FOREST LAWN HOLLYWOOD HILLS MARKET STUDY



Prepared for:

Forest Lawn Hollywood Hills

Prepared by:

CBRE Consulting

October 2008

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October 21, 2008

Mr. Russ Whittenburg
Chief Financial Officer
Forest Lawn
6300 Forest Lawn Drive
Los Angeles, CA 90068

RE: Market Study – Forest Lawn Hollywood Hills

Dear Russ:

CBRE Consulting ("CBRE") is pleased to submit this report on the market demand for interment sites within Los Angeles County in conjunction with Forest Lawn's application for federal, state and local entitlements.

Our analysis indicates that the vast majority of the market demand for the Hollywood Hills facility comes from within a 10-15 mile radius. In that 15-mile radius, there are 25 cemeteries with an estimated 280,000 interment sites remaining.

Based on current interment rates in this market area, and projected population growth and death rates for the Los Angeles metro area, CBRE estimates that all remaining interment property in the entire market area will be gone in about 10 years.

Our analysis is presented in detail in the attached report. We appreciated the opportunity to assist Forest Lawn with this important issue.

Sincerely,



Thomas R. Jirovsky
Senior Managing Director

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I. INTRODUCTION

Forest Lawn Hollywood Hills is located just northwest of Griffith Park and northeast of Universal City. The cemetery has operated for approximately 60 years in the Los Angeles area and serves thousands of families' funeral and burial needs annually.

Forest Lawn is seeking a long-term master plan of its Hollywood Hills facility to accommodate demand for the next 40 years. In connection with the requested federal, state and local entitlements, Forest Lawn has requested a third-party market study to analyze the long-term regional supply and demand characteristics for interment property to ascertain:

1) Whether there is sufficient existing supply to meet the needs of the community, and
2) The financial feasibility of developing alternative sites in Los Angeles County

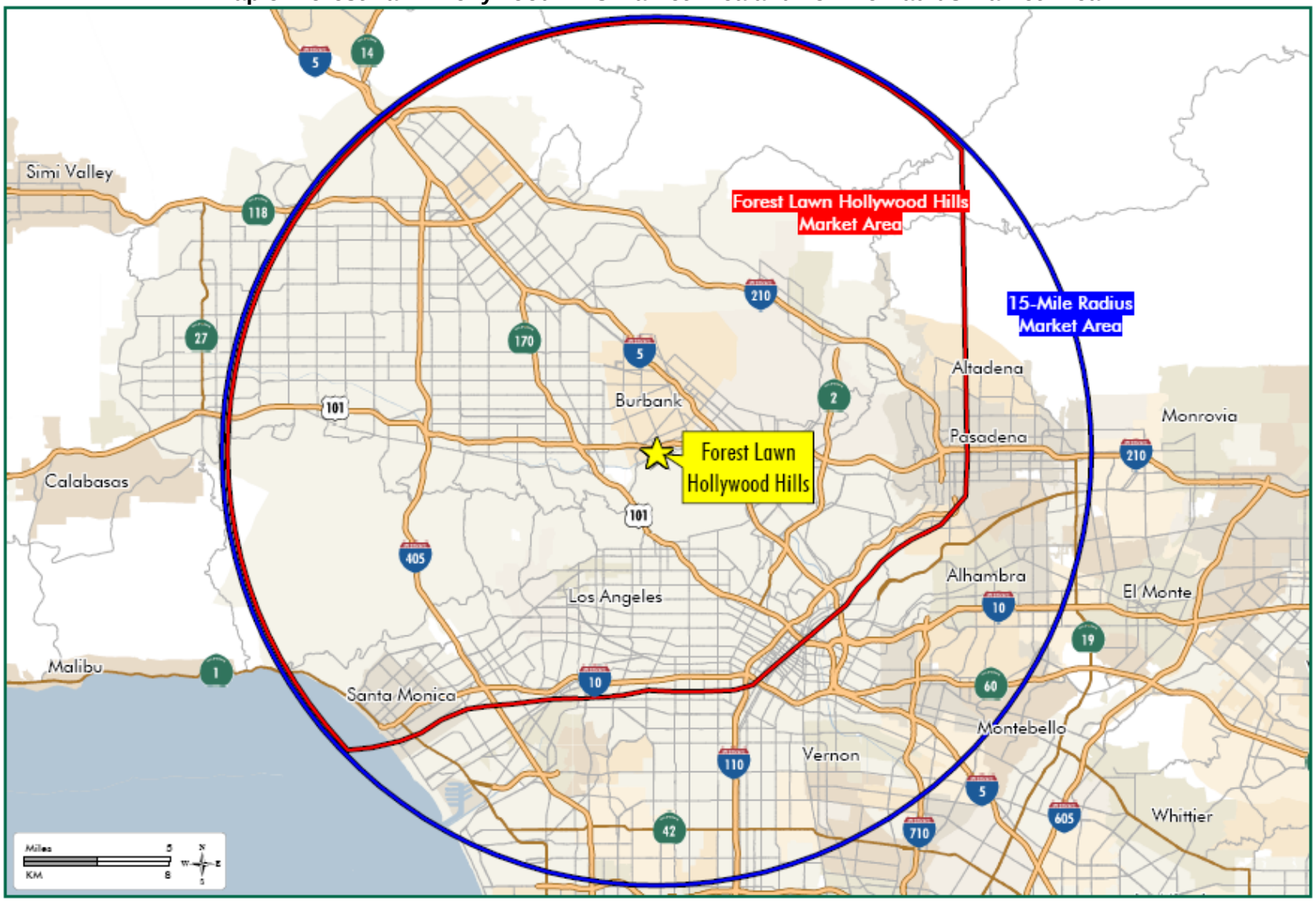
SCOPE OF WORK

In order to understand how long the current levels of supply will sustain the area's population, CBRE has analyzed interment rates and estimated the inventory of interment property for all cemeteries within a 15-mile radius surrounding Forest Lawn Hollywood Hills.

CBRE has also analyzed current and projected population growth trends and estimated death rates for Los Angeles County. From this information, we have estimated the number of years for which current interment site supply will sufficiently meet the area demand for interment property.

CBRE Consulting has also gathered information on land availability and likely costs within the Los Angeles metro market area to analyze the financial feasibility of development on alternative sites.

Figure I-1
Map of Forest Lawn Hollywood Hills Market Area and 15-Mile Radius Market Area



II. DEMOGRAPHIC TRENDS

REGIONAL TRENDS

Los Angeles County has an estimated population of 10.4 million in 2008. According to the California Department of Finance, the growth the County has observed in the recent past is anticipated to slow over the long term, to 0.6 to 0.7 percent annually between 2008 and 2028, and to 0.5 percent between 2028 and 2038.

Data from the Southern California Association of Governments supports the Department of Finance's projection of a slowdown in population growth. The Southern California Association of Governments forecasts average annual population growth to slow from the 1.13 percent estimated for 2000 to 2010, to between 0.6 and 0.7 percent for 2010 to 2030.

Table II-1
Population and Death Trends
Los Angeles County, 2008 - 2038

	2008		2018		2028		2038	
	Number	*Share*	Number	*Share*	Number	*Share*	Number	*Share*
Population By Age								
Under 14	2,268,230	*21.8%*	2,172,789	*19.6%*	2,420,331	*20.5%*	2,408,195	*19.4%*
15-34	2,878,627	*27.7%*	3,297,855	*29.8%*	3,136,794	*26.6%*	3,135,381	*25.3%*
35-54	3,088,448	*29.7%*	2,726,910	*24.7%*	2,786,361	*23.6%*	3,246,485	*26.2%*
55-74	1,626,699	*15.7%*	2,251,259	*20.4%*	2,533,911	*21.5%*	2,233,390	*18.0%*
75 and Over	523,368	*5.0%*	612,904	*5.5%*	919,150	*7.8%*	1,359,208	*11.0%*
Total	10,385,372		11,061,717		11,796,547		12,382,659	
Average Household Size	3.16		3.07		2.98		2.90	
Annual Death Estimates	69,722		75,929		86,554		100,546	

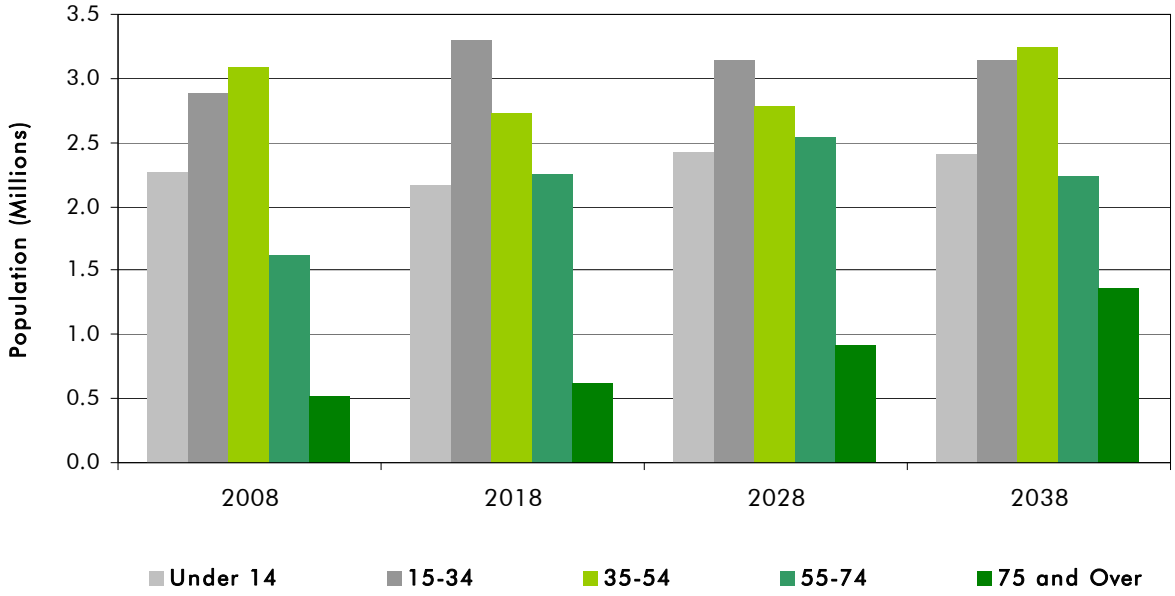
Sources: California Department of Finance; Southern California Association of Governments; and CBRE Consulting

Age Trends

The Los Angeles County population is relatively young as a result of a major influx of immigrants. However there is a major segment that is reaching retirement age within the next 10 years. Currently, the population over 55 constitutes just over 20 percent of the total population. By 2028, those over 55 will represent almost 30 percent of the population. The percentage over age 75 will grow from 5 percent to 7.8 percent by 2028 and 11 percent by 2038.

As the following chart illustrates, the Department of Finance estimates a large absolute increase in the population over 75 years of age. This group is forecast to grow by 50 percent between 2018 and 2028, and by an additional 48 percent between 2028 and 2038, to comprise about 1.35 million, or 11 percent of the County's population.

Table II-2
Population Trends by Age
Los Angeles, County 2008 - 2038



The Department of Finance projects annual deaths within Los Angeles County to grow at a 1.2 percent compound annual growth rate ("CAGR") over the next 30 years, much higher than the average population growth rate of 0.6 percent, as death rates are anticipated to rise, from about 6.7 deaths per 1,000 people at present, to about 8.1 deaths per 1,000 in 2038. By then, the County's aging population will result in over 100,000 deaths per year.

Annual Interments

For the purposes of estimating demand for interment sites, third party industry statistics provided by Forest Lawn indicate that 78 percent of deaths from Los Angeles County mortuaries are interred in a cemetery with the remaining 22% being cremated remains that are either taken home or scattered. The 78% that are interred at a cemetery are comprised of 60% full body interments and 18% cremated remains interments.

LOCAL TRENDS

Population Trends

CBRE Consulting has analyzed long-term demand for (a) the Forest Lawn Hollywood Hills Market Area and (b) a broader 15-Mile Radius Market Area. Approximate boundaries for the Forest Lawn Hollywood Hills Market Area are a 15-mile radius from Forest Lawn Hollywood Hills to the west and north, the I-110 freeway to the east, and the I-10 freeway to the south. Table II-3 below shows the long-term population trends for these areas, while Figure I-1 illustrates their boundaries on a map.

According to Claritas, a nationally recognized demographic data provider, the Forest Lawn Hollywood Hills Market Area currently comprises approximately 30 percent of the total Los Angeles County population, while the 15-Mile Radius Market Area comprises 50 percent of the County population. It is estimated that these percentage shares will fall slightly by 2038, to 29 percent and 49 percent, respectively. Average annual population growth rates within these areas, at 0.5 percent, are slightly lower than the countywide average.

Table II-3
Population and Death Trends
Forest Lawn Hollywood Hills Market Area and 15-Mile Radius Market Area, 2008 – 2038

	2008	2018	2028	2038	Compound Annual Growth Rate 2008 - 2038
POPULATION					
Forest Lawn Hollywood Hills Market Area (1)	3,120,033	3,301,381	3,496,702	3,645,426	0.5%
15-Mile Radius Market Area (3,4)	5,245,224	5,535,116	5,828,467	6,040,996	0.5%
ANNUAL DEATH ESTIMATES (5)					
Forest Lawn Hollywood Hills Market Area (1)	20,946	22,661	25,656	29,601	1.2%
15-Mile Radius Market Area (3,4)	35,214	37,994	42,765	49,052	1.1%

Sources: California Department of Finance; Claritas; and CBRE Consulting

(1) Comprised of an area roughly bounded by a 15-mile radius from Forest Lawn Hollywood Hills on the east and north, the 110 freeway to the west, and the 10 freeway to the south.
(2) Per Claritas, the 15-mile area comprises between 29.4 and 30.0 percent of the total Los Angeles County population between 2008 and 2038.
(3) Comprised of the area within a 15-mile radius of Forest Lawn Hollywood Hills.
(4) Per Claritas, the 15-mile area comprises between 48.8 and 50.5 percent of the total Los Angeles County population between 2008 and 2038.
(5) According to the California Department of Finance, the regional death rate ranges from 0.67 percent in 2008, to 0.81 percent in 2038.

For this study, we assumed the same age distribution and death rates, for the Forest Lawn Hollywood Hills Market Area and the 15-Mile Radius Market Area, as for the County. As the table above shows, it is estimated that death rates will grow at an average of over 1 percent per year within the Forest Lawn Hollywood Hills Market Area and the 15-Mile Radius Market Area. This translates into forecast annual deaths of about 30,000 and 49,000, respectively, by 2038.

III. AREA INVENTORY

AREA CEMETERIES

CBRE has compiled an inventory of cemeteries within a 15-mile radius from Forest Lawn Hollywood Hills. In order to estimate the available inventory of interment property, we have taken into consideration both the amount of undeveloped land within existing cemeteries, as well as available lots in already developed land. Consideration is also given to land which sites have already been pre-sold.

It is assumed that 100 percent of undeveloped land within existing cemeteries is available for development into interment sites and an additional 10 percent of land that has already been developed can still be made available for future interments. However, we estimate that half of this additional availability has been purchased already on a pre-need basis. Considering this, we estimate that a net of 5 percent of land that has already been developed will be still available for future sale.

Based on data provided by Forest Lawn, it is assumed that each acre of land will provide for 1,200 interment sites. The table on the following page lists the cemeteries and summarizes the available inventory within Forest Lawn Hollywood Hills, the Forest Lawn Hollywood Hills Market Area and the 15-Mile Radius Market Area.

It should be noted that several of the listed cemeteries cater, and in some cases, limit, their services to populations with particular religious or cultural affiliations, such as Jewish or Catholic cemeteries, and U.S. Veterans' cemeteries (collectively "Affiliated Cemeteries", and represented by an "*" next to their name for identification in the table on the following page). Thus, in addition to understanding the total supply/demand picture, it is also useful to examine supply and demand separately for Affiliated and Unaffiliated Cemeteries as the supply/demand balance may differ between the two categories.

Forest Lawn Hollywood Hills

Approximately 42,000 interment sites are currently available or able to be developed at Forest Lawn Hollywood Hills. Of these, 30,000 sites are able to be developed within undeveloped land, while another 12,000 are available within already developed land. It should be noted that, within the 15-Mile Radius Market Area, Forest Lawn Hollywood Hills is the single largest non-affiliated cemetery by available supply.

Forest Lawn Hollywood Hills Market Area

Approximately 144,000 interment sites are available in the nine cemeteries located within the Forest Lawn Hollywood Hills Market Area. Affiliated Cemeteries—Mount Sinai Memorial Park, Veterans Sawtelle Memorial Park, San Fernando Mission Cemetery, Eden Memorial Park & Mausoleum and Shalom Memorial Park—collectively hold 50,000 interment sites, representing over a third of the Market Area's total inventory.

15-Mile Radius Market Area

There are twenty-five cemeteries within the broader 15-Mile Radius Market Area, which have an estimated available supply of 280,000 interment sites. This represents an incremental supply of about 135,000 sites over that in the Forest Lawn Hollywood Hills Market Area. However, 100,000

sites, or nearly three quarters of this incremental supply, are found within Affiliated Cemeteries catering to Catholic and Jewish populations. One of these, Holy Cross Cemetery and Mausoleum, is a Catholic cemetery with 78,000 interment sites and holds the single largest available supply of land in the 15-Mile Radius Market Area.

Table III-1
Cemeteries by Market Area

	Undeveloped Acres	Estimated Interment Sites Remaining	Estimated Interment Sites in Developed Land (1)	Available Supply (Interment Sites)
Forest Lawn Hollywood Hills Market Area (2)				
Forest Lawn Hollywood Hills	**24.5**	**29,412**	**12,540**	**41,952**
Mount Sinai Memorial Park*	2.6	3,120	4,644	7,764
Pierce Bros. Valhalla Memorial Park	2.2	2,640	5,940	8,580
Hollywood Forever Cemetery	0.0	0	3,180	3,180
Forest Lawn Glendale	6.9	8,292	13,920	22,212
Moutain View Cemetery, Mausoleum & Crematory	0.0	0	3,690	3,690
Rosedale Angelus Cemetery	0.0	0	3,102	3,102
Veterans Sawtelle Memorial Park*	0.0	0	6,888	6,888
San Fernando Mission Cemetery*	3.8	4,560	4,002	8,562
Eden Memorial Park & Mausoleum*	2.5	3,000	3,444	6,444
Glen Haven Memorial Park	5.0	6,000	2,688	8,688
Shalom Memorial Park*	16.0	19,200	1,704	20,904
Woodlawn Cemetery & Mausoleum	0.0	0	2,298	2,298
15-Mile Radius Market Area (3,4)				
Evergreen Cemetery & Crematory	0.0	0	4,302	4,302
Calvary Catholic Cemetery and Mausoleum*	0.0	0	8,436	8,436
Chinese Cemetery*	0.0	0	1,212	1,212
Home of Peace Memorial Park & Mausoleum*	0.3	360	2,040	2,400
Odd Fellows LA Cemetery*	0.0	0	1,674	1,674
San Gabriel Cemetery Association	0.0	0	1,542	1,542
Resurrection Cemetery and Mausoleum*	3.1	3,720	7,260	10,980
Mount Carmel Cemetery	0.0	0	516	516
Park Lawn Cemetery	0.0	0	1,344	1,344
Holy Cross Cemetery & Mausoleum*	51.7	62,040	15,720	77,760
Hillside Memorial Park & Mausoleum*	0.0	0	2,580	2,580
Inglewood Park Cemetery	5.0	6,000	16,860	22,860
TOTALS - ALL CEMETERIES				
Forest Lawn Hollywood Hills	24.5	29,412	12,540	41,952
Forest Lawn Hollywood Hills Market Area	63.5	76,224	68,040	144,264
15-Mile Radius Market Area	123.6	148,344	131,526	279,870

Source: Forest Lawn Hollywood Hills; and CBRE Consulting

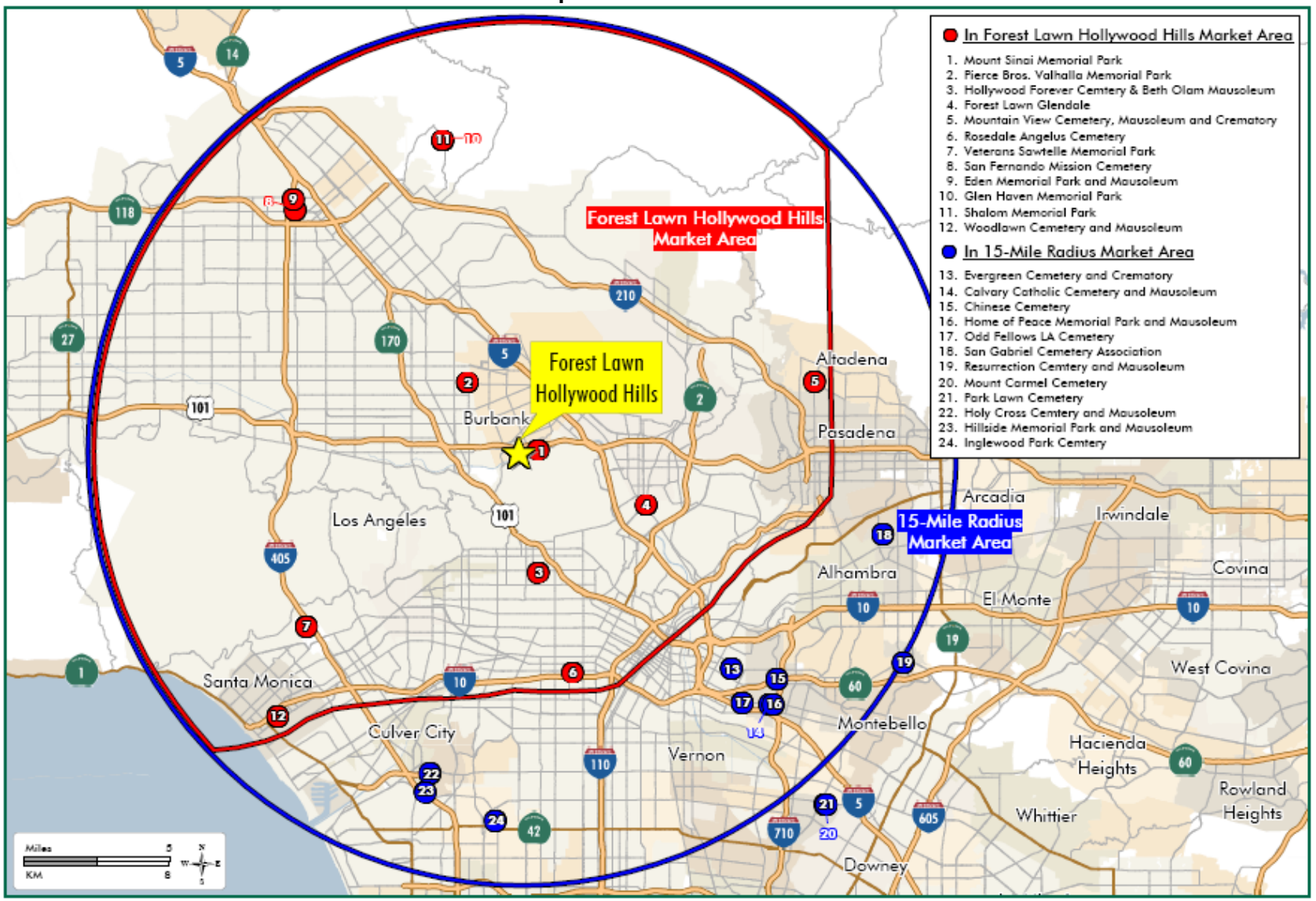
(1) It is assumed that an additional 5 percent of land which is already developed is still available to be used for future sales, due to the fact that cemeteries may have spaces which are presold but not yet utilized as well as the fact that patches of vacant space in between current interment sites may be utilized in the future.

(2) Comprised of an area roughly bounded by a 15-mile radius from Forest Lawn Hollywood Hills on the east and north, the 110 freeway to the west, and the 10 freeway to the south.

(3) Approximation. Some cemeteries may lie adjacent to border of ring.

(4) Includes cemeteries within a 15-mile radius of Forest Lawn Hollywood Hills.

Figure III-1
Map of Area Cemeteries



SUPPLY AND DEMAND ANALYSIS

CBRE Consulting compared the projected population growth and death rate trends for both the Forest Lawn Hollywood Hills Market Area and the 15-Mile Radius Market Area to the availability of interment sites within their corresponding cemeteries in order to determine the number of years remaining for the current supply of land.

Methodology

Forest Lawn furnished data from the industry's third party statistics provider on the number of interments that occurred at cemeteries within the studied region in 2005. Forest Lawn also provided estimates to determine the number of interment sites sold preneed for that same year, which are not reflected in the third party statistics provider's data. Selling plots on a pre-need basis is an industry basic practice, so estimating the number of sites actually sold, beyond actual physical usage for current interments, will result in figures that are more representative of actual demand. Forest Lawn Hollywood Hills has indicated that annual sales, both at-need and pre-need, exceed actual interments by 34 percent. We have incorporated this into our estimated demand figures. For other cemeteries located in the market area, we have used a more conservative sale figure of 10 percent over actual interments, since we do not have access to their operating records.

In order to estimate growth in annual interments, we have applied the Department of Finance's forecast death rates in Los Angeles County. A summary of our methodology is discussed in the following section.

Table III-2
Summary of Current Supply and Demand
Forest Lawn Hollywood Hills Market Area and 15-Mile Radius Market Area

	Forest Lawn Hollywood Hills	Forest Lawn Hollywood Hills Market Area (1)	15-Mile Radius Market Area (2)
Demand			
2005 Demand (3)	4,435	13,354	24,862
2008 Demand (4)	4,527	13,631	25,377
Supply			
2008 Beginning of Year Supply (Sites)	41,952	144,264	279,870

Source: Forest Lawn; CA Department of Finance; Claritas; and CBRE Consulting

(1) Comprised of an area roughly bounded by a 15-mile radius from Forest Lawn Hollywood Hills on the east and north, the 110 freeway to the west, and the 10 freeway to the south.
(2) Comprised of the area within a 15-mile radius of Forest Lawn Hollywood Hills.
(3) Figures are based on actual 2005 interments of 3,310 in Forest Lawn Hollywood Hills, 11,418 in the cemeteries within the Forest Lawn Hollywood Hills Market Area, and 21,880 in the cemeteries within the 15-Mile Radius Market Area, respectively, plus an annual factor to determine the number of sites that are actually sold for each geography, versus those sites used for current interments. This increase is estimated as 34% of actual interments at Forest Lawn Hollywood Hills, and 10% of actual interments in other cemeteries in the Forest Lawn Hollywood Hills Market Area and in the 15-Mile Radius Market Area. See Appendix for detail on actual interments from all cemeteries located within each market area by cemetery.
(4) Based on 2005 figures and forecast Department of Finance annual growth in death rates.

Once we estimated the number of anticipated interment site sales, or total annual demand, for each year using this methodology, we subtracted each year's demand from the area's available supply to determine how much supply would still be available for the following year. A quick glance at Table

III-3 shows that current supply of interment sites in the Forest Lawn Hollywood Hills Market Area and in the 15-Mile Radius Market Area will last until 2018.

Detailed information on the current supply of interment sites and number of interments in each cemetery is located in Appendix Exhibit 1.

Supply and Demand

The following table summarizes estimated supply and demand levels presented in five-year intervals over the next twenty years. Our analysis shows that projected demand is forecast to deplete currently available supply in Forest Lawn Hollywood Hills as well as in each of the market areas in about 10 years. Appendix Exhibit 2 presents this data in detail.

Table III-3
Supply and Demand Analysis
Forest Lawn Hollywood Hills, Forest Lawn Hollywood Hills Market Area, and 15-Mile Radius Market Area, 2008 – 2028

	2008-12	2013-17	2018-22	2023-27
Forest Lawn Hollywood Hills				
Supply - Beginning of Period	41,952	18,932	(5,048)	(30,262)
5-year Demand (1)	23,020	23,981	25,214	26,896
Supply - End of Period	18,932	(5,048)	(30,262)	(57,159)
Forest Lawn Hollywood Hills Market Area (2)				
Supply - Beginning of Period	144,264	74,956	2,754	(73,160)
5-year Demand (2)	69,308	72,202	75,914	80,981
Supply - End of Period	74,956	2,754	(73,160)	(154,141)
15-Mile Radius Market Area (3)				
Supply - Beginning of Period	279,870	150,835	16,412	(124,923)
5-year Demand (2)	129,035	134,423	141,335	150,767
Supply - End of Period	150,835	16,412	(124,923)	(275,689)

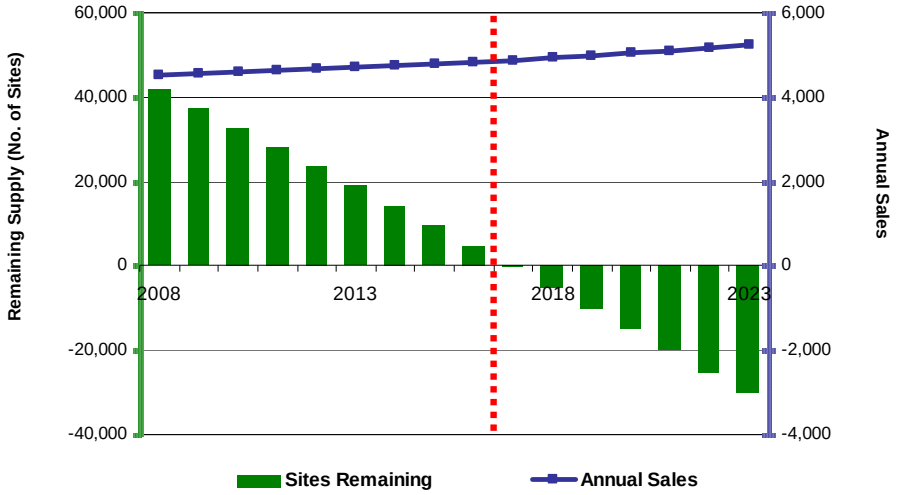
Sources: California Department of Finance; Claritas; Forest Lawn Memorial-Parks and Mortuaries; and CBRE Consulting

(1) Begins on January 1st of the first year and ends on December 31st of the last year.
(2) Comprised of an area roughly bounded by a 15-mile radius from Forest Lawn Hollywood Hills on the east and north, the 110 freeway to the west, and the 10 freeway to the south.
(3) Comprised of the area within a 15-mile radius of Forest Lawn Hollywood Hills.

Forest Lawn Hollywood Hills

There are nearly 42,000 interment sites currently available for sale in Forest Lawn Hollywood Hills. The annual demand for at-need and pre-need sites was 4,435 in 2005. Assuming consistent growth in line with County death rates, we estimate that annual demand will deplete this supply by 2016, as shown in Figure III-2 on the following page.

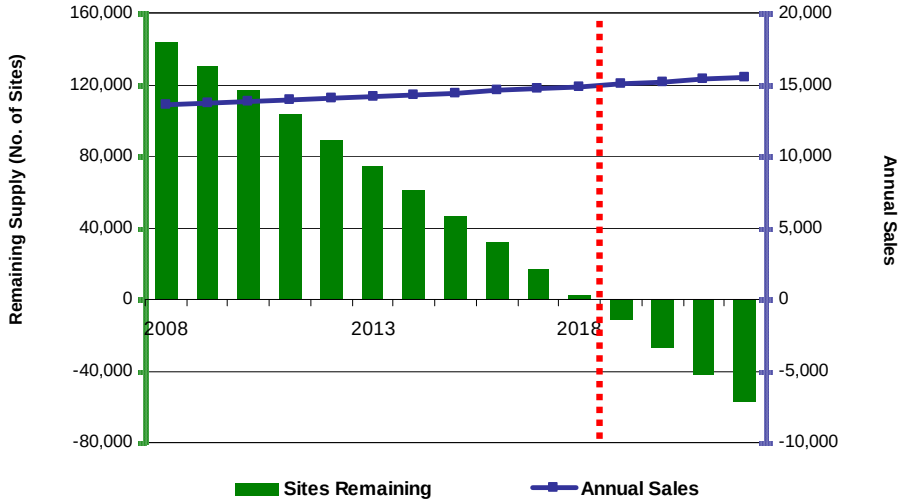
Figure III-2
Supply and Demand
Forest Lawn Hollywood Hills, 2008 – 2028



Forest Lawn Hollywood Hills Market Area

CBRE estimates there are nearly 145,000 sites currently available within the Forest Lawn Hollywood Hills Market Area. Annual demand in 2005 was 13,354 sites. Based on projected growth rates we estimate this supply will be depleted by 2018. It should be noted that the Forest Lawn Hollywood Hills Market Area includes five affiliated cemeteries, comprising over a third of the Market Area's supply. If the annual demand from these five Affiliated Cemeteries is removed, demand for the non-Affiliated Cemeteries in the Forest Lawn Hollywood Hills Market Area drops to 8,623 sites in 2005, or about a third less than the total Market Area's demand. Based on projected growth rates, we estimate the non-Affiliated supply also will be depleted by 2018.

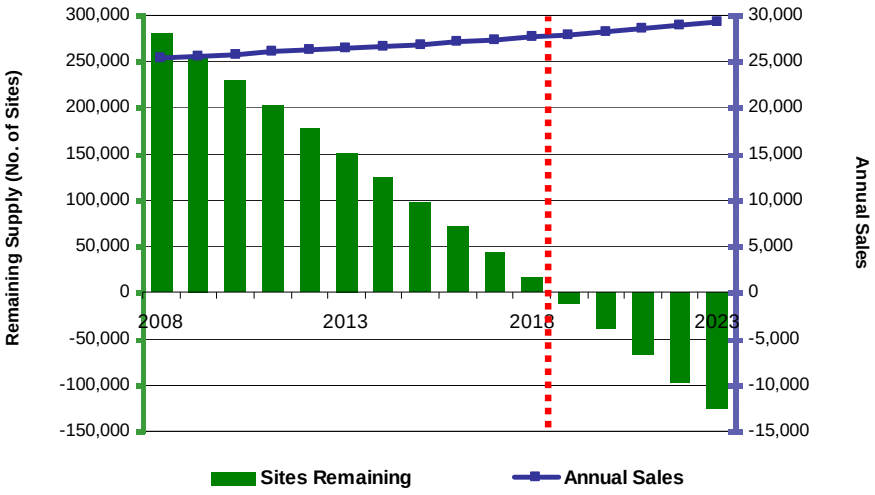
Figure III-3
Supply and Demand
Forest Lawn Hollywood Hills Market Area, 2008 – 2028



15-Mile Radius Market Area

The cemeteries within the broader 15-Mile Radius Market Area currently hold a supply of nearly 280,000 sites. With annual demand estimated to grow from 25,000 to 27,000 sites over the next 10 years, available supply is forecast to be depleted by 2018, as shown in Figure III-4 below. It is worth noting that there are twelve affiliated cemeteries in this Market Area, such as Resurrection Cemetery & Mausoleum and Holy Cross Cemetery & Mausoleum, that cater to a select population yet comprise well over half of the Market Area's supply. If the annual demand from these twelve Affiliated Cemeteries is removed, demand for the non-Affiliated Cemeteries in the 15-mile Radius Market Area drops to 13,464 sites in 2005. Based on projected growth rates, we estimate the non-Affiliated supply will be depleted one year earlier, in 2017, versus the depletion year of 2018 for the entire Market Area.

Figure III-4
Supply and Demand
15-Mile Radius Market Area, 2008 - 2028



IV. FINANCIAL FEASIBILITY

The market factors of cemeteries require large parcels of relatively level ground with no significant contamination issues. Because such uses generate little in the way of tax revenues or significant economic activity, many cities are unwilling to allow development of new cemeteries on land that is suitable for commercial or industrial development. CBRE has analyzed the financial feasibility of developing new cemeteries and estimated the maximum supportable land cost. The findings of our analysis are detailed below.

LAND COSTS

CBRE Consulting has collected information on recent land sales of over 20 acres within 15 miles of Forest Lawn Hollywood Hills. Sales were excluded based on geographic and topographic issues that may have prevented the development of cemetery space, such as excessively sloped sites, which may require significant grading and an extensive permitting process, or site accessibility issues.

The table below shows that there have been a limited number of sales of large land sites within this area. As most of the region is built out, there is a scarcity of large contiguous land parcels. Of those parcels that were marketed, land prices generally ranged upward of one million dollars per acre.

Table IV-1
Land Sales
15-Mile Radius – 1/2005 – 1/2008

	Property / Address	Sale Date	Sale Price	Land Area (Acres)	Price Per Acre
1	2050 San Fernando Rd. Los Angeles, CA 90039	3/24/2005	$30,000,000	23.22	$1,292,034
2	2555 N Hollywood Way Burbank, CA 91505	6/17/2005	$42,579,293	26.81	$1,588,187
3	8501 Arleta Ave. Sun Valley, CA 91352	8/9/2005	$37,000,000	30.49	$1,213,513
4	Firestone Blvd. South Gate, CA 90280	12/8/2005	$25,000,000	28.50	$877,193
5	Horse Haven St Los Angeles, CA 91352	4/6/2006	$10,000,000	26.11	$382,995
6	E. Sheriff Rd. & Loren St. Monterey Park, CA 91754	11/8/2006	$5,900,000	28.34	$208,186
7	Jefferson Blvd. & Centinela Ave. Playa Vista, CA 90045	2/8/2007	$200,000,000	64.00	$3,125,000

Source: Costar; and CBRE Consulting

It should be noted that the 28-acre Monterey Park site, which was purchased in November of 2006, was a former landfill site. The all-cash transaction is probably below market prices due to the contamination and clean-up issues associated with the site, probably resulting with a higher effective price after remediation.

Figure IV-1
Map of Land Sales



DEVELOPMENT COSTS

Cemeteries require large upfront capital investment for infrastructure (roads, sewers, irrigation, electrical, maintenance yards, heavy equipment) and 3-4 years of planning and entitlement processing before they can start land development. The upfront planning costs range from $3 to $4 million and infrastructure costs add another $25 million for the initial phase of development, with substantial additional infrastructure costs incurred at various milestones throughout the life of the cemetery.

Cemeteries rely on a long-term supply of one-time revenues associated with sales of interment property that last for 50+ years, during which time the operator must recoup all upfront capital costs and achieve a market rate of return.

As a result, the cost of land is a major factor in determining the feasibility of developing a new cemetery.

Illustrative Pro Forma

To illustrate the financial feasibility of developing a new cemetery on newly acquired land, CBRE has prepared a 50-year pro forma to demonstrate the maximum supportable land price. The analysis is based on 2008 dollars and does not reflect any inflation in costs or revenues.

Key Assumptions:

Site area - 90 acres
Predevelopment costs - $3.5 million over 3 years
Infrastructure costs - $43 million (40% spent by year 5)
Interment Land Development Costs - $186 million
Interment Sites – 200,000 (including high-density garden crypts, wall crypts, and mausoleum niches/crypts)
Average annual sale of interment sites – 4,500 per year after reaching steady-state in year 11
Average revenue per interment site - $8,100
Average annual operating cost – 32% of revenue
"All in" cost of capital – 18% to 20%

A 50-year cash flow is provided in Table IV-2 on the following pages to demonstrate the likely revenues and expenses associated with developing/operating a new cemetery over a 50-year period. Note that it will take at least 9 years to just recover the upfront investment, excluding the land cost.

Applying the all in cost of capital as a discount rate for the net cash flow, CBRE estimates that the maximum land price that a cemetery can afford to pay is less than $200,000 per acre and achieve the minimum return on capital invested. With land costing upwards of $1 million per acre within the market area, it is evident that new cemeteries are not financially feasible.

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Table IV-2
Illustrative Cemetery Pro Forma
(000's)

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
Capital Cost																		
Pre-development costs		(1,000)	(1,000)	(1,500)														
Area Infrastructure Costs				(8,500)	(7,000)	(2,500)	(2,500)	(2,500)	(2,500)		(1,000)					(1,000)		
# of interment sites developed						8,000	900	1,800	2,700	3,600	4,000	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Capital Devel Cost/site						904	904	904	904	904	904	904	904	904	904	904	904	904
Interment Capital Costs*						(7,232)	(814)	(1,627)	(2,441)	(3,254)	(3,616)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)
Total Capital Costs		(1,000)	(1,000)	(10,000)	(7,000)	(9,732)	(3,314)	(4,127)	(4,941)	(3,254)	(4,616)	(4,068)	(4,068)	(4,068)	(4,068)	(5,068)	(4,068)	(4,068)
Operating Cash Flow																		
# of interment sites sold		-	-	-	-	-	900	1,800	2,700	3,600	4,000	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Price/site		8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100
Gross Revenue		-	-	-	-	-	7,290	14,580	21,870	29,160	32,400	36,450	36,450	36,450	36,450	36,450	36,450	36,450
Less: Operating Costs		-	-	-	-	-	(2,340)	(4,680)	(7,020)	(9,360)	(10,400)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)
Net Operating Revenue		-	-	-	-	-	4,950	9,900	14,850	19,800	22,000	24,750	24,750	24,750	24,750	24,750	24,750	24,750
Unleverage Cash Flow		(1,000)	(1,000)	(10,000)	(7,000)	(9,732)	1,636	5,773	9,909	16,546	17,384	20,682	20,682	20,682	20,682	19,682	20,682	20,682
Cum Unleverage Cash Flow		(1,000)	(2,000)	(12,000)	(19,000)	(28,732)	(27,096)	(21,323)	(11,414)	5,132	22,516	43,198	63,880	84,562	105,244	124,926	145,608	166,290
Cumulative Sites sold		-	-	-	-	-	900	2,700	5,400	9,000	13,000	17,500	22,000	26,500	31,000	35,500	40,000	44,500
NPV at 20%	$12,177,949																	
	$135,311	per acre																
NPV at 18%	$17,986,936																	
	$199,855	per acre																

Table IV-2 Continued
Illustrative Cemetery Pro Forma
(000's)

		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
		18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35
Capital Cost																			
Pre-development costs																			
Area Infrastructure Costs		(5,000)	(3,000)	(1,000)					(1,000)					(1,000)					(1,000)
# of interment sites developed		4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Capital Devel Cost/site		904	904	904	904	904	904	904	904	904	904	904	904	904	904	904	904	904	904
Interment Capital Costs*		(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)
Total Capital Costs		(9,068)	(7,068)	(5,068)	(4,068)	(4,068)	(4,068)	(4,068)	(5,068)	(4,068)	(4,068)	(4,068)	(4,068)	(5,068)	(4,068)	(4,068)	(4,068)	(4,068)	(5,068)
Operating Cash Flow																			
# of interment sites sold		4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Price/site		8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100
Gross Revenue		36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450
Less: Operating Costs		(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)
Net Operating Revenue		24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750
Unleverage Cash Flow		15,682	17,682	19,682	20,682	20,682	20,682	20,682	19,682	20,682	20,682	20,682	20,682	19,682	20,682	20,682	20,682	20,682	19,682
Cum Unleverage Cash Flow		181,972	199,654	219,336	240,018	260,700	281,382	302,064	321,746	342,428	363,110	383,792	404,474	424,156	444,838	465,520	486,202	506,884	526,566
Cumulative Sites sold		49,000	53,500	58,000	62,500	67,000	71,500	76,000	80,500	85,000	89,500	94,000	98,500	103,000	107,500	112,000	116,500	121,000	125,500
NPV at 20%	$12,177,949																		
	$135,311	per acre																	
NPV at 18%	$17,986,936																		
	$199,855	per acre																	

Table IV-2 Continued
Illustrative Cemetery Pro Forma
(000's)

		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
		36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51
Capital Cost																	
Pre-development costs																	
Area Infrastructure Costs						(1,000)					(1,000)					(1,000)	
# of interment sites developed		4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Capital Devel Cost/site		904	904	904	904	904	904	904	904	904	904	904	904	904	904	904	904
Interment Capital Costs*		(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)	(4,068)
Total Capital Costs		(4,068)	(4,068)	(4,068)	(4,068)	(5,068)	(4,068)	(4,068)	(4,068)	(4,068)	(5,068)	(4,068)	(4,068)	(4,068)	(4,068)	(5,068)	(4,068)
Operating Cash Flow																	
# of interment sites sold		4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Price/site		8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100
Gross Revenue		36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450	36,450
Less: Operating Costs		(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)	(11,700)
Net Operating Revenue		24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750
Unleverage Cash Flow		20,682	20,682	20,682	20,682	19,682	20,682	20,682	20,682	20,682	19,682	20,682	20,682	20,682	20,682	19,682	20,682
Cum Unleverage Cash Flow		547,248	567,930	588,612	609,294	628,976	649,658	670,340	691,022	711,704	731,386	752,068	772,750	793,432	814,114	833,796	854,478
Cumulative Sites sold		130,000	134,500	139,000	143,500	148,000	152,500	157,000	161,500	166,000	170,500	175,000	179,500	184,000	188,500	193,000	197,500
NPV at 20%	$12,177,949																
	$135,311	per acre															
NPV at 18%	$17,986,936																
	$199,855	per acre															

V. CONCLUSIONS

SUPPLY AND DEMAND

Due to an aging population and resulting higher death rates expected in Los Angeles County, demand for interment sites will rise steadily over the next 20 years. Given currently available interment sites at Forest Lawn and in the cemeteries located within a 15-mile radius, we estimate that current supply will only be able to meet area demand for approximately 10 years.

The dense commercial, industrial and residential development throughout the entire region makes large parcels of land that would otherwise be compatible for cemetery uses extremely scarce. A survey of land sales over the past three years validates that conclusion.

Forest Lawn Hollywood Hills currently has approximately 210 acres of developed land and approximately 25 acres of undeveloped land. This translates into an available supply of nearly 42,000 sites, which will be exhausted within 10 years.

If the 90 acres of land on which development is being requested were allowed to be developed, it would result in the addition of nearly 200,000 interment sites to the area's supply, assuring an important and convenient long-term supply for thousands of local families.

FINANCIAL FEASIBILITY

The market factors of cemeteries require large parcels (75 to 150 acres) of relatively level ground with no contamination issues. Because such uses generate little in the way of tax revenues or economic activity, many cities are unwilling to allow development of new cemeteries on land that is suitable for commercial or industrial development. Planning and entitlement processing can take three years and cost $3-4 million with no assurance of success.

Based on prototype pro forma for development of a new cemetery, CBRE estimates that the maximum land cost supported is less than $200,000 per acre, and that is assuming a flat topography that requires no environmental set-asides and where every acre can be fully developed. With hillsides or set-asides, that maximum land cost falls in proportion to the acreage that is not developable.

There are few if any available parcels of land large enough for development of new cemeteries in the San Fernando Valley area. Residential and commercial development potential pushes land values to $1 million per acre or more. Other large parcels are either industrial brownfields with environmental contamination that make them unsuitable for cemetery use, or hillside properties with extensive grading cost.

APPENDIX

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Appendix Exhibit 1
Forest Lawn Market Analysis
Cemetery Statictics
Forest Lawn Hollywood Hills Market Area and 15-Mile Radius Market Area

	Total Annual Inters	Total Inter Site Demand (1)	No. Acres Undeveloped	No. of Interment Sites (2)	No. Acres in Developed Cemetery that Have Not Been Utilized (3)	No. of Interment Sites	Total Interment Sites Remaining to be Sold
Forest Lawn Hollywood Hills Market Area (4)							
Forest Lawn Hollywood Hills	3,310	4,435	24.5	29,412	10.5	12,540	41,952
Mount Sinai Memorial Park*	1,661	1,827	2.6	3,120	3.9	4,644	7,764
Pierce Bros. Valhalla Memorial Park	558	614	2.2	2,640	5.0	5,940	8,580
Hollywood Forever Cemetery	324	356	0.0	0	2.7	3,180	3,180
Forest Lawn Glendale	1,871	2,058	6.9	8,292	11.6	13,920	22,212
Moutain View Cemetery, Mausoleum & Crematory	390	429	0.0	0	3.1	3,690	3,690
Rosedale Angelus Cemetery	257	283	0.0	0	2.6	3,102	3,102
Veterans Sawtelle Memorial Park*	144	158	0.0	0	5.7	6,888	6,888
San Fernando Mission Cemetery*	1,635	1,799	3.8	4,560	3.3	4,002	8,562
Eden Memorial Park & Mausoleum*	808	889	2.5	3,000	2.9	3,444	6,444
Glen Haven Memorial Park	170	187	5.0	6,000	2.2	2,688	8,688
Shalom Memorial Park*	53	58	16.0	19,200	1.4	1,704	20,904
Woodlawn Cemetery & Mausoleum	237	261	0.0	0	1.9	2,298	2,298
Forest Lawn Hollywood Hills Market Area Total	**11,418**	**13,354**	**63.5**	**76,224**	**56.7**	**68,040**	**144,264**
15-Mile Radius Market Area (5,6)							
Evergreen Cemetery & Crematory	285	314	0.0	0	3.6	4,302	4,302
Calvary Catholic Cemetery and Mausoleum*	915	1,007	0.0	0	7.0	8,436	8,436
Chinese Cemetery*	21	23	0.0	0	1.0	1,212	1,212
Home of Peace Memorial Park & Mausoleum*	121	133	0.3	360	1.7	2,040	2,400
Odd Fellows LA Cemetery*	224	246	0.0	0	1.4	1,674	1,674
San Gabriel Cemetery Association	120	132	0.0	0	1.3	1,542	1,542
Resurrection Cemetery and Mausoleum*	1,988	2,187	3.1	3,720	6.1	7,260	10,980
Mount Carmel Cemetery	33	36	0.0	0	0.4	516	516
Park Lawn Cemetery	250	275	0.0	0	1.1	1,344	1,344
Holy Cross Cemetery & Mausoleum*	1,940	2,134	51.7	62,040	13.1	15,720	77,760
Hillside Memorial Park & Mausoleum*	852	937	0.0	0	2.2	2,580	2,580
Inglewood Park Cemetery	3,713	4,084	5.0	6,000	14.1	16,860	22,860
15-Mile Radius Market Area Total	**21,880**	**24,862**	**123.6**	**148,344**	**109.6**	**131,526**	**279,870**

Source: Forest Lawn Hollywood Hills; and CBRE Consulting

(1) Figures are based on actual 2005 interments of 3,310 in Forest Lawn Hollywood Hills, 11,418 in the cemeteries within the Forest Lawn Hollywood Hills Market Area, and 21,880 in the cemeteries within the 15-Mile Radius Market Area, respectively, plus an annual factor to determine the number of sites that are actually sold for each geography, versus those sites used for current interments. This increase is estimated as 34% of actual interments at Forest Lawn Hollywood Hills, and 10% of actual interments in cemeteries in the Forest Lawn Hollywood Hills Market Area and in the 15-Mile Radius Market Area.

(2) Assumed a ratio of 1,200 ground interment sites per acre.

(3) It is assumed that an additional 5 percent of land which is already developed can be used for future sales due to the fact that cemeteries may have interment sites which are presold but not yet utilized as well as the fact that patches of vacant space in between current sites may be utilized in the future.

(4) Comprised of an area roughly bounded by a 15-mile radius from Forest Lawn Hollywood Hills on the east and north, the 110 freeway to the west, and the 10 freeway to the south.

(5) Approximation. Some cemeteries may lie adjacent to border of ring.

(6) Includes cemeteries within a 15-mile radius of Forest Lawn Hollywood Hills.

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Appendix Exhibit 2
Forest Lawn Market Analysis
Supply and Demand Forecast
Forest Lawn Hollywood Hills, Forest Lawn Hollywood Hills Market Area, and 15-Mile Radius Market Area
2008 – 2028

Period	Forest Lawn Hollywood Hills		Forest Lawn Hollywood Hills Market Area (1)		15-Mile Radius Market Area (2,3)	
	Supply (4)	Demand (5,6)	Supply (4)	Demand (5,6)	Supply (4)	Demand (5,6)
2008	41,952	4,527	144,264	13,631	279,870	24,862
2009	37,425	4,566	130,633	13,746	254,493	25,043
2010	32,859	4,603	116,887	13,859	228,901	25,178
2011	28,256	4,645	103,028	13,985	203,098	25,377
2012	23,611	4,679	89,043	14,087	177,062	25,592
2013	18,932	4,715	74,956	14,196	150,835	25,803
2014	14,217	4,754	60,760	14,314	124,406	26,036
2015	9,463	4,795	46,447	14,437	97,757	26,227
2016	4,668	4,836	32,009	14,561	70,878	26,430
2017	(168)	4,880	17,448	14,694	43,769	26,648
2018	(5,048)	4,930	2,754	14,844	16,412	26,879
2019	(9,979)	4,983	(12,090)	15,002	(11,224)	27,109
2020	(14,961)	5,039	(27,091)	15,171	(39,154)	27,356
2021	(20,000)	5,099	(42,262)	15,352	(67,398)	27,637
2022	(25,099)	5,163	(57,614)	15,546	(95,980)	27,929
2023	(30,262)	5,229	(73,160)	15,745	(124,923)	28,245
2024	(35,492)	5,301	(88,905)	15,961	(154,236)	28,582
2025	(40,793)	5,376	(104,866)	16,187	(183,951)	28,943
2026	(46,169)	5,454	(121,053)	16,421	(214,088)	29,313
2027	(51,623)	5,536	(137,474)	16,667	(244,660)	29,715
2028	(57,159)	5,620	(154,141)	16,922	(275,689)	30,137

Source: California Department of Finance; Forest Lawn Hollywood Hills; and CBRE Consulting

(1) Comprised of an area roughly bounded by a 15-mile radius from Forest Lawn Hollywood Hills on the east and north, the 110 freeway to the west, and the 10 freeway to the south.
(2) Approximation. Some cemeteries may lie adjacent to border of ring.
(3) Includes cemeteries within a 15-mile radius of Forest Lawn Hollywood Hills.
(4) Figure represents supply on January 1st of each period.
(5) Figures are based on actual 2005 interments of 3,310 in Forest Lawn Hollywood Hills, 11,418 in the cemeteries within the Forest Lawn Hollywood Hills Market Area, and 21,880 in the cemeteries within the 15-Mile Radius Market Area, respectively, plus an annual "bump" to determine the number of sites that are actually sold for each geography, versus those sites used for current interments. This increase is estimated as 34% of actual interments at Forest Lawn Hollywood Hills, and 10% of actual interments in cemeteries in the Forest Lawn Hollywood Hills Market Area and in the 15-Mile Radius Market Area.
(6) Figure represents demand generated between January 1st and December 31st of each period.