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MOVING HIGHER IN UNISON

Home prices and stocks continue to chug higher in the face of headwinds from both the domestic and international front. We are seeing several major asset classes rise in tandem despite political jockeying in Washington and renewed fears of a financial meltdown in Europe. Sequestration in early-March was brushed off without any real regard although it will undoubtedly have a negative impact on GDP this year. Europe endured yet another bail-out in Cyprus but in the U.S., the S&P 500 index reached a new all-time closing high just a few days later.

	Year Ago	Current	Change
Gold* ($)	1676.4	1596.5	-4.77%
S&P 500 Index*	1405.54	1568.89	11.62%
10-year Treasury Bond Yield* (%)	2.18	1.85	-0.33
New Home Prices ($)	239,900	$246,800	2.88%
Existing Home Prices ($)	155,600	$173,600	11.57%

*Current data based on 3/28/13 Close and February Home Price Data

Sources: Marketwatch, U.S. Census Bureau, National Association of Realtors

- **Final figures for 4Q2012 GDP showed the economy growing 0.4% which was revised up from a preliminary estimate of 0.1% growth and an advance estimate of 0.1% contraction.** While this marks the 14th consecutive quarter that the U.S. economy has expanded, it is also the weakest growth the economy has seen since the 1Q2011. Government spending dropped 7% and will continue to be a drag in 2013 due to budget cuts. In more positive news, residential investments rose 17.6% in 4Q2012 which marked its seventh straight quarter of growth.

- **Housing is now soundly adding to growth. It is believed that housing traditionally leads the economy out of recession and it seems that the housing market is now the strongest it has been in years.** There were 48,000 construction jobs created in February. Both the new and existing home markets have been on a steady upward trend over the past year. Sales and pricing in both segments are noticeably better than they were a year ago.

- **While accommodative Fed policy will likely keep rates low through the end of the year, we have started to see rates slowly inch higher.** In the week ending March 14, the average 30-year fixed-rate mortgage reached 3.63% which is the highest it has been since late-August 2012. However, many economists expect 30-year fixed mortgage rates to remain below 4% for the remainder of this year which is still historically low.

As you can see in the chart shown above, the only asset class that declined compared to this time last year is gold. Bond prices are up due to the Fed's bond-buying program dubbed QE3 which pushed bond yields lower over the past year. Lower rates and an improving labor market are the major forces behind surging demand in housing which has caused a rebound in home prices. Low inflationary price pressures will likely keep gold prices down and interest rates low for the foreseeable future. That remains good news for housing and the overall economy.

About Meyers Research
Meyers Research is a premier consulting practice for the residential industry, providing a national perspective as well as local expertise to homebuilders, multifamily developers and financial institutions. The company is based in Irvine, CA with a team of 20 employees. To learn more about Meyers Research, please visit www.meyersllc.com.

About Kennedy Wilson
Founded in 1977, Kennedy Wilson is an international real estate investment and services company headquartered in Beverly Hills, CA with 24 offices in the U.S., U.K., Ireland, Spain and Japan. The company offers a comprehensive array of real estate services including auction, conventional sales, property services, research and investment management. Through its fund management and separate account businesses, Kennedy Wilson is a strategic investor of real estate investments in the U.S., U.K., Ireland and Japan. For further information on Kennedy Wilson, please visit www.kennedywilson.com.

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