

Kennedy-Wilson Holdings, Inc.
Form 10-K
February 27, 2017
Table of Contents

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, 2016

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:

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

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post 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.

Edgar Filing: Kennedy-Wilson Holdings, Inc. - Form 10-K

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 (Do not check if a smaller reporting company) Smaller reporting company

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

Based on the last sale at the close of business on June 30, 2016, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately \$1,521,630,117.

The number of shares of common stock outstanding as of February 24, 2017 was 114,897,881.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates certain information by reference from the registrant’s proxy statement for the annual meeting of stockholders to be held on or around June 15, 2017, which proxy statement will be filed no later than 120 days after the close of the registrant’s fiscal year ended December 31, 2016.

Table of Contents

TABLE OF CONTENTS

	Page
PART I	
Item 1. <u>Business</u>	<u>1</u>
Item 1A. <u>Risk Factors</u>	<u>14</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>27</u>
Item 2. <u>Properties</u>	<u>27</u>
Item 3. <u>Legal Proceedings</u>	<u>28</u>
Item 4. <u>Mine Safety Disclosure</u>	<u>28</u>
PART II	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>29</u>
Item 6. <u>Selected Financial Data</u>	<u>31</u>
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>65</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>66</u>
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>128</u>
Item 9A. <u>Controls and Procedures</u>	<u>128</u>
Item 9B. <u>Other Information</u>	<u>128</u>
PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>129</u>
Item 11. <u>Executive Compensation</u>	<u>129</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>129</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>129</u>
Item 14. <u>Principal Accounting Fees and Services</u>	<u>129</u>
PART IV	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	<u>132</u>

Table of Contents

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 operating 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;
- continued high levels of, or increases in, 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;
- our ability to achieve improvements in operating efficiency;
- foreign currency fluctuations;
- performance of our foreign currency hedge instruments;
- adverse changes in the securities markets;
- our ability to retain our senior management and attract and retain qualified and experienced employees;
- our ability to retain major clients and renew related contracts;
- trends in use of large, full-service commercial real estate providers;
- changes in tax laws in the United States, Ireland, United Kingdom, Spain, Italy or Japan that reduce or eliminate deductions or other tax benefits we receive;
- our ability to repatriate investment funds in a tax-efficient manner;
- future acquisitions may not be available at favorable prices or upon advantageous terms and conditions; and
- costs relating to the acquisition of assets we may acquire could be higher than anticipated.

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.

Table of Contents

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 on multifamily and commercial properties located in the Western United States, United Kingdom, Ireland and to a lesser extent Spain, Italy and Japan. 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 interest in approximately 39 million square feet of property globally, including 25,943 multifamily rental units. In addition to our core income producing real estate, we engage in development, redevelopment and value add initiatives through which we enhance cash flows or reposition asset to increase sale value. Additionally, our investment management and property services business ("IMRES") manages approximately \$17 billion of IMRES AUM, the majority of which we have an ownership interest in and the balance we manage for third parties.

We have over 500 employees in 25 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain, Italy and Japan and manage and work with approximately 6,000 operating associates.

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

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

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

Since going public on November 13, 2009 through December 31, 2016, the annualized total rate of return (including dividends) of our common stock (NYSE: KW) was 12.4%, compared to the return of the S&P 500 index of 12.9%.

Past stock price performance is not necessarily indicative of future stock price performance.

Table of Contents

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,				
	2016	2015	2014	2013	2012
Statements of operations data and dividends:					
Revenue	\$703.4	\$603.7	\$398.6	\$123.1	\$66.9
Net income (loss) to Kennedy-Wilson Holdings Inc. common shareholders	2.8	71.1	13.8	(14.5)	(3.9)
Basic (loss) income per share	0.01	0.66	0.14	(0.21)	(0.07)
Dividends declared per share of common stock	0.56	0.48	0.36	0.28	0.20
Adjusted EBITDA ⁽¹⁾	349.9	371.2	317.8	159.1	97.4
Adjusted EBITDA annual (decrease) increase	(6)%	17 %	100 %	63 %	%
Adjusted Fees ⁽¹⁾	108.9	158.2	121.0	72.4	55.7
Adjusted Fees annual increase (decrease)	(31)%	31 %	67 %	30 %	%
	As of December 31,				
	2016	2015	2014	2013	2012
Balance sheet data:					
Cash and cash equivalents	\$885.7	\$731.6	\$937.7	\$178.2	\$120.9
Total assets	7,659.1	7,595.6	6,297.6	1,786.8	1,270.4
Investment debt	3,956.1	3,627.5	2,175.7	400.2	234.2
Unsecured corporate debt	936.6	688.8	813.1	438.6	438.4
Kennedy Wilson equity	1,048.0	1,133.8	901.1	768.3	509.7
Noncontrolling interests	1,295.1	1,731.3	2,142.8	50.6	9.1
Total equity	2,343.1	2,865.1	3,043.9	818.9	518.8
Common shares outstanding	115.7	114.5	96.1	82.6	63.8

⁽¹⁾ 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 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.

IMRES encompasses our fee-generating businesses and includes both our investment management platform as well as our third party services business. These businesses offer a comprehensive line of real estate services for the full lifecycle of real estate ownership to clients that include shareholders of KWE, financial institutions, institutional investors, insurance companies, developers, builders and government agencies. IMRES has five main lines of business: investment management, property services, research, brokerage, and auction and conventional sales.

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 provides clients the ability to utilize the capabilities of IMRES.

KW Investments

We invest our capital in real estate assets and loans secured by real estate either on our own or through our investment management platform. When we have partners, we are typically the general partner in the arrangement with a promoted interest in the profits of our investments beyond our ownership percentage. The Company has an average ownership interest across all investments of approximately 42% as of December 31, 2016. Our equity partners include public shareholders, financial institutions, foundations, endowments, high net worth individuals and other institutional investors.

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

Multifamily

We pursue multifamily acquisition opportunities where we believe we can unlock value through a myriad of strategies, including institutional management, asset rehabilitation, repositioning and creative recapitalization. We focus primarily on

2

Table of Contents

apartments in supply-constrained, infill markets. Additionally, through our Vintage Housing Holdings ("VHH") partnership, we also utilize low-income housing tax credit ("LIHTC") structures for income and age restricted properties. As of December 31, 2016, we hold investments in 25,943 multifamily apartment units across 141 properties primarily located in the Western United States, Ireland, United Kingdom and Japan.

Commercial

We source, acquire, and finance various types of commercial real estate which includes office, industrial, retail, and mixed-use assets. After acquisition, the properties are generally repositioned to enhance market value. Assets are either sold as part of property-specific investment strategies designed to deliver above-market returns to our clients and shareholders or held if producing above average cash flows. As of December 31, 2016, we hold investments in 258 commercial properties, totaling over 18.1 million square feet, located throughout the United States, United Kingdom, Ireland, Spain and Italy.

Loan Originations/Discounted Loan Purchases

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 discounted loan pool portfolio as of December 31, 2016 had a current unpaid principal balance ("UPB") of \$217.3 million.

Our loan investment 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. 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.

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.

Residential 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 to which we assign little or no basis and for which we may pursue entitlement activities or, in some cases, development or re-development opportunities.

Cash, marketable securities, and net hedge asset

This group includes our share of consolidated property level cash, marketable securities, and hedges on the Company's investments and our share of hedges held by KWE on its euro denominated investments.

While our core investments have been in the specific markets and locations listed above, we will evaluate opportunities to earn above market returns across many other segments and geographic locations.

Investment account

The investment account represents the Company's carrying value of equity invested before depreciation and amortization. In 2016, together with our equity partners, we acquired \$1.4 billion (Kennedy Wilson's share was \$620.7 million) of real estate and loans secured by real estate at purchase price. These acquisitions were comprised of the following: 56% multifamily, 43% commercial, and 1% residential and other.

At December 31, 2016, we and our equity partners held a real estate and real estate related investment portfolio with assets at a book value of approximately \$10.6 billion, with approximately 62% leverage to depreciated book value. The Company has an average ownership interest across all of its investments of approximately 42% as of December 31, 2016.

Included in our Western U.S. portfolio are six residential investments including Kohanaiki, Kona Village Resort, and a loan investment in Hawaii. Our investment account balance for our Hawaiian investments is \$173.4 million.

The Company's investment account increased during the year primarily due to the Company's increased ownership in KWE which led to a decrease in noncontrolling interest. The investment account also increased due to new joint

venture investments and higher cash balances at consolidated properties. These increases were offset by resolutions of loans, increased leverage on properties and hedge losses on hedges at KWE. Noncontrolling interest decreased during the year due to \$269.9 million in net distributions relating to the Company's acquisition of KWE shares, the Company's acquisition of noncontrolling interest from

3

Table of Contents

consolidated entities, distributions relating to property sales, and investing distributions from debt refinancings.

Foreign currency translation and hedge losses also decreased noncontrolling interests by \$237.2 million.

The following table depicts how our equity in the portfolio is derived from the financial statement captions in our audited consolidated balance sheet as of December 31, 2016 and 2015:

(Dollars in millions)	December 31, 2016	December 31, 2015
Real estate and acquired in-place lease values, gross of accumulated depreciation and amortization of \$374.2 and \$248.5, respectively	\$ 6,188.5	\$6,046.0
Loan purchases and originations	87.7	299.7
Investment debt	(3,956.1)	(3,627.5)
Cash held by consolidated investments	625.5	549.0
Unconsolidated investments ⁽¹⁾ , gross of accumulated depreciation and amortization of \$52.3 and \$55.8, respectively	596.5	487.8
Net hedge (liability) asset	(47.0)	15.2
Other ⁽²⁾	51.0	19.9
Consolidated investment account	3,546.1	3,790.1
Less:		
Noncontrolling interests on investments, gross of depreciation and amortization of \$168.3 and \$116.5, respectively	(1,463.4)	(1,847.8)
Investment account	\$ 2,082.7	\$ 1,942.3

⁽¹⁾ Excludes \$15.9 million and \$12.9 million related to our investment in a servicing platform in Spain, as of December 31, 2016 and December 31, 2015, respectively.

⁽²⁾ Includes marketable securities, which are part of other assets, as well as net other assets of consolidated investments.

The following table breaks down our investment account information derived from the audited consolidated balance sheet, by investment type and geographic location as of December 31, 2016:

(Dollars in millions)	Multifamily	Commercial	Loans Secured by Real Estate	Residential and Other	Hotel	Total
Western U.S.	\$ 562.9	\$ 310.7	\$ 12.4	\$ 247.8	\$92.3	\$1,226.1
United Kingdom	5.7	66.1	—	—	—	71.8
Ireland	67.1	63.1	—	—	79.6	209.8
Japan	6.1	—	—	—	—	6.1
Cash, marketable securities, and net hedge asset						123.6
Total excluding KWE	\$ 641.8	\$ 439.9	\$ 12.4	\$ 247.8	\$171.9	\$1,637.4
KWE:						
United Kingdom	8.8	176.7	4.6	—	4.2	194.3
Ireland	15.0	64.9	2.1	—	3.7	85.7
Italy	—	18.4	—	—	—	18.4
Spain	—	28.6	—	1.1	—	29.7
Other ⁽¹⁾						117.2
Total KWE	\$ 23.8	\$ 288.6	\$ 6.7	\$ 1.1	\$7.9	\$445.3
Grand Total	\$ 665.6	\$ 728.5	\$ 19.1	\$ 248.9	\$179.8	\$2,082.7

⁽¹⁾ Consists of \$133.0 million of KW's share of cash and \$(15.8) million of KW's share of hedges. KW's share of KWE's unsecured debt has been allocated to unencumbered KWE investments.

The following table breaks down our investment account information derived from the audited consolidated balance sheet, by investment type and geographic location as of December 31, 2015:

Table of Contents

(Dollars in millions)	Multifamily	Commercial	Loans			Total
			Secured by Real Estate	Residential and Other	Hotel	
Western U.S.	\$ 515.4	\$ 270.6	\$ 66.4	\$ 269.9	\$34.7	\$1,157.0
United Kingdom	11.2	83.8	0.6	1.8	—	97.4
Ireland	41.0	32.3	—	31.8	72.4	177.5
Japan	5.8	4.2	—	0.3	—	10.3
Cash and net hedge asset						68.2
Total excluding KWE	\$ 573.4	\$ 390.9	\$ 67.0	\$ 303.8	\$107.1	\$1,510.4
KWE:						
United Kingdom	9.9	221.6	34.4	8.4	7.7	282.0
Ireland	9.8	52.4	3.5	6.0	4.4	76.1
Spain	—	7.3	—	2.6	—	9.9
Italy	—	8.7	—	—	—	8.7
Cash and net hedge asset						55.2
Total KWE	\$ 19.7	\$ 290.0	\$ 37.9	\$ 17.0	\$12.1	\$431.9
Grand Total	\$ 593.1	\$ 680.9	\$ 104.9	\$ 320.8	\$119.2	\$1,942.3

⁽¹⁾ Consists of \$55.3 million of KW's share of cash and \$(0.1) million of KW's share of hedges. KW's share of KWE's unsecured debt has been allocated to unencumbered KWE investments.

KW Investment Management and Real Estate Services (IMRES)

IMRES includes both our investment management platform as well as 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 shareholders of KWE, financial institutions, institutional investors, insurance companies, developers, builders and government agencies. IMRES has five main lines of business: investment management, property services, research, brokerage, and auction and conventional sales. These five business lines generate revenue for us through fees and commissions.

We manage approximately 59 million square feet of properties for the Company and its investment partners (including KWE) in the United States, Europe, and Asia, which includes assets we have ownership interests in and third party owned assets. With 25 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain, Italy and Japan, 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 and 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 five closed end funds for which we seek to generate attractive, risk adjusted returns.

KWE

In 2014, we launched KWE, a closed end fund on the London Stock Exchange that specializes in investing in real estate and real estate related assets in Europe. We are the largest shareholder of KWE (23.6% as of December 31, 2016) and also externally manage it through one of our wholly-owned subsidiaries, whom we refer to as KWE Manager, pursuant to an investment management agreement whereby we are entitled to receive certain management

and performance fees.

Commingled funds

We have five closed end funds that we manage and from which we receive investment management fees. Most recently, we completed fund-raising for our fifth value-add fund, Kennedy Wilson Fund V, a \$500 million private fund targeting the Western U.S. We are the largest investor in the fund with a 12% interest. As of December 31, 2016, Fund V had a portfolio of 15 investments with an aggregate purchase price of \$788.9 million, with \$175.0 million of undrawn commitments.

5

Table of Contents

Separate accounts

We have a few strategic 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 performance fees.

Property Services

Our property services division manages commercial real estate for third-party clients, fund investors, and investments held by Kennedy Wilson. In addition to earning property management fees, consulting fees, leasing commissions, construction management fees, disposition fees, and accounting fees, the property services division gives us insight into local markets and potential acquisitions. Leveraging over 39 years of real estate experience, we approach property management from the perspective of an owner and are active in identifying and implementing value creation strategies. The division has a proven track record of success in managing stabilized as well as value-add investments.

Research

Meyers Research ("Meyers"), a Kennedy Wilson company, is a premier consulting practice and provider of data for residential real estate development and new home construction industry. Meyers' offers a national perspective as well as local expertise to homebuilders, multifamily developers, lenders and financial institutions. These relationships have led to investment opportunities with homebuilders in the Western U.S. region. We believe Zonda™, a Meyers innovation launched in October 2013, is the housing industry's most comprehensive solution for smart business analysis, real-time market data reporting and economic and housing data in one place and on-the-go.

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

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.

Kennedy Wilson Europe Real Estate Plc (LSE: KWE)

KWE closed its initial public offering in February 2014 and a follow-on offering in October 2014, raising an aggregate of approximately \$2.2 billion in gross proceeds. KWE, whose ordinary shares are listed on the London Stock Exchange's main market and who is a member of the FTSE 250 Index, acquires real estate and real estate-related assets in Europe. As of December 31, 2016, KWE had 223 real estate assets with approximately 11.6 million square feet and totaling \$3.6 billion in portfolio value (primarily located in the U.K. and Ireland), which KWE currently expects to produce over \$200 million of annualized net operating income (net rental income for property portfolios, EBITDA for hotels and interest income for loan portfolios). As of December 31, 2016, Kennedy Wilson owned approximately 29.8 million ordinary shares of KWE or approximately 23.6% of the total issued share capital of KWE. KWE is externally managed by one of our wholly-owned subsidiaries whom we refer to as KWE Manager pursuant to an investment management agreement whereby we are entitled to receive certain management and performance fees. KWE Manager is entitled to an annual management fee (payable quarterly in arrears) equal to 1% of KWE's adjusted net asset value (reported by KWE to be \$1.9 billion at December 31, 2016) and certain performance fees. The management fee payable to KWE Manager is paid half in cash and half in shares of KWE. During the year ended December 31, 2016, KWH earned \$22.2 million in management fees.

We are also entitled to receive an annual performance fee equal to 20% of the lesser of (i) the excess of the shareholder return for the relevant year (defined as the change in KWE's adjusted net asset value per ordinary share plus dividends paid) over a 10% annual return hurdle, and (ii) the excess of year-end adjusted net asset value per ordinary share over a "high water mark." The performance fee is payable in shares of KWE that vest equally over a three-year period. The Company has not accrued an annual performance fee for the year ended December 31, 2016.

During the first quarter of 2016, \$41.2 million of performance fees relating to 2015 were paid to Kennedy Wilson in shares of KWE.

The compensation committee of our board of directors approved and reserved up to thirty percent (30%) of any performance fees earned by us to be allocated to certain employees. As of December 31, 2016, awards representing approximately twenty-five percent (25%) of the performance fees have been allocated to certain employees through individual award letters. The

6

Table of Contents

award letters provide that the employee's right to receive the RSUs is subject to the employee's continued employment with us through the applicable grant date, and that upon a termination of the employee's employment for any reason, the employee will have no right to receive further RSU awards. Each award letter, and the employee's right to receive future RSU awards, may be amended or terminated at any time by us in our discretion without the employee's consent or approval, and we may, in our discretion, reduce or otherwise modify the employee's award percentage (including a reduction to 0%) at any time. We granted 30% of the performance fees that we received for our management of KWE in 2015 as equity-based compensation to certain of our employees in the form of restricted stock units that vest over a three-year period. Until and unless the restricted stock units vest, we will continue to own the underlying KWE shares. As mentioned above, we have agreed, pursuant to individual award letters, to allocate 25% of any future performance fees similarly to such employees, subject to certain conditions but the compensation committee may grant the remaining 5% to our employees in the future.

Due to the terms of the investment management agreement and Kennedy Wilson's equity ownership interest in KWE, pursuant to the guidance set forth in FASB Accounting Standards Codification Subtopic 810 - Consolidation ("Subtopic 810"), the results and financial position of KWE are consolidated in our financial statements. As such, fees earned by KWE Manager are eliminated in the attached consolidated financial statements. Pursuant to the investment management agreement, subject to certain exceptions, KWE will be provided priority access to all real estate or real estate loan opportunities sourced by us in Europe that are within the parameters of KWE's investment policy. Compensation and certain general and administrative expenses relating to KWE is borne by Kennedy Wilson as employees of the Company work on behalf of KWE Manager.

The following condensed financial statements show KWE's financial position and results of operations in the context of the Company's consolidated financial statements as a whole:

(Dollars in millions)	As of December 31, 2016 (unaudited)			Total KWH
	KWE	Non-KWE ⁽¹⁾⁽⁴⁾	Elimination	
Cash ⁽²⁾	\$563.7	\$ 322.0	\$ —	\$885.7
Accounts receivable	25.3	46.0	—	71.3
Loan purchases and originations	75.3	12.4	—	87.7
Real estate and acquired in place lease values, net of accumulated depreciation and amortization ⁽³⁾	2,959.5	2,854.7	—	5,814.2
Investment in marketable securities	—	404.4	(404.4)	—
Unconsolidated investments	—	560.1	—	560.1
Other assets	191.6	48.5	—	240.1
Total assets	\$3,815.4	\$ 4,248.1	\$ (404.4)	\$7,659.1
Accounts payable	\$4.4	\$ 6.8	\$ —	\$11.2
Accrued expenses and other liabilities	236.1	176.0	—	412.1
Investment debt	2,069.6	1,886.5	—	3,956.1
Senior notes payable	—	936.6	—	936.6
Total liabilities	\$2,310.1	\$ 3,005.9	\$ —	\$5,316.0
Kennedy-Wilson Holdings Inc. shareholders' equity	\$450.0	\$ 1,231.4	\$ (450.0)	\$1,231.4
Accumulated other comprehensive income	(45.6)	(183.4)	) 45.6	(183.4)
Noncontrolling interests	1,100.9	194.2	—	1,295.1
Total equity	\$1,505.3	\$ 1,242.2	\$ (404.4)	\$2,343.1
Total liabilities and equity	\$3,815.4	\$ 4,248.1	\$ (404.4)	\$7,659.1

⁽¹⁾ Consists of investments that are consolidated in our financial statements and investments that are held through joint ventures.

⁽²⁾ Includes cash and cash equivalents and cash held by consolidated investments

⁽³⁾ Includes \$179.5 million and \$194.8 million of accumulated depreciation and amortization for KWE and Non-KWE, respectively.

⁽⁴⁾ Includes \$834.4 million of total assets and \$269.1 million of equity in European investments we made prior to KWE's formation.

Table of Contents

(Dollars in millions)	Year Ended December 31, 2016			
	KWE	Non-KWE	Fee Elimination ⁽¹⁾	Total KWH
Revenue				
Rental	\$257.1	\$ 228.8	\$ —	\$485.9
Hotel	26.2	90.0	—	116.2
Sale of real estate	12.6	16.7	—	29.3
Investment management, property services and research fees	—	81.6	(22.2	) 59.4
Dividend income	—	18.2	(18.2) —
Loan purchases, loan originations and other	11.4	1.2	—	12.6
Total revenue	307.3	436.5	(40.4	) 703.4
Operating expenses				
Commission and marketing	—	8.0	—	8.0
Rental operating	53.3	82.1	—	135.4
Hotel operating	24.3	72.0	—	96.3
Cost of real estate sold	9.0	13.1	—	22.1
Compensation and related	0.9	185.6	—	186.5
General and administrative	11.0	34.4	—	45.4
Depreciation and amortization	109.3	88.9	—	198.2
Total operating expenses	207.8	484.1	—	691.9
Income from unconsolidated investments	—	126.6	—	126.6
Operating income	99.5	79.0	(40.4	) 138.1
Non-operating income (expense)				
Gain on sale of real estate	86.5	44.2	—	130.7
Acquisition-related gains	—	16.2	—	16.2
Acquisition-related expenses	(6.6	) (2.9	) —	(9.5)
Interest expense-investment	(77.2	) (60.2	) —	(137.4)
Interest expense-corporate	—	(54.2	) —	(54.2)
Management fee	(22.2	) —	22.2	—
Other income	1.1	5.5	—	6.6
Income (loss) before provision for income taxes	81.1	27.6	(18.2	) 90.5
Provision for income taxes	(5.0	) (9.0	) —	(14.0)
Net income (loss)	\$76.1	\$ 18.6	\$ (18.2	) \$76.5

⁽¹⁾Only relates to fee elimination associated with the Company's investment in KWE. The Company has additional fees eliminated in consolidation associated with other equity partners.

Legacy European Investments

Prior to KWE's formation and for investments that do not meet KWE's investment guidelines, the Company directly invested in 17 properties and a servicing platform in Spain that have total assets of \$834.4 million included in the Company's consolidated balance sheet and \$269.1 million of equity as of December 31, 2016. As of December 31, 2016, the Company's weighted average ownership in these investments was 63%.

Value Creation

Kennedy Wilson's 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 return on capital.

- Actively manage assets and finance them conservatively 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:

8

Table of Contents

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, such as distressed real estate owners or lenders seeking liquidity, 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, based on the performance of the assets.

In many instances, 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.

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. 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 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 property 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 Executive Committee has more than 125 years of combined real estate experience and has been working and investing together on average for over 15 years. Members of the Executive Committee have collectively acquired, developed and managed in excess of \$20 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 services business in order to source off-market deals. In addition, the Executive Committee 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 500 employees in both KW Investments and IMRES, with 25 regional offices throughout the United States, the United Kingdom, Ireland, Spain, Jersey and Japan and manage and oversee approximately 6,000 operating associates. We have a hands-on approach to real estate investing and possess the local expertise in property 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.

Table of Contents

Management's alignment with shareholders: As of December 31, 2016 our directors and executive officers and their respective affiliates owned an aggregate of approximately 17% 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

United States

The real estate market had another strong year in 2016. Real estate prices remained supported by historically low interest rates, strong demand from foreign investors, and the wide availability of capital. The year ended with the election of the 45th U.S. president and the second increase in short term interest rates by the Federal Reserve in over a decade.

The outlook for 2017 contains uncertainty related to the new administration's policies and their effect on the global economy. Certain proposals, such as increased infrastructure spending and a reduction in corporate taxes, have the potential to increase GDP. While there is a higher expectation of further rate increases by the Federal Reserve in 2017, we believe the long-term fundamentals of the U.S. real estate market are still favorable due to an improving U.S. economy, record levels of institutional dry powder, and continued strong demand from foreign investors seeking U.S. investment opportunities.

United Kingdom

Market values and transaction volumes for UK properties as a whole fell during the year driven by the UK's referendum vote to leave the European Union. In addition to the referendum vote passing there was an increase in stamp duty transactions of 1% that made closing transactions more expensive. The increased uncertainty coupled with a weakening pound to the US dollar and the euro led to declines in UK based stocks especially those in the real estate sector.

Office and retail sectors were the most impacted by the UK referendum while industrial assets, well let prime areas and smaller lot sizes improved or held steady during the year. The industrial sector continues to benefit from increased leasing activity relating to structural shifts away from bricks and mortar retail to online shopping. The Central London office market continued to hold up despite initial uncertainty post the UK referendum vote. Leasing activity was in line with the 10-year average, although below 2015 peak numbers.

Ireland

Dublin remains on track to benefit from potential job relocations from companies seeking to realign their geographic footprint after the UK referendum. A number of UK based financial services firms have already announced that they have either settled on Dublin as their new EU base, or are seriously considering it. Office vacancies especially in prime Dublin areas have continued to decrease with rental rates increasing as a result. Due to increasing rental rates and low vacancies the Dublin suburban office market has seen increased interest which has helped drive higher rents in the sector as well. The Irish economy continues to outperform, with unemployment down which has led to increased consumer spending and new entrants as well as expansions within the retail sector

Multifamily properties have seen increasing rental rates as higher demand from strong employment has outpaced new supply coming online. As a result of the continued rental increases, the Irish Government imposed a 4% rental cap on 'rent pressure zones' for a period of three years starting in December 2016. This relates to areas where rents have increased 7% or more in four of the last six quarters and in the first instance impacts the Dublin market.

The Finance Bill 2016 introduced a new 20% withholding tax in relation to Irish Real Estate Funds ("IREFs") from January 1, 2017. The definition of an IREF would include our Qualifying Investor Alternative Investment Funds ("QIAIFs"). The withholding tax applies to distributions of profits from an IREF with the exception of gains on the sale of investment property held for at least five years. We anticipate that the market will digest these new rules over the course of the 2017 before being able to fully assess the impact. We remain long-term investors in Ireland and continue to have ambitions to grow the business in this market further.

Spain

Spain's economy continues to improve with 12 consecutive quarters of growth. After almost a year without a government, the newly formed Partido Popular minority government has been in place since November 2016. Political uncertainty has started to wane and Spain is set to achieve one of the faster growth rates in the Eurozone this year, according to the Bank of Spain.

10

Table of Contents

Investment volumes for 2016 have increased and have exceeded their 2007 peak. Yields remain at historic lows and for prime CBD offices and prime high street shops and are being pushed down further by continued levels of institutional demand.

Continued recovery in employment, low inflation and a record number of tourists have all positively contributed to this improvement have led to increased retail sales. This strong retail activity continues to fuel our retail portfolio. We are seeing positive signs that the high street retail occupational and investment market in central Madrid is picking up momentum. Against this backdrop, current rents continue to sit significantly below prior cycles, and we expect rental increases across the sector as a whole.

Italy

The Italian economy continues its steady, albeit moderate, growth. Following the outcome of the constitutional referendum and the resignation of the Prime Minister in December 2016, a caretaker government was formed with new elections likely in 2017, or 2018 at the latest. One of the new government's first acts was to approve up to €20 billion in capital to support the troubled banking sector which should help banks clean up their balance sheets.

Despite the political instability, the investment market continued to improve with total transaction volume increasing over the prior year. While the investment market continues to be dominated by international investors, domestic investors have become significantly more active, bringing additional liquidity to the market.

Investor focus continues to be on the office market, particularly Milan, where absorption of vacant space has increased over 10-year average helping generate increases in prime office rents. The Rome market is also improving with increased lease activity over the prior year with prime rents in the CBD and EUR submarkets increasing over the prior year. The ongoing improvement in both the occupational and investment markets should positively affect our Rome and Milan office assets, which account for a combined 60% of our Italian portfolio, by value.

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.

Foreign Currency

Approximately 36% 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 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. We typically hedge 50%-100% of book equity exposure against these foreign currencies.

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, operating income, net income and cash flows to be tied to transaction activity, which is not necessarily concentrated in any one quarter. In addition, our operating results can be affected by non-cash acquisition-related gains, which often can cause concentrated gain recognition in particular periods. While acquisition related gains can have a material result on our net income, because it arises from the remeasurement of asset value, it does not affect operating income or cash flow.

Employees

As of December 31, 2016, we have over 500 employees in 25 offices throughout the United States, the United Kingdom, Ireland, Spain, Jersey, Italy and Japan and manage and oversee approximately 6,000 operating associates. 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.

Table of Contents

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 (including KWE).

"KWE" refers to Kennedy Wilson Europe Real Estate plc, a London Stock Exchange-listed company that we externally manage through a wholly-owned subsidiary. In our capacity as external manager of KWE, we are entitled to receive certain (i) management fees equal to 1% of KWE's adjusted net asset value (EPRA NAV), half of which are paid in cash and the remainder of which is paid in KWE shares; and (ii) performance fees, all of which are paid in KWE shares. In accordance with U.S. GAAP, the financial position and results of KWE are consolidated in our financial statements. We own an approximately 23.6% equity interest in KWE as of December 31, 2016, and throughout this release and supplemental financial information, we refer to our pro-rata ownership stake (based on our 23.6% equity interest or weighted-average ownership interest during the period, as applicable) in investments made and held directly by KWE and its subsidiaries.

"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 attributable to Kennedy-Wilson Holdings Inc., shareholders adjusted for our share of: i) investment interest expense, ii) corporate interest expense, iii) depreciation and amortization, iv) income taxes, v) share-based compensation expense, and vi) preferred stock dividends and accretion of issuance costs. Please also see the reconciliation to GAAP in the Company's supplemental financial information included in this release and also available at www.kennedywilson.com. 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 them in getting a more accurate picture of our results from operations. However, Adjusted EBITDA is not recognized measurements 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 fees eliminated in consolidation and Kennedy Wilson’s share of fees in unconsolidated service businesses. 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

Table of Contents

these amounts eliminated in consolidation presents a more holistic measure of the scope of our investment management and real estate services business.

“Adjusted Net Asset Value” is calculated by KWE as net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment property business model such as the fair value of financial derivatives and deferred taxes on property valuation surpluses.

“Adjusted Net Income” represents net income attributable to Kennedy-Wilson Holdings Inc., shareholders adjusted for our share of depreciation and amortization, share-based compensation expense, and preferred stock dividends and accretion of issuance costs. Please also see the reconciliation to GAAP in the Company’s supplemental financial information included in this release and also available at www.kennedywilson.com.

“Cap rate” represents the net operating income of an investment for the year preceding its acquisition or disposition, as applicable, divided by the purchase or sale price, as applicable. Cap rates set forth in this presentation only includes data from income-producing properties. We calculate cap rates based on information that is supplied to us during the acquisition diligence process. This information is often not audited or reviewed by independent accountants and may be presented in a manner that is different from similar information included in our financial statements prepared in accordance with GAAP. In addition, cap rates represent historical performance and are not a guarantee of future NOI. Properties for which a cap rate is provided may not continue to perform at that cap rate.

"Consolidated investment account" refers to the sum of Kennedy Wilson’s equity in: cash held by consolidated investments, consolidated real estate and acquired in-place leases gross of accumulated depreciation and amortization, net hedge asset or liability, unconsolidated investments, consolidated loans, and net other assets.

"Equity multiple" is calculated by dividing the amount of total distributions received by KW from an investment (including any gains, return of equity invested by KW and promoted interests) by the amount of total contributions invested by KW in such investment. This metric does not take into account management fees, organizational fees, or other similar expenses, all of which in the aggregate may be substantial and lower the overall return to KW. Equity multiples represent historical performance and are not a guarantee of the future performance of investments.

"Equity partners" refers to non-wholly-owned subsidiaries that we consolidate in our financial statements under U.S. GAAP, including KWE, and third-party equity providers.

"Investment account” refers to the consolidated investment account presented after noncontrolling interest on invested assets gross of accumulated depreciation and amortization.

"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.

"KW Cap Rate” represents the Cap rate (as defined above) weighted by the Company’s ownership interest in the underlying investments. Cap rates set forth in this presentation only includes data from income-producing properties. We calculate cap rates based on information that is supplied to us during the acquisition diligence process. This information is often not audited or reviewed by independent accountants and may be presented in a manner that is different from similar information included in our financial statements prepared in accordance with GAAP. In addition, cap rates represent historical performance and are not a guarantee of future NOI. Properties for which a cap rate is provided may not continue to perform at that cap rate.

"Net operating income" or "NOI" is a non-GAAP measure representing the income produced by a property calculated by deducting operating expenses from operating revenues. Our management uses net operating income to assess and compare the performance of our properties and to estimate their fair value. Net operating income does not include the effects of depreciation or amortization or gains or losses from the sale of properties because the effects of those items do not necessarily represent the actual change in the value of our properties resulting from our value-add initiatives or

changing market conditions. Our management believes that net operating income reflects the core revenues and costs of operating our properties and is better suited to evaluate trends in occupancy and lease rates.

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

Table of Contents

"Pro-Rata" represents Kennedy Wilson's share calculated by using our proportionate economic ownership of each asset in our portfolio, including our 23.6% ownership in KWE as of December 31, 2016. Please also refer to the pro-rata financial data in our supplemental financial information.

"Property net operating income" is a non-GAAP measure calculated by deducting the Company's Pro-Rata share of rental and hotel operating expenses from the Company's Pro-Rata rental and hotel revenues.

"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.

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 real estate secured notes, 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, Spain, Italy and Japan 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 or 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. The previous recession and the downturn 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 purchase real estate investments and distressed notes;

fewer purchases and sales of properties by clients, resulting in a decrease in property management fees and brokerage commissions.

If the economic and market conditions that prevailed in 2008 and 2009 were to return, our business performance and profitability could deteriorate. If this were to occur, 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. 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.

Table of Contents

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

Disruptions in the credit markets may adversely affect our business of providing advisory services to owners, investors and occupiers of real estate in connection with the leasing, disposition and acquisition of property. If our clients are unable to procure credit on favorable terms, there may be fewer completed leasing transactions, dispositions and acquisitions of property. In addition, if purchasers of real estate are not able to procure favorable financing, resulting in the lack of disposition opportunities for our funds and projects, our services businesses will generate lower incentive fees and we may also experience losses of co-invested equity capital if the disruption causes a permanent decline in the value of investments made.

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. Continued 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. These events also may make it more difficult or costly for us to raise capital through the incurrence of additional secured or unsecured debt, which could materially and adversely affect us.

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, 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 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, Spain, Italy and Japan (including environmental regulation, changes in laws concerning foreign ownership of property, changes in tax rates, changes in zoning laws and laws requiring upgrades to accommodate disabled persons) 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.

We may be unsuccessful in renovating the properties we acquire, resulting in investment losses.

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. Such delays or cost overruns may arise from:

- shortages of materials or skilled labor;
- a change in the scope of the original project;

difficulty in obtaining necessary zoning, land-use, environmental, building, occupancy and other governmental permits and authorizations;
the discovery of structural or other latent defects in the property after we acquire the property; and
delays in obtaining tenants.

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, Ireland, Spain, Italy and Japan expose our business to risks inherent in conducting business in foreign markets.

As of December 31, 2016, approximately 57% of our revenues were sourced from our foreign operations in the United Kingdom, Ireland, Spain, Italy and Japan. Accordingly, our firm-wide results of operations depend significantly on our foreign operations. Conducting business abroad carries significant risks, including:

Table of Contents

restrictions and problems relating to the repatriation of profits;
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;
unexpected changes in regulatory requirements;
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 Irish Finance Bill 2016 introduced certain amendments to Irish tax law that could have an adverse effect on the profitability of our consolidated Irish real estate assets.

We, including through KWE, have invested in Irish real estate through a number of Irish entities that were previously not subject to Irish withholding tax on income or gains. The Irish Finance Bill 2016 (the “Finance Bill”) that was passed in late 2016, and came into effect on January 1, 2017, introduced certain amendments to the tax treatment of entities that hold Irish real estate assets. In particular, the Finance Bill introduced a new 20% withholding tax in relation to certain Irish entities, which would capture the vehicles that we invest through in Ireland. The withholding tax applies to distributions of profits from such entities with the exception of gains on the sale of investment property held for at least five years. Although the entire impact of the new legislation is currently not known, it will have an impact on some or all of our investments in Ireland, which may have an adverse effect on our financial performance and business prospects.

Our investment in, and relationship with, Kennedy Wilson Europe Real Estate Plc presents risks to our business.

As of December 31, 2016, the Company has invested \$489.3 million on a gross basis (including fees we have received in shares in lieu of cash) and owned approximately 23.6% of KWE's total issued share capital. We currently act as KWE's investment manager pursuant to an investment management agreement that provides for the payment to us of certain management and performance fees.

Subject to certain exceptions, the investment management agreement requires us to provide KWE with priority access to all real estate or real estate loan opportunities that we source in Europe and that are within the parameters of KWE's investment policy. Accordingly, we will be required to offer to KWE investment opportunities in Europe that we otherwise would have been able to pursue ourselves, and the management and performance fees, if any, we may earn with respect to these opportunities may be less than the profits we would have earned had we invested in these opportunities directly. There are exceptions to our requirement to offer European investment opportunities to KWE, and, if we believe an exception applies and we pursue the relevant opportunity ourselves, KWE may disagree.

Although we are entitled to receive management and performance fees pursuant to the management agreement, the fees we actually receive may not be significant. Moreover, if KWE's portfolio does not perform favorably, we may not receive any performance fees.

In addition, the management agreement may be terminated, including for reasons that are beyond our control, in which case we will receive no management or performance fees. Although we are entitled to a termination fee if we

are terminated as manager under certain circumstances, KWE may disagree that such a fee is owed or otherwise refuse to pay us a termination fee. In such an event, we may become involved in expensive legal proceedings and may never recover a termination fee.

The ongoing debt crisis in Europe could harm our business, financial condition and results of operations.

Since the establishment of our European operations in 2011, our business in Europe has become an increasingly important part of our business, and we expect to continue to grow our European presence over time. A number of European countries are continuing to experience recessionary conditions, and many European banks and investors have incurred substantial losses on real estate-related assets in recent years. Current macroeconomic conditions in Europe remain subject to significant uncertainty and could make the valuation of real estate-related assets difficult. Continued weakness or a worsening of those conditions could

Table of Contents

negatively impact the value of our existing investments and harm our ability to sell those investments and identify attractive investment opportunities in the future. These developments could harm our business, financial condition and results of operations.

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, including through KWE, whom we externally manage through a wholly owned subsidiary and whose financial position and results of operations are consolidated in our financial statements. As of December 31, 2016, approximately 36% of our consolidated investment account represented investments in European properties or assets.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for the governments of other European Union member states to consider withdrawal.

These developments, or the perception that any of them could occur, 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, and could reduce the performance fees we receive from KWE, which are based in part on the net asset value of KWE's portfolio. In addition, any negative impact on European financial markets could harm our, including KWE's, 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.

Our joint venture activities subject us to unique 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, real estate developments, and the purchase of loans secured by real estate. We plan to continue to acquire interests in additional limited and general partnerships, joint

ventures and other enterprises, which we collectively refer to as joint ventures, formed to own or develop real property or interests in real property or note pools. 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 these investments or that we can identify suitable joint venture partners and form new joint ventures in the future.

Table of Contents

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 unsecured or 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, if any, 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.

If we are unable to identify, acquire and integrate suitable 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 existing clients, expanding the breadth of our service offerings, seeking selective 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 and synergistic acquisition targets. The unavailability of suitable acquisition targets, or our inability to find them, may result in a decline in business, financial condition and results of operations.

Our business is highly dependent upon the economy and real estate market in California, which has the potential for natural disasters.

We have a high concentration of our business activities in California. Consequently, our business, results of operations and financial condition depend on general trends in California's economy and real estate market. California historically has been vulnerable to certain natural disaster risks, such as earthquakes, floods, wild fires and erosion-caused mudslides. The existence of adverse economic conditions or the occurrence of natural disasters in California could have a material adverse effect on our 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. Consequently, our business, results of operations and financial condition depend on and are affected by general trends in Hawaii's economy and real estate market. Hawaii's economy, although it has significantly recovered, experienced a significant downturn in the most recent recession. Real estate market declines may negatively affect our ability to sell property at a profit. In addition, Hawaii's economy largely depends on tourism, which is subject to fluctuation. Hawaii historically has also been vulnerable to certain natural disaster risks, such as tsunamis, hurricanes and earthquakes, which could cause damage to properties owned by us or property values to decline in general. Hawaii's remote and isolated location also may create additional operational costs and expenses, which could have a material adverse impact on our financial results. Our investment account balance for our Hawaiian investments is \$173.4 million

We may not be successful in competing with companies in the real estate services and investment industry, some of which may have substantially greater resources than we do.

Real estate investment and services businesses are highly competitive. 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, Spain, Italy and Japan, with respect to:

- selling commercial and residential properties on behalf of customers through brokerage and auction services;
- leasing and property management, including construction and engineering services;
- purchasing commercial and residential properties, as well as undeveloped land for our own account; and
- acquiring secured and unsecured loans.

Table of Contents

Our services operations must compete with a growing number of national firms seeking to expand market share. We may be unable to compete effectively, maintain current fee levels or arrangements, purchase investment properties profitably or avoid increased competition.

If we are unable to maintain or develop new client relationships, our service business and financial condition could be substantially impaired.

We are highly dependent on long-term client relationships and on revenues received for services with third-party owners and related parties. A considerable amount of our revenues are derived from fees related to our service business. The majority of our property management agreements are cancelable prior to their expiration by the client for any reason on as little as 30 to 60 days' notice. These agreements also may not be renewed when their respective terms expire. Our failure to maintain existing relationships or to develop and maintain new client relationships, or our loss of a substantial number of management agreements, could materially and adversely affect 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.

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. Our ability to direct and control how our properties are managed on a day-to-day basis may be limited because we will engage third parties to perform this function. 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 of which may be material and the 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.

A significant portion of our property management business involves facilitating the leasing of commercial space. In certain areas of operation, there may be inadequate commercial space to meet demand, and there is a potential for a decline in the number of overall lease and brokerage transactions. In areas where the supply of commercial space exceeds demand, we may not be able to renew leases or obtain new tenants for our owned and managed rental properties as leases expire. Moreover, the terms of new leases and renewals (including renovation costs or costs of concessions to tenants) may be less favorable than current leases. Our revenues may be adversely affected if we fail to promptly find tenants for substantial amounts of vacant space, if rental

Table of Contents

rates on new or renewal leases are significantly lower than expected, or if reserves for costs of re-leasing prove inadequate. We may be unable to continue to lease properties for our clients and for our own account in a profitable manner.

Our ability to lease properties also depends on:

- the attractiveness of the 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.

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

We may become subject to claims for construction defects or other similar actions in connection with the performance of our property management services.

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 subjected 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.

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 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

Table of Contents

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 commissioned 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.

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, California does not have state mandated rent control, but various municipalities within the state, 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, under current California law 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. 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.

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.

Table of Contents

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 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.

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 seller financing, the assumption of existing loans, government agencies and financial institutions. 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 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 ventures 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.

The loss of our CEO could have a material adverse effect on our operations.

Our continued success is dependent to a significant degree upon the efforts of our CEO, who is essential to our business. The departure of our CEO for whatever reason or the inability of our CEO to continue to serve in his present capacity could have a material adverse effect upon our business, financial condition and results of operations. Our CEO has built a highly regarded reputation in the real estate industry. Our CEO attracts business opportunities and assists both in negotiations with lenders and potential joint venture partners and in the representation of large and institutional clients. If we lost his services, our relationships with lenders, joint ventures and clients would diminish significantly. Furthermore, the departure of our CEO for whatever reason or the inability of our CEO to continue to serve as our Chairman and CEO would be an event of default under our unsecured revolving loan agreement.

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, the Euro and the Japanese Yen. Certain questions have arisen about the viability of the Euro, and there has been speculation that some countries within the Eurozone may elect, or may be forced, to revert to the currency they issued prior to the establishment of the Euro, which could significantly reduce the value of 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,

Table of Contents

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.

In addition, our foreign operations may subject us to foreign income or other taxes, including at tax rates that exceed those of the United States. Foreign tax laws may also subject any foreign earnings that we repatriate to dividend withholding tax requirements or other restrictions. We may be unable to repatriate non-U.S. earnings in a tax efficient manner, and future new or amended foreign tax and other laws may impose additional restrictions on our ability to repatriate our foreign earnings.

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 gain on overall performance. The timing of purchases and sales of our real estate investments, transactions with our equity partners to take control of real estate or taking control of underlying real estate previously securing loans 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 residential 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 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 material positive impact on our net income and Adjusted EBITDA in recent periods, and to the extent we do not recognize similar gains in future periods our net income and Adjusted EBITDA could be adversely affected. In addition, the timing and magnitude of brokerage commissions paid to us may vary widely from quarter to quarter depending on overall activity in the general real estate market and the nature of our brokerage assignments, among other things.

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 to continue 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

Table of Contents

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, 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 and our 7.75% senior notes due 2042) 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.

In addition, our unsecured revolving credit facility require us to maintain compliance with specified financial covenants, including maximum balance sheet leverage and fixed charge coverage ratios. As of December 31, 2016, we were in compliance with these 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 equity-method investments, which may result in us being obligated to make substantial payments.

We have provided recourse guarantees associated with loans secured by assets held in various joint venture partnerships. The maximum potential undiscounted amount of future payments that we could be required to make under these guarantees was approximately \$62.7 million at December 31, 2016. The guarantees expire through 2026, 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 have a number of equity partnerships that subject us to obligations under certain “non-recourse carve out” guarantees that may be triggered in the future.

Most of our real estate properties within our equity partnerships 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.

The deteriorating financial condition and/or results of operations of certain of our clients could adversely affect our business.

Table of Contents

We could be adversely affected by the actions and deteriorating financial condition and results of operations of certain of our clients. Losses or defaults by one or more of these clients could have a material adverse effect on our results of operations and financial condition. Any of our clients may experience a downturn in its business that may weaken its results of operations and financial condition. As a result, a client may fail to make payments when due, become insolvent or declare bankruptcy. Any client bankruptcy or insolvency, or the failure of any client to make payments when due, could result in material losses to our company. A client bankruptcy would delay or preclude full collection of amounts owed to us. Additionally, certain corporate services and property management client agreements require that we advance payroll and other vendor costs on behalf of clients. If such a client were to file bankruptcy or otherwise fail, we may not be able to obtain reimbursement for those costs or for the severance obligations we would incur as a result of the loss of the client.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2016, we had \$109.4 million and \$104.2 million of federal and California net operating loss carryforwards, respectively, as well as \$12.1 million of foreign tax credits, which generally can be used to offset future taxable income. However, under Sections 382 and 383 of the Internal Revenue Code (“the Code”) of 1986, as amended, if a corporation undergoes an “ownership change” (generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period), the corporation’s ability to use its pre-change net operating loss carryforwards and foreign tax credits to offset its post-change income may be limited. We have not performed a detailed analysis to determine whether an ownership change under Sections 382 of the Code has previously occurred. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards and foreign tax credits to offset U.S. federal taxable income may become subject to limitations, which could potentially result in increased future tax liability to us.

If we are unable to maintain and protect our intellectual property, or if third parties assert that we infringe their intellectual property rights, our business could suffer.

Our business depends, in part, on our ability to identify and protect proprietary information and other intellectual property such as our service marks, client lists and information and business methods. The laws of some countries in which we operate may offer only limited protection for our intellectual property rights. We rely on a combination of trade secrets, confidentiality policies, non-disclosure and other contractual arrangements and copyright and trademark laws to protect our intellectual property rights. However, we may not adequately protect these rights, and their disclosure to or use by third parties may harm our competitive position. Our inability to detect unauthorized use or take appropriate or timely steps to enforce our intellectual property rights may harm our business.

Also, third parties may claim that our business operations infringe on their intellectual property rights. These claims may harm our reputation, cost us money to defend, distract the attention of our management and prevent us from offering some services.

Confidential intellectual property is increasingly stored or carried on mobile devices, such as laptop computers, which increases the risk of inadvertent disclosure where the mobile devices are lost or stolen and the information has not been adequately safeguarded or encrypted. This also makes it easier for someone with access to our systems, or someone who gains unauthorized access, to steal information and use it to our disadvantage. Advances in technology, which permit increasingly large amounts of information to be stored on mobile devices or on third party “cloud” servers, may exacerbate these risks.

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, 2016 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.

Table of Contents

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, 2016 our directors and executive officers and their respective affiliates owned an aggregate of approximately 17% 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;
- 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:

- limited availability of market quotations for our common stock;
- 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

Table of Contents

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, 2016 (dollars in millions):

Consolidated Properties by Region

Commercial ⁽²⁾	Square Feet	Ending % Occupancy	Annualized Base Rent ⁽¹⁾	Average Effective Rent ⁽³⁾	KW/KWE Ownership % ⁽⁴⁾	# of Properties
Western U.S.	1,919,532	94 %	\$ 33.9	\$ 32.9	81 %	16
Europe ⁽⁵⁾	11,798,722	95 %	208.5	194.7	50%-100%	209
Total Commercial	13,718,254	95 %	\$ 242.4	\$ 227.6		225

Multifamily	Units	Ending % Leased	Annualized Base Rent ⁽¹⁾	Average Effective Rent ⁽³⁾	KW/KWE Ownership % ⁽⁴⁾	# of Properties
Western U.S.	9,191	95 %	\$ 149.2	\$ 149.2	99 %	25
Europe ⁽⁵⁾	1,772	89 %	35.1	35.1	50%-100%	10
Total Multifamily	10,963	94 %	\$ 184.3	\$ 184.3		35

⁽¹⁾ Represents annualized cash base rent (excludes tenant reimbursements and other revenue).

(2) Excludes properties that are under development or undergoing lease up, which includes 8 properties totaling 0.8 million square feet.

(3) Average effective rents represents annualized base rent net of rental concessions and abatements.

(4) For investments made and held directly by KWE, the KWE ownership percentage range is shown above. As of December 31, 2016, Kennedy Wilson owns

23.6% of KWE's total share capital.

(5) Includes investments made and held directly by KWE.

Consolidated Properties by Region

	Units	Acres	Lots	KW/KWE Ownership % (1)	# of Investments
Residential and Land					
Western U.S.	2	2,826	70	64 %	6
Europe ⁽²⁾	24	2	—	50%-100%	8
Total Residential and Land	26	2,828	70		14

Table of Contents

Consolidated Properties by Region

	Rooms	KW/KWE Ownership % ⁽¹⁾	# of Investments
Hotel			
Western U.S.	363	54 %	2
Europe ⁽²⁾	609	100 %	3
Total Hotel	972		5

⁽¹⁾ For investments made and held directly by KWE, the KWE ownership percentage range is shown above. As of December 31, 2016, Kennedy Wilson owns 23.6% of KWE's total share capital.

⁽²⁾ Includes investments made and held directly by KWE.

The following table sets forth a summary schedule of lease expirations for leases in place as of December 31, 2016, plus available space, in our consolidated commercial portfolio (including KWE) assuming non-exercise of renewal options and early termination rights (dollars in millions):

Year of Lease Expiration	Number of Leases Expiring	Rentable Square Feet	Annualized Base Rent	Expiring Annualized Base Rent as a Percent of Total
2017	194	1,366,507	\$ 19.7	11.00 %
2018	113	1,040,723	15.8	9.00 %
2019	95	1,520,291	28.3	16.00 %
2020	126	1,459,389	16.5	10.00 %
2021	92	702,250	19.1	11.00 %
2022	62	1,824,361	12.0	7.00 %
2023	40	523,513	7.3	4.00 %
2024	24	470,214	5.2	3.00 %
2025	35	436,630	9.7	6.00 %
2026	20	3,433,724	38.2	22.00 %
Thereafter	7	64,554	0.8	1.00 %
Total	808	12,842,156	\$ 172.6	100 %

Our corporate headquarters is located in Beverly Hills, California. We also have 24 other offices throughout the United States, including our disaster recovery office in Austin, Texas, one office in London, England, one office in Dublin, Ireland, one office in Madrid, Spain 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 United Kingdom, Ireland, Jersey, Spain and Japan offices are the main investment and asset management center for our respective British, Irish, Spanish and Japanese 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*
Austin, TX	Regional Office; Disaster Recovery Office	6,864	7/31/2017
London, England	Regional Office	4,712	3/3/2023
Dublin, Ireland	Regional Office	3,380	9/17/2017

*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

Table of Contents

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." The following table sets forth, for the calendar quarter indicated, the high and low sales prices per share of common stock as reported on the NYSE. The quotations listed below reflect inter dealer prices, without retail markup, markdown or commission and may not necessarily represent actual transactions.

	Common Stock	
	High	Low
Fiscal year 2016		
Quarter ended March 31, 2016	\$24.26	\$15.74
Quarter ended June 30, 2016	22.64	17.29
Quarter ended September 30, 2016	23.77	17.93
Quarter ended December 31, 2016	23.00	20.00
Fiscal year 2015		
Quarter ended March 31, 2015	28.33	24.59
Quarter ended June 30, 2015	26.98	23.82
Quarter ended September 30, 2015	26.41	21.88
Quarter ended December 31, 2015	26.44	21.96

Holders

As of February 27, 2017, we had approximately 162 holders of record of our common stock.

Dividends

We declared and paid quarterly dividends of \$0.14 per share and \$0.12 per share in 2016 and 2015, respectively. Cumulative dividends on our Series A and Series B Preferred Stock accrue at an annual rate of 6.00% and 6.452%, respectively, of the liquidation preference, subject to adjustment under certain circumstances. The Series A were mandatorily converted into 8,554,948 shares on May 19, 2015. On December 28, 2016, the Company issued an aggregate of 3,366,973 shares of Common Stock in settlement of the conversion of all outstanding shares of Series B Preferred Stock. As of December 31, 2016 there was no Preferred Stock outstanding. The Company paid \$0.7 million of dividends at conversion for dividends that would have been accrued up to the mandatory conversion date. The declaration and payment of any future dividends is at the sole discretion of our board of directors and will depend on, among other things, our operating results, overall financial condition, capital requirements and general business conditions.

Table of Contents

Amounts shown in millions

Aggregate dividends declared since inception	Preferred	Common	Total
2009	\$ 3.2	\$ —	\$3.2
2010	4.5	—	4.5
2011	8.7	5.7	14.4
2012	8.1	11.7	19.8
2013	8.1	21.8	29.9
2014	8.1	33.7	41.8
2015	3.6	53.3	56.9
2016	2.8	63.9	66.7
Total	\$ 47.1	\$ 190.1	\$237.2

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, 2010 through December 31, 2016, with the comparable cumulative return of companies comprising the S&P 500 Index and the S&P 500 Financials 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 S&P 500 Financials index for the five-year period ended December 31, 2016, 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.

Kennedy Wilson uses the S&P 500 Financials index, which is a subsector of the S&P 500 index and includes real estate companies and other diversified financial services companies as a comparable measure. 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.

Table of ContentsPurchases of Equity Securities by the Company and Affiliated Purchasers in the Fourth Quarter of 2016
Unregistered Sales of Equity Securities and Use of Proceeds

Months	Total Number of Shares Purchased	Average Price Paid per Share	Total	Maximum
			Number of Shares Purchased Publicly Announced Plan ⁽¹⁾	Amount that May Yet be Purchased Under the Plan ⁽¹⁾
January 1 - January 31, 2016	—	\$ —	—	\$ 100,000,000
February 1 - February 29, 2016	—	—	—	100,000,000
March 1 - March 31, 2016	240,000	20.74	240,000	95,007,587
April 1 - April 30, 2016	—	—	240,000	95,007,587
May 1 - May 31, 2016	676,073	20.22	916,073	81,315,671
June 1 - June 30, 2016	505,179	18.53	1,421,252	71,935,877
July 1 - July 31, 2016	32,585	17.99	1,453,837	71,348,194
August 1 - August 31, 2016	—	—	1,453,837	71,348,194
September 1 - September 30, 2016	—	—	1,453,837	71,348,194
October 1 - October 31, 2016	—	—	1,453,837	71,348,194
November 1 - November 30, 2016	545,768	22.24	1,999,605	59,189,449
December 1 - December 31, 2016	440,951	21.06	2,440,556	49,885,068
Total	2,440,556	\$ 20.49	2,440,556	\$ 49,885,068

⁽¹⁾ 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.

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, 2016 and 2015 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, 2016 and 2015, total payments for the employees' tax obligations to the taxing authorities were \$14.7 million (693,942 shares withheld) and \$11.4 million (435,415 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, 2016, 2015, 2014, 2013 and 2012. 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.

Table of Contents

(In millions, except per share amounts)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Statements of operations data and dividends:					
Revenue	\$703.4	\$603.7	\$398.6	\$123.1	\$66.9
Net income (loss) to Kennedy-Wilson Holdings Inc. common shareholders	2.8	71.1	13.8	(14.5)	(3.9)
Basic (loss) income per share	0.01	0.66	0.14	(0.21)	(0.07)
Dividends declared per share of common stock	0.56	0.48	0.36	0.28	0.20
Adjusted EBITDA ⁽¹⁾	349.9	371.2	317.8	159.1	97.4
Adjusted EBITDA annual (decrease) increase	(6)%	17 %	100 %	63 %	%
Adjusted Fees ⁽¹⁾	108.9	158.2	121.0	72.4	55.7
Adjusted Fees annual increase (decrease)	(31)%	31 %	67 %	30 %	%
	As of December 31,				
	2016	2015	2014	2013	2012
Balance sheet data:					
Cash and cash equivalents	\$885.7	\$731.6	\$937.7	\$178.2	\$120.9
Total assets	7,659.1	7,595.6	6,297.6	1,786.8	1,270.4
Investment debt	3,956.1	3,627.5	2,175.7	400.2	234.2
Unsecured corporate debt	936.6	688.8	813.1	438.6	438.4
Kennedy Wilson equity	1,048.0	1,133.8	901.1	768.3	509.7
Noncontrolling interests	1,295.1	1,731.3	2,142.8	50.6	9.1
Total equity	2,343.1	2,865.1	3,043.9	818.9	518.8
Common shares outstanding	115.7	114.5	96.1	82.6	63.8

⁽¹⁾ 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 and Adjusted fees and a reconciliation of these metrics to net income as reported under GAAP.

Due to our significant acquisition activity, the periods presented above may not be comparable. See Note 4 in our Notes to the Consolidated Financial Statements for discussion of the business combinations that occurred during the years ended December 31, 2016 and 2015.

The following table shows our investment account by region as of December 31, 2016, 2015, 2014, 2013 and 2012:

(in millions)	Year Ended December 31,									
	2016	%	2015	%	2014	%	2013	%	2012	%
Western U.S.	\$1,226.1	60 %	\$1,157.0	59 %	\$898.8	53 %	\$793.2	67 %	\$529.7	63 %
United Kingdom	266.1	13 %	379.4	20 %	252.7	15 %	135.7	11 %	120.4	15 %
Ireland	295.5	14 %	253.6	13 %	295.7	18 %	161.8	14 %	76.2	9 %
Japan	6.1	— %	10.3	1 %	84.9	5 %	96.3	8 %	111.3	13 %
Spain	29.7	1 %	9.9	1 %	—	— %	—	— %	—	— %
Italy	18.4	1 %	8.7	— %	—	— %	—	— %	—	— %
KW Share cash, marketable securities, and net hedge asset	240.8	11 %	123.4	6 %	152.2	9 %	—	— %	—	— %
Total	\$2,082.7	100 %	\$1,942.3	100 %	\$1,684.3	100 %	\$1,187.0	100 %	\$837.6	100 %

Investment Management and Real Estate Services Assets under Management (IMRES AUM)

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.

32

Table of Contents

The table below details the changes in the Company's IMRES AUM for the twelve months ended December 31, 2016:

(in millions)	December 31, 2015	Increases	Decreases	December 31, 2016
IMRES AUM ⁽¹⁾	\$18,050.7	\$2,071.4	\$(2,950.8)	\$17,171.3

⁽¹⁾ For IMRES AUM purposes amounts are based off of LSE:KWE share value. Investments made by KWE reflected in GAAP consolidated results are excluded from Investment - KWH section above.

IMRES AUM was approximately \$17 billion as of December 31, 2016 as compared to approximately \$18 billion at December 31, 2015. The increases are due to new acquisitions, KWE's additional bond issuance, and appreciation in the value of its investments. This is offset by decreases due to dispositions of commercial and multifamily assets, loan pool resolutions, the decrease in the share price of KWE, and foreign currency losses on assets in the Company's investments and services segments.

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.

Table of Contents

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 title "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 "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. "KWE" refers to Kennedy Wilson Europe Real Estate plc, a London Stock Exchange listed company that we externally manage through a wholly-owned subsidiary. "Equity partners" refers to the subsidiaries that we consolidate in our financial statements under U.S. GAAP (other than wholly-owned subsidiaries), including KWE, and third-party equity providers. "KW Group" refers to the Company and its subsidiaries that are consolidated in its financial statements under U.S. GAAP (including KWE). 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 currently focus on multifamily, office, retail and hotels located in the Western U.S., UK, Ireland and to a lesser extent Spain, Italy and Japan. 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 39 million square feet of property globally, including 25,943 multifamily rental units. In addition to our core income producing real estate, we engage in redevelopment and value add initiatives through which we enhance cashflows or reposition asset to increase disposal value. Additionally, our investment management and property services business manages approximately \$17 billion of IMRES AUM the majority of which we have an ownership stake in and the balance we manage for third parties.

We have over 500 employees in 25 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain, Italy and Japan and manage and work with approximately 6,000 operating associates.

Our operations are defined by two core business segments, KW Investments and KW Investment Management and Real Estate Services (IMRES), which work closely together to identify attractive investment markets and opportunities around the world:

KW Investments

We invest our capital in real estate assets and loans secured by real estate either on our own or with strategic partners through publicly traded companies, joint ventures, separate accounts, or funds. When we have partners, we are typically the general partner in the arrangement with a promoted interest in the profits of our investments beyond our ownership percentage. The Company has an average ownership interest across all investments of approximately 42% as of December 31, 2016. Our equity partners include public shareholders, financial institutions, foundations, endowments, high net worth individuals and other institutional investors.

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

Multifamily

We pursue multifamily acquisition opportunities where we believe 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. Through our Vintage Housing Holdings ("VHH") partnership, we also utilize low-income housing tax credit structures for income and age restricted properties. As of December 31, 2016, we hold investments in 25,943 multifamily apartment units across 141 properties primarily located in the Western United States, Ireland, United Kingdom and Japan.

Commercial

We source, acquire, and finance various types of commercial real estate which includes office, industrial, retail, and mixed-use assets. After acquisition, the properties are generally repositioned to enhance market value. Assets are either sold as part of property-specific investment strategies designed to deliver above-market returns to our clients and shareholders or held if producing above average cash flows. As of December 31, 2016, we hold investments in 258

34

Table of Contents

commercial properties, totaling over 18.1 million square feet, located throughout the United States, United Kingdom, Ireland, Spain, Italy and Japan.

Loan Originations/Discounted Loan Purchases

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 discounted loan pool portfolio as of December 31, 2016 had current unpaid principal balance ("UPB") of \$217.3 million.

Our loan investment 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. 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.

Hotel

We acquire hotels in certain opportunistic situations in which we are able to purchase at a significant discount to replacement cost or can implement our value-add investment approach.

Residential 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 that we assign little or no basis and for which we may pursue entitlement activities or, in some cases, development or re-development opportunities.

Cash, marketable securities, and net hedge asset

This group includes our share of consolidated property level cash, marketable securities, and hedges on the Company's investments and our share of hedges held by KWE on its euro denominated investments.

While our core investments have been in the specific markets and locations listed above, we will evaluate opportunities to earn above market returns across many other segments and geographic locations.

KW Investment Management and Real Estate Services (IMRES)

IMRES includes our investment management platform along with our property services, research, brokerage and auction and conventional sales divisions. These businesses generate revenue for us through fees and commissions.

We manage approximately 59 million square feet of properties for the Company and its investment partners (including KWE) in the United States, Europe, and Asia, which includes assets we have ownership interests in and third party owned assets. With 25 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain, Italy and Japan, 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 businesses 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 division, provides acquisition, asset management and disposition services to our equity partners as well as to third parties. Currently, we have five closed end funds for which we serve as general partner and manager and separate accounts with strategic partners. In addition, we serve as the manager of KWE and are entitled to receive management fees (50% of which are paid in KWE shares) equal to 1% of KWE's adjusted net asset value (reported by KWE to be \$1.9 billion at December 31, 2016) and certain performance fees. Under US GAAP, we are required to consolidate the results of KWE and as such fees earned from KWE are eliminated in consolidation.

Property Services

Our property services division manages commercial real estate for third-party clients, fund investors, and investments held by Kennedy Wilson. In addition to earning property management fees, consulting fees, leasing commissions,

construction management fees, disposition fees, and accounting fees, the property services division gives Kennedy Wilson insight into local markets and potential acquisitions. Leveraging over 39 years of real estate experience,

Table of Contents

we approach property management from the perspective of an owner and are active in identifying and implementing value creation strategies. The division has a proven track record of success in managing stabilized as well as value-add investments.

Research

Meyers, a Kennedy Wilson company, is a premier consulting practice and provider of data for residential real estate development and new home construction industry. Meyers' offers a national perspective as well as local expertise to homebuilders, multifamily developers, lenders and financial institutions. These relationships have led to investment opportunities with homebuilders in the Western U.S. region. We believe Zonda™, a Meyers innovation launched in October 2013, is the housing industry's most comprehensive solution for smart business analysis, real-time market data reporting and economic and housing data in one place and on-the-go.

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

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.

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.

Revenues

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

Hotel income - 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 generally accepted accounting principles. This typically includes the sale of condominium units or undeveloped land.

Investment Management, Property Services and Research Fees - Investment management, property services, and research fees are primarily comprised of base asset management fees, performance based 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. Fees earned from consolidated investments, for example KWE, 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 operating expenses - rental operating expenses consists of the operating expenses of our consolidated real estate investments, including items such as property taxes, insurance, maintenance and repairs, utilities, supplies, salaries and management fees.

Hotel operating expenses - hotel operating expenses consists of operating 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 expenses - 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 expenses - 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 KW Group'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.

Table of Contents

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.

Non-Operating Income (Expense)

Income from unconsolidated investments - Income from unconsolidated investments consists of (a) the Company's share of income or loss earned on investments in which the Company can exercise significant influence but does not have control, and (b) interest income from unconsolidated loan pool participations. Additionally, interest income from loan pool participations are recognized on a level yield basis, where a level yield model is utilized to determine a yield rate which, based upon projected future cash flows, accretes interest income over the estimated holding period. See the unconsolidated investments footnote of the attached notes to the consolidated financial statements for summarized financial data, including balance sheet and income statement information of the underlying investments.

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 KW Group 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.

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 (primarily within KWE).

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.

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

Interest expense - corporate debt - Interest expense - corporate debt represents interest costs associated with our senior notes payable, junior subordinated debentures and line of credit facility. This debt is unsecured and we typically use the funds generated from corporate borrowings to fund new investments.

Interest expense - investment - Interest expense -investment represents interest costs associated with mortgages on our consolidated real estate and unsecured debt held by KWE. The mortgages are typically secured by the underlying real estate collateral.

Other Income - Other income 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 other non-operating interest income.

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 participate in multifamily, office and residential property acquisitions as well as originate loans and purchases loan pools. 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 KW Group's foreign subsidiaries from their functional currency into the Company's reporting currency. These amounts are offset by KW Group'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

As of December 31, 2016, approximately 36% 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 exchange 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. We typically hedge 50%-100% of book equity exposure against these foreign currencies. Please see Qualitative and Quantitative Disclosures About Market Risk - Currency Risk - Foreign Currencies for a detailed discussion with respect to foreign currency.

Table of Contents

Results of Operations

4Q & Full Year Highlights

Growth in Recurring NOI: Kennedy Wilson's share of 4Q Property NOI grew by \$6 million or 10% to \$61 million from 4Q-2015. For the year, Kennedy Wilson's share of Property NOI grew by \$35 million or 17% to \$241 million.

•Continued Strong Same Property Performance: The 4Q and FY change in same property multifamily and commercial real estate are as follows:

	4Q - 2016 vs 4Q - 2015			FY - 2016 vs FY - 2015		
	Occupancy	Revenue	NOI	Occupancy	Revenue	NOI
Multifamily	(1.0)%	8.6%	10.3%	(0.4)%	9.8%	12.1%
Commercial	1.7%	5.5%	5.7%	1.5%	5.0%	5.6%

Dividend Declaration: Kennedy Wilson announced a 21% increase in the common dividend per share to \$0.17 per quarter or \$0.68 on an annualized basis. The dividend is payable on April 6, 2017 to common shareholders of record as of March 31, 2017.

Continued Investment in Revenue Generating Capex: During 4Q-2016, the Company invested \$40 million into capex (including \$10 million related to Capital Dock, a prime waterfront 690,000 sq. ft. commercial and multifamily development in Dublin, Ireland) compared to \$30 million during 4Q-2015. For the year, the Company invested \$110 million into capex (vs. \$100 million in 2015).

Performance Fees & Gains: The Company's financial metrics were impacted by a decrease in the Company's pro-rata share of total performance fees and gains of \$8 million in 4Q and \$55 million for the year:

Performance Fees: The Company had a decrease in performance fees of \$32 million in 4Q and FY-2016, primarily resulting from no KWE performance fees during 2016.

Realized Gains: The Company had an increase in realized gains on sale of real estate of \$19 million in 4Q-2016 (vs. 4Q-2015) and \$36 million in FY-2016 (vs. FY-2015).

Acquisition-related and Fair Value Gains: The Company had an increase in acquisition-related and fair value gains of \$5 million in 4Q-2016 (vs 4Q-2015) and a decrease of \$59 million in FY-2016 (vs FY-2015).

Corporate Finance

Capital Return Program: During 2016, Kennedy Wilson returned a record \$111 million, or approximately \$1.02 per common share outstanding, to common shareholders through a combination of stock repurchases (\$50 million in 2016) and common dividends (\$61 million in 2016).

Preferred Stock Conversion: The Company issued an aggregate of 3,366,973 shares of Common Stock upon the early conversion of all outstanding shares of its 6.45% Series B mandatory convertible preferred stock owned by entities affiliated with Fairfax Financial Holdings Limited. The Company has no further remaining preferred stock outstanding.

Table of Contents

Investments Business

Investment Transactions: The Company, together with its equity partners (including KWE), completed the following:

(\$ in millions)	Gross Aggregate Purchase/Sale Price	Kennedy Wilson's Share		Total	NOI	KW Cap Rate ⁽¹⁾
		Income Producing	Non-income Producing			
4Q - 2016						
Acquisitions ⁽²⁾	\$341.3	\$160.1	\$2.1	\$162.2	\$7.8	4.9%
Dispositions ⁽³⁾	508.2	189.2	68.4	257.6	10.3	5.2%
Total Transactions	\$849.5			\$419.8		

FY - 2016

Acquisitions ⁽²⁾	\$1,392.8	\$579.4	\$41.3	\$620.7	\$31.3	5.4%
Dispositions ⁽³⁾	1,694.9	412.9	118.8	531.7	21.0	5.1%
Total Transactions	\$3,087.7			\$1,152.4		

⁽¹⁾ KW Cap rate includes only stabilized income-producing properties. Please see "common definitions" for a definition of cap rate.

⁽²⁾ The three months ended and year ended December 31, 2016 includes \$14.5 million and \$264.5 million of acquisitions by KWE, respectively.

⁽³⁾ The three months ended and year ended December 31, 2016 includes \$185.0 million and \$514.2 million of dispositions by KWE, respectively.

KWE: Kennedy Wilson's ownership in KWE grew to 23.6% as of December 31, 2016, compared to 21.8% as of September 30, 2016 and 18.2% as of December 31, 2015. Kennedy Wilson received cash dividends of \$18 million during 2016, an increase of 50% from 2015.

Investment Management and Real Estate Services Business

This segment earns fees primarily from its investment management business along with its real estate services activities. Adjusted Fees and Adjusted EBITDA were impacted in 2016 by a reduction in performance fees and promoted interests of \$32 million in both 4Q and FY. For 4Q-2016, the Company's Investment Management and Real Estate Services segment reported the following results:

(\$ amounts in millions)	4Q		FY	
	2016	2015	2016	2015
GAAP Results				
Investment Management, Property Services, and Research Fees	\$12.7	\$22.3	\$59.4	\$69.3
Non-GAAP Results				
Adjusted Fees ⁽¹⁾⁽²⁾	\$22.6	\$64.2	\$108.9	\$158.2
Adjusted EBITDA	10.2	36.9	49.7	82.8

⁽¹⁾ Adjusted Fees earned from KWE were \$4.9 million and \$37.1 million for the three months ended December 31, 2016 and 2015, respectively, and \$22.2 million and \$67.0 million for the year ended December 31, 2016 and 2015, respectively. Adjusted Fees includes accrued performance fees related to KWE of \$0 for each of the three months and year ended December 31, 2016 and \$30.9 million and \$43.7 million for the three months and year ended December 31, 2015, respectively. Adjusted Fees excludes non-controlling interest.

⁽²⁾ Adjusted fees includes fees eliminated in consolidation of \$6.6 million and \$38.6 million for the three months ended December 31, 2016 and 2015, respectively, and \$36.9 million and \$75.0 million for the year ended December 31, 2016 and 2015, respectively.

Foreign Currency Fluctuations and Hedging

For 4Q-2016 and FY-2016, changes in foreign currency rates reduced consolidated revenue by 5% and 4%, respectively and Adjusted EBITDA by 2% for both periods compared to foreign currency rates as of December 31, 2015. During the quarter and year, the net decrease in Kennedy Wilson's shareholder's equity related to fluctuations in foreign currency and related hedges (in the GBP, EUR and JPY) was \$10.0 million and \$24.6 million, respectively.

Table of Contents

The following tables summarize KW Group's revenue, operating expenses, non-operating expenses, operating income (loss) and net income (loss) and calculate EBITDA and Adjusted EBITDA by segment for the year ended December 31, 2016, 2015, and 2014 and is intended to be helpful in understanding the year over year explanations following the tables:

(Dollars in millions)	Year Ended			
	December 31, 2016			
	Investment	IMRES	Corporate	Total
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	—	59.4	—	59.4
Loan purchases, loan originations, and other	12.6	—	—	12.6
Revenue	644.0	59.4	—	703.4
Operating expenses	(345.2)	(54.9)	(93.6)	(493.7)
Depreciation and amortization	(198.2)	—	—	(198.2)
Income from unconsolidated investments, net of depreciation and amortization	122.8	3.8	—	126.6
Operating income	223.4	8.3	(93.6)	138.1
Non-operating income (expense):				
Gain on sale of real estate	130.7	—	—	130.7
Acquisition - related gains	16.2	—	—	16.2
Acquisition - related expenses	(9.5)	—	—	(9.5)
Interest expense-investment	(137.4)	—	—	(137.4)
Interest expense - corporate	—	—	(54.2)	(54.2)
Other non-operating (expenses) income	(1.2)	—	7.8	6.6
Benefit from (provision for) income taxes	5.0	—	(19.0)	(14.0)
Total non-operating income (loss)	3.8	—	(65.4)	(61.6)
Net income (loss)	227.2	8.3	(159.0)	76.5
Add back (less):				
Interest expense-investment	137.4	—	—	137.4
Interest expense - corporate	—	—	54.2	54.2
Kennedy Wilson's share of interest expense included in unconsolidated investments	22.1	0.9	—	23.0
Depreciation and amortization	198.2	—	—	198.2
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	17.2	3.6	—	20.8
(Provision for) benefit from 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 ⁽²⁾	(239.3)	—	—	(239.3)
Adjusted EBITDA ⁽¹⁾	\$320.9	\$49.7	\$(20.7)	\$349.9

⁽¹⁾See "Non-GAAP Measures and Certain Definitions" for definitions and discussion of Adjusted EBITDA

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

Table of Contents

(Dollars in millions)	Year Ended			
	December 31, 2015			
	Investment	IMRES	Corporate	Total
Rental	\$404.8	\$—	\$—	\$404.8
Hotel	106.4	—	—	106.4
Sale of real estate	3.7	—	—	3.7
Investment management, property services and research fees	—	69.3	—	69.3
Loan purchases, loan originations, and other	19.5	—	—	19.5
Revenue	534.4	69.3	—	603.7
Operating expenses	(283.3)	(69.7)	(53.4)	(406.4)
Depreciation and amortization	(166.3)	—	—	(166.3)
Income from unconsolidated investments, net of depreciation and amortization	93.6	3.8	—	97.4
Operating income (loss)	178.4	3.4	(53.4)	128.4
Non-operating income (expense):				
Gain on sale of real estate	72.4	—	—	72.4
Acquisition - related gains	108.1	—	—	108.1
Acquisition - related expenses	(37.3)	—	—	(37.3)
Interest expense-investment	(108.8)	—	—	(108.8)
Interest expense - corporate	—	—	(46.9)	(46.9)
Loss on extinguishment of corporate debt	—	—	(1.0)	(1.0)
Other non-operating expenses	(2.5)	—	—	(2.5)
Provision for income taxes	(23.4)	—	(30.0)	(53.4)
Total non-operating income (loss)	8.5	—	(77.9)	(69.4)
Net income (loss)	186.9	3.4	(131.3)	59.0
Add back (less):				
Interest expense-investment	108.8	—	—	108.8
Interest expense - corporate	—	—	46.9	46.9
Early extinguishment of corporate debt	—	—	1.0	1.0
Kennedy Wilson's share of interest expense included in unconsolidated investments	27.0	1.1	—	28.1
Depreciation and amortization	166.3	—	—	166.3
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	25.2	2.9	—	28.1
Provision for income taxes	23.4	—	30.0	53.4
Fees eliminated in consolidation	(75.0)	75.0	—	—
Share-based compensation	—	—	30.8	30.8
EBITDA attributable to noncontrolling interests ⁽²⁾	(151.6)	0.4	—	(151.2)
Adjusted EBITDA ⁽¹⁾	\$311.0	\$82.8	\$(22.6)	\$371.2

⁽¹⁾See "Non-GAAP Measures and Certain Definitions" for definitions and discussion of Adjusted EBITDA

⁽²⁾\$166.9 million of depreciation, amortization, taxes and interest for the year ended December 31, 2015.

Table of Contents

(Dollars in millions)	Year Ended			
	December 31, 2014			
	Investment	IMRES	Corporate	Total
Rental	\$206.9	\$—	\$—	\$206.9
Hotel	63.3	—	—	63.3
Sale of real estate	28.4	—	—	28.4
Investment management, property services and research fees	—	82.6	—	82.6
Loan purchases, loan originations, and other	17.4	—	—	17.4
Revenue	316.0	82.6	—	398.6
Operating expenses	(201.7)	(61.1)	(35.8)	(298.6)
Depreciation and amortization	(104.5)	—	—	(104.5)
Income from unconsolidated investments, net of depreciation and amortization	48.3	5.9	—	54.2
Operating income (loss)	58.1	27.4	(35.8)	49.7
Non-operating income (expense):				
Gain on sale of real estate	—	—	—	—
Acquisition - related gains	218.1	—	—	218.1
Acquisition - related expenses	(19.7)	—	—	(19.7)
Interest expense-investment	(46.3)	—	—	(46.3)
Interest expense - corporate	—	—	(57.1)	(57.1)
Loss on extinguishment of corporate debt	—	—	(27.3)	(27.3)
Other non-operating expenses	5.1	—	—	5.1
Provision for income taxes	—	—	(32.4)	(32.4)
Total non-operating income (loss)	157.2	—	(116.8)	40.4
Net income (loss)	215.3	27.4	(152.6)	90.1
Add back (less):				
Interest expense-investment	46.3	—	—	46.3
Interest expense - corporate	—	—	57.1	57.1
Early extinguishment of corporate debt	—	—	27.3	27.3
Kennedy Wilson's share of interest expense included in unconsolidated investments	34.0	1.5	—	35.5
Depreciation and amortization	104.5	—	—	104.5
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	43.7	3.4	—	47.1
Provision for income taxes	—	—	32.4	32.4
Fees eliminated in consolidation	(21.6)	21.6	—	—
Share-based compensation	—	—	15.8	15.8
EBITDA attributable to noncontrolling interests ⁽²⁾	(143.7)	5.4	—	(138.3)
Adjusted EBITDA ⁽¹⁾	\$278.5	\$59.3	\$ (20.0)	\$317.8

⁽¹⁾See "Non-GAAP Measures and Certain Definitions" for definitions and discussion of Adjusted EBITDA

⁽²⁾ \$70.1 million of depreciation, amortization, taxes and interest for the year ended December 31, 2014.

Non-GAAP Measures

We use certain non-GAAP measures to analyze our business, including Adjusted EBITDA and Adjusted Fees. We use these metrics for evaluating the success of our company and believe that they enhance the understanding of our operating results. A reconciliation of net income to Adjusted EBITDA and Adjusted Fees is presented below:

Table of Contents

(Dollars in millions)	Years Ended December 31,				
	2016	2015	2014	2013	2012
Net income	\$76.5	\$59.0	\$90.1	\$13.9	\$6.7
Non-GAAP adjustments:					
Add back:					
Interest expense - investment	137.4	108.8	46.3	11.8	2.5
Interest expense - corporate	54.2	46.9	57.1	39.9	26.1
Early extinguishment of corporate debt	—	1.0	27.3	—	—
Kennedy Wilson's share of interest expense included in investment in unconsolidated investments	23.0	28.1	35.5	45.0	29.5
Depreciation and amortization	198.2	166.3	104.5	17.4	4.9
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	20.8	28.1	47.1	46.7	22.6
Provision for (benefit from) income taxes	14.0	53.4	32.4	2.9	(0.2)
Share-based compensation	65.1	30.8	15.8	7.5	8.1
EBITDA attributable to noncontrolling interests ⁽¹⁾	(239.3)	(151.2)	(138.3)	(26.0)	(2.8)
Adjusted EBITDA ⁽²⁾	\$349.9	\$371.2	\$317.8	\$159.1	\$97.4

^{(1) (2)} See "Non-GAAP Measures and Certain Definitions" for definitions and discussion of Adjusted EBITDA.

(dollars in millions)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Investment management, property services and research fees ⁽¹⁾	\$59.4	\$69.3	\$82.6	\$68.1	\$53.3
Non-GAAP adjustments:					
Add back:					
Fees eliminated in consolidation	36.9	75.0	21.6	4.3	2.4
Kennedy Wilson's share of fees in unconsolidated service businesses	12.6	13.9	16.8	—	—
Adjusted Fees	\$108.9	\$158.2	\$121.0	\$72.4	\$55.7

⁽¹⁾ Amounts previously presented as Management and leasing fees and commissions on prior period statement of operations. Amounts above represent total of fees and commissions from prior periods.

	Three Months Ended December 31,		
	2016	2015	2014
Investment management, property services and research fees	\$12.7	\$22.3	\$17.6
Non-GAAP adjustments:			
Add back:			
Fees eliminated in consolidation ⁽¹⁾	6.6	38.6	7.0
KW share of fees in unconsolidated service businesses ⁽²⁾	3.3	3.3	6.5
Adjusted Fees	\$22.6	\$64.2	\$31.1

⁽¹⁾ The three months ended December 31, 2016, 2015, and 2014 includes \$4.6 million, \$30.8 million and \$5.1 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 and equity partner investments.

⁽²⁾ Included in income from unconsolidated investments relating to the Company's investment in a servicing platform in Spain.

Table of Contents

	Three months ended December 31,		
	2016	2015	2014
Services			
Net income (loss)	\$2.5	\$(2.9)	\$—
Add back:			
Kennedy Wilson's share of interest expense included in unconsolidated investments	0.2	0.5	0.4
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	0.9	0.7	1.4
Operating expenses attributable to noncontrolling interests	—	—	2.7
Fees eliminated in consolidation	6.6	38.6	7.0
Adjusted EBITDA	\$10.2	\$36.9	\$11.5

KW Group Consolidated Financial Results: Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Adjusted EBITDA was \$349.9 million for the year ended December 31, 2016, a 6% decrease from \$371.2 million for 2015, due to lower non-cash acquisition-related gains in the current period as the Company took control of fewer properties as compared to the prior period as well as no performance fee being earned on KWE in the current period. This decrease was offset by higher realized gains on the sale of consolidated and unconsolidated investments in the current period. For same property multifamily units, total revenues increased 10%, net operating income increased 12% and occupancy remained at 94% from 2015. For same property commercial real estate, total revenues increased 5%, net operating income increased 6% and occupancy increased 2% to 96% from the same period in 2015.

A significant portion of the Company's investments are in foreign currencies. We generally hedge the majority of our investments in foreign currencies but we generally do not hedge current operations or future 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 applicable exchange rates for the prior period. Please refer to Currency Risk - Foreign Currencies section below for the Company's risks relating to foreign currency and its 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, 2016		
	Investments	IMRES	Total
Revenues	\$(28.8)(4)%	\$—%	\$(28.8)(4)%
Net Income	(2.1)(75)%	(1.653)%	(3.6)(128)%
Adjusted EBITDA	(5.3)(2)%	(1.4)%	(6.7)(2)%

Revenues

Investments Segment Revenues

Rental income was \$485.9 million for the year ended December 31, 2016 as compared to \$404.8 million for 2015. The \$81.1 million increase is primarily due to new acquisitions in 2016 and the latter half of 2015.

Hotel income was \$116.2 million for the year ended December 31, 2016 as compared to \$106.4 million for 2015. The \$9.8 million increase is primarily due to a \$8.1 million (25%) increase at Ritz Carlton, Lake Tahoe due to improved winter conditions in the first and fourth quarters of 2016, mainly through increases in average daily rates and occupancy as compared to the prior period and a \$4.7 million (12%) increase at the Shelbourne due to higher average daily rates. These have been offset by Fairmont St Andrews and Portmarnock, which are held by KWE, that have been undergoing renovation programs in 2016 and have had fewer rooms available than the prior period.

During the year ended December 31, 2016, we sold 24 condominium units, a vacant lot and a parcel of land generating \$29.3 million of proceeds as compared to one condominium unit sold in the prior period for proceeds of \$3.7 million.

Loan and other income was \$12.6 million for the year ended December 31, 2016 as compared to \$19.5 million for 2015. The decrease in income was mainly due to loans that were resolved or sold on notes held by KWE in the latter half of the prior period and during the beginning of the current year. As there was a lower note receivable balance over

the current period KW Group received less in interest income.
Investment Management and Services Segment Revenues

44

Table of Contents

Fees are earned on the following types of services provided:

- investment management, including acquisition, asset management and disposition services. Fees earned from consolidated investments, for example KWE, are eliminated in consolidation with the amount relating to our equity partners being recognized through income attributable to noncontrolling interests;
- property services, including management of commercial real estate for third-party clients, fund investors, and investments held by KW Group;
- research, including consulting practice and data and analytics for the residential real estate development and new home construction industry;
- 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 Adjusted Fees for the years ended December 31, 2016 and 2015:

(dollars in millions)	Year Ended	
	December 31,	
	2016	2015
Investment management, property services and research fees	\$59.4	\$69.3
Non-GAAP adjustments:		
Add back:		
Fees eliminated in consolidation ⁽¹⁾	36.9	75.0
Kennedy Wilson's share of fees in unconsolidated service businesses	12.6	13.9
Adjusted Fees ⁽²⁾	\$108.9	\$158.2

⁽¹⁾ The years ended December 31, 2016 and 2015 include \$23.1 million and \$57.7 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 and equity partner investments.

⁽²⁾ See Non-GAAP Measures and Certain Definitions for a definition and discussion of Adjusted Fees

Investment management and real estate services fees were \$59.4 million during the year ended December 31, 2016 as compared to \$69.3 million for 2015 mainly due to lower performance fees earned during 2016.

Fees earned from investments that were eliminated in consolidation totaled \$36.9 million compared to \$75.0 million for 2015. The decrease is primarily due to the Company not recognizing any performance fees on its external management of KWE in 2016 compared to \$43.7 million (\$36.1 million of which was allocated to noncontrolling interest holders) of such fees being earned in the prior period. In accordance with U.S. GAAP, these fees were excluded from total fees of \$59.4 million and \$69.3 million, respectively.

The table below shows Adjusted Fees from investment management and real estate related services for the year ended December 31, 2016 and 2015:

(dollars in millions)	Year Ended	
	December 31,	
Fee Description	2016	2015
Property Services and Research	\$47.7	\$48.5
Investment Management - Base	41.1	44.0
Investment Management - Performance	19.8	62.5
Investment Management - Acquisition / Disposition	0.3	3.2
Investment Management - Total	61.2	109.7
Total Adjusted Fees ⁽¹⁾	\$108.9	\$158.2

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

Investment management

45

Table of Contents

Investment management generated adjusted fees of \$61.2 million during the year ended December 31, 2016 as compared to \$109.7 million for 2015. The decrease is primarily attributable to \$43.7 million of accrued performance fee related to our management of KWE in 2015. No such accrual has been made through December 31, 2016. The prior period also had disposition fees associated with the sale of our Japanese multifamily portfolio with no comparable activity in 2016. Base management fees decreased in the current year due to the Company recognizing fees associated with a loan pool in the prior period that was fully resolved at December 31, 2015. However, this was partially offset during the year ended December 31, 2016 by performance fees earned on the sale of an Irish office building and a multifamily property in the Western U.S. and accrued performance fees relating to KW Fund V.

Real estate related services

Real estate related services fees decreased to \$47.7 million during the year ended December 31, 2016 as compared to \$48.5 million for 2015 due to lower fees earned on the Company's loan servicing platform in Spain.

Operating Expenses

Investments Segment Operating Expenses

Operating expenses for the year ended December 31, 2016 increased to \$543.4 million compared to \$449.6 million for 2015. The increase is primarily attributable to the following:

Rental operating expenses increased by \$27.4 million, hotel operating expenses increased by \$6.4 million and depreciation and amortization increased by \$31.9 million due to increased acquisitions.

Compensation and related expenses increased by \$5.2 million due to higher headcount.

Investment Management and Services Segment Operating Expenses

Operating expenses for the year ended December 31, 2016 were \$54.9 million as compared to \$69.7 million for 2015. The decrease is primarily attributable to lower adjusted fees and lower discretionary compensation driven by the lack of a performance fee earned on KWE in 2016.

Corporate Operating Expenses

Operating expenses for the year ended December 31, 2016 were approximately \$93.6 million as compared to \$53.4 million for 2015. Compensation and related expenses increased by \$39.8 million primarily due higher stock compensation and an increase in discretionary compensation. The increase in stock compensation in 2016 is mainly due to \$26.5 million or 60% of the expense of the restricted stock that was granted in 2012 under our Amended and Restated 2009 Equity Participation Plan being incurred during April 2016 to March 2017 due to the cliff vesting that is scheduled to occur in 2017. A portion of the increase was also attributed to the restricted stock that was granted during the fourth quarter of 2015 and during 2016.

Income from Unconsolidated Investments

Investments Segment Income from Unconsolidated Investments

During the year ended December 31, 2016, income from unconsolidated investments was \$122.8 million as compared to \$93.6 million for 2015. Five multifamily properties were sold in the Western U.S. which attributed to the increase in income as compared to the prior period. Upon sale, the Company recognized gains of \$59.0 million (excluding \$2.4 million of promoted interest recognized in investment management fees). In addition to sales discussed above the Company recognized \$24.3 million of fair value gains on its VHH portfolio due to resyndications and development fees. See footnote 5 in the Company's financial statements for further explanation. It also recognized \$6.1 million from operating distributions made by VHH during the year. The Company recognized a \$19.5 million fair value gain on its investment in the iconic Kona Village Resort ("Kona Village") in Kona, Hawaii, primarily relating to future insurance proceeds it obtained rights to after converting its loan on the project into real estate.

In 2015 the Company recognized \$34.9 million of fair value gains during the year relating to improved market conditions in VHH, entitlements achieved on development projects, commencing sales process on a condo project as well as improved property performance in investments held within fund investments carried at fair value. In addition to fair value gains, the Company has recognized \$7.3 million in equity income related to operating distributions from VHH during the year. The prior period income primarily related to the recognition of \$46.6 million in gains on the sale of four multifamily properties and an office building all in the Western United States.

Services Segment Income from Unconsolidated Investments

Services segment income from unconsolidated investments relates to the Company's acquired interest in a loan servicing platform in Spain with approximately €23.0 billion of assets under management. During the year ended December 31, 2016, income from unconsolidated investments was \$3.8 million compared to \$3.8 million in 2015.

Non-operating Items

Table of Contents

Gains on sale of real estate were \$130.7 million for the year ended December 31, 2016 compared to \$72.4 million in the prior period. The gain recognized during the year ended December 31, 2016 relates primarily to the sale of a commercial property in the United Kingdom, a commercial property in Ireland, an office building in North Hollywood, CA, the sale of an equity interest in Kona Village and sales by KWE of non-core assets out of its United Kingdom commercial properties and an office building in central district Dublin. During the prior period, KW Group sold the majority of its investment in its Japanese multifamily portfolio, which resulted in a gain of \$33.5 million before noncontrolling interest and KWE sold non-core assets out of its United Kingdom commercial properties during the year, which resulted in a gain of \$38.9 million before noncontrolling interest. These gains are presented net as a component of non-operating income (expense) as the properties were treated as businesses at acquisition.

Acquisition-related gains were \$16.2 million for the year ended December 31, 2016 as compared to \$108.1 million for 2015. The acquisition-related gains during the year ended December 31, 2016 were due to the Company acquiring additional equity interest in a retail center in the Western United States that was previously accounted for as an unconsolidated investment. The Company acquired additional equity interests and took control of Kona Village that was previously accounted for as an unconsolidated investment. Subsequently after taking control the Company sold a 50% interest to a strategic partner and accounted for Kona Village as an unconsolidated investment at year end. In 2015, the Company acquired additional equity interests in multifamily and commercial properties located in Western United States that were previously accounted for as unconsolidated investments. KW Group also converted two notes secured by three commercial buildings located in Dublin, Ireland and a note secured by a multifamily property in London into a direct 100% ownership interest in the property. As a result of acquiring control of the properties, the assets and liabilities were consolidated in KW Group's financial statements at fair value which resulted in an acquisition-related gains primarily by the remeasurement of the previously owned interest to current market values.

Acquisition-related expenses were \$9.5 million for the year ended December 31, 2016 compared to \$37.3 million during 2015. The acquisition related expenses primarily relate to professional fees and the payment of stamp duty taxes in the United Kingdom and Ireland. The decrease year over year is due to lower acquisition activity at KWE.

Interest expense associated with corporate debt was \$54.2 million for the year ended December 31, 2016 as compared to \$46.9 million for 2015. During the third quarter of 2016, KW Group issued an additional \$250.0 million of 5.875% senior unsecured notes due 2024 which resulted in the higher interest expense. In addition, our line of credit was utilized for a longer period as compared to 2015 which led to increased interest expense.

Interest expense associated with investment debt was \$137.4 million for the year ended December 31, 2016 as compared to \$108.8 million for 2015. The increase is due to the acquisitions and consolidations that occurred in the second half of 2015 and refinancings were the Company was able to increase its leverage on properties.

Other income was \$6.6 million for the year ended December 31, 2016 as compared to a loss of \$2.5 million for 2015. The increase is due to higher realized gains on foreign currency derivative investments that were not designated as net investment hedges.

Provision for income taxes was \$14.0 million in 2016 as compared to a provision for income taxes of \$53.4 million in 2015. The decrease is primarily due to lower U.S. pre-tax book income which is taxed at a higher statutory rate. We also released a valuation allowance as new evidence indicated that it is now more likely than not that certain net operating losses in the United Kingdom will be realized. During 2015, a significant tax expense was recorded due to taxable gain on the disposition of our Japanese multifamily portfolio. The Company had \$109.4 million and \$108.4 million of federal and state net operating losses as of December 31, 2016, respectively.

We had net income of \$70.9 million attributable to noncontrolling interests during the year ended December 31, 2016 compared to net loss of \$15.7 million attributable to noncontrolling interests during 2015. The increase during the current period is due to gains on sales of properties, lower acquisition related expenses and the lack of performance fee earned by Kennedy Wilson and paid by KWE on the Company's investment in KWE. Fees on KWE are eliminated in revenues and operating expenses but the Company recognizes the amount of the fee that is allocated

to noncontrolling interest holders through net income/loss attributable to noncontrolling interests.

Preferred dividends and accretion of preferred stock issue costs were \$2.8 million for the year ended December 31, 2016 as compared to \$3.6 million for 2015. The decrease in the current period is due to Series A shares being outstanding for one quarter last period. The Series B shares converted at the end of the current period, and as of December 31, 2016 the Company has no preferred stock outstanding.

Other Comprehensive Income

Table of Contents

The two major components that drive the change in other comprehensive loss are the change in foreign currency rates and the gains or loss of any associated foreign currency hedges. Please refer to the Currency Risk - Foreign Currencies section below for the Company's risks relating to foreign currency and its hedging strategy.

(Dollars in millions)	Year Ended	
	December 31, 2016	2015
Unrealized foreign currency translation loss, net of noncontrolling interests and tax	\$(32.5)	\$(46.3)
Amounts reclassified out of accumulated other comprehensive income during the period	3.4	9.7
Unrealized foreign currency derivative contract gains, net of noncontrolling interests and tax	5.5	17.0
Unrealized losses on marketable securities, net of noncontrolling interests and tax	0.1	0.1
Other comprehensive loss	\$(23.5)	\$(19.5)

In addition to the amounts above there was a loss of \$1.1 million and \$18.9 million for the year ended December 31, 2016 and 2015 that was recorded in the consolidated statement of operations relating to amounts that were reclassified out of other comprehensive income relating to properties that were sold and foreign currency derivative investments that were not designated as net investment hedges. The total impact to Kennedy Wilson's shareholders equity was a loss of \$24.6 million and \$38.4 million for the year ended December 31, 2016 and 2015.

The main currencies that the Company has exposure to are the euro, pound sterling and the yen. The table below represents the change in rates over the year ended December 31, 2016 and 2015 as compared to the U.S. Dollar:

	Year Ended	
	December 31, 2016	2015
Euro	(3.0)%	(10.0)%
GBP	(16.0)%	(5.0)%
Yen	— %	— %

Other comprehensive loss, net of taxes and noncontrolling interests, for the year ended December 31, 2016 and 2015 was \$23.5 million and \$19.5 million, respectively.

The unrealized foreign currency translation loss, net of taxes and non-controlling interests, was a loss of \$32.5 million and \$46.3 million for the year ended December 31, 2016 and 2015, respectively. The losses relating to unrealized foreign currency translation decreased during the current period as we incurred losses on the pound sterling and the Euro, primarily as a result of the Brexit vote.

The unrealized foreign currency derivative contract gain, net of taxes and non-controlling interests, was a gain of \$5.5 million and \$17.0 million for the year ended December 31, 2016 and 2015, respectively. The Company typically hedges 50%-100% of its net investments in certain non-U.S. operations through use of currency derivative contracts, such as foreign currency forward contracts and options. The gain in the current year primarily relates to the strengthening of the dollar against the GBP related the Company's stock investment in KWE which was offset by our share of the decreased value of derivative contracts at KWE (due to the strengthening of the euro against the British pound sterling) from hedges on its Euro denominated assets. The prior period gains relate to the strengthening of the U.S. Dollar in relation to all the foreign currencies the Company invests in.

Amounts reclassified out of accumulated other comprehensive income are for amounts that are moved out of other comprehensive income and recognized on the statement of operations. Although there is activity for the period the amounts reclassified are inception-to-date, and, accordingly, they are not indicative of current period movements. The reclassification for the current period relates to the resolution of European loan pools and the sale of office properties in Ireland and Japan during the year. The prior period included amounts relating to the sale of the Company's Japanese multifamily portfolio.

KW Group Consolidated Financial Results: Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Adjusted EBITDA was \$371.2 million, a 17% increase from \$317.8 million for 2014, due to gains on asset sales and strong same property performance and the additional net operating income from assets acquired subsequent to the prior period. For same property multifamily units, total revenues increased 8%, net operating income increased 11%

and occupancy remained at 95% compared to 2014. For same property commercial real estate, total revenues increased 2%, net operating income increased 3% and occupancy increased 3% to 90% compared to 2014.

A significant portion of the Company's investments are in foreign currencies. We generally hedge the majority of our investments in foreign currencies but we generally 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 applicable exchange rates for the prior period.

Table of Contents

Please refer to Currency Risk - Foreign Currencies section in Item 7A for the Company's risks relating to foreign currency and its 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, 2015			
	Investments	IMRES	Total	
Revenues	\$(10.7)(2)%	\$(0.1)— %	\$(10.8)(2)%	
Net Income	1.6 2 %	0.4 1 %	2.0 3 %	
Adjusted EBITDA	(2.0)(1)%	(2.0)(1)%	(4.0)(2)%	

Revenues

Investments Segment Revenues

Rental income was \$404.8 million for the year ended December 31, 2015 as compared to \$206.9 million for 2014. The \$197.9 million increase is primarily due to new acquisitions and consolidations in 2015 and the latter half of 2014. KW Group increased rental income 10% on 5,296 same-store multifamily units in its consolidated portfolio and 4% on 2.2 million same-store square feet on its consolidated commercial properties.

Hotel income was \$106.4 million for the year ended December 31, 2015 as compared to \$63.3 million for 2014. The \$43.1 million increase is primarily due to the acquisition of three hotels in Europe subsequent to the second quarter of 2014. In addition to a full years' worth of results in current period the hotels have benefited from higher average room rates due to asset management efforts and the hosting of the British Open adjacent to one of KW Group's hotels.

During the year ended December 31, 2015, we sold one condominium unit generating \$3.7 million of proceeds.

During the year ended December 31, 2014, we sold ten units for proceeds of \$28.4 million.

Loan and other income was \$19.5 million for the year ended December 31, 2015 as compared to \$17.4 million for 2014. The increase in income was mainly due to the interest earned on notes KWE acquired in the second and third quarter of 2014.

Services Segment Revenues

Fees are earned on the following types of services provided:

- investment management, including acquisition, asset management and disposition services;
- property services, including management of commercial real estate for third-party clients, fund investors, and investments held by KW Group;
- research, including consulting practice and data and analytics for the residential real estate development and new home construction industry;
- 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 Adjusted Fees for the year December 31, 2015 and 2014:

	Year Ended	
	December 31,	December 31,
	2015	2014
Investment management, property services and research fees	\$69.3	\$82.6
Non-GAAP adjustments:		
Add back:		
Fees eliminated in consolidation ⁽¹⁾	75.0	21.6
Kennedy Wilson's share of fees in unconsolidated service businesses	13.9	16.8
Adjusted Fees ⁽²⁾	\$158.2	\$121.0

⁽¹⁾ The year ended December 31, 2015 and 2014 includes \$57.7 million and \$14.3 million of fees recognized in net (income) loss attributable to noncontrolling interests relating to portion of fees paid by noncontrolling interest holders in KWE and equity partner investments.

⁽²⁾ See Non-GAAP Measures and Certain Definitions for a definition and discussion of Adjusted Fees

49

Table of Contents

Investment management and real estate services fees were \$69.3 million during the year ended December 31, 2015 as compared to \$82.6 million for 2014.

Fees earned from investments that were eliminated in consolidation totaled \$75.0 million compared to \$21.6 million for 2014. The increase is primarily due to fees earned with respect to performance fees on Kennedy Wilson's external management of KWE. In accordance with U.S. GAAP, these fees were excluded from total fees of \$69.3 million and \$82.6 million, respectively.

The table below shows Adjusted Fees from investment management and real estate related services for the year ended December 31, 2015 and 2014:

Fee Description	Year Ended	
	December 31,	
	2015	2014
Property Services and Research	\$48.5	\$47.8
Investment Management - Base	44.0	32.6
Investment Management - Performance	62.5	39.7
Investment Management - Acquisition / Disposition	3.2	0.9
Investment Management - Total	109.7	73.2
Total Adjusted Fees ⁽¹⁾	\$158.2	\$121.0

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

Investment management

Investment management generated adjusted fees of \$61.2 million during the year ended December 31, 2015 as compared to \$109.7 million for 2014. The increase is primarily attributable to \$43.7 million of accrued performance fee related to our management of KWE in 2015. No such accrual was made during 2014. During the year ended December 31, 2014 the Company recognized fees associated with the sale of a portfolio of commercial properties located primarily in Dublin, Ireland.

Property Services and Research

Property services and research fees increased to \$48.5 million during the year ended December 31, 2015 as compared to \$47.8 million for 2014 due to increased brokerage service fees.

Operating Expenses

Investments Segment Operating Expenses

Operating expenses for the year ended December 31, 2015 increased to \$449.6 million compared to \$306.1 million for 2014. The increase is primarily attributable to the following:

Rental operating expenses increased by \$48.7 million, hotel operating expenses increased by \$32.8 million and depreciation and amortization increased by \$61.8 million due to acquisitions and consolidations during 2014 and the launch of KWE in February of 2014.

Compensation and related expenses increased by \$14.5 million due to higher headcount and an increase in the compensation accrual.

During the year ended December 31, 2015 we sold 1 condominium unit which resulted in \$2.6 million of sale-related costs. During the year ended December 31, 2014, we sold 10 condominium units which resulted in \$20.7 million of sale-related costs.

Services Segment Operating Expenses

Operating expenses for the year ended December 31, 2015 were approximately \$69.7 million as compared to \$61.1 million for 2014. The increase is attributable to the following:

The increase is primarily attributable to a \$9.8 million increase in compensation and related expenses which was mostly due to an increase in the compensation accrual during the year. This was offset by a decrease in legal costs in our European operation.

Corporate Operating Expenses

Operating expenses for the year ended December 31, 2015 were approximately \$53.4 million as compared to \$35.8 million for 2014. Compensation and related expenses increased by \$17.6 million primarily due to share-based compensation expense associated with additional grants and an increase in the compensation accrual.

Table of Contents

Income from Unconsolidated Investments

Investments Segment Income from Unconsolidated Investments

During the year ended December 31, 2015, income from unconsolidated investments (which includes both joint-venture investments and loan pool participations) was \$93.6 million as compared to \$48.3 million for 2014. The Company recognized \$46.6 million in gains on the sale of four multifamily properties and an office building all in the Western United States. The increase is also due to \$34.9 million of fair value gains during the year relating to improved market conditions in VHH, entitlements achieved on development projects, commencing sales process on a condo project as well as improved property performance in investments held within fund investments carried at fair value. In addition to fair value gains, the Company has recognized \$7.3 million in equity income related to operating distributions from VHH during the year.

Services Segment Income from Unconsolidated Investments

Services segment income from unconsolidated investments relates to the Company's acquired interest in a loan servicing platform in Spain with approximately €23.0 billion of assets under management. During the year ended December 31, 2015, income from unconsolidated investments was \$3.8 million compared to \$5.9 million in 2014. The decrease in income during the year ended December 31, 2015 related to higher overhead and operational costs.

Non-operating Items

Gains on sale of real estate were \$72.4 million for the year ended December 31, 2015 with no comparable activity in the prior period. KW Group sold the majority of its investment in its Japanese multifamily portfolio, which resulted in a gain of \$33.5 million before noncontrolling interest and KWE sold non-core assets out of its United Kingdom commercial properties during the year, which resulted in a gain of \$38.9 million before noncontrolling interest. These gains are presented net as a component of non-operating income (expense) as the properties were treated as businesses at acquisition.

Acquisition-related gains were \$108.1 million for the year ended December 31, 2015 as compared to \$218.1 million for 2014. The acquisition-related gains during the year ended December 31, 2015 were due to the Company acquiring additional equity interests in multifamily and commercial properties located in Western United States that were previously accounted for as unconsolidated investments. KW Group also converted two notes secured by three commercial buildings located in Dublin, Ireland and a note secured by a multifamily property in London into a direct 100% ownership interest in the property. As a result of acquiring control of the properties, the assets and liabilities were consolidated in KW Group's financial statements at fair value which resulted in an acquisition-related gains primarily by the remeasurement of the previously owned interest to current market values.

In 2014, the Company and one of its equity partners amended existing operating agreements, which the Company had an approximate 50% ownership, governing six separate joint ventures that hold real estate-related investments located in the U.K. and Ireland. The Company and one of its equity partners also amended an existing operating agreement governing 50 multifamily buildings in and around Tokyo, Japan comprising approximately 2,400 units. (as mentioned above, the Company subsequently sold the majority of its investment in this portfolio) The Company has an approximate 41% ownership interest in these investments. These joint ventures were previously accounted for by the Company on an equity method basis. As a result of gaining control, the Company was required to consolidate the assets and liabilities of these properties at fair value. As the fair value of our interests in these properties were in excess of the carrying value, we recorded acquisition-related gains of \$150.8 million of which \$63.1 million was allocated to noncontrolling interest partners.

In addition, in 2014, we foreclosed on a 133,000 square foot retail center and an adjacent 2.4-acre vacant lot in Van Nuys, California and converted a note secured by the landmark Shelbourne Hotel located in Dublin, Ireland into a direct 100% ownership interest in the property. As a result of taking title to the properties, the assets and liabilities were consolidated in KW Group's financial statements at fair value and an acquisition-related gain of \$3.7 million was recognized. KWE also acquired the subordinated notes on 20 commercial properties located throughout England and Scotland during the prior period and used its position as a debt holder to secure the acquisition of the underlying properties. KW Group recognized an acquisition-related gain of \$15.2 million on the transaction due to its ability to acquire the underlying real estate at a discount to its fair value.

Acquisition-related expenses were \$37.3 million for the year ended December 31, 2015 compared to \$19.7 million during 2014. The increase year over year is due to stamp duty expenses related to acquisitions by KWE during the first half of 2015.

Interest expense associated with corporate debt was \$46.9 million for the year ended December 31, 2015 as compared to \$57.1 million for 2014. The decrease in corporate interest expense is attributable to the interest savings related to the refinancing of \$350.0 million of 8.75% senior notes due 2019 with \$350.0 million of 5.875% senior notes due 2024, which occurred during the fourth quarter of 2014.

Loss on early extinguishment of corporate debt was \$1.0 million for the year ended December 31, 2015 compared to \$27.3 million in the prior period. The current period amount relates to fees associated with the extinguishment of its old credit facility

Table of Contents

as part of entering into its new \$475 million facility. The prior period loss on early extinguishment of corporate debt related to the extinguishment of the senior notes due 2019 as discussed above.

Interest expense associated with investment debt was \$108.8 million for the year ended December 31, 2015 as compared to \$46.3 million for 2014. The increase is due to the acquisitions and consolidations that occurred in the second half of 2014 and during 2015.

Provision for income taxes was \$53.4 million in 2015 as compared to a provision for income taxes of \$32.4 million in 2014 primarily due to taxable gain on the disposition of our Japanese assets and non-deductible depreciation and acquisition-related expenses in United Kingdom. The Company had \$133.2 million and \$90.0 million of federal and state net operating losses as of December 31, 2015, respectively.

We had a net loss of \$15.7 million attributable to noncontrolling interests during the year ended December 31, 2015 compared to net income of \$68.2 million attributable to noncontrolling interests during the prior period. The prior period consolidations had higher noncontrolling interest ownerships, which resulted in greater gains being allocated from the Company.

Other Comprehensive Income

(Dollars in millions)

	Year Ended	
	December 31,	
	2015	2014
Unrealized foreign currency translation loss, net of noncontrolling interests and tax	\$(46.3)	\$(46.4)
Amounts reclassified out of accumulated other comprehensive income during the period	9.7	(7.1)
Unrealized foreign currency derivative contract gains, net of noncontrolling interests and tax	17.0	16.3
Unrealized losses on marketable securities, net of noncontrolling interests tax	0.1	(0.2)
Other comprehensive loss	\$(19.5)	\$(37.4)

The main currencies that the Company has exposure to are the euro, pound sterling and the yen. The table below represents the change in rates over the year ended December 31, 2015 and 2014 as compared to the U.S. Dollar:

	Year Ended	
	December 31,	
	2015	2014
Euro	(10.0)%	(12.0)%
GBP	(5.0)%	(6.0)%
Yen	— %	(14.0)%

Other compressive loss, net of taxes and noncontrolling interests, for the year ended December 31, 2015 and 2014 was \$19.5 million and \$37.4 million, respectively. The two major components that drive the change in other comprehensive loss are the change in foreign currency rates and the gains or loss of any associated foreign currency hedges.

The unrealized foreign currency translation loss, net of taxes and non-controlling interests, was \$46.3 million and \$46.4 million for the year ended December 31, 2015 and 2014, respectively. In addition, KW Group had a large increase in the amount of assets denominated in foreign currencies due to the launch of KWE in February of 2014. The unrealized foreign currency derivative contract gain, net of taxes and non-controlling interests, was a gain of \$17.0 million and \$16.3 million for the year ended December 31, 2015 and 2014, respectively. The Company typically hedges 50%-100% of its net investments in certain non-U.S. operations through use of currency derivative contracts, such as foreign currency forward contracts and options. As the total amount of assets denominated in foreign currencies has grown due to KW Group's expansion in Europe, we have also increased the amount of corresponding foreign currency derivative contracts.

Liquidity and Capital Resources

Our liquidity and capital resources requirements include acquisitions of real estate and real estate related assets, capital expenditures for consolidated real estate and unconsolidated investments and working capital needs. We finance these activities with internally generated funds, borrowings under our revolving lines of credit, sales of equity and debt securities and cash out refinancings to the extent they are available and fit within our overall portfolio

leverage strategy. Our investments in real estate are typically financed with equity from our balance sheet, third party equity and mortgage loans secured primarily by that real estate. These mortgage loans are generally nonrecourse in that, in the event of default, recourse will be limited to the mortgaged property serving as collateral, subject to limited customary exceptions. In some cases, we guarantee a portion of the loan related to a consolidated property or an unconsolidated investment, usually until some condition, such as completion of construction or leasing or certain net operating income criteria, has been met. We do not expect these guarantees to materially affect liquidity or

Table of Contents

capital resources. Please refer to the "Off Balance Sheet Arrangements" section for further information. Historically, we have not required significant capital resources to support our IMRES business.

Our short-term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, dividend payments to our shareholders, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through our existing cash and cash equivalents plus capital generated from our IMRES business, sales of real estate, collections from loans and loan pools, as well as availability on our current revolving lines of credit (which was undrawn as of December 31, 2016). As of December 31, 2016, we and our consolidated subsidiaries (including KWE) had approximately \$1.6 billion of potential liquidity, which includes approximately \$752.7 million of availability under lines of credit and \$886.0 million of cash for KWH and KWE, collectively.

Our need to raise funds from time to time to meet our capital requirements will depend on many factors, including the success and pace of the implementation of our strategy for strategic and accretive growth. Additionally, we may opportunistically seek to raise capital (equity or debt) when we believe market conditions are favorable and consistent with our growth strategy. In addition, we may seek third party financing to the extent that we engage in additional strategic investments, including capital necessary to execute potential development or redevelopment strategies or acquisition of real estate, note portfolios, or other real estate related companies or real estate related securities.

Development and redevelopment

Kennedy Wilson has a number of development, redevelopment and entitlement projects that are underway or in the planning stages. These initiatives may ultimately result in 1,849 multifamily units, 542,000 commercial rentable square feet, and 525 residential units, along with substantial upgrades to certain multifamily and commercial properties and hotels (figures exclude similar projects owned by KWE). If these projects were brought to completion the estimated remaining capital would be approximately \$1.3 billion which we expect would be funded through our existing equity, third party equity, project sales and secured debt financing. This represents total capital over the life of the projects and is not a representation of peak equity and does not take into account any distributions over the course of the investment. As of December 31, 2016, we expect to invest \$216.3 million in cash commitments to develop to completion or complete the entitlement process on these projects. These figures are budgeted costs and are subject to change. 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. In many cases, we allocated little to no basis to the land that was acquired in conjunction with nearby income producing properties.

We are currently developing "Capital Dock," a prime waterfront 690,000 square feet commercial and multifamily development located in Dublin, Ireland. The development is currently being funded with equity from us and our equity partners. We hold a 42.5% interest in the development and as of December 31, 2016, we have invested \$47.0 million of equity in the project. Additionally, during the year ended December 31, 2016, we contributed a total of \$25.7 million to the project. We currently expect to complete the development by 2019 with additional equity from us of approximately \$60.0 million. This is a budgeted figure, however, and is subject to change (increase or decrease) due to a number of factors, including: (i) we are developing this project under a construction management contract with the general contractor and therefore could be called upon to contribute additional capital in the event that actual costs exceed budgeted costs (currently, approximately 80% of the budgeted costs have been fixed under price-capped agreements between the general contractor and various subcontractors); and (ii) we and our equity partners may look to secure third-party construction financing to fund all or a portion of the construction costs. We and our equity partners are under no obligation to complete this project, and we could decide to sell the asset before the development is complete. In addition to Capital Dock, we are concurrently building approximately 417 multifamily units in Dublin, Ireland.

In addition to Capital Dock, we are starting the process of developing Kona Village Resort an iconic five-star resort in Kona, Hawaii that will have 125 bungalows upon completion. We anticipate on completing this project in 2020 and currently believe the total cost of construction will be approximately \$150 million with the Company's share being \$55.0 million. This is a budgeted figure, however, and is subject to change (increase or decrease) due to a number of factors, including but not limited to: (i) we and our equity partners may look to secure third-party construction financing to fund all or a portion of the construction costs and (ii) the actual construction costs may significantly

exceed our budgeted costs. We and our equity partners are under no obligation to complete this project and we could decide to sell the asset before the development is complete.

Consolidated and unconsolidated investment portfolio

In addition to our development and redevelopment initiatives we regularly implement a value add approach to our consolidated and unconsolidated investments which includes rehabbing properties and adding or updating property amenities. The capital required to implement these value add initiatives is typically funded with capital calls, refinancing or supplemental financings at the property level. We are not required to make these investments but they are a key driver in our ability to increase net operating income at our properties post acquisition. We typically invest \$5 million to \$10 million a year to fund capital expenditures for our consolidated and unconsolidated investment portfolio.

Table of Contents

Under our current joint venture strategy, we generally contribute property expertise and a fully funded initial cash contribution, with commitments to provide additional funding. Accordingly, we generally do not have significant capital commitments with unconsolidated entities. As of December 31, 2016, we have unfulfilled capital commitments totaling \$24.7 million to our unconsolidated investments.

Foreign subsidiaries

We have subsidiaries in the United Kingdom, Ireland, Luxembourg, Spain and Jersey which manage our European real estate investments. We also have subsidiaries that operate hotel businesses in Ireland and Scotland. As of December 31, 2016, two of our foreign subsidiaries have positive, accumulated earnings of \$6.0 million. U.S. domestic taxes have not been recorded in our financial statements on amounts earned by such Irish companies since it is our plan to indefinitely reinvest amounts earned by our Irish subsidiaries as we plan to indefinitely reinvest amounts earned by our foreign subsidiaries. If these earnings were repatriated to the United States, additional U.S. domestic taxes of \$1.4 million would be incurred.

Cash Flows

The following table summarizes the cash provided by or used in our operating, investing and financing activities for the years ended December 31, 2016, 2015 and 2014:

	Year ended December 31,		
(Dollars in millions)	2016	2015	2014
Net cash provided by operating activities	\$102.9	\$178.2	\$98.1
Net cash used in investing activities	(286.7)	(1,483.6)	(2,473.2)
Net cash provided by financing activities	419.8	1,118.8	3,163.4

Operating

Our cash flows from operating activities are primarily dependent upon operations from consolidated properties, the operating distributions from our unconsolidated investments, revenues from our IMRES business net of operating expenses and other general and administrative costs. Substantially all of the cash flows from operations of \$102.9 million, \$178.2 million and \$98.1 million for the year ended December 31, 2016, 2015 and 2014 respectively, were generated from net rental income received from our rental properties, operating distributions from our unconsolidated investments and fees earned on our service business. When comparing 2016 vs. 2015, while recurring revenues from our rental business continue to increase, these increases were offset in 2016 by the timing of the payments of accrued expenses and liabilities, including a tax payment in 2016 related to the 2015 sale of our Japanese multifamily portfolio, additional interest expense related to our corporate bonds, value added tax ("VAT") payments in Europe, and payment of accounts payable.

Investing

Our cash flows used in investing activities are generally comprised of cash used to fund consolidated property acquisitions, investments in unconsolidated investments, capital expenditures and purchases of loans secured by real estate. These items are offset from cash provided from investing activities for property sales on our consolidated and unconsolidated investments and distributions received from refinancings on our unconsolidated investments. Net cash used in investing activities totaled \$286.7 million for the year ended December 31, 2016. During the current period KW Group had \$949.6 million of purchases and additions to real estate (including \$416.7 million by KWE) and \$124.9 million contributions to new and existing unconsolidated investments. The cash used in the aforementioned investing activities was offset by receipt of \$540.1 million, mainly from commercial property sales in Europe including \$332.8 million by KWE and \$80.4 million from European investments the Company made prior to KWE's formation. KW Group also collected \$146.9 million on loans primarily from the sale of a portfolio of loans by KWE during the first quarter.

Net cash used in investing activities totaled \$1.5 billion for the year ended December 31, 2015. KW Group spent \$1.9 billion of purchases and additions to real estate (including \$1.6 billion by KWE). In addition, KW Group invested \$235.8 million (including \$211.8 million by KWE) to fund our equity in loans secured by real estate. The investment in the loans were mainly for the acquisition of a loan portfolio secured by eight hotels across the United Kingdom and a loan secured by a residential property also in the United Kingdom. The cash used in the aforementioned investing activities was offset by receipt of \$622.6 million, mainly from the sale of our Japanese

multifamily portfolio and other asset sales.

Net cash used in investing activities totaled \$2.5 billion for the year ended December 31, 2014. KW Group invested \$2.0 billion on purchases and additions to real estate (including \$1.7 billion by KWE). In addition, KW Group invested \$536.8 million (including \$373.2 million by KWE) to fund our equity in loans. The investment in the loans were mainly for the acquisition of notes secured by the Shelbourne Hotel in Dublin, Ireland (100% owned by KWH) and the acquisition of subordinated notes throughout Ireland and the United Kingdom by KWE. Additionally, \$167.7 million of equity was invested in unconsolidated investments of which \$29.2 million related to the of acquisition of a loan portfolio by KWE and \$57.2 million

Table of Contents

Financing

Our net cash related to financing activities is generally impacted by capital-raising activities net of dividends and distributions paid to common and preferred shareholders and noncontrolling interests as well as financing activities for consolidated real estate investments. Net cash provided by financing activities totaled \$419.8 million for the year ended December 31, 2016. KW Group received proceeds of \$250.0 million from the issuance of senior notes and \$1.2 billion from mortgage loans to finance and refinance consolidated property acquisitions of which \$636.9 million related to financings by KWE. These were offset by repayment of \$608.1 million of investment debt, of which \$394.0 million were related to repayments by KWE. In addition, KWE and the Company spent \$196.9 million for KWE's share repurchase program and the Company's open market purchases of KWE shares. Distributions of \$116.6 million to noncontrolling interest holders due mainly to asset sales also offset cash from financing. The Company also drew and repaid \$125 million on its line of credit during the current year.

Net cash provided by financing activities totaled \$1.1 billion for the year ended December 31, 2015. This was primarily due to net proceeds of \$215.0 million received from the issuance of 8.6 million shares of common stock. In addition, the KW Group received proceeds of \$2.1 billion from mortgage loans to finance and refinance consolidated property acquisitions of which \$1.7 billion related to financing by KWE which included \$888.3 million generated by two investment grade senior unsecured bond offerings. These were offset by repayment of \$681.1 million of investment debt, of which \$134.6 million were related to repayments by KWE and distributions of \$239.2 million to noncontrolling interest holders mainly due to the sale of our Japanese multifamily portfolio.

Net cash provided by financing activities totaled \$3.2 billion for the year ended December 31, 2014. This was primarily due to proceeds, net of issuance costs, of \$1.8 billion from noncontrolling interest holders for the initial public offering of KWE, net proceeds of \$190.6 million received from the issuance of 9.2 million shares of common stock primarily to institutional investors, the issuance of \$650.0 million of senior notes which generated \$647.2 million in proceeds, and \$1.3 billion of proceeds from mortgage loans to finance and refinance consolidated property acquisitions of which \$921.8 million related to financing by KWE. These were offset by repayment of \$345.8 million of investment debt, of which \$256.9 million were related to repayments by KWE, and the extinguishment of our junior subordinated debt of \$40.0 million and the payment of cash dividends of \$38.9 million to our common and preferred shareholders.

Contractual Obligations and Commercial Commitments

At December 31, 2016, KW Group's contractual cash obligations, including debt, lines of credit, and operating leases included the following:

(Dollars in millions)	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Contractual obligations					
Borrowings: ⁽¹⁾⁽⁴⁾					
Investment debt ⁽²⁾⁽⁴⁾	\$3,980.1	\$82.8	\$990.1	\$742.1	\$2,165.1
Senior notes ⁽³⁾⁽⁴⁾	955.0	—	—	—	955.0
Total borrowings	4,935.1	82.8	990.1	742.1	3,120.1
Operating leases	11.7	2.8	5.1	2.4	1.4
Total contractual cash obligations	\$4,946.8	\$85.6	\$995.2	\$744.5	\$3,121.5

See Notes 8-11 of our Notes to Consolidated Financial Statements. Figures do not include scheduled interest payments. Assuming each debt obligation is held until maturity, we estimate that we will make the following

(1) interest payments: Less than 1 year-\$186.5 million; 1-3 years-\$517.9 million; 4-5 years-\$290.9 million; After 5 years: \$321.8 million. The interest payments on variable rate debt have been calculated at the interest rate in effect as of December 31, 2016.

(2) Excludes \$0.9 million of unamortized debt premium on investment debt.

(3) Excludes \$2.2 million of net unamortized debt discount on senior notes.

(4) Excludes \$41.2 million unamortized loan fees.

55

Table of Contents

At December 31, 2016, Kennedy Wilson's share of contractual cash obligations (excluding amounts that are attributable to noncontrolling interests), including debt, lines of credit, and operating leases included the following:

(Dollars in millions)	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Contractual obligations					
Borrowings: ⁽¹⁾					
Investment debt	\$2,188.8	\$78.5	\$493.0	\$243.3	\$1,374.0
Senior notes ⁽²⁾	955.0	—	—	—	955.0
Total borrowings	3,143.8	78.5	493.0	243.3	2,329.0
Operating leases	11.7	2.8	5.1	2.4	1.4
Total contractual cash obligations	\$3,155.5	\$81.3	\$498.1	\$245.7	\$2,330.4

⁽¹⁾ See Notes 8-11 of our Notes to Consolidated Financial Statements. Figures do not include scheduled interest payments.

⁽²⁾ Excludes \$2.2 million of net unamortized debt discount on senior notes.

Indebtedness and Related Covenants

The following describes our corporate indebtedness and related covenants.

Senior Notes Payable

In March 2014, Kennedy-Wilson, Inc., completed a public offering of \$300.0 million aggregate principal amount of 5.875% Senior Notes due 2024 (the "2024 Notes"), for approximately \$290.7 million, net of discount and estimated offering expenses. The 2024 Notes were issued pursuant to an indenture dated as of March 25, 2014, by and among Kennedy-Wilson, Inc., as issuer, and Wilmington Trust National Association, as trustee, as supplemented by a supplemental indenture, dated as of March 25, 2014, by and between Kennedy-Wilson, Inc. as issuer, Kennedy-Wilson Holdings, Inc., as parent guarantor, certain subsidiaries of the issuer, as subsidiary guarantors, and Wilmington Trust National Association, as trustee (the indenture, as so supplemented, the "2024 Indenture"). The issuer's obligations under the 2024 Notes are fully and unconditionally guaranteed by Kennedy-Wilson Holdings, Inc. and the subsidiary guarantors. At any time prior to April 1, 2019, the issuer may redeem the 2024 Notes, in whole or in part, at a redemption price equal to 100% of their principal amount, plus an applicable "make-whole" premium and accrued and unpaid interest, if any, to the redemption date. At any time and from time to time on or after April 1, 2019, the issuer may redeem the 2024 Notes, in whole or in part, at the redemption price specified in the 2024 Indenture, plus accrued and unpaid interest, if any, to the redemption date. Prior to April 1, 2017, the issuer may also redeem up to 35% of the 2024 Notes from the proceeds of certain equity offerings. Interest on the 2024 Notes accrues at a rate of 5.875% per annum and is payable semi-annually in arrears on April 1 and October 1 of each year, commencing on October 1, 2014. The 2024 Notes will mature on April 1, 2024. In November 2014 and August 2016, we completed two additional public offerings of \$350 million and \$250 million, respectively, aggregate principal amounts of 5.875% Senior Notes, due 2024 (the "Additional Notes"). The Additional Notes have substantially identical terms as the 2024 Notes described above, and are treated as a single series with the 2024 Notes under such 2024 Indenture. The Additional Notes were issued and sold at a public offering prices of 100.0% of their principal amount, plus accrued interest. The amount of the 2024 Notes included in the accompanying consolidated balance sheets was \$897.8 million at December 31, 2016.

In November and December 2012, Kennedy-Wilson, Inc. completed a public offering of \$55.0 million aggregate principal amount of 7.750% Senior Notes due 2042 (the "2042 Notes"). The 2042 Notes were issued pursuant to an indenture dated as of November 28, 2012, by and among Kennedy-Wilson, Inc., as issuer, Kennedy-Wilson Holdings, Inc., as parent guarantor, certain subsidiaries of the issuer, as subsidiary guarantees and Wilmington Trust National Association, as trustee, as amended by various subsequent supplemental indentures. The issuer's obligations under the 2042 Notes are fully and unconditionally guaranteed by Kennedy Wilson and the subsidiary guarantors. At any time prior to December 1, 2017, the issuer may redeem the 2042 Notes, in whole or in part, at a redemption price equal to

100% of their principal amount, plus an applicable “make-whole” premium and accrued and unpaid interest, if any, to the redemption date. At any time and from time to time on or after December 1, 2017, the issuer may redeem the 2042 Notes, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. Interest on the 2042 Notes accrues at a rate of 7.750% per annum and is payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 2013. The 2042 Notes will mature on December 1, 2042. The amount of the 2042 Notes included in the accompanying consolidated balance sheets was \$55.0 million at December 31, 2016.

In November 2014, Kennedy Wilson extinguished its 2019 Notes with an aggregate face value of \$350.0 million (and an aggregate carrying value of \$353.5 million) for \$380.1 million with the proceeds from the November 2014 issuance of 2024 Notes, together with cash on hand, which resulted in a \$25.8 million loss on early extinguishment of corporate debt.

Table of Contents

KWE Senior Notes Payable

In June 2015, KWE completed its inaugural bond offering ("KWE Bonds") of approximately \$370.2 million (based on December 31, 2016 rates) (£300 million) in 3.95% fixed-rate senior unsecured bonds due 2022. In September 2016, KWE completed an additional bond offering of approximately \$246.8 million (based on December 31, 2016 rates) (£200 million) under the same indenture as the KWE Bonds mentioned above. The KWE Bonds have a carrying value of \$616.8 million at December 31, 2016. KWE effectively reduced the interest rate to 3.35% as a result of it entering into swap arrangements to convert 50% of the proceeds into Euros.

In addition, during the fourth quarter of 2015, KWE established a £2.0 billion (approximately \$2.5 billion based on December 31, 2016 rates) Euro Medium Term Note Programme ("EMTN"). Under the EMTN Programme, KWE may issue, from time to time, up to £2.0 billion of various types of debt securities in certain markets and currencies. During the fourth quarter of 2015 and second quarter of 2016, KWE drew down under its EMTN Programme, with issuances of senior unsecured notes for an aggregate principal amount of approximately \$578.4 million (based on December 31, 2016 rates) (€550 million) (the "KWE Notes"). The KWE Notes were issued at a discount and have a carrying value of \$575.5 million have an annual fixed coupon of 3.25%, and mature in 2025. The KWE Notes rank pari passu with the KWE Bonds, and are subject to the same restrictive covenants.

The KWE Bonds and KWE Notes require KWE to maintain (i) consolidated net indebtedness (as defined in the trust deed for the notes) of no more than 60% of the total asset value; (ii) consolidated secured indebtedness (less cash and cash equivalents) of no more than 50% of total asset value; (iii) an interest coverage ratio of at least 1.5 to 1.0, and (iv) unencumbered assets of no less than 125% of the unsecured indebtedness (less cash & cash equivalents). The covenants associated with KWE Bonds and KWE Notes are not an obligation of KWH and these amounts are presented as a component of our investment debt as it is an unsecured obligation relating to an underlying investment of ours.

Borrowings Under Line of Credit

Kennedy Wilson had an unsecured revolving credit facility ("Pre-Existing KWH Facility") with U.S. Bank and East-West Bank and Bank of Ireland that bears interest at a rate equal to LIBOR plus 2.75% and had a maturity date of October 1, 2016. In July 2014 Kennedy-Wilson, Inc. increased its unsecured corporate line of credit facility from \$140.0 million to \$300.0 million. The increase was driven by the admission of Bank of America, N.A., Deutsche Bank AG New York Branch and J.P. Morgan Chase Bank, N.A. to the existing lender syndicate and an increased commitment from The Governor and Company of the Bank of Ireland.

In December 2015, Kennedy Wilson extinguished the Pre-Existing KWH Facility, which resulted in a \$1.0 million loss on early extinguishment of corporate debt.

On December 10, 2015, Kennedy-Wilson, Inc. (the "Borrower"), a wholly-owned subsidiary of KWH entered into a \$475.0 million unsecured revolving credit facility (the "KW Revolving Facility") with a syndicate of lenders including JPMorgan Chase Bank, N.A., Deutsche Bank AG New York Branch, U.S. Bank N.A., East West Bank, Fifth Third Bank, The Governor and Company of the Bank of Ireland, Compass Bank, City National Bank, and Bank of America, N.A., as administrative agent and letter of credit issuer. Loans under the KW Revolving Facility bear interest at a rate equal to LIBOR plus 2.50% or 3.00%, depending on the consolidated leverage ratio as of the applicable measurement date, and have a maturity date of December 10, 2018. Subject to certain conditions precedent and at the Borrower's option, the maturity date of the KW Revolving Facility may be extended by one year. As of December 31, 2016, the KW Revolving Facility was undrawn, with \$475.0 million still available.

KWE Facility

In August 2014, KWE entered into a three-year unsecured floating rate revolving debt facility ("KWE Facility") with Bank of America Merrill Lynch, Deutsche Bank, and J.P. Morgan Chase of approximately \$277.7 million (based on December 31, 2016 rates) (£225 million). The terms of the agreement were amended during June 2015. The KWE Facility requires KWE to maintain (i) a maximum consolidated leverage ratio (as defined in the revolving loan agreement) not to exceed 60%; (ii) a minimum fixed charge coverage ratio where consolidated EBITDA to consolidated fixed charges not to be less than 1.9 to 1.0 for the last four quarters; (iii) unencumbered assets of no less than 125% of the unsecured indebtedness (less cash & cash equivalents); and (iv) a maximum secured recourse indebtedness for consolidated secured recourse debt to not exceed 2.5% of total asset value at any time. As of

December 31, 2016, the KWE Facility was undrawn, with \$277.7 million (based on December 31, 2016 rates) (£225 million) still available.

Debt Covenants

The KW Revolving Facility and the indentures governing the 2024 Notes and 2042 Notes contain numerous restrictive covenants that, among other things, limit Kennedy Wilson's and certain of its subsidiaries' ability to incur additional indebtedness, pay dividends or make distributions to stockholders, repurchase capital stock or debt, make investments, sell assets or subsidiary stock, create or permit liens on assets, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. The KW Revolving Facility requires Kennedy Wilson to maintain a minimum tangible net worth and a specified amount of cash and cash equivalents.

Table of Contents

The credit agreement that governs the KW Revolving Facility requires us to maintain (i) a maximum consolidated leverage ratio (as defined in the credit agreement) of not greater than 65%, measured as of the last day of each fiscal quarter, (ii) a minimum fixed charge coverage ratio (as defined in the credit agreement) of not less than 1.60 to 1.00, measured as of the last day of each fiscal quarter for the period of four full fiscal quarters then ended, (iii) a minimum consolidated tangible net worth equal to or greater than the sum of \$920,660,504.65 plus an amount equal to fifty percent (50%) of net equity proceeds received by the Company after the date of September 30, 2015 financial statements, measured as of the last day of each fiscal quarter, (iv) a maximum recourse leverage ratio (as defined in the credit agreement) of not greater than an amount equal to consolidated tangible net worth as of the measurement date multiplied by 1.5, measured as of the last day of each fiscal quarter, (v) a maximum secured recourse leverage ratio (as defined in the credit agreement) of not greater than an amount equal to 3.5% of consolidated total asset value (as defined in the credit agreement) and \$138,187,197, (vi) a maximum adjusted secured leverage ratio (as defined in the credit agreement) of not greater than 55%, measured as of the last day of each fiscal quarter, and (vii) liquidity (as defined in the credit agreement) of at least \$250 million.

As of December 31, 2016, the Company's consolidated leverage ratio was 61.1%, its fixed charge coverage ratio was 2.7 to 1.00, its consolidated tangible net worth was \$1,226.5 million, its adjusted secured leverage ratio was 43.3%, its secured recourse leverage ratio was 1.4%, its recourse leverage ratio was 0.83, and liquidity was \$681.8 million. The obligations of the Borrower pursuant to the Credit Agreement are guaranteed by the Company and certain wholly-owned subsidiaries of the Company.

The indentures governing the 2024 Notes and 2042 Notes limit Kennedy-Wilson, Inc.'s ability to incur additional indebtedness if, on the date of such incurrence and after giving effect to the new indebtedness, Kennedy-Wilson, Inc.'s maximum balance sheet leverage ratio (as defined in the indenture) is greater than 1.50 to 1.00. As of December 31, 2016, the balance sheet leverage ratio was 0.92 to 1.00.

Off-Balance Sheet Arrangements

Guarantees

We have provided guarantees associated with loans secured by consolidated assets. At December 31, 2016, the maximum potential amount of future payments (undiscounted) we could be required to make under the guarantees was approximately \$62.7 million at December 31, 2016. The guarantees expire through 2026 and our performance under the guarantees would be required to the extent there is a shortfall in liquidation between the principal amount of the loan and the net sale proceeds of the applicable properties. If we were to become obligated to perform on these guarantees, it could have an adverse effect on our financial condition.

As of December 31, 2016, we have unfulfilled capital commitments totaling \$24.7 million to our unconsolidated investments. As we identify investment opportunities in the future, we may be called upon to contribute additional capital to unconsolidated investments in satisfaction of our capital commitment obligations.

Non-Recourse Carve Out Guarantees

Most of our real estate properties within our equity partnerships 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 any subordinate financing or other voluntary lien 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.

In addition, other items that are customarily recourse to a non-recourse carve out guarantor include, but are not limited to, the payment of real property taxes, liens which are senior to the mortgage loan and outstanding security deposits.

Impact of Inflation and Changing Prices

Inflation has not had a significant impact on the results of operations of our company in recent years.

Our exposure to market risk from changing prices consists primarily of fluctuations in rental rates of commercial and residential properties, market interest rates on residential mortgages and debt obligations and real estate property values. Rental rate increases are dependent upon market conditions and the competitive environments in the respective locations of the properties. The revenues associated with the real estate services businesses are impacted by fluctuations in interest rates, lease rates, real

58

Table of Contents

property values and the availability of space and competition in the market place. Real estate service revenues are derived from a broad range of real estate services that are primarily transaction driven and are therefore volatile in nature and highly competitive. The revenues of the investment management operations with respect to rental properties are highly dependent upon the aggregate rents of the properties managed, which are affected by rental rates and building occupancy rates. Employee compensation is the principal cost element of investment management. To the extent that we engage in development activities, we may have exposure to changing prices in materials or cost of labor.

Qualitative and Quantitative Disclosures about Market Risk

Our primary market risk exposure relates to changes in interest rates in connection with our short-term borrowings, some of which bear interest at variable rates based on the lender's base rate, prime rate, EURIBOR, GBP LIBOR, or LIBOR plus an applicable borrowing margin. These borrowings do not give rise to a significant interest rate risk because they have short maturities. However, the amount of income or loss we recognize for unconsolidated joint ventures or consolidated interest expense from property level debt may be impacted by changes in interest rates. Historically, the impact from the changes in rates has not been significant. Our exposure to market risk also consists of foreign currency exchange rate fluctuations related to our international operations.

Interest Rate Risk

We have established an interest rate management policy, which attempts to minimize our overall cost of debt while taking into consideration the earnings implications associated with the volatility of short-term interest rates. As part of this policy, we have elected to maintain a combination of variable and fixed rate debt. As of December 31, 2016, 80% of our consolidated debt is fixed rate, 12% is floating rate with interest caps and 8% is floating rate without interest caps.

We hold variable rate debt on some of our consolidated properties that are subject to interest rate fluctuations. In order to mitigate some of the risk associated with increasing interest rates we have purchased interest rate caps that limit the amount that interest expense can increase with rate increases. However, some of its debt is uncapped and the mortgages that do have interest caps are subject to increased interest expense until rates hit the level of caps that have been purchased. If there was a 100 basis point increase or decrease, we would have a \$6.7 million increase in interest expense or \$3.5 million in interest expense savings during 2017 of our current consolidated mortgages. The weighted average maturity of KW Group's variable rate mortgages is approximately 4 years as of December 31, 2016.

The table below represents contractual balances of our financial instruments at the expected maturity dates as well as the fair value as of December 31, 2016. The weighted average interest rate for the various assets and liabilities presented are actual as of December 31, 2016. We closely monitor the fluctuation in interest rates, and if rates were to increase significantly, we believe that we would be able to either hedge the change in the interest rate or refinance the loans with fixed interest rate debt. All instruments included in this analysis are non-trading.

	Principal Maturing in:						Fair Value December 31, 2016
	2017	2018	2019	2020	2021	Thereafter		Total
	(Dollars in millions)						
Interest rate sensitive assets							
Cash equivalents	\$914.4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 914.4
Average interest rate	0.11	%	—%	—%			