10-year average of 2.25 million square feet. Leasing activity was significantly buoyed by the single largest lease deal ever recorded to Facebook for 825,000 square feet. Momentum for 2019 remains strong with 1.6 million square feet reserved at the end of the year. Both city center rents and those in the south suburbs, where our own office portfolio is based, remained stable at approximately €65.00 per square foot and €28.50 per square foot, respectively.

The Dublin multifamily sector continues to demonstrate strong fundamentals, with 60% of the population under the age of 35 now renting in Dublin and home ownership continuing to decline. Ireland benefits from the highest level of natural population growth at 6.6% among EU countries.

Prime retail rents, driven by Grafton Street Zone A rents, of €585 per square foot remained flat year-on-year. With strong Irish economic indicators coupled with solid consumer sentiment and tourist activity, the retail sales index continues its upward trajectory, up 4.0% year-on-year (as of Q3-18), according to the Central Statistics Office of Ireland. Dublin is also on the radar for international retailers looking to grow their European portfolios with strong demand for prime high street and retail schemes, with a number of retailers announcing their first stores in Dublin in 2018.

2018 was very positive for Irish hoteliers, underpinned by healthy economic activity, increased air connectivity, and record tourism numbers with more than 11 million visitors last year, over twice the population of the Republic of Ireland. This has led to improved revenue per available room and average room rates in Dublin hotels, up 10% and 7.3% year-over-year (as of Q3-18), respectively.

### Other Smaller Investment Markets

#### Spain

The Spanish retail sector continues to be fueled by improving economic indicators, coupled with decreases in unemployment, driving stronger Spanish households' purchasing power and generating positive foot traffic improvements. Tourism continues to play a key role, up 1.1% year-on-year, keeping Spain as the second most visited country in the world.

Spanish retail investment volume reached €3.4 billion in 2018, well above the ten-year average investment volume, with prime retail yields remaining at historic lows, driven by strong levels of institutional demand.

This activity continues to fuel our retail portfolio, where we are seeing positive signs across high street retail employment and investment markets in central Madrid. Against this backdrop, prime Madrid high street retail has benefited from 5.0% year-on-year rental growth and we expect a moderate level of rental increases across the retail sector, especially in prime areas in the near-to medium-term.

#### Competition

We compete with a range of global, national and local real estate firms, individual investors and other corporations, both private and public. Because of our unique mix of investments and services businesses, we compete with companies that invest in real estate and loans secured by real estate along with brokerage and property management companies. Our investment business competes with real estate investment partnerships, real estate investments trusts, private equity firms and other investment companies and regional investors and developers. We believe that our relationships with the sellers and our ability to close an investment transaction in a short time period at competitive pricing provide us a competitive advantage. The real estate services business is both highly fragmented and competitive. We compete with real estate brokerage and auction companies on the basis of our relationship with property owners, quality of service, and commissions charged. We compete with property management and leasing firms also on the basis of our relationship with clients, the range and quality of services provided, and fees and commissions charged.

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### Foreign Currency

Approximately 49% of our investment account is invested through our foreign platforms in their local currencies. Investment level debt is generally incurred in local currencies and we consider our equity investment as the appropriate exposure to evaluate for balance sheet hedging purposes. We typically do not hedge future operations or cash flows of operations in foreign exchange rates which may have a significant impact on the results of our operations. In order to manage the effect of these fluctuations, we generally hedge our book equity exposure to foreign currencies through currency forward contracts and options. Please refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation for a discussion regarding foreign currency and currency derivative instruments.

### Transaction-based Results

A significant portion of our cash flow is tied to transaction activity which can affect an investor's ability to compare our financial condition and results of operations on a quarter-by-quarter basis or to easily evaluate the breadth of our operation. Historically, this variability has caused our revenue, net income and cash flows to be tied to transaction activity, which is not necessarily concentrated in any one quarter.

### Employees

As of December 31, 2018, we have over 375 employees in 17 offices throughout the United States, the United Kingdom, Ireland, Spain, Jersey and Japan. We believe that we have been able to attract and maintain high quality employees. There are no employees subject to collective bargaining agreements. In addition, we believe we have a good relationship with our employees.

### Available Information

Information about us is available on our website (<http://www.kennedywilson.com>) (this website address is not intended to function as a hyperlink, and the information contained in, or accessible from, our website is not intended to be a part of this filing). We make available on our website, free of charge, copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A and amendments to those reports and other statements filed or furnished pursuant to Section 13(a), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after filing or submitting such material electronically or otherwise furnishing it to the SEC. In addition, we have previously filed registration statements and other documents with the SEC. Any document we file may be inspected, without charge, at the SEC's public reference room at 100 F Street NE, Washington, D.C. 20549 or at the SEC's internet address at <http://www.sec.gov> (this website address is not intended to function as a hyperlink, and the information contained in, or accessible from, the SEC's website is not intended to be a part of this filing). Information related to the operation of the SEC's public reference room may be obtained by calling the SEC at 1-800-SEC-0330.

### Non-GAAP Measures and Certain Definitions

"KWH," "KW," "Kennedy Wilson," the "Company," "we," "our," or "us" refers to Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries. The consolidated financial statements of the Company include the results of the Company's consolidated subsidiaries.

"KWE" refers to Kennedy Wilson Europe Real Estate plc, which was a London Stock Exchange-listed company that we externally managed through a wholly-owned subsidiary. On October 20, 2017 we acquired KWE, which is now a wholly-owned subsidiary. Prior to the acquisition, we owned approximately 24% and in accordance with U.S. GAAP, the results of KWE were consolidated in our financial statements due to our role as asset manager.

"Acquisition-related gains" consist of non-cash gains recognized by the Company or its consolidated subsidiaries upon a GAAP -required fair value measurement due to a business combination. These gains are typically recognized when a loan is converted into consolidated real estate owned and the fair value of the underlying real estate at the time of conversion exceeds the basis in the previously held loan. These gains also arise when there is a change of control of an investment. The gain amount is based upon the fair value of the Company's or its consolidated subsidiaries' equity in the investment in excess of the carrying amount of the equity immediately preceding the change of control.

"Adjusted EBITDA" represents net income before interest expense, our share of interest expense included in income from investments in unconsolidated investments, depreciation and amortization, our share of depreciation and

amortization included in income from unconsolidated investments, early extinguishment of corporate debt, provision for (benefit from) income taxes, share-based compensation expense for the Company and EBITDA attributable to noncontrolling interests. Please also see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP measures” for a reconciliation of Adjusted EBITDA to net income as reported under GAAP. Our management uses Adjusted EBITDA to analyze our business because it adjusts net income for items we believe do not accurately reflect the nature of our business going forward or that relate to non-cash compensation expense or noncontrolling interests. Such items may vary for different companies for reasons unrelated to overall operating performance. Additionally, we believe Adjusted EBITDA is useful to investors to assist

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them in getting a more accurate picture of our results from operations. However, Adjusted EBITDA is not a recognized measurement under GAAP and when analyzing our operating performance, readers should use Adjusted EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA is not intended to be a measure of free cash flow for our management's discretionary use, as it does not remove all non-cash items (such as acquisition-related gains) or consider certain cash requirements such as tax and debt service payments. The amount shown for Adjusted EBITDA also differs from the amount calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

"Adjusted Fees" refers to Kennedy Wilson's gross investment management, property services and research fees adjusted to include Kennedy Wilson's share of fees eliminated in consolidation, Kennedy Wilson's share of fees in unconsolidated service businesses and performance fees included in unconsolidated investments. Effective January 1, 2018, we adopted new GAAP guidance on revenue recognition and implemented a change in accounting principles related to performance allocations, which resulted in us now accounting for performance allocations (commonly referred to as "performance fees" or "carried interest") under the GAAP guidance for equity method investments and presenting performance allocations as a component of income from unconsolidated investments. Our management uses Adjusted fees to analyze our investment management and real estate services business because the measure removes required eliminations under GAAP for properties in which the Company provides services but also has an ownership interest. These eliminations understate the economic value of the investment management, property services and research fees and makes the Company comparable to other real estate companies that provide investment management and real estate services but do not have an ownership interest in the properties they manage. Our management believes that adjusting GAAP fees to reflect these amounts eliminated in consolidation presents a more holistic measure of the scope of our investment management and real estate services business.

"Adjusted Net Income" represents net income before depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments, share-based compensation, the tax impact of the recently enacted tax reform and net income attributable to noncontrolling interests, before depreciation and amortization. Please also see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP measures" for a reconciliation of Adjusted Income to net income as reported under GAAP. "Equity partners" refers to non-wholly-owned subsidiaries that we consolidate in our financial statements under U.S. GAAP and third-party equity providers.

"Fee Bearing Capital" represents total third-party committed or invested capital that we manage in our joint-ventures and commingled funds that entitle us to earn fees, including without limitation, asset management fees, construction management fees, acquisition and disposition fees and/or promoted interest, if applicable.

"Gross Asset Value" refers to the gross carrying value of assets, before debt, depreciation and amortization, and net of noncontrolling interests.

"Investment Management and Real Estate Services Assets under Management" ("IMRES AUM") generally refers to the properties and other assets with respect to which we provide (or participate in) oversight, investment management services and other advice, and which generally consist of real estate properties or loans, and investments in joint ventures. Our IMRES AUM is principally intended to reflect the extent of our presence in the real estate market, not the basis for determining our management fees. Our IMRES AUM consists of the total estimated fair value of the real estate properties and other real estate related assets either owned by third parties, wholly owned by us or held by joint ventures and other entities in which our sponsored funds or investment vehicles and client accounts have invested. Committed (but unfunded) capital from investors in our sponsored funds is not included in our IMRES AUM. The estimated value of development properties is included at estimated completion cost.

"Noncontrolling interests" represents the portion of equity ownership in a consolidated subsidiary not attributable to Kennedy Wilson.

“Same property” refers to properties in which Kennedy Wilson has an ownership interest during the entire span of both periods being compared. The same property information presented throughout this report is shown on a cash basis and excludes non-recurring expenses. This analysis excludes properties that are either under development or undergoing lease up as part of our asset management strategy.



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### Item 1A. Risk Factors

Our results of operations and financial condition can be adversely affected by numerous risks. You should carefully consider the risk factors detailed below in conjunction with the other information contained in this report. If any of the following risks actually occur, our business, financial condition, operating results, cash flows and future prospects could be materially adversely affected.

#### Risks Related to Our Business

The success of our business is significantly related to general economic conditions and the real estate industry, and, accordingly, our business could be harmed by an economic slowdown and downturn in real estate asset values, property sales and leasing activities.

Our business is closely tied to general economic conditions in the real estate industry. As a result, our economic performance, the value of our real estate and our ability to implement our business strategies may be significantly and adversely affected by changes in national and local economic conditions. The condition of the real estate markets in which we operate is cyclical and depends on the condition of the economy in the United States, United Kingdom, Ireland, and to a lesser extent, Spain and Italy as a whole and to the perceptions of investors of the overall economic outlook. Rising interest rates, declining employment levels, declining demand for real estate, declining real estate values, periods of general economic slowdown, or recession or the perception that any of these events may occur have negatively impacted the real estate market in the past and may in the future negatively impact our operating performance. In addition, the economic condition of each local market where we operate may depend on one or more key industries within that market, which, in turn, makes our business sensitive to the performance of those industries.

We have only a limited ability to change our portfolio promptly in response to economic or other conditions. Certain significant expenditures, such as debt service costs, real estate taxes, and operating and maintenance costs, are generally not reduced when market conditions are poor. These factors impede us from responding quickly to changes in the performance of our investments and could adversely impact our business, financial condition and results of operations. We have experienced in past years, and expect in the future to be negatively impacted by, periods of economic slowdown or recession, and corresponding declines in the demand for real estate and related services, within the markets in which we operate. Previous recessions and downturns in the real estate market have resulted in and may result in:

- a general decline in rents due to defaulting tenants or less favorable terms for renewed or new leases;
- a decline in actual and projected sale prices of our properties, resulting in lower returns on the properties in which we have invested;
- higher interest rates, higher loan costs, less desirable loan terms and a reduction in the availability of mortgage loans, all of which could increase costs and limit our ability to acquire additional real estate assets; and
- a decrease in the availability of lines of credit and the public equity and debt markets and other sources of capital used to operate and maintain our business.

If our business performance and profitability deteriorate, we could fail to comply with certain financial covenants in our unsecured revolving credit facilities, which would force us to seek an amendment with our lenders. We may be unable to obtain any necessary waivers or amendments on satisfactory terms, if at all, which could result in the principal and interest of the debt to become immediately due. Please also see “Our debt obligations impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and taking certain actions.” In addition, in an extreme deterioration of our business, we could have insufficient liquidity to meet our debt service obligations when they come due in future years or maintain our common stock dividend.

Adverse developments in the credit markets may harm our business, results of operations and financial condition.

The credit markets may experience significant price volatility, dislocations and liquidity disruptions. These circumstances may materially impact liquidity in the financial markets, making terms for certain financings less attractive, and, in some cases, result in the unavailability of financing, even for companies that are otherwise qualified to obtain financing. Volatility and uncertainty in the credit markets may negatively impact our ability to access additional financing for our capital needs. Additionally, due to this uncertainty, we may be unable to refinance or extend our existing debt, or the terms of any refinancing may not be as favorable as the terms of our existing debt. A prolonged downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing and may require us to adjust our business plan. Additionally, disruptions in the credit markets may also adversely affect our business of providing investment management and other real estate related services to our limited

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partners in our commingled funds, joint venture partners and third-party owners and occupiers of real estate, which would lead to a decrease in the fee revenue we generate.

We could lose part or all of our investments in real estate assets, which could have a material adverse effect on our financial condition and results of operations.

There is the inherent possibility in all of our real estate investments that we could lose all or part of our investment. Real estate investments are generally illiquid, which may affect our ability to change our portfolio in response to changes in economic and other conditions. Moreover, we may not be able to unilaterally decide the timing of the disposition of an investment under certain joint venture arrangements, and as a result, we may not control when and whether any gain will be realized, or loss avoided. The value of our investments can also be diminished by:

• civil unrest, acts of war and terrorism and acts of God, including earthquakes, hurricanes, volcanic eruptions and other natural disasters (which may result in uninsured or underinsured losses);

• the impact of present or future legislation in the United States, United Kingdom, Ireland, and to a lesser extent, Spain and Italy (including, without limitation, environmental regulation, changes in laws concerning foreign investments, changes in tax rates and changes in zoning laws) and the cost of compliance with these types of legislation; and

• liabilities relating to claims, to the extent insurance is not available or is inadequate.

Our real estate development and redevelopment strategies may not be successful.

From time to time, we acquire development assets to the extent attractive projects become available. When we engage in development activities, we are subject to risks associated with those activities that could adversely affect our financial condition, results of operations, cash flows and the market price of, our common stock, including, but not limited to:

- we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations;
  - we may not be able to obtain financing for development projects, or obtain financing on favorable terms;
    - construction costs of a project may exceed the original estimates or construction may not be concluded on schedule, making the project less profitable than originally estimated or not profitable at all (including the possibility of errors or omissions in the project's design, contract default, contractor or subcontractor default, performance bond surety default, the effects of local weather conditions and natural disasters, the possibility of local or national strikes and the possibility of shortages in materials, building supplies or energy and fuel for equipment);
  - tenants which pre-lease space or contract with us for a build-to-suit project may default prior to occupying the project; upon completion of construction, we may not be able to obtain, or obtain on advantageous terms, permanent financing for activities that we financed through construction loans;
  - we may not achieve sufficient occupancy levels, sales levels and/or obtain sufficient rents to ensure the profitability of a completed project; and
  - development projects in which we have invested may be abandoned and the related investment will be impaired.
- Moreover, substantial renovation and development activities, regardless of their ultimate success, typically require a significant amount of management's time and attention, diverting their attention from our other operations.

Furthermore, part of our investment strategy is to locate and acquire real estate assets that we believe are undervalued and to improve them to increase their resale value. Acquiring properties that are not yet fully developed or in need of substantial renovation or redevelopment entails several risks, particularly the risk that we overestimate the value of the property or that the cost or time to complete the renovation or redevelopment will exceed the budgeted amount. All of the factors discussed directly above with respect to the risks related to our development projects apply to our renovation and redevelopment initiatives. Any failure to complete a redevelopment project in a timely manner and within budget or to sell or lease the project after completion could have a material adverse effect

upon our business, results of operation and financial condition.

Our significant operations in the United Kingdom and Ireland and to a lesser extent, Spain and Italy expose our business to risks inherent in conducting business in foreign markets.

As of December 31, 2018, approximately 57% of our revenues were sourced from our foreign operations in the United Kingdom, Ireland, Spain and Italy, 93% of which was sourced from our operations in the United Kingdom and Ireland. Accordingly, our firm-wide results of operations depend significantly on our foreign operations. Conducting business abroad carries significant risks, including:

• restrictions and problems relating to the repatriation of capital;

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• difficulties and costs of staffing and managing international operations;  
• the burden of complying with multiple and potentially conflicting laws;  
• laws restricting foreign companies from conducting business;  
• the impact of different business cycles and economic instability;  
• political instability and civil unrest;  
• greater difficulty in perfecting our security interests, collecting accounts receivable, foreclosing on secured assets and protecting our interests as a creditor in bankruptcies in certain geographic regions;  
• potentially adverse tax consequences;  
• share ownership restrictions on foreign operations;  
• tariff regimes of the countries in which we do business; and  
• geographic, time zone, language and cultural differences between personnel in different areas of the world.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

Although we are headquartered in the United States, we have worldwide operations and significant business operations in Europe. As of December 31, 2018, approximately 49% of our consolidated investment account represented investments in European properties or assets, 31% of which represents investments in the United Kingdom.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. In March 2017, the U.K. government initiated the exit process under Article 50 of the Treaty on European Union, which commenced a two-year transitional period expiring on March 29, 2019, after which time the U.K. is expected to leave the European Union in the absence of any effective extension to the Article 50 period. Political negotiations are underway, however, there is a significant lack of clarity over the terms of the U.K.'s exit from the European Union and the terms of the U.K.'s future relationship with the European Union. While it is difficult to predict the effect of Brexit on the European and global economy, uncertainty regarding new or modified arrangements between the United Kingdom and the European Union, these developments have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility, which may harm our financial position and results of operations. For example, downward pressure on the value of foreign exchange rates could depress our reported earnings from European operations, which are presented on our financial statements in U.S. dollars. Asset valuation reductions could result in write-downs of our consolidated European assets and reduced proceeds from asset sales. In addition, any negative impact on European financial markets could harm our ability to raise capital efficiently in those markets when needed to execute our acquisition and value-add business plans, which would in turn adversely affect our reported results of operations.

The developments resulting from the vote and a withdrawal from the European Union could have a particularly adverse effect on the real estate market in the United Kingdom and surrounding areas, where a significant portion of our consolidated real estate investments are located. Deteriorating economic conditions could depress the demand for real estate space, which, in turn, could increase vacancies and depress lease rates, leading to a further reduction in real estate property values. Any of these events could cause our real estate investments in these areas to underperform, which would reduce our operating results and harm our business. In particular, because the timing and negotiation of any withdrawal from the European Union is uncertain, we cannot predict when, if at all, any of these risks could materialize or the magnitude of their effect on our European operations.

Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, tax and free trade agreements, environmental, health and safety laws and regulations and employment laws, could also harm our operations in Europe. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, economic conditions in Europe could deteriorate significantly. Any of these factors could have a material adverse effect on our business, financial condition

and results of operations.

Poor performance of our commingled funds would cause a decline in our revenue and results of operations and could adversely affect our ability to raise capital for future funds.

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When any of our commingled closed-end funds perform poorly, our investment record suffers. As a result, our management and performance fees and our ability to raise additional capital may be adversely affected. If a fund performs poorly, we will receive little or no performance fees with regard to the fund and little income or possibly losses from our own principal investment in such fund. Poor performance of our funds could also make it more difficult for us to raise new capital. Investors in our closed-end funds may decline to invest in future closed-end funds we raise as a result of poor performance. Our fund investors and potential fund investors continually assess our funds' performance independently and relative to market benchmarks and our competitors, and our ability to raise capital for existing and future funds depends on our funds' performance. Alternatively, in the face of poor fund performance, investors could demand lower fees or significant fee concessions for existing or future funds which would likewise decrease our revenue.

Our joint venture activities subject us to third-party risks, including risks that other participants may become bankrupt or take action contrary to our best interests.

We have used joint ventures for large real estate investments and real estate developments. We plan to continue to acquire interests in additional joint ventures formed to own or develop real property or interests in real property. We have acquired and may acquire non-controlling interests in joint ventures, and we may also acquire interests as a passive investor without rights to actively participate in the management of the joint ventures. Investments in joint ventures involve additional risks, including the possibility that the other participants may become bankrupt or have economic or other business interests or goals that are inconsistent with ours, that we will not have the right or power to direct the management and policies of the joint ventures and that other participants may take action contrary to our instructions or requests and against our policies and objectives. Should a participant in a material joint venture investment act contrary to our interests, our business, results of operations and financial condition could significantly suffer. Moreover, we cannot be certain that we will continue to identify suitable joint venture partners and form new joint ventures in the future.

If we are unable to identify, acquire and integrate suitable investment opportunities and acquisition targets, our future growth will be impeded.

Acquisitions and expansion have been, and will continue to be, a significant component of our growth strategy. While maintaining our existing business lines, we intend to continue to pursue a sustained growth strategy by increasing revenues from seeking selective investment and co-investment opportunities and pursuing strategic acquisitions. Our ability to manage our growth will require us to effectively integrate new acquisitions into our existing operations while managing development of principal properties. We expect that significant growth in several business lines occurring simultaneously will place substantial demands on our managerial, administrative, operational and financial resources. We may be unable to successfully manage all factors necessary for a successful expansion of our business. Moreover, our strategy of growth depends on the existence of and our ability to identify attractive investment opportunities and synergistic acquisition targets. In addition, many of our competitors have greater financial resources and a broader global presence than we do. We compete with companies in the United States, United Kingdom, Ireland, and to a lesser extent, Spain and Italy for real estate investment and services opportunities. The unavailability of suitable investment opportunities and acquisition targets, or our inability to find or be successful in competing for them, may result in a decline in business, financial condition and results of operations.

We own real estate properties located in Hawaii, which subjects us to unique risks relating to, among other things, Hawaii's economic dependence on fluctuating tourism, the isolated location of Hawaii and the potential for natural disasters.

We conduct operations and own properties in Hawaii. The gross asset value of our investments in Hawaii is \$219.8 million and \$162.5 million as of December 31, 2018 and 2017. Consequently, the success of our investments in Hawaii depends on and is affected by general trends in Hawaii's economy and real estate market. Hawaii's economy largely depends on tourism, which is subject to fluctuation based on a number of factors that we do not control,

including cost and availability of air services, the impact of any events that disrupt air travel to and from Hawaii and the desirability or lack thereof to visit Hawaii (natural disasters, including the volcanic eruption on the island of Hawaii in 2018). In addition, Hawaii has historically been vulnerable to certain natural disaster risks, such as tsunamis, volcanoes, hurricanes and earthquakes, which could cause damage to properties owned by us or property values to decline in general.

Our three largest investments in Hawaii is a hotel development project on the Big Island and two residential assets (one located on the Big Island and the other located on the island of Oahu) as discussed in our description of our residential and development and redevelopment investments in Item 1 - "Business" of this annual report on Form 10-K. Please also see the section titled "Industry Overview - Hawaii" in Item 1 of this annual report on form 10-K. In addition to the general risks with respect to development and redevelopment projects as discussed above, Hawaii's remote and isolated location may create additional operational costs and expenses (general operating and development-related costs), which could have a material adverse impact on our financial results. If any or all of the factors discussed above were to occur and result in our inability to sell or lease our residential and commercial properties, a significant delay in the completion of our development assets or a significant increase in



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the costs to complete our development assets than we currently estimate, it would likely have a material adverse effect on our business, financial condition and results of operations.

We purchase distressed loans and loan portfolios that may have a higher risk of default and delinquencies than newly originated loans, and, as a result, we may lose part or all of our investment in such loans and loan portfolios.

From time-to-time we purchase loans and loan portfolios that are secured by real or personal property. These loans and loan portfolios in some cases may be non-performing or sub-performing and may be in default at the time of purchase. In general, the distressed loans and loan portfolios we acquire are speculative investments and have a greater than normal risk of future defaults and delinquencies as compared to newly originated loans. Returns on loan investments depend on the borrower's ability to make required payments or, in the event of default, our security interests and our ability to foreclose and liquidate whatever property that secures the loans and loan portfolios. We may be unable to collect on a defaulted loan or foreclose on security successfully or in a timely fashion. There may also be instances when we are able to acquire title to an underlying property and sell it but not make a profit on its investment.

Our reliance on third-parties to operate certain of our properties may harm our business.

In some instances, we rely on third party property managers and hotel operators to manage our properties. These third parties are directly responsible for the day-to-day operation of our properties with limited supervision by us, and they often have potentially significant decision-making authority with respect to those properties. Thus, the success of our business may depend in large part on the ability of our third-party property managers to manage the day-to-day operations, and any adversity experienced by our property managers could adversely impact the operation and profitability of our properties

These third-parties may fail to manage our properties effectively or in accordance with their agreements with us, may be negligent in their performance and may engage in criminal or fraudulent activity. If any of these events occur, we could incur losses or face liabilities from the loss or injury to our property or to persons at our properties. In addition, disputes may arise between us and these third-party managers and operators, and we may incur significant expenses to resolve those disputes or terminate the relevant agreement with these third parties and locate and engage competent and cost-effective service providers to operate and manage the relevant properties. We are also parties to hotel management agreements under which unaffiliated third-party property managers manage our hotels. If any of these events occur, our relationships with any franchisors may be damaged, we may be in breach of our franchise agreement, and we could incur liabilities resulting from loss or injury to our property or to persons at our properties. In addition, from time to time, disputes may arise between us and our third party managers regarding their performance or compliance with the terms of the hotel management agreements, which in turn could adversely affect us. If we are unable to resolve such disputes through discussions and negotiations, we may choose to terminate our management agreement, litigate the dispute or submit the matter to third party dispute resolution, the expense and outcome of which may harm our business, operating results or prospects.

Our leasing activities depend on various factors, including tenant occupancy and rental rates, which, if adversely affected, could cause our operating results to suffer.

Our business, financial condition and results of operations may be adversely affected if we fail to promptly find tenants for substantial amounts of vacant space at our properties, if rental rates on new or renewal leases are significantly lower than expected, or if reserves for costs of re-leasing prove inadequate.

Our ability to lease properties also depends on:  
the attractiveness of our properties to tenants;

- competition from other available space;
- our ability to provide adequate maintenance and obtain insurance and to pay increased operating expenses, which may not be passed through to tenants;
- the availability of capital to periodically renovate, repair and maintain the properties, as well as for other operating expenses; and
- the existence of potential tenants desiring to lease the properties.

Rent control or rent stabilization legislation and other regulatory restrictions may limit our ability to increase rents and pass through new or increased operating costs to our tenants.

We presently expect to continue operating and acquiring properties in areas that have adopted laws and regulations imposing restrictions on the timing or amount of rent increases. Currently, there are no state mandated rent control in the U.S.

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jurisdictions where we hold multifamily units (although there are ongoing political discussions in various states, including California and Oregon), but various municipalities within such states, including certain cities where our properties are located, have enacted rent control or rent stabilization legislation. Furthermore, enactment of similar regulations have been and are being considered in other jurisdictions where we hold investments. Although, we are able to increase rents to market rates once a tenant vacates a rent-controlled or stabilized unit, increases in rental rates for renewing tenants are limited by such regulations. Similarly, under current Irish law, for rent controlled properties we are restricted from increasing rents to market rates for renewing tenants or replacement tenants, and any rent increases in these circumstances are generally capped, save in certain limited circumstances. These laws and regulations can (i) limit our ability to charge market rents, increase rents, evict tenants or recover increases in our operating expenses, (ii) negatively impact our ability to attract higher-paying tenants, (iii) require us to expend money for reporting and compliance, and (iv) make it more difficult for us to dispose of properties in certain circumstances. Any failure to comply with these regulations could result in fines and/or other penalties.

If we fail to comply with laws and regulations applicable to us in our role as a real estate broker, property/facility manager or developer, we may incur financial penalties.

We are subject to numerous federal, state, local and foreign laws and regulations specific to the services we perform in our business, as well as laws of broader applicability, such as tax, securities and employment laws. Brokerage of real estate sales and leasing transactions and the provision of property management services require us to maintain applicable licenses in each U.S. state and certain foreign jurisdictions in which we perform these services. If we fail to maintain our licenses or conduct these activities without a license, or violate any of the regulations covering our licenses, we may be required to pay fines (including treble damages in certain states), return commissions received or have our licenses suspended or revoked.

As a licensed real estate broker, our operating services subsidiary and our licensed employees are subject to certain statutory due diligence, disclosure and standard-of-care obligations. Failure to fulfill these obligations could subject our operating services subsidiary or our employees to litigation from parties who purchased, sold or leased properties that we brokered or managed. In addition, our operating services subsidiary may become subject to claims by participants in real estate sales claiming that we did not fulfill our statutory obligations as a broker.

Furthermore, in our property management capacity, we hire and supervise third-party contractors to provide construction and engineering services for our properties. While our role is limited to that of a supervisor, we may be subject to claims for construction defects or other similar actions. Adverse outcomes of property management litigation could have a material adverse effect on our business, financial condition and results of operations.

Decreases in the performance of the properties we manage are likely to result in a decline in the amount of property management fees and leasing commissions we generate.

Our property management fees are generally structured as a percentage of the revenues generated by the properties that we manage. Similarly, our leasing commissions typically are based on the value of the lease commitments. As a result, our revenues are adversely affected by decreases in the performance of the properties we manage and declines in rental value. Property performance will depend upon, among other things, our ability to control operating expenses (some of which are beyond our control) and financial conditions generally and in the specific areas where properties are located and the condition of the real estate market generally. If the performance or rental values of the properties we manage decline, the management fees and leasing commissions we derive from such properties could be materially adversely affected.

We may be subject to potential environmental liability.

Under various foreign, federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the cleanup of hazardous or toxic substances and may be liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by governmental entities or third parties in connection with the contamination. Such laws typically impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances, even when the contaminants were associated with previous owners or operators. The costs of investigation, remediation or removal of hazardous or toxic substances may be substantial, and the presence of those substances, or the failure to properly remediate those substances, may adversely affect the owner's or operator's ability to sell or rent the affected property or to borrow using the property as collateral. The presence of contamination at a property can impair the value of the property even if the contamination is migrating onto the property from an adjoining property. Additionally, the owner of a site may be subject to claims by parties who have no relation to the property based on damages and costs resulting from environmental contamination emanating from the site. In connection with the direct or indirect ownership, operation, management and development of real properties, we may be considered an owner or operator of those

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properties or as having arranged for the disposal or treatment of hazardous or toxic substances. Therefore, we may be potentially liable for removal or remediation costs.

Certain foreign, federal, state and local laws, regulations and ordinances also govern the removal, encapsulation or disturbance of asbestos-containing materials during construction, remodeling, renovation or demolition of a building. Such laws may impose liability for the release of asbestos-containing materials, and third parties may seek recovery from owners or operators of real properties for personal injuries associated with asbestos-containing materials. We may be potentially liable for those costs for properties that we own. In the past, we have been required to remove asbestos from certain buildings that we own or manage. We may be required to remove asbestos from our buildings or incur other substantial costs of environmental remediation.

Before consummating the acquisition of a particular piece of real property, it is our policy to retain independent environmental consultants to conduct an environmental review of the real property, including performing a Phase I environmental review. These assessments have included, among other things, a visual inspection of the real properties and the surrounding area and a review of relevant federal, state and historical documents. It is possible that the assessments we commission do not reveal all environmental liabilities or that there are material environmental liabilities of which we are currently unaware. Future laws, ordinances or regulations may impose material environmental liability and the current environmental condition of our properties may be affected by tenants, by the condition of land or operations in the vicinity of those properties, or by unrelated third parties. Federal, state, local and foreign agencies or private plaintiffs may bring actions against us in the future, and those actions, if adversely resolved, may have a material adverse effect on our business, financial condition and results of operations.

We may incur unanticipated expenses relating to laws benefiting disabled persons.

The Americans with Disabilities Act, or the ADA, generally requires that public accommodations, such as hotels and office buildings, be accessible to disabled people. If our properties are not in compliance with the ADA, the U.S. federal government could fine us or private litigants could sue us for monetary damages. In addition, if we are required to make substantial alterations to one or more of our properties in order to comply with the ADA, our results of operations could be materially adversely affected.

We may incur significant costs complying with laws, regulations and covenants that are applicable to our properties and operations.

The properties in our portfolio and our operations are subject to various covenants and federal, state, local and foreign laws and regulatory requirements, including permitting and licensing requirements. Such laws and regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers, may restrict our use of our properties and may require us to obtain approval from local officials or community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic, asbestos-cleanup or hazardous material abatement requirements. Existing laws and regulations may adversely affect us, the timing or cost of our future acquisitions or renovations may be uncertain, and additional regulations may be adopted that increase such delays or result in additional costs. Our failure to obtain required permits, licenses and zoning relief or to comply with applicable laws could have a material adverse effect on our business, financial condition and results of operations.

Our property insurance coverage is limited, and any uninsured losses could cause us to lose part or all of our investment in our insured properties.

We carry commercial general liability coverage and umbrella coverage on all of our properties with limits of liability that we deem adequate and appropriate under the circumstances (certain policies subject to deductibles) to insure against liability claims and provide for the cost of legal defense. There are, however, certain types of extraordinary losses that either may be uninsurable or are not generally insured because it is not economically feasible to insure against those losses. Should any uninsured loss occur, we could lose our investment in, and anticipated revenues from, a property, and these losses could have a material adverse effect on our operations. Currently, we also insure some of our properties for loss caused by earthquakes in levels we deem appropriate and, where we believe necessary, for loss caused by flood. The occurrence of an earthquake, flood or other natural disaster may materially and adversely affect our business, financial condition and results of operations.

Our business could be adversely affected by security breaches through cyber attacks, cyber intrusions or otherwise.

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our information technology networks and related systems. These risks include operational interruption, private data exposure and damage to our relationship with our customers, among others. A security breach

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involving our networks and related systems could disrupt our operations in numerous ways that could ultimately have an adverse effect on our financial condition and results of operations.

It is possible that our business, financial and other systems could be compromised, which might not be noticed for some period of time. Although we utilize various procedures and controls to mitigate our exposure to such risk, cybersecurity attacks are evolving and unpredictable. The occurrence of such an attack could lead to financial losses and have a material adverse effect on our business, financial condition and results of operations.

## Risks Related to Our Company

If we are unable to raise additional debt and equity capital, our growth prospects may suffer.

We depend on the capital markets to grow our balance sheet along with third-party equity and debt financings to acquire properties through our investment business, which is a key driver of future growth. We currently intend to raise a significant amount of third-party equity and debt to acquire assets in the ordinary course of our business. We depend on debt financing from a combination of financial institutions, the assumption of existing loans, government agencies and seller financing. We depend on equity financing from equity partners, which include public companies, pension funds, family offices, financial institutions, endowments and money managers. Our access to capital funding is uncertain. Our inability to raise additional capital on terms reasonably acceptable to us could jeopardize the future growth of our business.

The loss of one or more key personnel, particularly our CEO, could have a material adverse effect on our operations.

Our continued success depends to a significant degree on the efforts of our senior executives, particularly our chief executive officer, or CEO, who have each been essential to our business. The departure of all or any of our executives for whatever reason or the inability of all or any of them to continue to serve in their present capacities or our inability to attract and retain other qualified personnel could have a material adverse effect upon our business, financial condition and results of operations. Our executives have built highly regarded reputations in the real estate industry. Our executives attract business opportunities and assist both in negotiations with lenders and potential joint venture partners and in the representation of large and institutional clients. If we lost their services, our relationships with lenders, joint venture partners and clients would diminish significantly.

In addition, certain of our officers have strong regional reputations, and they aid in attracting and identifying opportunities and negotiating for us and on behalf of our clients. As we continue to grow, our success will largely depend on our ability to attract and retain qualified personnel in all areas of business. We may be unable to continue to hire and retain a sufficient number of qualified personnel to support or keep pace with our planned growth.

Our revenues and earnings may be materially and adversely affected by fluctuations in foreign currency exchange rates due to our international operations.

Our revenues from foreign operations have been primarily denominated in the local currency where the associated revenues were earned. Thus, we may experience significant fluctuations in revenues and earnings because of corresponding fluctuations in foreign currency exchange rates. To date, our foreign currency exposure has been limited to the Pound Sterling and the Euro. Due to the constantly changing currency exposures to which we will be subject and the volatility of currency exchange rates, we may experience currency losses in the future, and we cannot predict the effect of exchange rate fluctuations on future operating results. Our management uses currency hedging instruments from time to time, including foreign currency forward contracts, purchased currency options (where applicable) and foreign currency borrowings. The economic risks associated with these hedging instruments include

unexpected fluctuations in foreign currency rates, which could lead to hedging losses or the requirement to post collateral, along with unexpected changes in our underlying net asset position. Our hedging activities may not be effective.

Our results are subject to significant volatility from quarter to quarter due to the varied timing and magnitude of our strategic acquisitions and dispositions and other transactions.

We have experienced a fluctuation in our financial performance from quarter to quarter due in part to the significance of revenues from the sales of real estate and acquisition related gains on overall performance. The timing of purchases and sales of our real estate investments has varied, and will continue to vary, widely from quarter to quarter due to variability in market opportunities, changes in interest rates, and the overall demand for multifamily and commercial real estate, among other things. While these factors have contributed to our increased operating income and earnings in past years, we may be unable to continue to perform well due to the significant variability in these factors. Moreover, acquisition related gains are non-operating items that result in non-cash gains and do not result in net proceeds to us. Transactions resulting in acquisition related gains have had a



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material positive impact on our net income and Adjusted EBITDA in historical periods, and to the extent we do not recognize similar gains in future periods our net income and Adjusted EBITDA could be adversely affected.

We have in the past incurred and may continue in the future to incur significant amounts of debt to finance acquisitions, which could negatively affect our cash flows and subject our properties or other assets to the risk of foreclosure.

We have historically financed new acquisitions with cash derived from secured and unsecured loans and lines of credit. For instance, we typically purchase real property with loans secured by a mortgage on the property acquired. We anticipate continuing this trend. We do not have a policy limiting the amount of debt that we may incur. Accordingly, our management and board of directors have discretion to increase the amount of our outstanding debt at any time. We could become more highly leveraged, resulting in an increase in debt service costs that could adversely affect our results of operations and increase the risk of default on debt. We may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our leverage, including our ability to service our debt, would increase. If we are required to seek an amendment to our credit agreement, our debt service obligations may be substantially increased.

Some of our debt bears interest at variable rates. As a result, we are subject to fluctuating interest rates that may impact, adversely or otherwise, results of operations and cash flows. We may be subject to risks normally associated with debt financing, including the risks that:

- cash flow may be insufficient to make required payments of principal and interest;
- existing indebtedness on our properties may not be refinanced and our leverage could increase our vulnerability to general economic downturns and adverse competitive and industry conditions, placing us at a disadvantage compared to those of our competitors that are less leveraged;
- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and in the commercial real estate services industry;
- our failure to comply with the financial and other restrictive covenants in the documents governing our indebtedness could result in an event of default that, if not cured or waived, results in foreclosure on substantially all of our assets; and
- the terms of available new financing may not be as favorable as the terms of existing indebtedness.

If we are unable to satisfy the obligations owed to any lender with a lien on one of our properties, the lender could foreclose on the real property or other assets securing the loan and we would lose that property or asset. The loss of any property or asset to foreclosure could have a material adverse effect on our business, financial condition and results of operations.

From time to time, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rate our significant outstanding debt. These ratings and any downgrades thereof may impact our ability to borrow under any new agreements in the future, and could increase the interest rates of, and require more onerous terms for, any future borrowings, and could also cause a decline in the market price of our common stock. Our earnings may not be sufficient to allow us to pay principal and interest on our debt and meet our other obligations. If we do not have sufficient earnings, we may be required to seek to refinance all or part of our existing debt, sell assets at terms that are not attractive, borrow more money or sell more securities, which we may be unable to do, and our stock price may be adversely affected.

Our debt obligations impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and taking certain actions.

Our existing debt obligations impose, and future debt obligations may impose, significant operating and financial restrictions on us. These restrictions limit or prohibit, among other things, our ability to:

- incur additional indebtedness;
- repay indebtedness (including our 5.875% senior notes due 2024) prior to stated maturities;
- pay dividends on, redeem or repurchase our stock or make other distributions;
- make acquisitions or investments;
- create or incur liens;
- transfer or sell certain assets or merge or consolidate with or into other companies;
- enter into certain transactions with affiliates;
- sell stock in our subsidiaries;
- restrict dividends, distributions or other payments from our subsidiaries; and
- otherwise conduct necessary corporate activities.

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Our unsecured revolving credit facility and the indentures governing our 5.875% senior notes and the KWE notes require us to maintain compliance with specified financial covenants, including maximum balance sheet leverage and fixed charge coverage ratios. In addition, loan agreements governing the mortgages that are secured by our properties may contain operational and financial covenants, including but not limited to, debt service coverage ratio covenants and, with respect to mortgages secured by certain properties in Europe, loan-to-value ratio covenants. Mortgages with such loan-to-value covenants require that the underlying properties are valued on a periodic basis (at least annually) and as such, adverse market conditions (which are influenced by factors that are outside of the Company's control) could result in a reduction in the fair value of the subject properties and a breach of the applicable covenant. As of December 31, 2018, we were in compliance with all such covenants. These covenants could adversely affect our ability to finance our future operations or capital needs and pursue available business opportunities. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness. In addition, a default under one series of our indebtedness may also constitute a default under another series of our indebtedness.

We have guaranteed a number of loans in connection with various real estate investments, which may result in us being obligated to make certain payments.

We have provided recourse guarantees associated with loans secured by real estate. The maximum potential undiscounted amount of future payments that we could be required to make under these guarantees was approximately \$32.2 million at December 31, 2018 (subsequent to December 31, 2018, the balance prior to the filing date of this annual report was \$26.5 million). The guarantees expire through 2021, and our performance under the guarantees would be required to the extent there is a shortfall upon liquidation between the principal amount of the loan and the net sales proceeds of the property. If we were to become obligated to perform on these guarantees, our financial condition could suffer.

We are subject to certain "non-recourse carve out" guarantees that may be triggered in the future.

Most of our real estate properties are encumbered by traditional non-recourse debt obligations. In connection with most of these loans, however, we entered into certain "non-recourse carve out" guarantees, which provide for the loans to become partially or fully recourse against us if certain triggering events occur. Although these events are different for each guarantee, some of the common events include:

- the special purpose property-owning subsidiary's filing a voluntary petition for bankruptcy;
- the special purpose property-owning subsidiary's failure to maintain its status as a special purpose entity; and
- subject to certain conditions, the special purpose property-owning subsidiary's failure to obtain lender's written consent prior to obtaining any subordinate financing or encumbering the associated property.

In the event that any of these triggering events occur and the loans become partially or fully recourse against us, our business, financial condition, results of operations and common stock price could be materially adversely affected. Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2018, we had approximately \$60.7 million and \$71.9 million of federal and California net operating loss carryforwards, respectively, as well as approximately \$35.8 million of foreign tax credits, which generally can be used to offset future taxable income or taxes, as applicable. However, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended ("the Code"), if a corporation undergoes an "ownership change", the corporation's ability to use its pre-change net operating loss carryforwards and foreign tax credits to offset its post-change federal taxable income or taxes, as applicable, may be limited. Generally, a corporation experiences such an ownership change if the percentage of its stock owned by its "5-percent shareholders," as defined in Section 382 of the Code, increases by more than 50 percentage points (by value) over a three-year period. Based on our analysis, an

ownership change under Section 382 did not occur as a result of the KWE Transaction or as a result of other equity transactions involving 5-percent shareholders. Furthermore, we may experience ownership change in the future as a result of subsequent shifts in our stock ownership (some of which shifts are outside of our control). Similar provisions of state tax law may also apply. In addition, U.S. federal tax legislation enacted in December 2017, commonly known as the Tax Cuts and Jobs Act (the "TCJA"), limits the application of net operating loss carryforwards generated after December 31, 2017 to 80% of taxable income. Please also see "Recent U.S. tax legislation may materially adversely affect our financial condition, results of operations and cash flow."

As of December 31, 2018, we also had \$224.8 million of foreign net operating loss carryforwards which could be subject to similar limitations in foreign jurisdictions based upon changes in equity ownership. Recent U.S. tax legislation may materially adversely affect our financial condition, results of operations and cash flows.

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The TCJA has significantly changed the U.S. federal income taxation of U.S. corporations, including by reducing the U.S. corporate income tax rate, eliminating the corporate alternative minimum tax, limiting interest deductions, permitting immediate expensing of certain capital expenditures, adopting elements of a territorial tax system, imposing a one-time transition tax (or “repatriation tax”) on all undistributed earnings and profits of certain U.S.-owned foreign corporations, revising the rules governing net operating losses, eliminating the deductibility of certain performance-based executive compensation and the rules governing foreign tax credits, and introducing new anti-base erosion provisions. Many of these changes are effective beginning with our 2018 taxable year, without any transition periods or grandfathering for existing transactions. The legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the U.S. Treasury Department and Internal Revenue Service (“IRS”), any of which could lessen or increase certain adverse impacts of the legislation. In addition, it is still unclear how the U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

While some of the changes made by the tax legislation may adversely affect us in one or more reporting periods and prospectively, other changes may be beneficial on a going forward basis. We urge our investors to consult with their legal and tax advisors with respect to such legislation.

We may fail to comply with section 404 of the Sarbanes-Oxley Act of 2002.

We are subject to section 404 of The Sarbanes-Oxley Act of 2002 and the related rules of the SEC, which generally require our management and independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. Although our management has concluded that our internal control over financial reporting was effective as of December 31, 2018 and our independent registered public accounting firm has issued an unqualified report as to the same, our management or our independent registered public accounting firm may not be able to come to the same conclusion in future periods. During the course of the review and testing of our internal controls, we may identify deficiencies and weaknesses and be unable to remediate them before we must provide the required reports. If our management or our independent registered public accounting firm is unable to conclude on an ongoing basis that we have effective internal control over financial reporting, our operating results may suffer, investors may lose confidence in our reported financial information and the trading price of our stock may fall.

### Risks Related to Ownership of Our Common Stock

Our directors and officers and their affiliates are significant stockholders, which makes it possible for them to have significant influence over the outcome of all matters submitted to stockholders for approval and which influence may be in conflict with our interests and the interests of our other stockholders.

As of December 31, 2018, our directors and executive officers and their respective affiliates owned an aggregate of approximately 14% of the outstanding shares of our common stock. These stockholders will have significant influence over the outcome of all matters submitted for stockholder approval, including the election of our directors and other corporate actions. In addition, such influence by one or more of these stockholders could discourage others from attempting to purchase or take us over in a transaction that would be favorable to our other stockholders or reduce the market price offered for our common stock in such an event.

We may issue additional equity securities, which may dilute your interest in us.

In order to expand our business, we may consider offering and issuing additional equity or equity-based securities. If we issue and sell additional shares of our common stock, the ownership interests of our existing stockholders will be

diluted to the extent they do not participate in the offering. The number of shares that we may issue for cash in non-public offerings without stockholder approval will be limited by the rules of the NYSE or other exchange on which our securities are listed. However, we may issue and sell shares of our common stock in public offerings, and there generally are exceptions that allow companies to issue a limited number of equity securities in private offerings without stockholder approval, which could dilute your ownership.

The price of our common stock may be volatile.

The trading price of our common stock has historically been and may in the future continue to be volatile due to factors such as:

- changes in real estate prices;
- actual or anticipated fluctuations in our quarterly and annual results and those of our publicly held competitors;
- mergers and strategic alliances among any real estate companies;
- market conditions in the industry;

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- changes in government regulation and taxes;
- shortfalls in our operating results from levels forecasted by securities analysts;
- investor sentiment toward the stock of real estate companies in general;
- announcements concerning us or our competitors; and
- the general state of the securities markets.

Our common stock may be delisted, which could limit your ability to trade our common stock and subject us to additional trading restrictions.

Our common stock is listed on the NYSE, a national securities exchange. However, our common stock may not continue to be listed on the NYSE in the future. If the NYSE delists our common stock from trading on its exchange, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our common stock;
- a limited amount of news and analyst coverage for our company;
- a decreased ability for us to issue additional securities or obtain additional financing in the future; and
- limited liquidity for our stockholders due to thin trading.

Our staggered board may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of stockholders, and certain anti-takeover provisions in our organizational documents may discourage a change in control.

Our amended and restated certificate of incorporation provides for our board of directors to be divided into three classes, each of which generally serves for a term of three years with only one class of directors being elected in each year. As a result, at any annual meeting only a minority of the board of directors will be considered for election. Since this “staggered board” would prevent our stockholders from replacing a majority of our board of directors at any annual meeting, it may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of stockholders. Additionally, certain provisions of our amended and restated certificate of incorporation and our amended and restated bylaws may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in the payment of a premium over the market price for the shares held by stockholders.

In addition, Section 203 of the Delaware General Corporation Law may, under certain circumstances, make it more difficult for a person who would be an “interested stockholder” to effect a “business combination” with us for a three-year period. An “interested stockholder” generally is defined as any entity or person that beneficially owns 15% or more of our outstanding voting stock or any entity or person that is an affiliate or associate of such entity or person. A “business combination” generally is defined to include, among other transactions, mergers, consolidations and certain other transactions, including sales, leases or other dispositions of assets with an aggregate market value equal to 10% or more of the aggregate market value of the corporation.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third party’s offer may be considered beneficial by many stockholders. As a result, stockholders may be limited in their ability to obtain a premium for their shares.

We may change our dividend policy.

Future distributions will be declared and paid at the discretion of our board of directors and the amount and timing of distributions will depend upon cash generated by operating activities, our financial condition, capital requirements, restrictions in the agreements governing our indebtedness and such other factors as our board of directors deems

relevant. Our board of directors may change our dividend policy at any time, and there can be no assurance as to the manner in which future dividends will be paid or that the current dividend level will be maintained in future periods.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following table sets forth certain information regarding our consolidated properties at December 31, 2018:

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Table of ContentsConsolidated Properties  
by Region<sup>(a)</sup>

Commercial <sup>(2)</sup>	Square Feet	Ending % Occupancy	Annualized Base Rent <sup>(1)</sup>	Annualized Effective Rent <sup>(3)</sup>	KW Ownership %	# of Assets
Western U.S.	1.9	96 %	\$ 40.8	\$ 38.7	84 %	15
Europe	8.4	97	175.0	154.8	94	138
Total Commercial	10.3	97 %	\$ 215.8	\$ 193.5	92 %	153

Multifamily <sup>(4)</sup>	Units	Ending % Leased	Annualized Base Rent <sup>(1)</sup>	Average Effective Rent <sup>(3)</sup>	KW Ownership %	# of Assets
Western U.S.	9,642	94 %	\$ 163.3	\$ 163.3	99 %	30
Europe	762	97	18.9	18.9	100	3
Total Multifamily	10,404	94 %	\$ 182.2	\$ 182.2	99 %	33

<sup>(a)</sup> Dollars and square footage in millions.

<sup>(1)</sup> Represents annualized cash base rent (excludes tenant reimbursements and other revenue).

<sup>(2)</sup> Excludes properties that are under development or undergoing lease up, which includes 21 properties totaling 2.1 million square feet.

<sup>(3)</sup> Annualized effective rent represents annualized base rent net of rental concessions and abatements.

<sup>(4)</sup> Excludes properties that are under development or undergoing lease up, which includes 18 properties totaling 4,433 units.

## Consolidated Properties by Region

	Units/Lots	Acres	KW Ownership %	# of Investments
Residential and Land				
Western U.S.	70	2,711	97 %	3
Europe	—	—	— %	—
Total Residential and Land	70	2,711	97 %	3

## Consolidated Properties by Region

	Rooms	KW Ownership %	# of Investments
Hotel			
Western U.S.	170	50 %	1
Europe	607	100 %	3
Total Hotel	777	88.5 %	4

The following table sets forth a summary schedule of lease expirations for leases in place as of December 31, 2018, plus available space, in our consolidated commercial portfolio assuming non-exercise of renewal options and early termination rights (dollars in millions):

Year of Lease Expiration	Number of Leases Expiring	Rentable Square Feet <sup>(1)</sup>	Annualized Base Rent <sup>(1)</sup>	Expiring Annualized Base Rent as a Percent of Total
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2019	220	1.4	\$ 26.4	12	%
2020	94	1.0	15.6	7	%
2021	93	0.6	21.9	10	%
2022	114	1.4	28.2	13	%
2023	83	1.1	23.0	11	%
2024	32	0.5	9.2	3	%
2025	32	0.5	11.4	5	%
2026	21	0.4	10.2	5	%
2027	19	0.3	7.7	4	%
2028	21	0.4	15.5	7	%
Thereafter	102	2.3	46.7	22	%
Total	831	9.9	\$ 215.8	99	%

<sup>(1)</sup> Dollars and square footage in millions.

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Our corporate headquarters is located in Beverly Hills, California. We also have 10 other offices throughout the United States, one office in London, UK, one office in Dublin, Ireland, one office in Madrid, Spain, one office in Jersey, one office in Luxembourg and one office in Tokyo, Japan. The Beverly Hills office operates as the main investment and asset management center for us in the United States, while the UK, Ireland, Jersey, Luxembourg and Spain offices are the main investment and asset management centers for our European operations. The remaining office locations primarily operate as property management satellites. With the exception of our corporate headquarters which we own, we lease all of our offices. In addition, we have on-site property management offices located within properties that we manage. The most significant terms of the leasing arrangements for our offices are the length of the lease and the rent. Our leases have terms varying in duration. The rent payable under our office leases vary significantly from location to location as a result of differences in prevailing commercial real estate rates in different geographic locations. Our management believes that except as provided below, no single office lease is material to our business, results of operations or financial condition. In addition, our management believes there is adequate alternative office space available at acceptable rental rates to meet our needs, although adverse movements in rental rates in some markets may negatively affect our profits in those markets when we enter into new leases.

The following table sets forth certain information regarding our corporate headquarters and regional offices.

Location	Use	Approximate Square Footage	Lease Expiration
Beverly Hills, CA	Corporate Headquarters	60,000	N/A*
London, England	Regional Office	4,712	3/3/2023
Dublin, Ireland	Regional Office	3,380	4/30/2019

\*Building is owned by a wholly-owned subsidiary of the Company.

### Item 3. Legal Proceedings

We may be involved in various legal proceedings arising in the ordinary course of business, none of which we currently believe is material to our business. From time to time, our real estate management division is named in “slip and fall” type litigation relating to buildings we manage. Our standard management agreement contains an indemnity provision whereby the building owner agrees to indemnify us and defend our real estate management division against such claims. In such cases, we are defended by the building owner’s liability insurer.

### Item 4. Mine Safety Disclosures

Not Applicable

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Price Information

Our common stock trades on the NYSE under the symbol "KW."

Holder

As of February 25, 2019, we had approximately 140 holders of record of our common stock.

Dividends

During 2018, we declared and paid quarterly dividends of \$0.19 per share for the first three quarters of 2018 and \$0.21 per share for the fourth quarter of 2018. We declared and paid quarterly dividends of \$0.17 per share for the first three quarters of 2017 and \$0.19 per share for the fourth quarter of 2017.

Recent Sales of Unregistered Securities

None

Equity Compensation Plan Information

See Item 12—"Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Performance Graph

The graph below compares the cumulative total return of our common stock from December 31, 2013 through December 31, 2018, with the comparable cumulative return of companies comprising the S&P 500 Index and the MSCI World Real Estate Index. The graph plots the growth in value of an initial investment of \$100 in each of our common stock, the S&P 500 Index, and the MSCI World Real Estate Index for the five-year period ended December 31, 2018, and assumes reinvestment of all dividends, if any, paid on the securities. The stock price performance shown on the graph is not necessarily indicative of future price performance.

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Kennedy Wilson uses the MSCI World Real Estate Index, which includes international real estate companies as a comparable benchmark. The information under this caption, "Performance Graph," is deemed not to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that such filing specifically states otherwise.

## Purchases of Equity Securities by the Company

Months	Total Number of Shares Purchased	Average Price Paid per Share	Total	
			Number of Shares Purchased Publicly	Maximum Amount that May Yet be Purchased Under the Announced Plan <sup>(1)</sup> Plan <sup>(1)</sup>
October 1 - October 31, 2018	—	\$ —	12,843,166	\$ 102,525,100
November 1 - November 30, 2018	189,726	18.78	13,032,892	98,961,620
December 1 - December 31, 2018	791,538	18.00	13,824,430	84,716,364
Total	981,264	\$ 18.15	13,824,430	\$ 84,716,364

<sup>(1)</sup> On February 25, 2016, our board of directors authorized us to repurchase up to \$100 million of its common shares, from time to time, subject to market conditions. The program expired on February 25, 2018. On March 20, 2018, our board of directors authorized us to repurchase up to \$250 million of our common shares, from time to time, subject to market conditions.

During the year ended December 31, 2018, the Company repurchased and retired a total of 9.7 million shares of its common stock at a weighted average price of \$17.94.

In addition to the repurchases of the Company's common stock made above, the Company also withheld shares with respect to the vesting of restricted stock that the Company made to its employees. Shares that vested during the year ended December 31, 2018 and 2017 were net-share settled such that the Company withheld shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. During the year ended December 31, 2018 and 2017, total payments for the employees' tax obligations to the taxing authorities were \$8.8 million (486,032 shares withheld) and \$37.9 million (1,460,251 shares withheld), respectively.

## Item 6. Selected Financial Data

The following tables summarize our selected historical consolidated financial information. This information was derived from our audited financial statements for each of the years ended December 31, 2018, 2017, 2016, 2015 and 2014. This information is only a summary. You should read this information together in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this document.



commercial and multifamily assets, collection of a previously outstanding loan, funding of capital commitments, and pay downs of investment debt.

Foreign currency and currency derivative instruments

Please refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation for a discussion regarding foreign currency and currency derivative instruments.

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### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the financial statements and related notes and the other financial information appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. See the section titled "Forward-Looking Statements" for more information. Actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including those discussed in the section titled "Risk Factors" and elsewhere in this report.

Unless specifically noted otherwise, as used throughout this Management's Discussion and Analysis section, "we," "our," "us," "the Company" or "Kennedy Wilson" refers to Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries. "Equity partners" refers to the subsidiaries that we consolidate in our financial statements under U.S. GAAP (other than wholly-owned subsidiaries) and third-party equity providers. Please refer to "Non-GAAP Measures and Certain Definitions" for definitions of certain terms used throughout this report.

### Overview

Kennedy Wilson is a global real estate investment company. We own, operate, and invest in real estate both on our own and through our investment management platform. We focus primarily on multifamily and office properties located in the Western U.S., UK, and Ireland. To complement our investment business, the Company also provides real estate services primarily to financial services clients.

Our value is primarily derived from our ownership in income producing real estate assets. We have an ownership stake in approximately 53 million square feet of property globally, including 28,613 multifamily rental units. At December 31, 2018, we and our equity partners held a real estate and real estate related investment portfolio with assets at a book value of approximately \$11.3 billion. For the year ended December 31, 2018, these assets generated total revenues of approximately \$1.0 billion. The Company has an average ownership interest across all of its investments of approximately 63% as of December 31, 2018. In addition to our income producing real estate, we engage in development, and redevelopment and value add initiatives through which we enhance cashflows or reposition asset to increase disposal value.

We have 375 employees in 17 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain, and Japan.

Our operations are defined by two core business segments, KW Investments and IMRES, which work closely together to identify attractive investment markets and opportunities around the world.

### Financial Measures and Descriptions

Our key financial measures and indicators are discussed below. Please refer to the critical accounting policies in the Notes to the Consolidated Financial Statements for additional detail regarding the GAAP recognition policies associated with the captions described below.

#### Revenue

Rental - rental income is comprised of rental revenue earned by our consolidated real estate investments.

Hotel - hotel income is comprised of hotel revenue earned by our consolidated hotels.

Sale of real estate - sales of real estate consists of gross sales proceeds received on the sale of consolidated real estate that is not defined as a business by U.S. GAAP.

Investment Management, Property Services and Research Fees - Investment management, property services, and research fees are primarily comprised of base asset management fees, and acquisition fees generated by our investment management division, property management fees generated by our property services division, leasing fees and sales commissions generated by our brokerage and auction divisions, and consulting fees generated by Meyers Research until the Company's sale of Meyers Research in the fourth quarter of 2018. Fees earned from consolidated investments are eliminated in consolidation with the amount relating to our equity partners being recognized through income attributable to noncontrolling interests.



Loans and other income- Loans and other income is primarily composed of interest income earned on the Company's loan originations and investments in discounted loan purchases.

Expenses

Rental - rental expenses consists of the expenses of our consolidated real estate investments, including items such as property taxes, insurance, maintenance and repairs, utilities, supplies, salaries and management fees.

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Hotel - hotel expenses consists of expenses of our consolidated hotel investments, including items such as property taxes, insurance, maintenance and repairs, utilities, supplies, salaries and management fees.

Commission and marketing - commission and marketing expenses includes fees paid to third party sales and leasing agents as well as business development costs necessary to generate revenues.

Compensation and related - compensation and related expenses include: (a) employee compensation, comprising of salary, bonus, employer payroll taxes and benefits paid on behalf of employees and (b) share-based compensation associated with the grants of share-based awards.

General and administrative - general and administrative expenses represent administrative costs necessary to run Kennedy Wilson's businesses and include things such as occupancy and equipment expenses, professional fees, public company costs, travel and related expenses, and communications and information services.

Depreciation and amortization - depreciation and amortization is comprised of depreciation expense which is recognized ratably over the useful life of an asset and amortization expense which primarily consist of the amortization of assets allocated to the value of in-place leases upon acquisition of a consolidated real estate asset. Income from unconsolidated investments - Income from unconsolidated investments consists of the Company's share of income or loss earned on investments in which the Company can exercise significant influence but does not have control. Income from unconsolidated investments includes income from ordinary course operations of the underlying investment, gains on sale, fair value gains and losses and performance-based fees.

Acquisition-related gains - Acquisition-related gains consist of non-cash gains recognized by the Company upon a GAAP required fair value remeasurement due to a business combination. These gains are typically recognized with the change of control of an existing investment. The gain amount is based upon the fair value of the Company's equity in the investment in excess of the carrying amount of the equity directly preceding the change of control or the separately determined fair value of an investment being an excess of cash paid. These gains also arise when Kennedy Wilson converts a loan into consolidated real estate owned and the fair value of the underlying real estate exceeds the basis in the previously held loan. With the adoption of ASU 2017-01 we will no longer record acquisition-related gains when acquiring controlling interests in real estate investments that are deemed asset acquisitions.

Acquisition-related expenses - Acquisition-related expenses consists of the costs incurred to acquire assets. Generally, the majority of these expenses relate to stamp duty taxes on foreign transactions. Acquisition-related expenses may also include any professional fees associated with closing the transactions and the write off of any costs associated with acquisitions which did not materialize. After the adoption of ASU 2017-01 and January 1, 2018, acquisition-related costs on successful acquisitions are now capitalized.

Gain on sale of real estate, net - Gain on sale of real estate, net relates to the amount received over the carrying value of assets sold that met the definition of a business under US GAAP.

Interest expense - Interest expense represents interest costs associated with our senior notes payable, revolving credit facility, mortgages on our consolidated real estate, and unsecured debt held by KWE.

Other income (expense) - Other income (expense) includes the realized foreign currency exchange income or loss relating to the settlement of foreign transactions during the year which arise due to changes in currency exchange rates, realized gains or losses related to the settlement of derivative instruments, the gain or loss on the sale of marketable securities, and interest income on bank deposits.

Income taxes - The Company's services business operates globally as corporate entities subject to federal, state, and local income taxes and the investment business operates through various partnership structures to acquire wholly-owned or jointly-owned investments in multifamily, commercial, residential and development properties. The Company's distributive share of income from its partnership investments will be subject to federal, state, and local taxes at the entity level and the related tax provision attributable to the Company's share of the income tax is reflected in the consolidated financial statements.

Noncontrolling Interests - Noncontrolling interests represents income or loss attributable to equity partners for their ownership in investments which the Company controls. Income or loss is attributed to noncontrolling interest partners based on their respective ownership interest in an investment.

Accumulated other comprehensive income - Accumulated other comprehensive income represents the Company's share of foreign currency movement on translating Kennedy Wilson's foreign subsidiaries from their functional

currency into the Company's reporting currency. These amounts are offset by Kennedy Wilson's effective portion of currency related hedge instruments. Unrealized changes in fair value on the Company's investment in marketable securities are also included in this account.

Foreign Currency

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As of December 31, 2018, approximately 49% of our investment account is invested through our foreign platforms in their local currencies. Investment level debt is generally incurred in local currencies and therefore we consider the carrying value of our equity investment as the appropriate exposure to evaluate for hedging purposes. Fluctuations in foreign exchanges rates may have a significant impact on the results of our operations. In order to manage the effect of these fluctuations, we generally hedge our book equity exposure to foreign currencies through currency forward contracts and options. Please see the section titled "Qualitative and Quantitative Disclosures About Market Risk - Currency Risk - Foreign Currencies" for a detailed discussion with respect to foreign currency.

#### Certain Significant Transactions and Events

##### Kennedy Wilson Europe Real Estate Plc

On October 20, 2017, the Company purchased the remaining 76% of shares in Kennedy Wilson Europe Real Estate Plc ("KWE") we did not previously own for \$1.4 billion, which represented a discount of approximately \$260 million to the original value of the shares when issued. As part of the acquisition consideration, the Company issued 37.2 million shares of common stock valued at \$722.2 million. Before and after such transaction, KWE's results is consolidated in our financial results with amounts not owned by us being allocated to noncontrolling interests. Prior to the acquisition, Kennedy Wilson owned 24% of the share capital of KWE and all results presented below are based on this ownership amount up through the closing of the transaction.

During March 2018, Kennedy Wilson elected to treat KWE as a partnership for U.S. tax purposes retroactive to December 29, 2017. Due to unrealized foreign exchange losses not yet deductible for tax purposes and the consideration paid to acquire the non-controlling interests in KWE exceeding the book carrying value of the non-controlling interests in KWE, the Company's tax basis in KWE exceeded its book carrying value at December 29, 2017 and December 31, 2018. Prior to the election to treat KWE as a partnership, KWE was taxed as a controlled foreign corporation. Due to the conversion of KWE to a partnership for U.S. tax purposes, the Company was required to record a deferred tax asset of \$98.3 million related to its excess tax basis over book carrying value for its investment in KWE. As a significant portion of the excess tax basis would only reverse upon a strengthening of foreign currencies or upon a disposition of KWE, the Company determined that a valuation allowance of \$98.3 million was required for the tax basis that was in excess of the Company's carrying value for its investment in KWE.

##### AXA Joint Venture

During the second quarter in 2018, the Company and AXA Investment Managers - Real Assets ("AXA") entered into a joint venture agreement targeting multifamily assets in Ireland. The AXA joint venture commenced with AXA investing in a 50% ownership stake in 1,173 multifamily units across three assets in Dublin, Ireland previously held by the Company and a different equity partner (held in 50/50 joint ventures) and was initially consolidated in the Company's financial statements. The Company continues to hold a 50% ownership interest in these assets through its ownership in this new joint venture with AXA. As the Company does not control the joint venture with AXA, the assets are no longer consolidated and its investment with AXA is accounted for under the equity method. Going forward the investments will be fair value unconsolidated investments with operating activity included within income from unconsolidated investments.

During the three months ended September 30, 2018, the Company sold an additional 411 multifamily units across two assets in Dublin, Ireland and one in Cork, Ireland into the joint venture with AXA that were both previously wholly owned by the Company. The joint venture has also made investments in 274 units in Dublin and acquired two development sites on which it expects to build an estimated 684 additional units.

The table below summarizes the impact the transactions had on our financial statements during the year ended December 31, 2018:

	Gross	Net	
	Gain	Gain	
(Dollars in millions)	on	Noncontrolling	Adjusted
	Sale of Interests	Sale of	Fees <sup>(1)</sup>
	Real	Real	
	Estate	Estate	

Q2 2018	\$149.3	\$ (66.8	)	\$82.5	\$ 10.2
Q3 2018	20.2	—		20.2	0.7
Year Ended 2018	\$169.5	\$ (66.8	)	\$102.7	\$ 10.9

<sup>(1)</sup> Includes \$9.4 million of performance fees for the year ended December 31, 2018 and \$0.7 million and \$1.5 million on acquisition and disposition fees for the year ended December 31, 2018. See results of operations section for more detail on adjusted fees.

#### Meyers Research Sale

In December 2018, we sold Meyers Research for \$48.0 million and recognized a gain on sale of business of \$40.4 million. We used part of the proceeds from such sale to reinvest \$15.0 million for an 11% ownership interest in a new partnership between Meyers Research and another premiere residential real estate construction service company. We no longer control Meyers and will treat the new investment as an unconsolidated investment.

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Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (the “TCJA”), was signed into law on December 22, 2017. The TCJA amends a range of U.S. federal tax rules applicable to individuals, businesses and international taxation with most provisions having taken effect beginning January 1, 2018. These changes include lowering the federal corporate income tax rate from a top marginal rate of 35% to a flat rate of 21% and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. Due to the nature of our business operations, a majority of our foreign income is taxed currently in the U.S. For those foreign subsidiaries where there is no current U.S. tax inclusion, we have estimated that no repatriation tax is due as those foreign subsidiaries do not have aggregate positive unrepatriated foreign earnings. During the fourth quarter of 2017, we adjusted our net U.S. deferred tax liability down to the new federal tax rate and recorded a \$44.8 million tax benefit. As of December 31, 2018, we have completed our analysis and recorded an insignificant adjustment in the 2018 financial statement with respect to the federal rate change. The new legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the U.S. Treasury Department and Internal Revenue Service (“IRS”), any of which could lessen or increase certain adverse impacts of the legislation. In addition, it is still unclear how many of the new U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities. Should the IRS, Treasury Regulations or state taxing authorities issue further guidance or interpretation of relevant aspects of the new tax law, we may record additional adjustments.

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## Results of Operations

The following tables summarize the Company's revenue, expenses, other income (expenses) and net income (loss) and calculate EBITDA and Adjusted EBITDA by segment for the years ended December 31, 2018, 2017 and 2016 and is intended to be helpful in understanding the year over year explanations following the tables:

(Dollars in millions)	Year Ended December 31, 2018			
	Investment Management Estate Services	Real Estate Services	Corporate	Total
Revenue				
Rental	\$514.6	\$ —	\$ —	\$514.6
Hotel	155.7	—	—	155.7
Sale of real estate	56.8	—	—	56.8
Investment management, property services and research fees	—	45.3	—	45.3
Loan purchases, loan originations, and other	1.1	—	—	1.1
Total Revenue	728.2	45.3	—	773.5
Expenses				
Rental	160.8	—	—	160.8
Hotel	121.5	—	—	121.5
Cost of real estate sold	52.5	—	—	52.5
Commission and marketing	—	5.9	—	5.9
Compensation and related	73.5	33.5	61.8	168.8
General and administrative	31.6	12.1	7.1	50.8
Depreciation and amortization	205.8	0.3	—	206.1
Total expenses	645.7	51.8	68.9	766.4
Income from unconsolidated investments, net of depreciation and amortization	51.3	27.4	—	78.7
Gain on sale of real estate, net	371.8	—	—	371.8
Gain on sale of business	—	40.4	—	40.4
Acquisition - related expenses	(1.7 )	—	—	(1.7 )
Interest expense	(161.0 )	—	(77.2 )	(238.2 )
Other income	0.7	—	11.3	12.0
Provision for income taxes	(14.0 )	—	(44.0 )	(58.0 )
Net income (loss)	329.6	61.3	(178.8 )	212.1
Add back (less):				
Interest expense	161.0	—	77.2	238.2
Kennedy Wilson's share of interest expense included in unconsolidated investments	26.0	—	—	26.0
Depreciation and amortization	205.8	0.3	—	206.1
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	13.2	—	—	13.2
Provision for income taxes	14.0	—	44.0	58.0
Fees eliminated in consolidation	(13.6 )	13.6	—	—
Share-based compensation	—	—	37.1	37.1
EBITDA attributable to noncontrolling interests <sup>(2)</sup>	(78.0 )	—	—	(78.0 )
Adjusted EBITDA <sup>(1)</sup>	\$658.0	\$ 75.2	\$(20.5 )	\$712.7

<sup>(1)</sup> See "Non-GAAP Measures and Certain Definitions" for definitions and discussion of Adjusted EBITDA.

<sup>(2)</sup> \$15.9 million of depreciation, amortization, interest and taxes for the year ended December 31, 2018.





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(Dollars in millions)	Year Ended December 31, 2017			
	Investment Management Estate Services	Real Estate Services	Corporate	Total
Revenue				
Rental	\$504.7	\$ —	\$ —	\$504.7
Hotel	127.5	—	—	127.5
Sale of real estate	111.5	—	—	111.5
Investment management, property services and research fees	—	42.9	—	42.9
Loan purchases, loan originations, and other	15.2	—	—	15.2
Total Revenue	758.9	42.9	—	801.8
Expenses				
Rental	151.2	—	—	151.2
Hotel	100.3	—	—	100.3
Cost of real estate sold	80.2	—	—	80.2
Commission and marketing	—	7.2	—	7.2
Compensation and related	76.7	35.2	65.3	177.2
General and administrative	26.0	11.3	4.9	42.2
Depreciation and amortization	212.2	0.3	—	212.5
Total expenses	646.6	54.0	70.2	770.8
Income from unconsolidated investments, net of depreciation and amortization	66.4	11.4	—	77.8
Gain on sale of real estate, net	226.7	—	—	226.7
Gain on sale of business	—	—	—	—
Acquisition - related expenses	(4.4 )	—	—	(4.4 )
Interest expense	(145.6 )	—	(72.1 )	(217.7 )
Other (expenses) income	(5.1 )	—	13.4	8.3
(Provision for) benefit from income taxes	(4.8 )	—	21.1	16.3
Net income (loss)	245.5	0.3	(107.8 )	138.0
Add back (less):				
Interest expense	145.6	—	72.1	217.7
Kennedy Wilson's share of interest expense included in unconsolidated investments	22.5	0.5	—	23.0
Depreciation and amortization	212.2	0.3	—	212.5
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	13.5	2.7	—	16.2
Provision for (benefit from) income taxes	4.8	—	(21.1 )	(16.3 )
Fees eliminated in consolidation	(26.9 )	26.9	—	—
Share-based compensation	—	—	38.4	38.4
EBITDA attributable to noncontrolling interests <sup>(2)</sup>	(173.8 )	—	—	(173.8 )
Adjusted EBITDA <sup>(1)</sup>	\$443.4	\$ 30.7	\$(18.4 )	\$455.7

<sup>(1)</sup> See "Non-GAAP Measures and Certain Definitions" for definitions and discussion of Adjusted EBITDA.

<sup>(2)</sup> \$136.3 million of depreciation, amortization, taxes and interest for the year ended December 31, 2017. This includes allocation to noncontrolling interest holders of KWE up through the acquisition date of October 20, 2017.

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(Dollars in millions)	Year Ended December 31, 2016			
	Investment Management Estate Services	Real Estate Services	Corporate	Total
Revenue				
Rental	\$485.9	\$ —	\$ —	\$485.9
Hotel	116.2	—	—	116.2
Sale of real estate	29.3	—	—	29.3
Investment management, property services and research fees	—	46.4	—	46.4
Loan purchases, loan originations, and other	12.6	—	—	12.6
Total Revenue	644.0	46.4	—	690.4
Expenses				
Rental	135.4	—	—	135.4
Hotel	96.3	—	—	96.3
Cost of real estate sold	22.1	—	—	22.1
Commission and marketing	—	8.0	—	8.0
Compensation and related	62.3	36.2	88.0	186.5
General and administrative	26.5	13.3	5.6	45.4
Depreciation and amortization	197.4	0.8	—	198.2
Total expenses	540.0	58.3	93.6	691.9
Income from unconsolidated investments, net of depreciation and amortization	122.8	16.8	—	139.6
Gain on sale of real estate, net	130.7	—	—	130.7
Acquisition - related gains	16.2	—	—	16.2
Acquisition - related expenses	(9.5 )	—	—	(9.5 )
Interest expense	(137.4 )	—	(54.2 )	(191.6 )
Other (expenses) income	(1.2 )	—	7.8	6.6
Benefit from (provision for) income taxes	5.0	—	(19.0 )	(14.0 )
Net income (loss)	230.6	4.9	(159.0 )	76.5
Add back (less):				
Interest expense	137.4	—	54.2	191.6
Kennedy Wilson's share of interest expense included in unconsolidated investments	22.1	0.9	—	23.0
Depreciation and amortization	197.4	0.8	—	198.2
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	17.2	3.6	—	20.8
(Benefit from) provision for income taxes	(5.0 )	—	19.0	14.0
Fees eliminated in consolidation	(36.9 )	36.9	—	—
Share-based compensation	—	—	65.1	65.1
EBITDA attributable to noncontrolling interests <sup>(2)</sup>	(239.3 )	—	—	(239.3 )
Adjusted EBITDA <sup>(1)</sup>	\$323.5	\$ 47.1	\$ (20.7 )	\$349.9

<sup>(1)</sup> See "Non-GAAP Measures and Certain Definitions" for definitions and discussion of Adjusted EBITDA.

<sup>(2)</sup> \$169.3 million of depreciation, amortization, taxes and interest for the year ended December 31, 2016.

Kennedy Wilson Consolidated Financial Results: Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

GAAP net income to common shareholders was \$150.0 million and \$100.5 million for the year ended December 31, 2018 and 2017, respectively. Adjusted EBITDA was \$712.7 million for the year ended December 31, 2018, a 56%

increase from \$455.7 million for 2017, due primarily to higher realized gains on the sale of real estate investments, the sale of Meyers Research in the current period and KWE being wholly owned for the full year. For same property multifamily units, total revenues increased 5%, net operating income increased 6% and occupancy remained at 94% from 2017. For same property commercial real estate,

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total revenues decreased 3.7%, net operating income decreased 2.2% and occupancy decreased 0.1% to 97.2% from the same period in 2017. See section titled "Same Property Analysis" for more detail.

A significant portion of our investments are in foreign currencies. We typically do not hedge future operations or cash flows so changes in foreign currency rates will have an impact on our results of operations. We have included the table below to illustrate the impact these fluctuations have had on our revenues, net income and Adjusted EBITDA by applying the relevant exchange rates for the prior period. Please refer to the section titled "Currency Risk - Foreign Currencies" in Item 3 for a discussion of risks relating to foreign currency and our hedging strategy and the "Other Comprehensive Income" section below for a discussion of the balance sheet impact of foreign currency movements on our results of operations.

	Year Ended December 31, 2018		
	Investment Management		Total
	Investments	and Real Estate Services	
Revenues	\$(5.7)(1)%	\$ (0.2 ) %	\$(5.9)(1)%
Net Income	(4.2 )(3)%	(0.2 ) %	(4.4 )(3)%
Adjusted EBITDA	(7.1 )(1)%	(0.2 ) %	(7.3 )(1)%

## Revenues

## Investments Segment Revenues

Rental income was \$514.6 million for the year ended December 31, 2018 as compared to \$504.7 million for 2017. The \$9.9 million increase is primarily due to improved operating performance in our multifamily portfolio and acquisitions that were complete subsequent to the third quarter of 2017, which were offset by the deconsolidation of multifamily assets into the joint venture with AXA and consolidated asset sales.

Hotel income was \$155.7 million for the year ended December 31, 2018 as compared to \$127.5 million for 2017. The \$28.2 million increase is primarily due to us taking control of six Park Inns hotels located in the United Kingdom at the beginning of 2018 in which we previously held a senior debt position. We subsequently sold such six Park Inns hotels in December 2018. In the prior period these hotels were accounted for as loan purchases. We have also had stronger performance in our other European hotels, namely the Shelbourne Hotel in Dublin, Ireland as we have completed value add initiatives that have driven ADRs higher as well as having more rooms available for rent.

Sale of real estate was \$56.8 million for the year ended December 31, 2018 as compared to \$111.5 million for the same period in 2017. During year ended December 31, 2018, we recognized sale of real estate on the deconsolidation of the Clancy Phase 3 land parcel, a 259-unit multifamily development project in Dublin, Ireland into the AXA Joint Venture and additional revenue on 200 Capital Dock, a 130,000 sq. ft. office building under development in Dublin, Ireland, due to the construction progress on the building. During the year ended December 31, 2017, we recognized sale of real estate income primarily on 200 Capital Dock and the sale of residential development project.

Loan and other income was \$1.1 million for the year ended December 31, 2018 as compared to \$15.2 million for 2017.

The decrease is due to the consolidation and conversion from loans to real estate of six Park Inns hotels as described above.

## Investment Management and Services Segment Revenues

Fees are earned on the following types of services provided:

- Investment management, including acquisition, asset management, financing and disposition services;
- Property services, including management of commercial real estate for third-party clients, fund investors, and investments held by Kennedy Wilson;
- Research, including consulting practice and data and analytics for the residential real estate development and new home construction industry (until the Company's sale of Meyers Research in the fourth quarter of 2018);
- Auction and conventional sales, including innovative marketing and sales strategies for all types of commercial and residential real estate, including single family homes, mixed-use developments, estate homes, multifamily dwellings,

new home projects, conversions and scattered properties; and

- brokerage services, including innovative marketing programs tailored to client objectives for all types of investment grade and income producing real estate.

The following table shows Investment management, property services and research fees, as well as Adjusted Fees for the years ended December 31, 2018 and 2017:

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	Year Ended December 31,	
(dollars in millions)	2018	2017
Investment management, property services and research fees	\$45.3	\$42.9
Non-GAAP adjustments:		
Add back:		
Fees eliminated in consolidation <sup>(1)</sup>	13.6	26.4
Performance fees included in unconsolidated investments	27.4	8.7
Kennedy Wilson's share of fees in unconsolidated service businesses	—	8.6
Adjusted Fees <sup>(2)</sup>	\$86.3	\$86.6

<sup>(1)</sup> The years ended December 31, 2018 and 2017 include \$14.0 million and \$17.3 million, respectively, of fees recognized in net (income) loss attributable to noncontrolling interests relating to portion of fees paid by noncontrolling interest holders in KWE up until the KWE Transaction on October 20, 2017 and equity partner investments.

<sup>(2)</sup> See "Non-GAAP Measures and Certain Definitions" for a definition and discussion of Adjusted Fees.

Investment management and real estate services fees were \$45.3 million during the year ended December 31, 2018 as compared to \$42.9 million for 2017 mainly due to higher performance fees earned during 2018 which was offset by a decrease in base management fee as discussed below.

Fees earned from investments that were eliminated in consolidation totaled \$13.6 million compared to \$26.4 million for 2017. The decrease is due to the KWE Transaction, as we now wholly own KWE we no longer receive base management and performance fees from noncontrolling interest holders.

The table below breaks down Adjusted Fees from investment management and real estate related services for the year ended December 31, 2018 and 2017:

	Year Ended December 31,	
(dollars in millions)	2018	2017
Fee Description		
Investment Management - Base	14.1	35.7
Investment Management - Performance	36.6	8.7
Investment Management - Acquisition / Disposition	3.6	0.9
Investment Management - Total	54.3	45.3
Property Services	16.9	28.9
Research	15.1	12.4
Total Adjusted Fees <sup>(1)</sup>	\$86.3	\$86.6

<sup>(1)</sup> See "Non-GAAP Measures and Certain Definitions" for definitions and discussion of Adjusted Fees.

**Investment management**

Investment management generated Adjusted Fees of \$54.3 million during the year ended December 31, 2018 as compared to \$45.3 million for 2017. The increase is due to the receipt of performance fees earned on the sale of assets into the joint venture with AXA and the sale of a portfolio of six multifamily assets in the Western United States, as well as the increase in accrual for future performance fees due to the increase in the underlying fair value of the assets held by Fund V.

The decrease in management fees are due to us no longer receiving fees from KWE in the current period as we now own 100% of the shares of KWE. For the year ended December 31, 2017, we earned \$16.0 million of fees from KWE. With the formation of the AXA joint venture and additional investments within Fund VI, we currently expect investment management fees to increase in future periods.

Property Services

Real estate related services fees decreased to \$16.9 million during the year ended December 31, 2018 as compared to \$28.9 million for 2017, primarily due to the sale of a servicing platform in Spain which accounted for \$8.6 million of real estate related service fees during the year ended December 31, 2017. We also had a decrease in our remaining property service business due to fewer assets under management in our property management group and the timing of brokerage and auction sales commissions.

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## Research

Research fees from the Meyers group increased to \$15.1 million during the year ended December 31, 2018 as compared to \$12.4 million due to increased revenue from the advisory practice of \$0.9 million and increased subscriptions to Zonda, an iPad application for home building industry, which led to an additional \$1.8 million increase. During the fourth quarter 2018, we sold Meyers Research for a gain of \$40.4 million.

## Expenses

## Investments Segment Expenses

Expenses for the year ended December 31, 2018 decreased to \$645.7 million compared to \$646.6 million for 2017. The decrease is primarily attributable to the following:

During the year ended December 31, 2018, we recognized cost of real estate sold on the deconsolidation of Clancy Phase 3 into the AXA joint venture and additional costs to complete with respect to 200 Capital Dock due to the construction progress on the building which resulted in \$52.5 million of sale-related costs. For the year ended December 31, 2017, we recognized cost of real estate sold on 200 Capital Dock and sold a residential development project, which resulted in \$80.2 million in sale-related costs.

Depreciation and amortization decreased by \$6.4 million primarily due to lower amortization of lease intangibles on commercial assets that were fully amortized during the year. Lease intangibles are established as part of initial purchase price allocation at acquisition and have a shorter depreciable life than building depreciation.

Compensation and related expenses decreased by \$3.2 million due to a decrease in discretionary compensation and stock compensation expense, primarily as a result of a formula-based cash bonus program that was instituted by the Company's compensation committee for all named-executive officers during the year ended December 31, 2018.

Decreases in expenses above were offset by increased rental expenses of \$9.6 million and hotel expenses increasing by \$21.2 million. Rental expenses increased primarily due to higher property taxes as a result of higher property valuations and increased repairs and maintenance expenses. Hotel expenses increased due to the consolidation of six Park Inns hotels in the United Kingdom at the beginning of 2018.

General expenses increased to \$31.6 million for year ended December 31, 2018 as compared to \$26.0 million for the year ended December 31, 2017 due to higher tax structuring costs and travel related expenses.

## Investment Management and Services Segment Expenses

Expenses for the year ended December 31, 2018 was relatively flat at \$51.8 million as compared to \$54.0 million in 2017. Increases in general and administration expenses were higher at Meyers due to higher consulting costs offset by lower commission expenses in property services group due to lower commission revenue in 2018.

## Corporate Expenses

Expenses for the year ended December 31, 2018 were approximately \$68.9 million as compared to \$70.2 million for 2017. Compensation and related expenses decreased by \$3.5 million due to a decrease in discretionary compensation and stock compensation expense, primarily as a result of a formula-based cash bonus program that was instituted by the Company's compensation committee for all named-executive officers during the year ended December 31, 2018.

## Income from Unconsolidated Investments

During the year ended December 31, 2018, income from unconsolidated investments was \$78.7 million as compared to \$77.8 million for 2017.

The following table presents income from unconsolidated investments recognized by Kennedy Wilson during the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
(Dollars in millions)	2018	2017
Operating performance, net of depreciation of \$13.2 million and \$16.2 million	\$18.8	\$16.4
Realized gains	22.1	14.0
Fair value	10.4	38.6
Performance fees (included in adjusted fees)	27.4	8.8
	\$78.7	\$77.8



The increase in operating performance during 2018 is due to having a larger unconsolidated investment portfolio than the prior period. Realized gains in the current period primarily relates to realized gains on the sales of joint venture investment

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holdings in two multifamily properties and an office property in the Western United States totaling \$22.1 million. Prior period realized gains related to sale of our Japanese multifamily portfolio, two office properties and several residential investments. Fair value gains decreased primarily due to a lower gain on the Kona Village Resort in the current period. These decreases were offset by higher fair value gains on our fund investments, primarily related to Fund V, with VHH's fair value gains being consistent period over period.

Gains on sale of real estate were \$371.8 million for the year ended December 31, 2018 compared to \$226.7 million in the prior period. The gain recognized during the year ended December 31, 2018 primarily relates to the deconsolidation of the investments that were contributed to the AXA joint venture and the ordinary course sale of certain multifamily and office assets located in the Western United States, Ireland, United Kingdom and Italy. Such gains were offset by an impairment loss on a vacated office building in the United Kingdom which was subsequently sold. Gains on sale of real estate in 2017 related primarily to the sale of multifamily assets in Western United States. Both periods include gains on sale of non-core assets out of our United Kingdom commercial property portfolio as we continue to execute our asset management programs and recycle capital into higher quality assets.

Gain on sale of business of \$40.4 million is related to our sale of Meyers Research.

Interest expense was \$238.2 million for the year ended December 31, 2018 as compared to \$217.7 million for 2017. The increase is due to higher corporate debt outstanding relating to the term loan and senior notes issued in the first quarter of 2018, as well as certain prepayment fees and acceleration of amortization of loan fees in connection with certain asset sales.

Our provision for income taxes and effective tax rate for 2018 was \$58.0 million and 21.5% as compared to a benefit from income taxes of \$16.3 million and 13.3% tax benefit rate in 2017. The increase in income tax expense is primarily due to an increase in worldwide pre-tax book income. The increase in taxable income was partially offset by a decrease in the federal tax rates as compared to prior years. The 2017 tax provision was also lower as the result of a one-time \$44.8 million tax benefit recorded during 2017 relating to the re-measurement of our U.S. net deferred tax liability to the new U.S. corporate tax rate of 21%. Without the re-measurement benefit in 2017, our tax expense and effective rate would have been \$28.5 million and 23.4%, respectively.

The SEC issued Staff Accounting Bulletin ("SAB 118") on December 22, 2017, which provided guidance on how to account for the effects of the Tax Reform. Pursuant to SAB 118, adjustments for the effects of the new legislation should be recorded to the extent a reasonable estimate for all or a portion of the effects of the law can be made. If a company cannot determine a reasonable estimate, it should not record a provisional amount and should continue to apply ASC 740 based on the tax law in effect before the enactment. During Q4 2017, we recorded a provision estimate for the impact of federal rate reduction. As of December 31, 2018, we have completed our SAB118 analysis and recorded an insignificant adjustment in the 2018 financial statement with respect to the federal rate change. The new legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the U.S. Treasury Department and the IRS, any of which could lessen or increase certain adverse impacts of the legislation. In addition, it is still unclear how many of the new U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities. Should the IRS, Treasury Regulations or state taxing authorities issue further guidance or interpretation of relevant aspects of the new tax law, we may record additional adjustments.

We had net income of \$62.1 million attributable to noncontrolling interests during the year ended December 31, 2018 compared to net income of \$37.5 million attributable to noncontrolling interests during 2017. The increase during the year is due to the allocation of the gain on sale of real estate on the AXA joint venture to our equity partners while the prior period related to the allocation of gains on sale of certain assets in the United Kingdom with our equity partners.

## Other Comprehensive Income

The two major components that drive the change in other comprehensive income are the change in foreign currency rates and the gains or loss of any associated foreign currency hedges. Please refer to the section titled "Currency Risk - Foreign Currencies" in Item 3 for a discussion of our risks relating to foreign currency and our hedging strategy. Below is a table that details the activity for the year ended December 31, 2018 and 2017.

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(Dollars in millions)	Year Ended	
	December 31, 2018	2017
Net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$150.0	\$100.5
Unrealized foreign currency translation (loss) gain, net of noncontrolling interests and tax	(65.9 )	48.9
Amounts reclassified out of accumulated other comprehensive loss during the period	13.2	2.0
Unrealized foreign currency derivative contract gains (loss), net of noncontrolling interests and tax	38.3	(48.6 )
Unrealized (loss) gain on marketable securities	—	0.2
Comprehensive income attributable to Kennedy-Wilson Holdings, Inc. common shareholders	\$135.6	\$103.0

Included within the net income attributable to Kennedy-Wilson Holdings, Inc. common shareholders there are realized foreign exchange amounts relating to translation of cash amounts held in different functional currencies of the subsidiary that holds it and realized gains and losses on derivative investments that are not treated as net investment hedges. The table below represents the amount of foreign exchange movements recorded to the statement of income for the year ended December 31, 2018 and 2017:

(Dollars in millions)	Year Ended	
	December 31, 2018	2017
Realized foreign currency exchange gain - consolidated statements of income	\$(1.1 )	\$24.2
Realized foreign currency derivative contract gain (loss) - consolidated statements of income	12.7	(10.8 )
Statement of Operations - realized foreign currency exchange	\$11.6	\$13.4

The main currencies that the Company has exposure to are the euro and pound sterling. The table below represents the change in rates over the year ended December 31, 2018 and 2017 as compared to the U.S. Dollar:

	Year Ended	
	December 31, 2018	2017
Euro(5.0)%	15.0%	
GBP(6.0)%	10.0%	

Comprehensive income, net of taxes and noncontrolling interests, for year ended December 31, 2018 and 2017 was \$135.6 million and \$103.0 million, respectively. Comprehensive income attributable to Kennedy-Wilson Holdings common shareholders was impacted by gains relating to unrealized foreign currency translation and gains and losses related to foreign currency derivative hedges during the current period are due to the weakening of the GBP and euro against the US dollar while the prior period the GBP and Euro strengthened against the dollar resulting in foreign currency translation gains and losses on foreign currency derivative hedges.

Amounts reclassified out of accumulated other comprehensive income are for amounts associated with the AXA joint venture that are moved out of other comprehensive income and recognized on the consolidated statements of income. Kennedy Wilson Consolidated Financial Results: Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

GAAP net income to common shareholders was \$100.5 million and \$2.8 million for the year ended December 31, 2017 and 2016, respectively. Adjusted EBITDA was \$455.7 million, a 30% increase from \$349.9 million for 2016, due primarily to higher realized gains on the sale of consolidated and unconsolidated investments during year ended December 31, 2017 and increased ownership in KWE which led to a \$46.8 million increase in Adjusted EBITDA post the KWE Transaction. The increase was offset by a decrease in acquisition-related gains as there were none during year ended December 31, 2017 and higher interest expense due to increased borrowings under the Company's revolving credit facility. For some property multifamily units, total revenues increased 6%, net operating income increased 7% and occupancy remained at 94% from 2016. For some property commercial real estate, total revenues decreased 0.2%, net operating income decreased 1.9% and occupancy decreased 0.4% to 97.5% from in 2016.

A significant portion of our investments are in foreign currencies. We do not hedge future operations or cash flows and therefore changes in foreign currency rates will have an impact on our results of operations. We have included the table below to illustrate the impact these fluctuations have had on our revenues, net income and Adjusted EBITDA by applying the applicable exchange rates for the prior period. Please refer to the section titled "Currency Risk - Foreign Currencies" in Item 3 for a discussion of risks relating to foreign currency and our hedging strategy and the section titled "Other Comprehensive Income" below for a discussion of the balance sheet impact of foreign currency movements on our results of operations.

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Year Ended December 31, 2017

Investment  
Management

Investments and Real Estate

Estate  
Services

Revenues	\$26.63	%	\$ 0.3	%	\$26.93	%
Net Income	4.3	4%	0.2	%	4.5	4%
Adjusted EBITDA	9.2	2%	0.9	%	10.1	2%

Revenues

Investments Segment Revenues

Rental income was \$504.7 million for the year ended December 31, 2017 as compared to \$485.9 million for 2016. The \$18.8 million increase is primarily due to new acquisitions in 2017 and the latter half of 2016 with improved operating performance in our existing portfolio.

Hotel income was \$127.5 million for the year ended December 31, 2017 as compared to \$116.2 million for 2016. The \$11.3 million increase is primarily due to improved winter conditions at the Ritz Carlton Lake Tahoe which led to a longer ski season, higher occupancy, and an increase in average daily rate. Additionally, the increase was attributable to the opening of the Lake Club at the Ritz. In addition, more rooms were available for occupancy at certain of our hotels in Europe due to the completions of room and common area upgrades.

Sale of real estate was \$111.5 million for the year ended December 31, 2017 as compared to \$29.3 million for the same period in 2016. During 2017, we sold and entered into a development agreement for 200 Capital Dock, a 130,000 sq. ft. office building under development in Dublin, Ireland. Additionally, during the year ended December 31, 2017, we sold a parcel of land and a residential development project.

Loan and other income was \$15.2 million for the year ended December 31, 2017 as compared to \$12.6 million for 2016. The increase is primarily attributable to the sale of a loan secured by a hotel in the United Kingdom and accretion on notes held on properties in Ireland.

Investment Management and Services Segment Revenues

The following table shows Investment management, property services and research fees, as well as Adjusted Fees for the years ended December 31, 2017 and 2016: