



KENNEDY WILSON

Kennedy Wilson Europe  
Real Estate Plc (LSE:KWE)

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# Disclaimer/Forward-Looking Statements

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# Kennedy Wilson Europe Real Estate Plc

## Overview

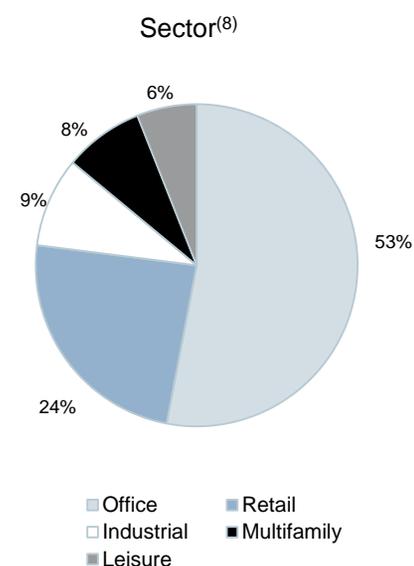
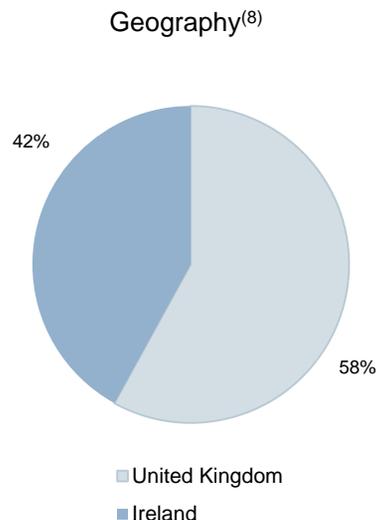
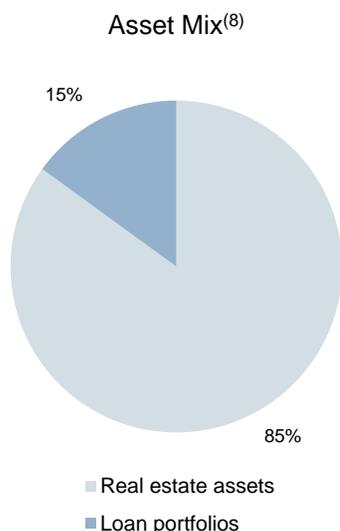
- Successfully completed c. £1.0bn Initial Public Offering (“IPO”) on the London Stock Exchange (“LSE”) (LON:KWE) in February 2014
- Broad investment mandate to invest in European real estate assets and real estate loans
- All IPO net proceeds invested
  - Portfolio market value of c. £1.2bn<sup>(1)</sup>
  - Total portfolio gross income of c. £85.3m<sup>(1)(2)</sup>
- Externally managed by NYSE listed Kennedy-Wilson Holdings, Inc.<sup>(3)</sup> (NYSE:KW)
  - KW is the largest shareholder in KWE with c.13.6%<sup>(4)</sup> ownership
  - Significant proprietary sourcing capabilities
- Recently entered into £311 million of asset financing facilities secured against the Tiger, Artemis and Jupiter portfolios and a £225 million, undrawn three year unsecured revolving credit facility
- Interim quarterly dividend of 2 pence per share declared and paid in August 2014

## Key Investment Highlights Since IPO

- **Delivered on plan** laid out at IPO
- Deployed capital in a **disciplined and focused** manner
- Solidified position in core markets as **an attractive counterparty**
- Continued to develop **robust pipeline** of opportunities
- **Managed balance sheet** for growth and flexibility

# Diversified Portfolio<sup>(1)</sup>

- Investment in 79 real estate assets and 3 loan portfolios secured by 42<sup>(2)</sup> real estate assets
- Total portfolio market value of £1.2bn
- Aggregate gross income<sup>(3)</sup> of £85.3m
- Weighted average lease term of 8.3 years<sup>(4)</sup> across the property portfolios
- c. 6.4 million sq. ft. of space with combined occupancy of 89% by area<sup>(5)</sup>
- Moderate gearing with c. 34% LTV across the entire portfolio<sup>(6)</sup> with c. £506<sup>(7)</sup> million of debt financing in place at the asset level



1. All portfolio information as at 31 August 2014. Includes 2 acquisitions closed after 31 August 2014. GBP equivalent based on €/GBP exchange rate of 0.79 as at 31 August 2014.  
 2. Includes one real estate loan (secured by 20 real estate assets) in which KWE has a 8.16% interest (Corbo).  
 3. Gross income calculated as at 31 August 2014. Gross income comprises (i) annualised gross rental income from real estate assets comprised in the property portfolio (excluding the leisure assets and any estimated rents from vacant areas), (ii) EBITDA from leisure assets for the 12-month period ended 31 July 2014, and (iii) annualised income of the loan portfolios.

4. "Weighted average lease term" means the weighted average period of unexpired lease term, or if an earlier period, to the next lease break, across the portfolio weighted by contractual rental income (including rent-frees). The calculation excludes leisure assets, short-term lettings, residential leases and properties allocated as developments.  
 5. Based only on real estate asset properties. Excludes leisure assets.  
 6. No drawdown has been made under the revolving credit facility.  
 7. GBP equivalent based on €/GBP exchange rate of 0.80 as at 30 June 2014.  
 8. All charts calculated by market value as at 31 August 2014. Sector split based only on direct real estate assets.

# Acquisitions Since IPO

(£ in millions)

Portfolio	Location	Asset Class <sup>(1)</sup>	Purchase Price <sup>(3)</sup>	Market Value <sup>(2)</sup>	Gross Income Per Annum <sup>(2)(4)</sup>	Occupancy <sup>(2)(5)</sup> (%)	Asset Management Strategy
Tiger	UK	O/I/R	70.0	73.5	8.0	93%	Renegotiate leases/refurbish
Artemis	UK	O/I/R	149.7	158.5	11.4	86%	Achieve market rental growth
Opera <sup>(6)</sup>	Ireland	O/R	307.5	311.0	17.3	91%	Lease up/renegotiate leases
Vantage, Central Park <sup>(6)</sup>	Ireland	M/R	70.8	68.3	3.3	82%	Refurbish/complete podium/lease up
Liffey Trust Building <sup>(6)</sup>	Ireland	M	11.8	11.7	1.0	97%	Achieve market rental growth
Jupiter	UK	O/I/R	296.0	322.0	25.3	88%	Renegotiate leases/redevelop
Portmarnock Hotel & Golf Links <sup>(6)</sup>	Ireland	L	23.6	23.6	1.2	N/A	Strategic capex/new operator
Marshes Shopping Centre <sup>(6)(7)(8)</sup>	Ireland	R	35.0	36.4	3.0	94%	Renegotiate leases
Fairmont St. Andrews Hotel	UK	L	32.4	34.5	2.0	N/A	Strategic capex/enhance corporate business
<b>Total Direct Property</b>			<b>996.8</b>	<b>1,039.5</b>	<b>72.5</b>	<b>89%</b>	
Avon <sup>(9)</sup>	UK		93.5	97.5	6.9		Hold loan
Corbo	UK		17.6	17.8	1.5		Consensual disposals
Elliott <sup>(6)(7)</sup>	Ireland		59.4	62.3	4.4		Direct ownership/consensual disposals
<b>Total Loan Acquisitions</b>			<b>170.5</b>	<b>177.6</b>	<b>12.8</b>		
<b>Total</b>			<b>1,167.3</b>	<b>1,217.1</b>	<b>85.3</b>		

1. O = Office; I = Industrial; R = Retail; M = Multifamily; L = Leisure.

2. As at 31 August 2014.

3. Includes assumed non-recourse debt and excludes acquisition costs and expenses.

4. Gross income calculated as at 31 August 2014. Gross income comprises (i) annualised gross rental income from real estate assets comprised in the property portfolio (excluding the leisure assets and any estimated rents from vacant areas), (ii) EBITDA from leisure assets for the 12-month period ended 31 July 2014, and (iii) annualised income of the loan portfolios.

5. Total excludes occupancy of leisure assets.

6. GBP equivalent based on €/GBP exchange rate of 0.79 as at 31 August 2014.

7. Elliott and Marshes acquisitions closed on 3 September 2014 and 5 September 2014, respectively.

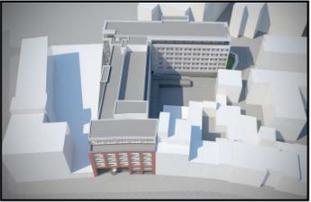
8. Annual income includes £0.3 million from the car park.

9. Includes additional £2m payment made to vendor in August 2014 following lease re-structure.

# Acquisition Case Studies

	Asset overview		Sourcing	Management strategy	
<p><b>Elliott Portfolio</b> <i>Ireland</i> Closed in September 2014</p>			<ul style="list-style-type: none"> <li>• Loan portfolio consisting of one connection with 13 real estate loans secured by 17 real estate assets in Ireland</li> <li>• Aggregate unpaid principal balance of £170.9m</li> </ul>	<ul style="list-style-type: none"> <li>• Leveraged strong relationship with RBS</li> </ul>	<ul style="list-style-type: none"> <li>• Take direct ownership of certain assets in short to medium term</li> <li>• Oversee programme of consensual disposals of remaining loan assets</li> </ul>
<p><b>Jupiter Portfolio</b> <i>United Kingdom</i> Closed in June 2014</p>			<ul style="list-style-type: none"> <li>• Real estate asset investment totaling 2.5m sq. ft. of floor area:                             <ul style="list-style-type: none"> <li>• 9 retail assets</li> <li>• 11 office assets</li> <li>• 1 industrial asset</li> </ul> </li> <li>• Portfolio across the United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>• Purchased at a discount through initial investment in certain subordinated debt instruments</li> <li>• Negotiated with special servicer and receiver to acquire the underlying portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Renegotiate major leases</li> <li>• Refurbish/redevelop certain assets</li> </ul>
<p><b>Vantage, Central Park</b> <i>Ireland</i> Closed in June 2014</p>			<ul style="list-style-type: none"> <li>• 272 residential units</li> <li>• 31,000 sq. ft. of commercial space</li> <li>• Permission for development of 166 additional units</li> <li>• Located in Sandyford, 11km from Dublin city centre</li> </ul>	<ul style="list-style-type: none"> <li>• Originally acquired by KW from NAMA</li> </ul>	<ul style="list-style-type: none"> <li>• Refurbish apartments</li> <li>• Drive rents</li> <li>• Provide tenant amenities, and develop multifamily units and commercial space</li> </ul>
<p><b>Avon Portfolio</b> <i>United Kingdom</i> Closed in May 2014</p>			<ul style="list-style-type: none"> <li>• Loan portfolio consisting of one connection with five real estate loans, secured by five real estate assets in England</li> <li>• Aggregate unpaid principal balance of £113.4m</li> </ul>	<ul style="list-style-type: none"> <li>• Fifth transaction executed by KW in Europe with Lloyds Bank</li> </ul>	<ul style="list-style-type: none"> <li>• In the short-term, hold the loans and benefit from yield and security over underlying real estate asset with a strong tenant (UK government) and long lease term</li> </ul>

# Value Added Asset Management Initiatives

<p><b>Croydon Asset and Airport Way, Luton</b> <i>Artemis Portfolio</i></p>			<ul style="list-style-type: none"> <li>• Completed a 10-year lease with DHL at prevailing market rents and attractive terms at Croydon asset</li> <li>• Completed a 15-year lease with Kitwave One Limited at prevailing market rents and attractive terms at Airport Way, Luton</li> </ul>
<p><b>Rubislaw House</b> <i>Jupiter Portfolio</i></p>			<ul style="list-style-type: none"> <li>• Renewed a 15-year lease at market rates with ConocoPhillips with an option to extend for seven years beyond the length of the lease</li> <li>• Lease allows for upwards only rent review every 5 years to prevailing market rents, with no rent free periods or capital expenditure commitments from the Group</li> </ul>
<p><b>Baggot Building</b> <i>Opera Portfolio</i></p>			<ul style="list-style-type: none"> <li>• Planning permission in place for additional c.31,000 square feet of floor space</li> <li>• The Group is in discussion with a potential tenant of good credit to lease the entire Baggot Building</li> </ul>
<p><b>Stillorgan Shopping Centre</b> <i>Opera Portfolio</i></p>			<ul style="list-style-type: none"> <li>• Planning approval in place with respect to one of the retail assets for an extension of c. 11,000 sq ft</li> <li>• Plans for a refurbishment of the centre close to completion</li> </ul>

# Attractive Market Opportunities

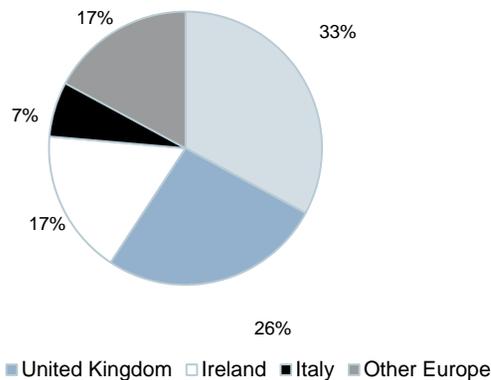
With access to capital, a depth of knowledge of core markets and products, and established proprietary relationships with many sellers, KWE is poised to capitalize on the investment opportunity presented by Europe's robust pipeline of NPLs, CRE loans and REO assets

## Favourable Market Dynamics

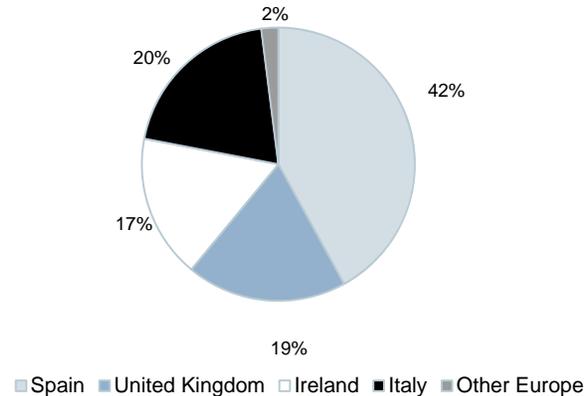
- NPL volume in the UK, Ireland and Spain combined is estimated to have nearly tripled to €463 billion from 2008 to 2013
- European banks, financial institutions and asset managers are likely to continue to sell or restructure outstanding gross non-core real estate exposure, estimated at €584 billion
- Recent trend towards "off market" or "selectively marketed" sales processes
- Positive economic trends, increasing property values and capital growth indicate a strengthening of the European economic recovery

## Four Key Markets Encompass Majority of European Opportunity

Gross Non-Core Real Estate Exposure by Geography<sup>(1)</sup>



Planned 2014 CRE Loans and REO Sales by Geography



Sources: PwC European Portfolio Advisory Group Market Update July 2014; Cushman & Wakefield European Real Estate Loan Sales Market – H1 2014; Cushman & Wakefield European Real Estate Loan Sales Market – February 2014; CoStar UK, JLL Ireland Investors Market Report Q2 2014; CBRE Italy Investment MarketView Q2 2014.

1. Excludes France due to lack of market transparency.

# Market-Focused Investment Strategy

Market	Market Opportunities	Key Market Trends
 <p>United Kingdom</p>	<ul style="list-style-type: none"> <li>Increased transaction volumes, with CRE loans and REO transactions 47% higher in H1 2014 than FY 2013</li> <li>Lloyds Banking Group brought £1.6 billion of UK collateralised loans to market in the first quarter of 2014</li> <li>RBS holds an estimated <b>€25 billion of non-core real estate loans</b></li> </ul>	<ul style="list-style-type: none"> <li>Office rental growth forecast at 5.9% for 2014                             <ul style="list-style-type: none"> <li>2014 growth primarily expected from London and the South East</li> <li>Remainder of UK expected to contribute more meaningfully in 2015</li> </ul> </li> <li>Favourable borrowing environment has driven momentum in UK commercial property markets and transaction volume</li> </ul>
 <p>Ireland</p>	<ul style="list-style-type: none"> <li><b>Increasing number of financial institutions looking to accelerate deleveraging programs</b></li> <li>c. €15 billion of NPL sales by financial institutions in Ireland from 2011-2013                             <ul style="list-style-type: none"> <li>€8 billion face value related to Irish assets</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Strong recovery in Dublin office market during H1 2014, particularly Dublin 2 and 4                             <ul style="list-style-type: none"> <li>Vacancy at 3% at the end of Q2 2014</li> <li>Prime rents increased 15% to c. €40 per sq. ft.</li> </ul> </li> <li>Residential property values increased by 13% in the 12 months ended July 2014, with Dublin properties growing 23% over the same period</li> </ul>
 <p>Spain</p>	<ul style="list-style-type: none"> <li><b>Spanish real estate market appears to have reached the bottom of the cycle</b> <ul style="list-style-type: none"> <li>Expected to benefit from improved fundamentals in the coming years</li> </ul> </li> <li><b>Total Spanish financial institution exposure to gross real estate loans and assets estimated at €192 billion</b> <ul style="list-style-type: none"> <li>SAREB holds an estimated €102 billion of non-core Spanish CRE loan and REO assets</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Spanish economic recovery has lagged that of the UK and Ireland</li> <li>Real estate market beginning to demonstrate positive indicators such as increasing demand, stabilized vacancy rates and limited new supply levels</li> </ul>
 <p>Italy</p>	<ul style="list-style-type: none"> <li>Estimated <b>€38 billion of Italian bank and asset management agency exposure to gross real estate loans and assets</b></li> <li>Recent estimates indicate Italian <b>closed-end funds due to expire over the next seven years hold c. €5.5 billion of property</b></li> </ul>	<ul style="list-style-type: none"> <li>Italian economy also continues to lag that of the UK and Ireland</li> <li>CRE loan and REO assets sales in Italy were slow in the first half of 2014</li> <li>Improving market sentiment has led to compression of prime office yields in Milan and Rome</li> </ul>

Sources: Colliers International Research & Forecast Report Q2 2014; Savills World Research UK Commercial Market in Minutes June 2014; Cushman & Wakefield European Real Estate Loan Sales Market - H1 2014; Central Statistics Office of Ireland: Quarterly National Accounts, Central Statistics Office of Ireland: Residential Property Price Index; JLL Ireland Investors Market Report Q2 2014; UBS, Spanish Real Estate, From Famine to Feast; International Monetary Fund, World Economic Outlook Database.

# Strong Performance Since IPO

	Plan at IPO	Progress to date
<b>Capital Deployment</b>	<ul style="list-style-type: none"> <li>Capitalise on substantial investment pipeline</li> </ul>	<ul style="list-style-type: none"> <li>12 acquisitions since IPO</li> <li>79 direct real estate investments</li> <li>3 loan portfolios secured by 42 real estate assets<sup>(1)</sup></li> </ul>
<b>Value-Added Execution</b>	<ul style="list-style-type: none"> <li>Drive value by active management of properties and loan portfolios</li> </ul>	<ul style="list-style-type: none"> <li>Current portfolio market value 4% greater than purchase value driven by disciplined investing and diligent asset management</li> <li>Recently completed long-term lease negotiations on several properties</li> <li>Continue working towards property refurbishment and re-development</li> </ul>
<b>Balance Sheet and Leverage</b>	<ul style="list-style-type: none"> <li>Expect overall LTV ratio will not exceed 50% (in no case to exceed 65%)</li> <li>Maintain flexibility to allow for execution on opportunistic deals</li> </ul>	<ul style="list-style-type: none"> <li>LTV of c. 34%</li> <li>Entered into £311 million of asset financing facilities secured against the Tiger, Artemis and Jupiter portfolios and a £225 million undrawn revolving credit facility enhancing ability to remain opportunistic</li> <li>Significant additional flexibility for continued growth</li> </ul>
<b>Dividends</b>	<ul style="list-style-type: none"> <li>Return capital to investors by way of quarterly dividends generated from investment property income</li> </ul>	<ul style="list-style-type: none"> <li>Declared and paid quarterly dividend of 2 pence per share in August 2014</li> </ul>
<b>Management Team</b>	<ul style="list-style-type: none"> <li>Remain focused on key markets with dedicated group of professionals</li> </ul>	<ul style="list-style-type: none"> <li>Expanded team to more than 60 professionals</li> <li>Located across key markets in the UK, Ireland, Spain and Jersey</li> </ul>

1. Includes one real estate loan (secured by 20 real estate assets) in which KWE has a 8.16% interest (Corbo).

# Strong Management Team

Employs over 60 professionals<sup>(1)</sup> with offices in Dublin, London, Madrid and Jersey

