

Los Angeles-Long Beach-Anaheim, CA

---MARKET REPORT---



CALIFORNIA

636

USA

489

SUMMARY

The Los Angeles MSA continues to gain ground in 2014, with improving employment and renewed population growth although a recent announcement from Toyota to consolidate their Torrance operations to Texas is a major setback for the region. Although the burner has been turned down a few degrees, demand for new housing remains good throughout the region. However, increasing prices and declining sales in both the new and existing home markets cast the light on the need for affordable housing options to help first-time buyers enter the market and help drive the upper portions of the market. The rental housing market remains very robust with rising rents and occupancies, which make homeownership an attractive alternative. It has been reported that a person earning median income in L.A. would have to spend 47% of their income on the median rent which is one of the highest levels in the United States. There continues to be near-term setbacks that will temper growth for the remainder of the year.

ECONOMY

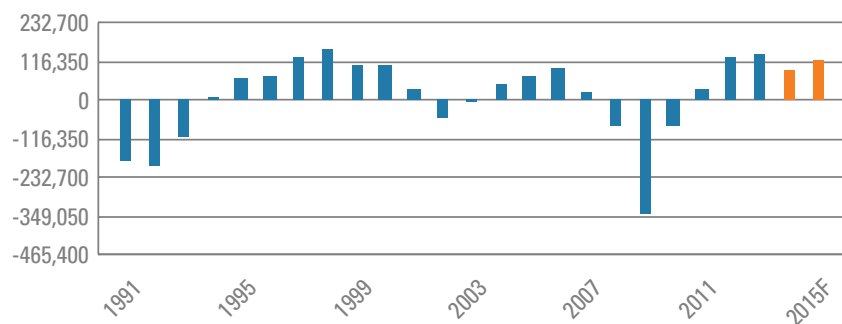
JOB GROWTH (YEAR-OVER-YEAR)

Apr. 2014 Job Growth:

120,200 jobs

2014 Job Forecast:

88,712 jobs



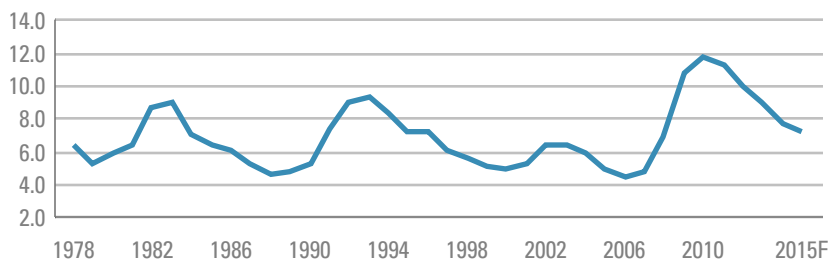
UNEMPLOYMENT RATE

Apr. 2014 Unemployment:

7.6% ↓

Moody's Analytic 2014 Forecast:

7.8% ↓



Summary

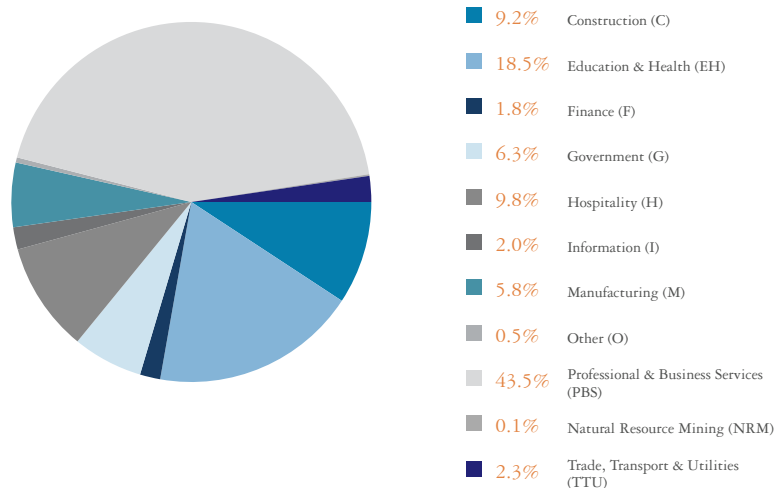
Total non-farm employment in the Los Angeles-Long Beach-Anaheim, CA metropolitan statistical area increased 2.1% from the same period last year to 5,649,800 payrolls in April 2014. There are approximately 120,200 more jobs than April of last year. The local unemployment rate decreased to 7.6% in April 2014 compared to 7.9% in the previous month. April's jobless rate is lower than it was this time last year when it stood at 9.1%. Forecasts from Moody's Analytics show that the region's unemployment rate will finish the year at 7.8%.

Key Highlights

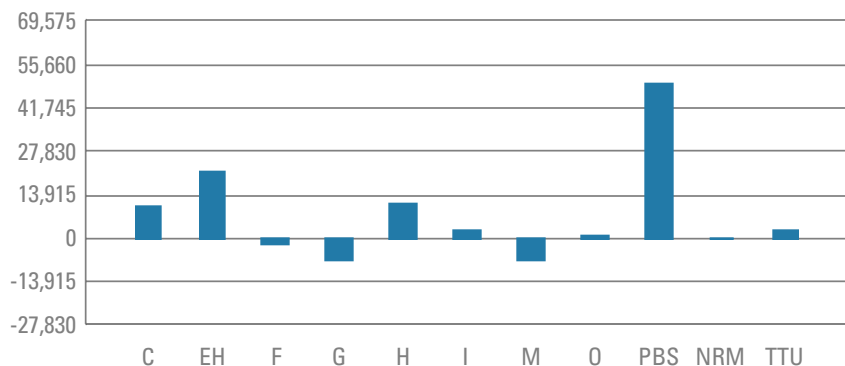
- Toyota announced that they will be building a new U.S. headquarters in Plano, Texas and consolidating offices throughout the country by 2016-2017. Approximately 3,000 sales and financial services jobs in Torrance will be lost.
- Southern California Edison Co. plans to lay off nearly 1,000 in-house and contract workers, most in the Irwindale office.
- Disney Interactive recently announced that they were cutting 700 jobs worldwide which equates to about 26% of the division's total workforce.
- Starwood Hotels closed its contact center in late-January in Lancaster which resulted in 380 layoffs.
- The technology sector has been a real boon for the local economy and housing market. Start-up's like Snapchat are making a splash in the region and will attract more tech employment into the region.

ECONOMY

EMPLOYMENT BY SECTOR



JOBS BY SECTOR (YEAR-OVER-YEAR)



Key Highlight

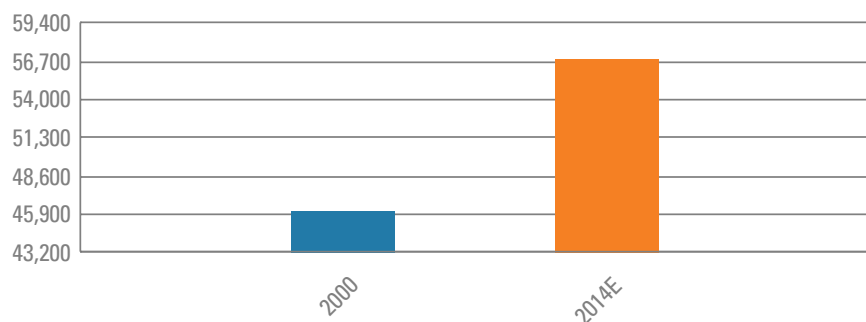
- The housing rebound is driving employment growth in the region. According to the Associated General Contractors of America, Orange County added the third most construction jobs anywhere in the U.S. The Los Angeles metro area was the second most to only Atlanta.
- Hewlett-Packard announced that 5,000 more workers than originally planned are expected to lose jobs by October 2014.
- Walt Disney representatives met late last year with the Los Angeles County Board of Supervisors and received approval on the rezoning of the Disney owned ranch at Placerita Canyon. The state-of-the-art studio will become the largest working studio in the world. This project will create over 3,152 new jobs and generate \$533 million in annual economic activity throughout Los Angeles.
- Costa Mesa is undergoing a \$6.2 million Airport Area Improvement Project, which will resurface about 2.6 million square feet of streets near John Wayne Airport.

COMMUNITY

HOUSEHOLD INCOME

2014E Median Household Income:

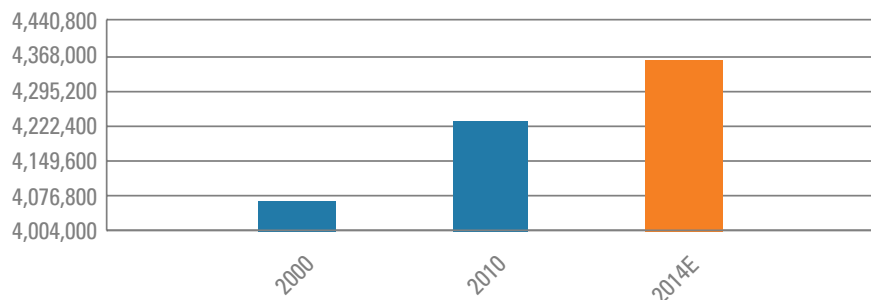
\$56,935



HOUSEHOLD GROWTH

2014E Household Growth:

0.8%



Summary

The current population for the Los Angeles-Long Beach-Anaheim, CA metropolitan area is approximately 13,204,080 people. Population in the area is projected to increase by 0.7% in 2014. There are approximately 4,360,255 households in the region which is up 0.7% year-over-year. Forecasts show that household formation is expected to increase by an annual growth rate of 0.8% for 2014. Median household income in the area increased 1.4% from the previous year to \$56,935. Incomes are forecasted to increase 1.4% for the year in 2014.

Key Highlights

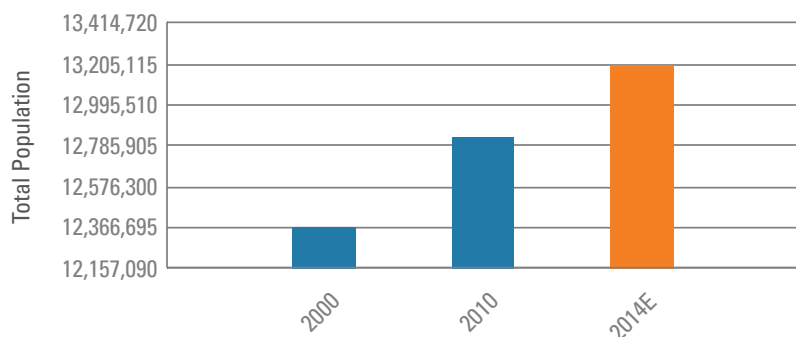
- Many businesses have already announced an increase in prices to offset the cost of a higher minimum wage in California which is set to go up to \$9/hr by July and up to \$10/hr in 2016.
- Construction began on a new 8.5 mile Crenshaw Line that will connect the Mid-City expo line with the South Bay Green Line. The project will cost over \$2 billion and help spark development and employment surrounding the project.
- Redevelopment in urban neighborhoods like Echo Park remain very active. There is a generational shift taking place that is reviving areas in the urban core.
- More young professionals looking to live close to employment and services are driving demand for small-lot ordinance product in infill locations including areas such as Hollywood, North Hollywood, and Silver Lake.

COMMUNITY

POPULATION GROWTH

2014E Population Growth:

0.7%



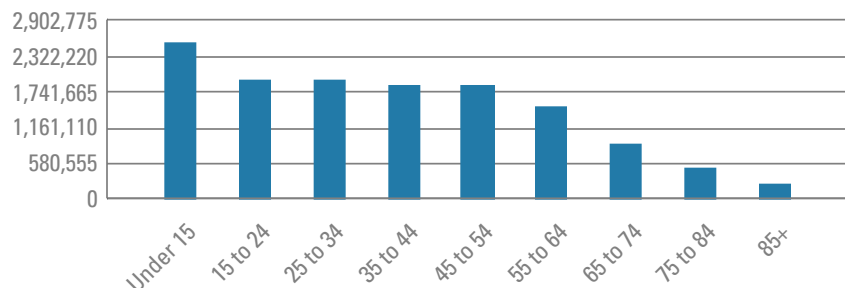
Key Highlights

- In Los Angeles County's lower income neighborhoods, such as Pacoima, Arleta and Panorama City, a spike in garage conversion permits were issued over the summer. Garages are being converted into living space. In lieu of a garage, it becomes mandatory a permitted carport be constructed. Families in these neighborhoods are seeing value by having in-laws move in with them to help with the mortgage payments.
- Young and growing families rely on traditional detached product located in master planned communities in Santa Clarita Valley and Azusa's Rosedale.

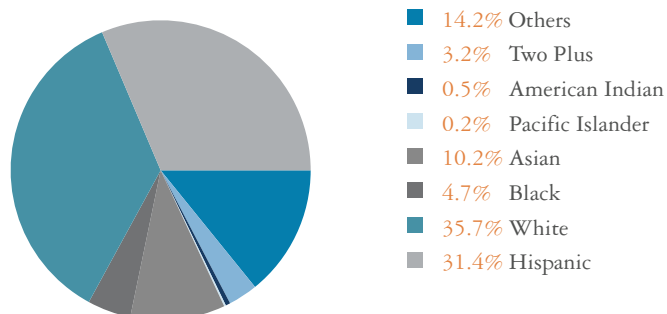
POPULATION BY AGE

2014 Median Age:

36 year 1 month



ETHNICITY

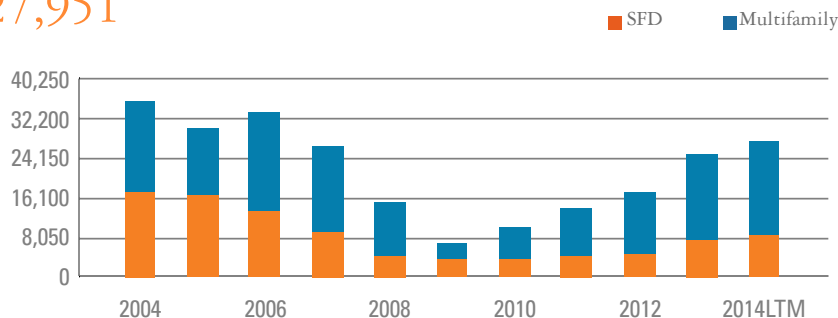


SUPPLY

PERMITS

2014LTM Total Building Permits:

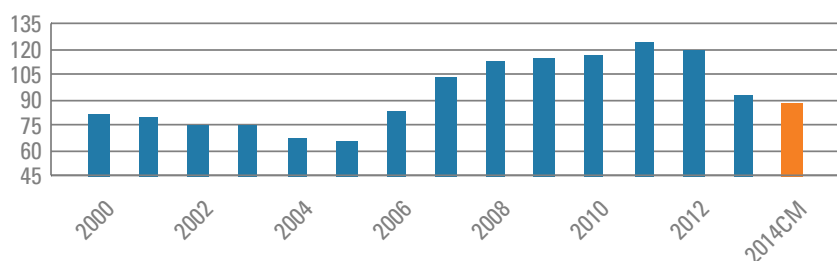
27,951



DAYS ON MARKET

Days on Market (as of May.2014):

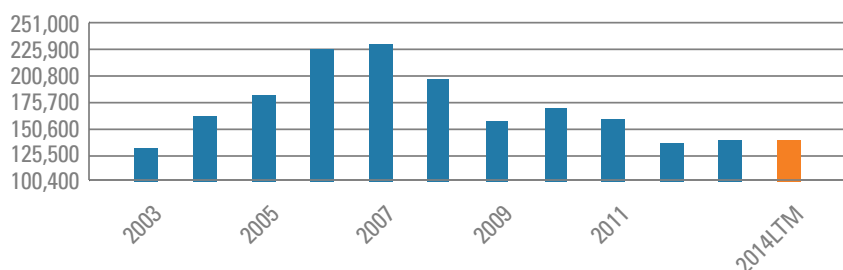
89 days



NUMBER OF LISTINGS

of Listings (as of May.2014):

140,642 listings



Summary

In the Los Angeles-Long Beach-Anaheim, CA region, total residential building permit activity decreased 0.8% year-over-year to an annualized rate of 27,951 units in May. In the twelve-month period ending May, single-family building permit issuance decreased 3.2% to 8,719 units while multi-family permit issuance increased 0.9% to 19,232 units.

Key Highlights

- Lennar is moving forward with plans for their planned A-Town community in Anaheim's Platinum Triangle. The project is expected to start next year with apartments first and for-sale units later.
- Five Knolls by Brookfield in Santa Clarita has begun grading. The project will total approximately 500 homes at build-out.
- City Market, a large mixed-use project in the Fashion District is beginning the entitlement process. The envisioned development will include nearly 1,000 residential units, hotel, retail, office and one or more art colleges.
- The Shopoff Group will develop Uptown Newport Village in Orange County. It will be built in two phases with construction beginning in March and slated for completion in 2016.

SALES

NEW HOME MARKET annualized

Change from Previous Year:

-11.5%

27-year Historical Average:

7,344 sales

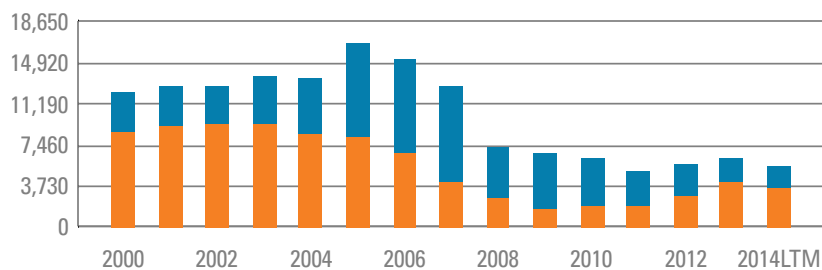
Total Home Sales:

5,555

■ May.2014 Attached Sales:

2,006

■ May.2014 Detached Sales:

3,549

EXISTING HOME MARKET

Change from Previous Year:

-5.7% ↓

27-year Historical Average:

128,214 sales

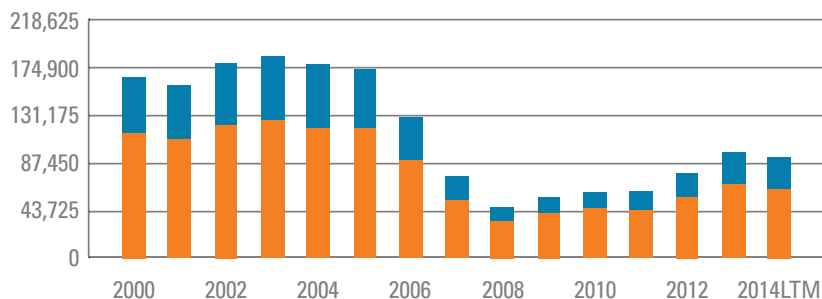
Total Home Sales:

92,740

■ May.2014 Attached Sales:

27,695

■ May.2014 Detached Sales:

65,045

Summary

New home sales in the Los Angeles-Long Beach-Anaheim, CA metropolitan area experienced a 11.5% year-over-year decrease to an annualized rate of 5,555 units in May. Of those home sales over the past 12 months, 2,006 were attached sales and 3,549 were detached sales. Existing home sales for the same period posted a year-over-year loss of 5.7% to an annualized rate of 92,740 units. Of those home sales over the past 12 months, 27,695 were attached and 65,045 were detached.

Key Highlights

- Richmond American recently opened Azalea in Van Nuys, a small lot in-fill development. Homes are approximately 1,400 sq. ft. and start in the \$400,000's.
- Barker Block Lofts was released early this year in Downtown LA. The project had an interest list over 2,000 names long which reflects the high demand for urban in-fill
- The Grand Opening at Baker Ranch, a joint venture between Toll Brothers and Shea Homes, attracted 12,000 people which exhibits the high levels of demand that is currently out there.
- Six new neighborhoods with 2,800 new homes debuted in February at Playa Vista including a senior living community with prices starting from the mid-\$500,000's while the others offer prices ranging from the low \$900,000's to over \$1M.

PRICE - NEW HOME

NEW DETACHED HOME PRICE

Change from Previous Year:

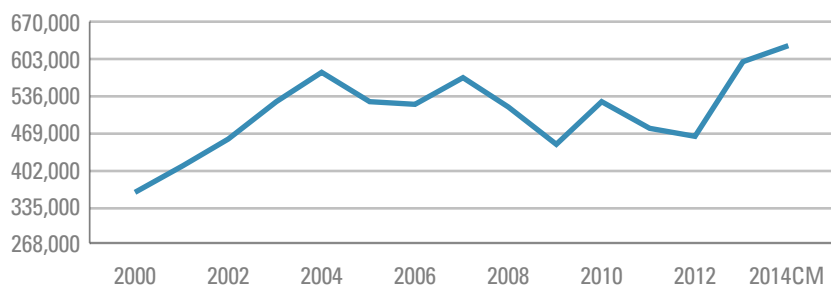
7.1% ↑

27-year Historical Average:

\$393,194

■ May, 2014 Median Detached Home Price:

\$631,000



NEW ATTACHED HOME PRICE

Change from Previous Year:

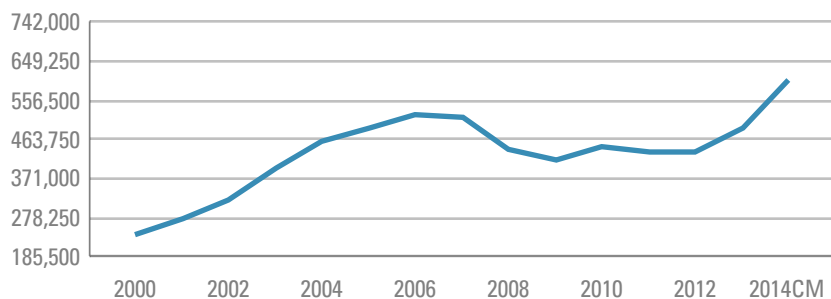
33.3% ↑

27-year Historical Average:

\$319,525

■ May, 2014 Median Attached Home Price:

\$609,000



Summary

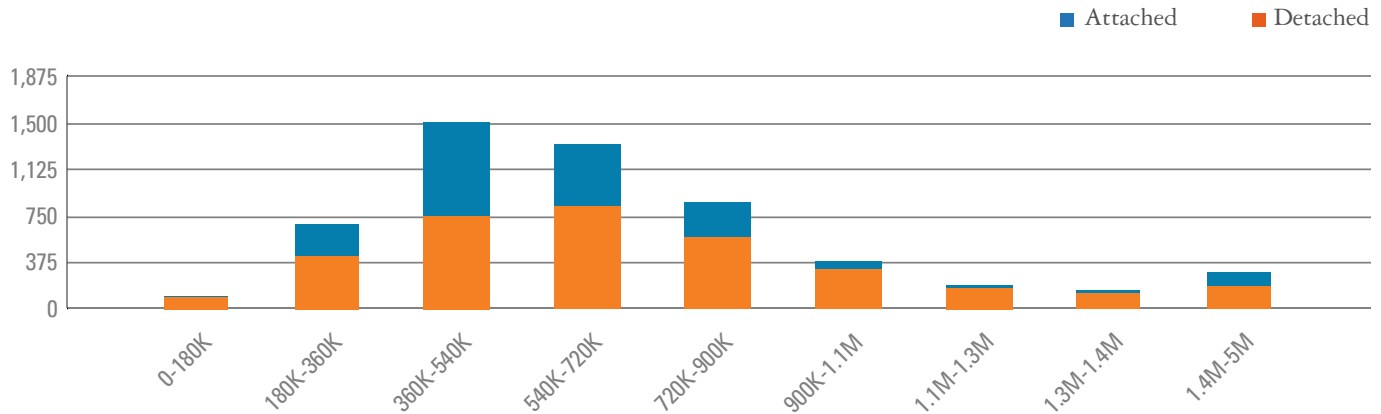
The median price for a new detached home in the Los Angeles-Long Beach-Anaheim, CA region increased 7.1% year-over-year to \$631,000 in May while the median price for a new attached home increased 33.3% from the same year-ago period to \$609,000. Homes priced between \$360,000 and \$540,000 experienced the most sales activity over the past year. The new home affordability ratio for a detached home reached 14.3% in May.

Key Highlights

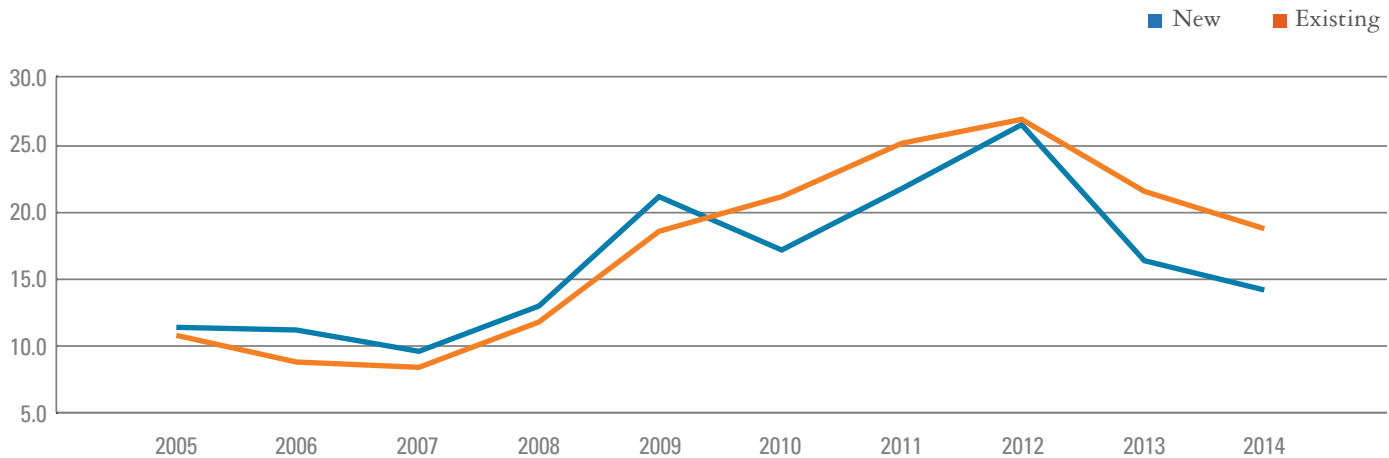
- Recently opened Baker Ranch offers six different product lines and over 2,000 units priced from the \$500,000's to over \$1.1 million. The project has been received with high traffic from a diverse mix of buyers. The largest product lines offer city views and distant ocean views.
- Standard Pacific opened sales to the first phase of Avenida at La Floresta with prices starting in the mid-\$700,000's.
- A total of 726 single-family homes and condo units are planned for Pavilion Park, which will be the first part of the Great Park Neighborhoods development. New homes are priced from the high \$600,000 range to \$1.2 million.
- Closings pending at the new executive home communities of Monument at West Hills and Charleston at River Village are going as high as \$1.1 million.

PRICE - NEW HOME

NEW HOME SALES BY PRICE RANGE



DETACHED AFFORDABILITY



PRICE - EXISTING HOME

EXISTING DETACHED HOME PRICE

Change from Previous Year:

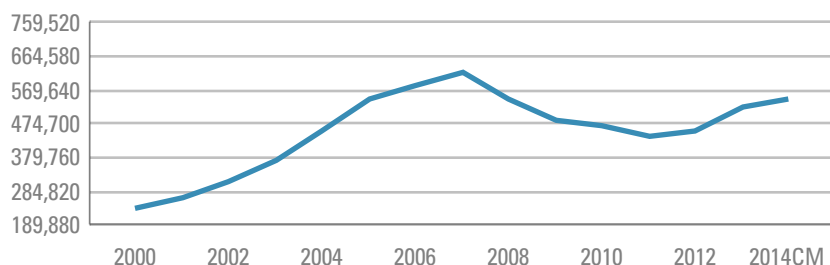
1.9% ↑

27-year Historical Average:

\$341,231

■ May, 2014 Median Detached Home Price:

\$545,000



Summary

The median price for an existing detached home in the Los Angeles-Long Beach-Anaheim, CA region increased 1.9% year-over-year to \$545,000 in May while the median price for an existing attached home increased 3.7% from the same year-ago period to \$425,000. Homes priced between \$400,000 and \$600,000 experienced the most sales activity over the past year. The existing home affordability ratio reached 18.7% in May.

EXISTING ATTACHED HOME PRICE

Change from Previous Year:

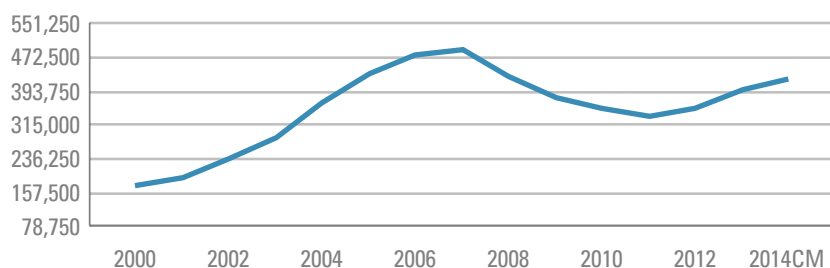
3.7% ↑

27-year Historical Average:

\$264,676

■ Median Attached Existing Home Price:

\$425,000

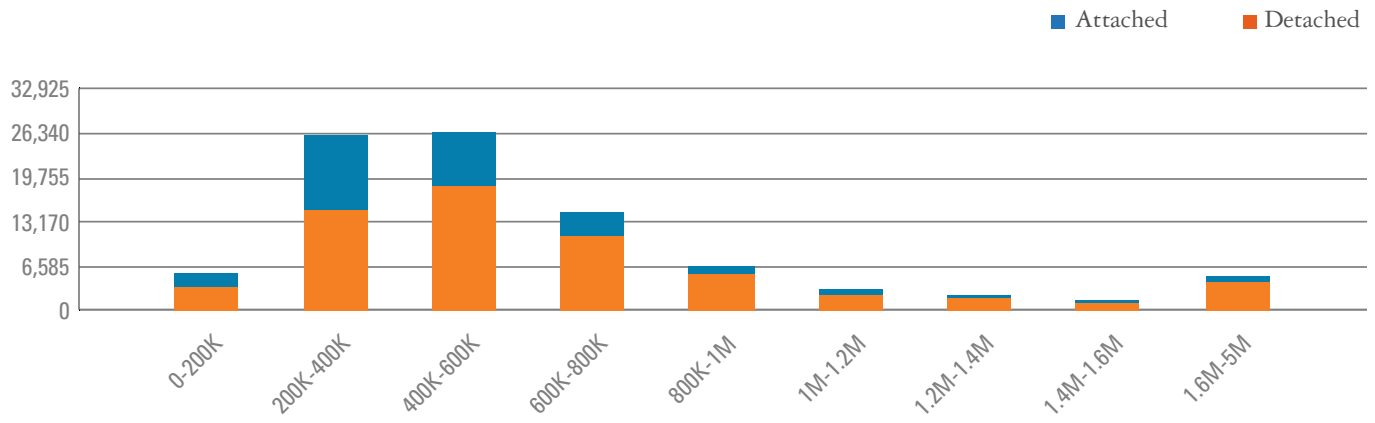


Key Highlights

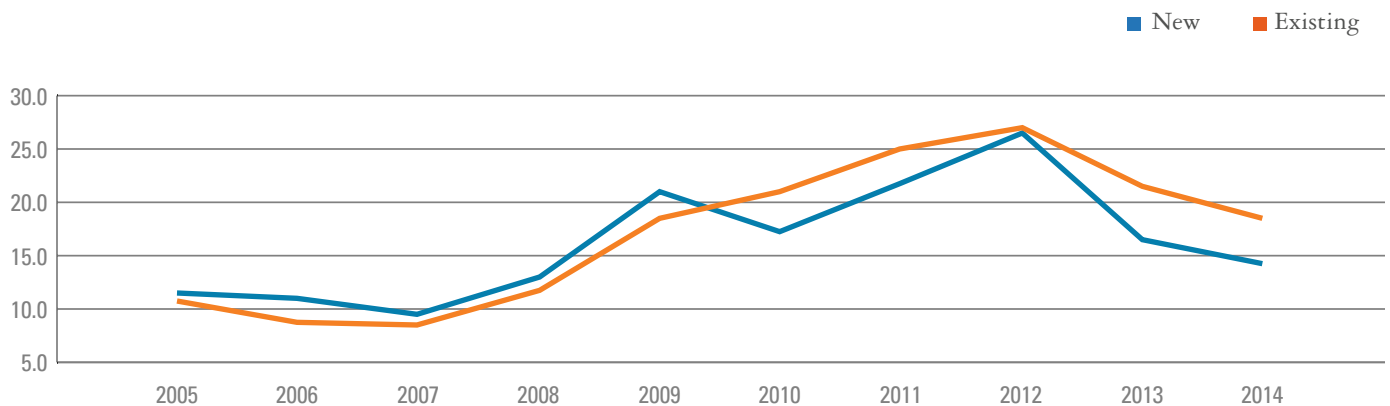
- Local home prices continued to slip in February. The Case-Shiller home price index in February declined 0.5% from last month but was still up 18.2% compared to this time last year.
- During the first quarter, median single-family resale prices rose almost 18% from the same time last year, according to the National Association of Realtors.
- Resale prices have been booming the area that has been dubbed Silicon Beach for its popularity within the tech community.
- More young professionals looking to live close to employment and services are driving demand for small-lot ordinance product in infill locations including areas such as Hollywood, North Hollywood, and Silver Lake. However, location is very important to these buyers and pushing up prices in fringe neighborhoods can be risky.

PRICE - EXISTING HOME

EXISTING SALES BY PRICE RANGE

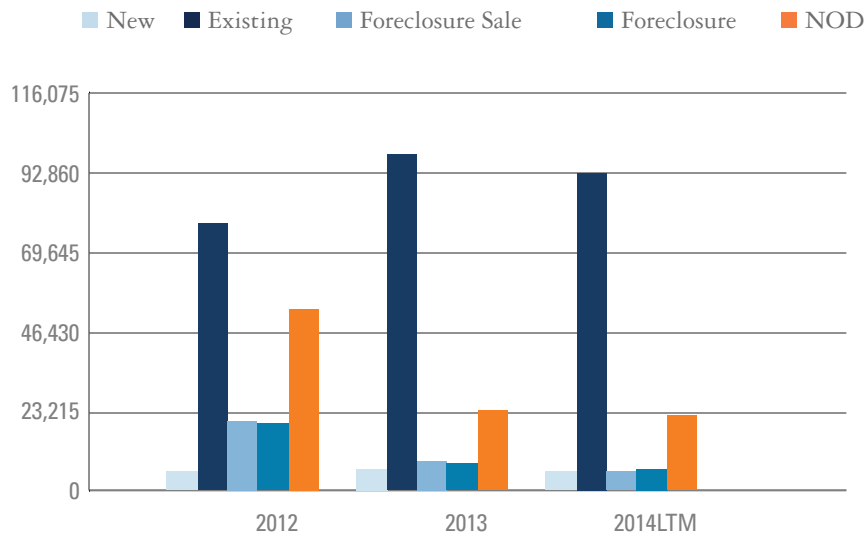


DETACHED AFFORDABILITY



DISTRESS

HOUSING TRANSACTION VOLUME BY TYPE



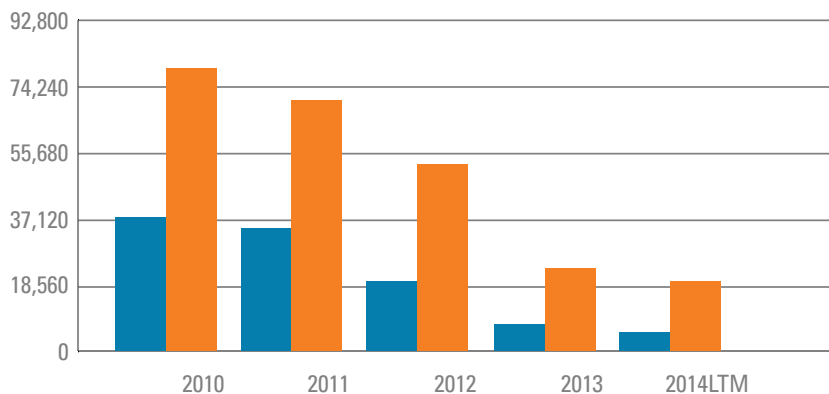
NOTICES OF DEFAULT & FORECLOSURES

■ May.2014 Total Foreclosures:

6,279

■ May.2014 Notices of Default:

21,974



Summary

Foreclosures in the Los Angeles-Long Beach-Anaheim, CA area have declined over the past year. There were 21,974 notices of default sent out in the region in the twelve-month period ending May which is a 43% decrease year-over-year. The region experienced 419 foreclosures in May. Over the past twelve months, there have been 6,279 foreclosures in the area which is lower than it was this time last year.

Key Highlights

- The National Mortgage Professional Magazine reported that foreclosure sales accounted for 6.4% of the Southern California resale market in March. This statistic is especially positive in that the data includes both Riverside and San Bernardino Counties, which were hit hard by the housing crisis.
- Distressed sales are becoming far and few between in the coastal markets, which rebounded prior to their inland counterparts.
- While foreclosure sales and short sales are on the decline, notices of default increased slightly in the first quarter of 2014. One of the reasons for this might be due to the inability of servicers to handle the volume of distressed properties. Regardless, the level of NOD's is well below the 12-year average and should remain low for the foreseeable future.

 Economy

	2011	2012	2013	1 YR AGO	MAY. 2014	% CHANGE
Job Growth (12-Month)	36,760	134,540	142,740	135,500	120,200	2.1% ↑
Unemployment Rate	11.4	10.1	9	9.1	7.6	-

 Community

Median Age	-	-	-	-	36.1	-
Median Household Income	53,850	54,621	55,392	56,164	56,935	1.4% ↑

 Supply

	2011	2012	2013	1 YR AGO	MAY. 2014	% CHANGE
Days on Market	124	120	93	91	89	- 2.2% ↓
E/P Ratio	2.6	7.7	5.7	5.9	4.0	- 31.7% ↓
Number of Listings	160,076	136,679	138,953	132,755	140,642	5.9% ↑
Total Permits	14,247	17,447	25,198	17,484	27,951	59.9% ↑

 Sales

Attached New	3,012	2,886	2,146	2,592	2,006	- 22.6% ↓
Attached Resale	15,318	20,904	28,383	24,413	27,695	13.4% ↑
Detached New	1,972	3,027	4,133	3,533	3,549	0.5% ↑
Detached Resale	44,968	57,561	70,009	65,235	65,045	- 0.3% ↓
Total Investor Sales	8,525	8,796	4,478	7,759	2,971	- 61.7% ↓

\$ Prices

Affordability (%)	25.1	27	21.5	20.7	18.7	- 9.7% ↓
Attached New Median	\$435,000	\$433,000	\$494,500	\$457,000	\$609,000	33.3% ↑
Attached Resale Median	\$335,000	\$355,000	\$400,000	\$410,000	\$425,000	3.7% ↑
Detached New Median	\$480,750	\$463,000	\$600,000	\$589,000	\$631,000	7.1% ↑
Detached Resale Median	\$440,000	\$458,500	\$525,000	\$535,000	\$545,000	1.9% ↑

↘ Distress

Foreclosures	34,515	20,182	8,082	15,259	6,279	- 58.9% ↓
Notices of Default	70,519	52,975	23,604	38,384	21,974	- 42.8% ↓

*Current year-over-year job growth and unemployment rate are as of April 2014.

ABOUT

The Meyers Index is a proprietary index that produces a score ranging from 0 to 1,000 for a geographic area, ranging from the nation to a specific zip code. A higher index score captures the desirability of housing development for the selected area and is calculated using specific data sets weighted to interpret the strength of the market. Such metrics include price appreciation, sales activity, permit activity, demographic growth, household income levels, school scores, and affordability.

Zonda delivers market clarity to empower our industry. Our goal is to simplify the experience of getting strategic answers.

Meyers Research, a Kennedy Wilson Company, is a trusted consulting practice, research group, and investment advisory firm for the residential real estate industry. Our goal is to supply our clients with a clear perspective and a strategic path forward. Operating from regional offices in Rancho Santa Fe, Beverly Hills, Irvine, the Bay Area, New Jersey, and North Carolina, Meyers Research strives to innovate new ways to disseminate real estate data and analytics. To learn more about Meyers Research, please visit www.meyersresearchllc.com.

DEFINITIONS AND METHODOLOGY

All information presented involved the assembly of data sources that we consider to be reliable, including the Bureau of Labor Statistics, Nielson Claritas, CoreLogic, Moody's Analytics, Great Schools, U.S. Bureau of the Census, various regional Multiple Listing Service providers, and Meyers Research. We do not guarantee any data accuracy as all information is subject to human errors, omissions, and/or changes.

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KENNEDY WILSON

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CONTACT INFORMATION

877 - ZONDA - 10

zonda@meyersresearchllc.com

www.meyersresearchllc.com