Monthly Survey of Real Estate Agents

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CHANNEL CHECK

Sellers Use Price to Find Buyers and Complete Transactions at Year-end

- **Year-end pricing tempts buyers:** In our December Monthly Survey of Real Estate Agents, we saw a slight improvement in buyer traffic, as significant year-end price cuts created a sense of urgency among buyers. We'd view the improved traffic more positively if it resulted from improved buyer confidence, rather than being driven by aggressive pricing.
- **The Eager, the Able, and the Timid.** Buyer traffic was split between the Eager (investors and/or cash buyers in search of bargains), the Able (typical owner-occupants, responding to the low prices and mortgage rates), and the Timid (buyers concerned about additional price declines and job security). Overall, the increased presence of Eager buyers led our buyer traffic index to increase to 37.1 in December, up from 32.5 in November.
- **Rising rents lead some buyers to act:** Interestingly, one of the drivers of the buyer traffic was the upward trend of rental rates. Low mortgage rates have not created much urgency, as rates are generally expected to remain low for at least the next year, but rental rate increases are leading some tenants to become owners.
- **Sellers bring prices down in an effort to find a sale before winter sets in:** Agents noted that many sellers attempted to cut prices to generate a sale before year-end. Our price index did not reflect a noticeable change, remaining essentially constant at 30.6 in December from 30.7 in November, but the comments from agents consistently noted the price declines at the end of the year. Nevertheless, a price index of 30.6 points to sequentially lower prices, as any readings below 50 indicate declines over the past 30 days.
- **Inventory drifts lower, but homes likely to return to market along with foreclosure listings.** Our inventory index rose to 68.0 in December, up from 61.2 in November, consistent with seasonal trends. An inventory index level above 50 points to falling inventory. We expect homes to return to the market at the start of the year (supply typically comes to market ahead of the spring selling season) along with added listings of bank-owned properties likely to come to market.
- **Low appraisals continue to hurt sales activity.** Agents cited the challenges from appraisals, with most agents saying that low appraisals are frequently derailing transactions.

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Markets are characterized based on permit activity and listed in alphabetical order

Sellers Use Price to Find Buyers

For those who may be unfamiliar with our survey, we center our indices around 50 so that readings above 50 indicate positive or improving trends and readings below 50 indicate negative or worsening trends. Please see page 5 for a full description of our survey methodology.

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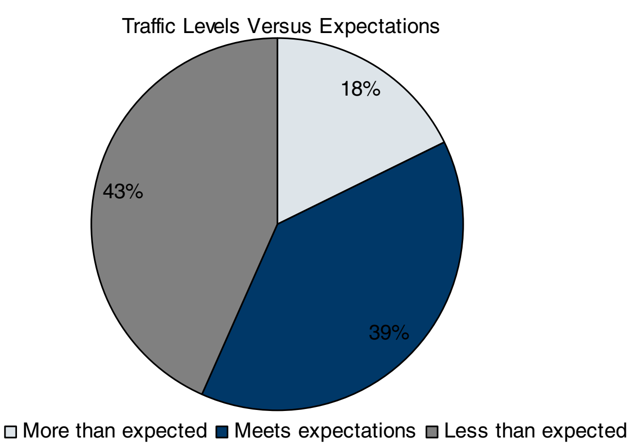
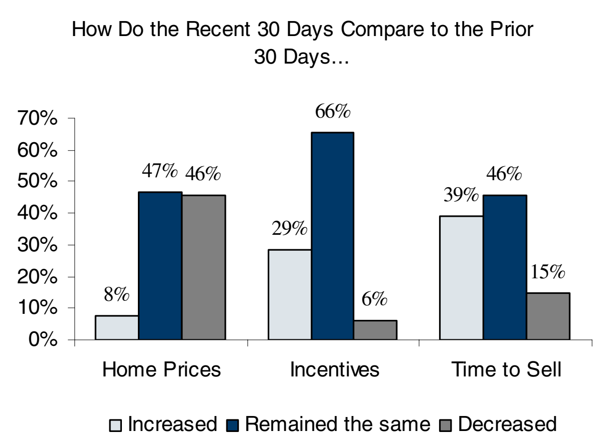
Exhibit 1: Traffic Closer to Expectations in December, but Agents Heard Concerns on Price and Economic Weakness

Month	Buyer Traffic Index	Home Price Index	Incentive Index	Home Listings Index	Time to Sell Index
Jan-2010	43.5	35.0	41.8	51.3	39.4
Feb-2010	41.4	35.7	41.9	46.1	42.9
Mar-2010	43.1	39.9	42.9	39.5	45.8
Apr-2010	48.7	43.4	43.1	38.2	49.1
May-2010	31.5	38.9	41.2	42.0	42.6
Jun-2010	19.1	32.1	43.7	38.9	29.6
Jul-2010	16.9	26.8	40.7	36.3	23.6
Aug-2010	17.0	22.9	37.1	30.0	19.1
Sep-2010	17.9	22.0	38.4	28.2	18.8
Oct-2010	16.3	20.5	36.6	35.5	20.0
Nov-2010	22.1	21.6	34.1	41.3	21.5
Dec-2010	29.1	23.0	39.5	51.2	23.1
Jan-2011	39.1	26.9	40.4	41.0	29.2
Feb-2011	42.0	29.6	38.3	35.1	32.7
Mar-2011	37.5	30.6	40.5	38.8	36.2
Apr-2011	36.8	32.6	43.5	38.3	40.1
May-2011	31.8	27.4	38.1	40.0	31.6
Jun-2011	28.8	29.7	38.7	45.8	34.5
Jul-2011	31.9	29.4	39.2	51.0	34.5
Aug-2011	26.9	26.7	37.6	52.8	31.4
Sep-2011	24.8	27.8	37.8	53.7	32.5
Oct-2011	29.0	28.7	38.4	59.9	34.3
Nov-2011	32.5	30.7	39.0	61.2	34.7
Dec-2011	37.1	30.6	38.7	68.0	37.7
Point change	**4.6**	**(0.1)**	**(0.3)**	**6.8**	**3.0**

Source: Credit Suisse

Exhibit 2: Pricing Remains Under Pressure in Several Markers Despite Falling Inventories





Source: Credit Suisse

Survey Methodology

We survey real estate agents, as we believe agents provide an accurate assessment of local housing market trends in both the new and existing home markets. We view an understanding of the existing home market as crucial to homebuilders as it represents over 90% of total sales, and trends in the existing home market often dictate trends in the new home market.

Each month, we survey agents about trends in buyer traffic levels, home prices, incentives, inventory levels, and the length of time needed to sell a home. In December, we received responses from 900 real estate agents across the country. We review responses and calculate an index for each of the questions with levels above 50 indicating positive trends, levels below 50 indicating worsening trends, and a level of 50 indicating a neutral trend.

1) Are traffic levels in-line with, above, or below your expectations for this time of year? (Because of seasonality to traffic trends – generally more traffic in Spring and less in Fall/Winter – we ask about traffic relative to the expectations for this time of year rather than how traffic compared to the prior month). A traffic index above 50 means that traffic was above the expectations of agents, a traffic index of 50 means that traffic was in-line with expectations, and a traffic index below 50 means that traffic was below expectations.

2) Have prices remained the same, increased, or decreased over the past 30 days? A price index above 50 indicates that prices increased over the past 30 days, a price index of 50 indicates that prices were flat, and a price index below 50 indicates that prices decreased.

3) Have incentives remained the same, increased, or decreased over the past 30 days? An incentive index above 50 indicates that incentives decreased over the past 30 days, an incentive index of 50 indicates that incentives were unchanged, and an incentive index below 50 indicates that incentives increased.

4) Do you see the same, more, or fewer, listings as compared with 30 days ago? An inventory (listings) index above 50 indicates that the inventory of homes for sale decreased over the past 30 days, an inventory index of 50 indicates that inventories were unchanged, and an inventory index below 50 indicates that inventories increased.

5) Does it take the same, more, or less time to sell a house? A time to sell index above 50 indicates that the time needed to sell a home decreased over the past 30 days, a time to sell index of 50 indicates that the time needed to sell a home was unchanged, and a time to sell index below 50 indicates that the time needed to sell a home increased.

Exposure to Key New Home Markets

The market exposure of homebuilders to the key housing markets is outlined in the table below.

Exhibit 3: Summary of Homebuilders' Exposure to Top 20 New Home Markets

Market	2010 1-Family Permits	Market Exposure (% of 2010 Closings)											
		BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	6,436	-	3%	-	-	-	-	-	-	3%	4%	-	-
Austin, TX	6,069	-	5%	-	7%	4%	-	8%	-	4%	3%	9%	-
Charlotte, NC	4,518	-	2%	-	2%	2%	-	-	5%	2%	5%	6%	-
Chicago, IL	4,249	-	2%	3%	-	1%	-	-	-	2%	6%	-	-
Dallas, TX	14,409	6%	14%	8%	-	4%	-	17%	-	5%	7%	-	4%
Denver, CO	3,704	-	2%	-	4%	1%	16%	4%	-	1%	-	-	-
Houston, TX	22,134	10%	6%	21%	10%	14%	-	19%	-	5%	11%	-	2%
Inland Empire, CA	5,248	2%	3%	5%	8%	3%	6%	6%	-	4%	-	13%	1%
Jacksonville, FL	3,381	-	3%	-	4%	2%	6%	-	-	1%	3%	-	2%
Las Vegas, NV	4,630	4%	3%	-	8%	3%	15%	-	-	2%	7%	-	4%
Los Angeles, CA	4,012	5%	-	-	6%	3%	-	-	-	-	-	7%	2%
Miami, FL	3,178	-	2%	-	-	5%	-	-	-	1%	-	-	-
Minneapolis, MN	3,794	-	1%	-	-	3%	-	-	-	2%	5%	-	-
NY - Northern NJ	7,092	-	1%	12%	-	2%	-	-	-	1%	-	-	14%
Orlando, FL	4,177	3%	3%	-	4%	4%	-	8%	-	2%	6%	-	2%
Phoenix, AZ	7,259	7%	4%	-	3%	2%	10%	12%	-	6%	-	-	5%
San Antonio, TX	5,122	3%	6%	-	9%	2%	-	7%	-	5%	7%	-	1%
Seattle, WA	6,097	-	2%	-	-	-	9%	-	-	1%	-	-	6%
Tampa, FL	4,395	4%	2%	-	2%	6%	-	-	-	1%	8%	10%	1%
Washington, DC	9,362	13%	-	12%	-	4%	8%	-	19%	6%	6%	-	15%
Total Exposure to Top 20	**129,266**	**56%**	**64%**	**62%**	**67%**	**66%**	**70%**	**81%**	**24%**	**55%**	**77%**	**45%**	**59%**

Source: Company data, Builder Online, Credit Suisse estimates

Exhibit 4: Summary of Homebuilders' Exposure to Additional Key New Home Markets

Market	2010 1-Family Permits	Market Exposure (% of 2010 Closings)											
		BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Baltimore, MD	3,586	4%	-	2%	-	3%	3%	-	11%	-	5%	-	2%
Boston, MA	3,706	-	-	-	-	-	-	-	-	0%	-	-	1%
Charleston, SC	2,780	4%	1%	-	2%	2%	-	-	-	2%	5%	-	-
Cincinnati, OH	2,856	-	-	-	-	-	-	-	5%	-	-	-	-
Columbus, OH	2,902	-	-	-	-	-	-	-	1%	-	-	-	-
Detroit, MI	2,399	-	-	-	-	-	-	-	-	1%	-	-	2%
Fort Myers, FL	1,175	-	1%	-	-	2%	-	-	-	2%	-	-	2%
Kansas City, KS	2,113	-	-	-	-	-	-	-	-	-	-	-	-
Nashville, TN	3,945	5%	-	-	-	-	-	-	2%	2%	-	-	-
Phila.-Southern NJ	5,262	4%	1%	6%	-	-	-	-	7%	1%	-	-	10%
Portland, OR	3,368	-	1%	-	-	-	-	-	-	1%	-	-	-
Raleigh, NC	4,669	-	1%	2%	2%	3%	-	-	-	2%	-	8%	4%
Richmond, VA	2,536	-	-	-	-	-	-	-	5%	1%	-	-	-
Sacramento, CA	2,166	2%	-	-	-	2%	-	2%	-	2%	-	4%	-
San Diego, CA	2,270	-	0%	-	1%	1%	-	-	-	-	-	3%	1%
San Francisco, CA	2,138	-	-	-	4%	1%	-	-	-	2%	-	5%	4%
Sarasota, FL	1,704	-	1%	1%	1%	2%	-	-	-	1%	3%	-	-
St. Louis, MO	4,200	-	-	-	-	-	-	-	-	2%	-	-	-
Tucson, AZ	1,766	-	2%	1%	1%	4%	8%	5%	-	0%	-	2%	-
Virginia Beach, VA	3,147	-	-	-	-	1%	-	-	1%	0%	-	-	-
Total Exposure to Next 20	**58,688**	**19%**	**7%**	**12%**	**11%**	**19%**	**11%**	**8%**	**33%**	**20%**	**12%**	**22%**	**25%**

Source: Company data, Credit Suisse estimates

Atlanta, GA – Low Prices and Rates Continue to Aid Demand Even as Buyer Confidence Remains Uneven

December Market Trends	
Traffic	
Home Prices	
Incentives	

(6,436 single-family building permits in 2010, 6th largest market in the country)

"Low interest rates and improving consumer confidence."

Improved affordability draws out more buyers. Buyer traffic improved in December relative to agents' expectations for this time of year, as our traffic index increased to 41 from 39 in November. This still indicates traffic levels modestly below agents' expectations (any reading below 50), but is the highest level seen in our index since early 2007. Seasonally, agents don't expect much at this time of year, so it may be early to call it a clear trend higher, and much of the activity also appears to be price driven as sellers work to get a sale completed. Many said the activity remains healthiest on foreclosures. One agent cited, "Extremely low prices, unprecedented low interest rates, cash buyers." Another said, "Some foreclosure asset managers are rushing to close by year end." However, not all agents were content. One agent noted, "People are not interested in houses as prices are still falling. My clients are taking a wait and see on how far prices drop," while another cited a, "lack of corporate relocation business."

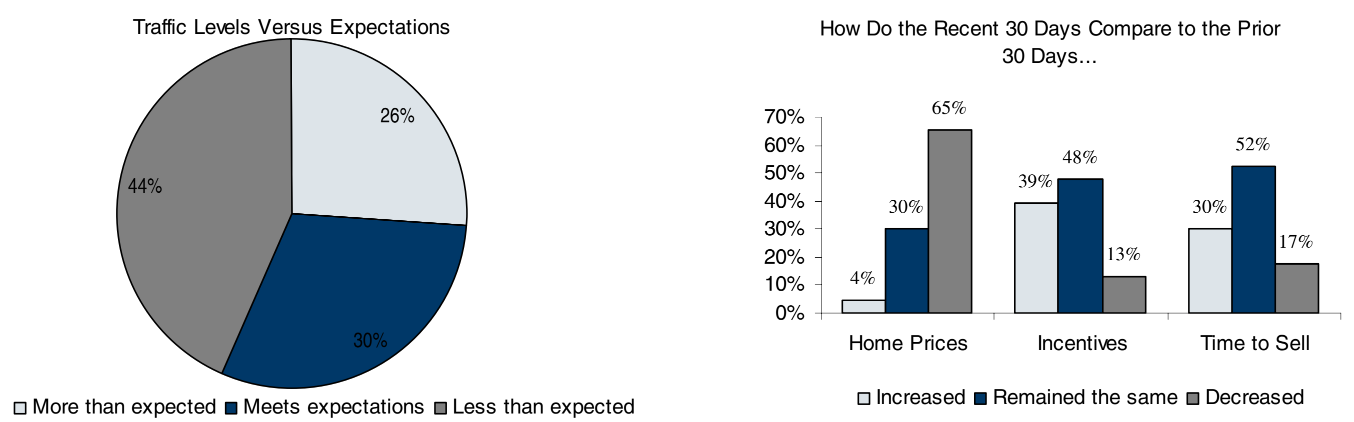
Price declines needed to drive traffic. Unfortunately, it appears that much of the improvement in traffic recently has been driven by price reductions, as our home price index fell again in December. Our home price index fell to 20 from 23 in November, the lowest level since the start of the year, with any reading below 50 indicating sequentially lower home prices. Inventory continued to trend lower, as our home listings index improved to 67 in December from 62 in November, above a neutral reading of 50, though some of this is likely seasonal. On the plus side, our time to sell index moved closer toward a neutral level, increasing to 44 in December from 42 in November (a reading of 50 would indicate an unchanged length of time needed to sell a home). A shorter time to sell would help pricing to stabilize.

Comments from real estate agents:

- "Uncertainty with housing values and congressional activities in regard to real estate."
- "two deals lost in December due to low appraisals."

Ryland, Pulte and D.R. Horton have the most exposure. Ryland has the greatest exposure to Atlanta, which represents approximately 4% of its net sales, followed by Pulte Group and D.R. Horton with 3% each.

Exhibit 5: Price Reductions Continue to Drive Traffic



Source: Credit Suisse

Austin, TX – 2011 Comes to a Quiet Close as Buyers and Sellers Both Wait for the New Year

(6,069 single-family permits in 2010, 8th largest market in the country)

December Market Trends
Traffic
Home Prices
Incentives

Traffic remains below expectations. Our buyer traffic index inched up slightly to 35 in December from 33 in November, still indicating traffic levels below agents' expectations for this time of year (any reading below 50). Judging by the majority of the comments, both buyers and sellers seemed to take a break for the holidays, hoping for better news in 2012. One agent commented, "Buyers seem to still be somewhat hesitant and potential sellers are delaying listing their homes as well, accounting for a sharp decline in inventory." Another agreed, mentioning, "a lack of inventory and lack of buyers…clients are just not doing anything." On the positive side, however, agents noted two trends that are leading buyers to look at purchasing: rising rents and historically low mortgage rates. According to one agent, "Rents are increasing, forcing buyers to look but credit issues are a huge problem."

"Have seen some home builders get whacked with low appraisals that forced cancellations of the sales."

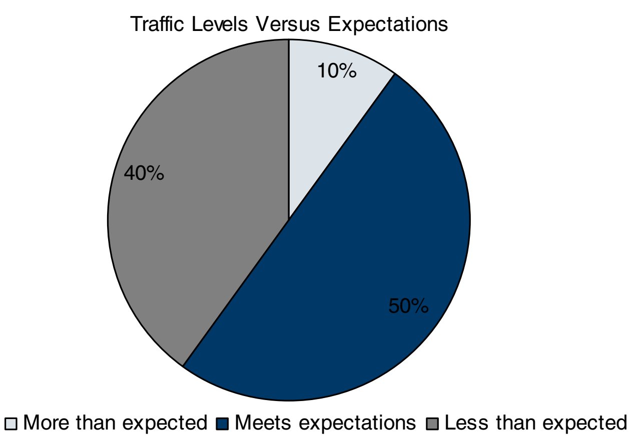
Lower inventory leads to stable prices. Home prices stabilized in December, according to agents, as our home price index improved to 47 from 26 in November, essentially in-line with a neutral reading (a reading of 50 indicates flat prices sequentially). This was helped by further declines in inventory, although as some agents mentioned this may just be due to sellers waiting until 2012 to list homes. Our home listings index increased to 82 in December from 70 in November, pointing to falling inventory (readings above 50 indicate lower inventory levels over the past 30 days). The length of time needed to sell a home also stabilized, as our time to sell index increased to a neutral level of 50, up from 40 in November. While the lower inventory and stable time to sell should be positives for home prices, the key will be whether or not these trends will continue at the start of the key spring selling season.

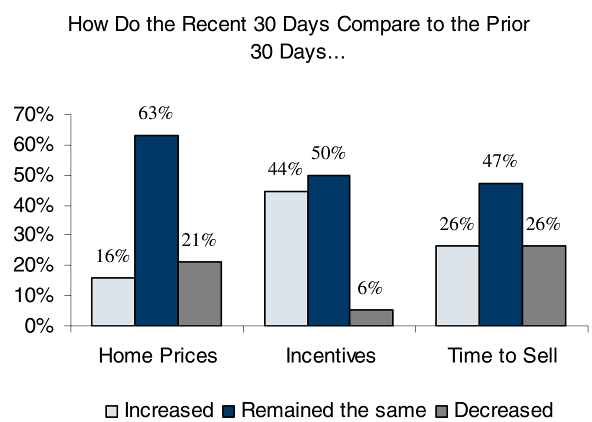
Comments from real estate agents:

- "Ongoing economic factors along with the normal time of the year have led to a slow down. Good news is the lenders are starting to ease up and lend funds."
- "Extremely low rates are really forcing buyers to make decisions."

Meritage and Standard Pacific have the most exposure. Meritage and Standard Pacific have the greatest exposure to Austin with approximately 9% of net sales each, followed by KB Home with 7%. Austin represents approximately 5% of sales for D.R. Horton.

Exhibit 6: Continuation of Price Stability and Lower Inventory Will be Key to Watch at Start of 2012





Source: Credit Suisse

Charlotte, NC – Traffic Index Unchanged, but Responses Have a More Positive Tone

December Market Trends	
Traffic	
Home Prices	
Incentives	

(4,518 single-family permits in 2010, 14th largest market in the country)

Buyers start to go bargain-hunting. Our buyer traffic index was unchanged at 46 in December, still indicating traffic levels essentially in-line with agents' expectations for this time of year (readings of 50). However, the tone of agents' commentary appeared slightly more positive compared to last month. In November, most commented that traffic was in-line with expectations primarily because they expected a seasonal slow down and got it. This month, more agents said that traffic met expectations because more buyers were in the market looking for deals. One agent commented, "Serious buyers with cash deals are bargain hunting." Another noted, "Buyers appear to have more interest in looking now, maybe due to not wanting to miss the bottom of the market, low interest rates, and seeing their top choices go under contract quicker."

"Underwriters are making deals difficult to close.'

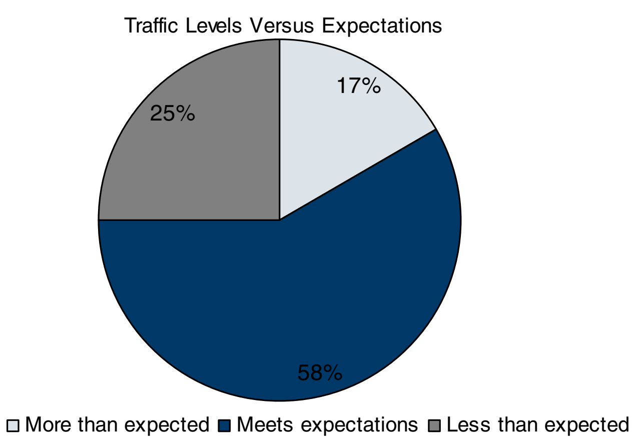
Nearly all agents note lower inventory levels. Home prices remained under pressure in December; our home price index improved to 33 from 21 in November, but remained below a neutral reading (any reading below 50 points to sequentially lower home prices). However, the declining inventory levels could help to stem the trend of falling prices. Our home listings index jumped back up to 92 in December from 68 in November, as nearly all agents surveyed said that inventory levels declined over the past month (readings above 50 indicate lower inventory levels). Our primary concern is that this is only temporary, especially as the backlog of distress looms large heading into 2012. In addition, the length of time needed to sell a home increased despite the lower inventory levels, as our time to sell index came in at 38 in December (from 29 in November), with readings below 50 pointing to a longer time to sell. This is typically a negative sign for price trends.

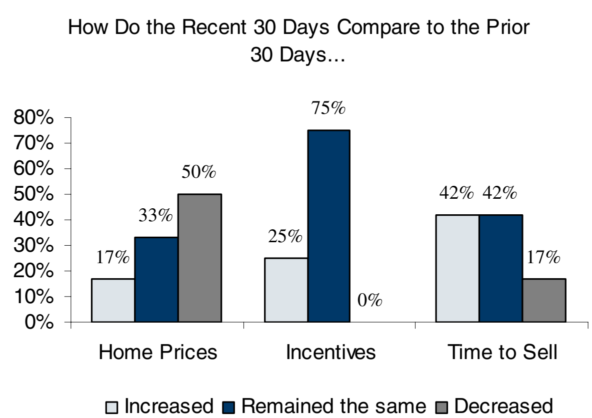
Comments from real estate agents:

- "I think folks believe that the Charlotte market has generally found its bottom."
- "Internet inquires are up over last year which may indicate a stronger than usual demand in Q1 2012."

Standard Pacific, NVR and Ryland have the most exposure. Standard Pacific has the greatest exposure to Charlotte with approximately 6% of sales. NVR and Ryland each have approximately 5% exposure to Charlotte. DHI, KBH, LEN, and PHM each have 2%.

Exhibit 7: Buyers Appear More Encouraged, but Return of Foreclosures Could Dampen Enthusiasm





Source: Credit Suisse

Chicago, IL – Snap Back in Demand as Sellers Cut Prices Ahead of Year-End

December Market Trends	
Traffic	
Home Prices	
Incentives	

(4,249 single-family permits in 2010, 16th largest market in the country)

Traffic index rebounded sharply in December. Our buyer traffic index jumped to 42 in December from 18 in November (still modestly below agents' expectations, as measured by a level of 50), hitting its highest level in nearly two years just one month after falling to its lowest level of the year. This choppiness is likely indicative of a high degree of uncertainty among buyers about whether the market has hit/is near bottom or not. Agents largely attributed the increase to price cuts ahead of the holidays, which unlocked some pent up demand. One agent noted, "I think that investors are interested in getting some foreclosures at lower interest rates and prices." Another agent said the improvement in traffic was driven by "some rather substantial price reductions on vacant homes going into winter." A third agent agreed, citing, "property price declines, good values, interest rates are great." Finding a clearing price for inventory would be a positive step towards regaining a healthy market balance.

"Good prices and some pent up demand."

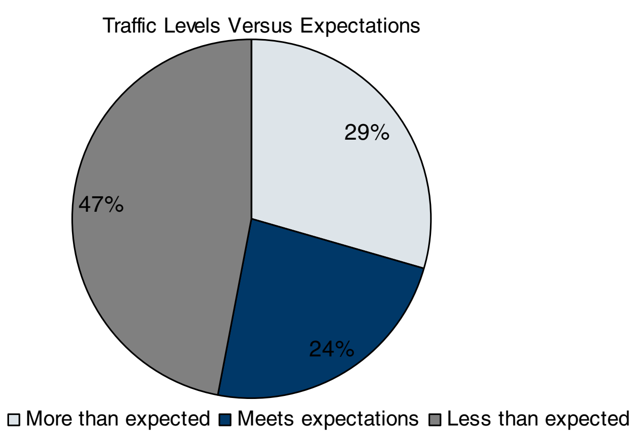
Prices down as sellers try to temp buyers. Home prices fell further in December, consistent with agents' comments about price declines driving the better traffic, as our home price index was essentially unchanged at 21 (from 20 in November), still well below a neutral reading of 50. This appeared to be somewhat successful, especially as inventory levels came down (although some of this was likely seasonal and sellers will re-list homes after the holidays). Our home listings index improved to 59 in December from 47 in November, with readings above 50 indicating lower inventory levels over the past month. Our time to sell index also improved, rising to 34 in December from 23 in November, but remains below a neutral reading of 50 (indicating a longer time needed to sell a home).

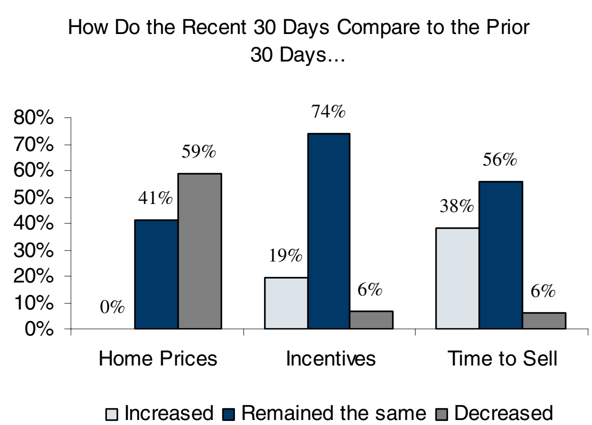
Comments from real estate agents:

- "Inventory is stale. Banks are getting smart about flooding the market with REO's. Non-distressed sellers can't compete on price."
- "Prices are still dropping. Buyers are waiting for things to change. When we do write contracts, many of them are falling through either because of financing or appraisals or banks not being realistic on short sale prices."

Ryland has the most exposure. Ryland has the greatest exposure to Chicago with approximately 5% of its sales in the market, followed by Hovnanian with 3%. D.R. Horton and Pulte Group each have approximately 2% of sales in Chicago.

Exhibit 8: Price Sensitive Buyers Willing to Commit if the Deals are Good Enough





Source: Credit Suisse

Dallas, TX – Traffic Up Modestly on Better Affordability

(14,409 single-family permits in 2010, 2nd largest market in the country)

December Market Trends	
Traffic	
Home Prices	
Incentives	

"Low appraisals have killed several of my deals."

Bounce in December suggests continued choppiness. Buyer traffic improved modestly sequentially, according to agents, as our traffic index rebounded to 30 from 19 in November. This is still far below a neutral reading (a reading of 50 would suggest traffic in-line with agents' expectations), but better than our fears after a big decline in our index last month. Our traffic index has bounced between about 20 and 30 for the past five months. This month, agents who saw better traffic pointed to better affordability and some new job transfers to the area. One agent noted, "lower mortgage rates and relocations." Another also cited, "increased corporate relocation, low interest rates." A third agent added, "Investors are attracted to the current low prices and low interest rates." On the negative side, some agents said buyers still have too much fear about the near-term outlook, and also are still seeing lending and appraisal challenges, with low appraisals in particular remaining a significant hurdle to closing deals.

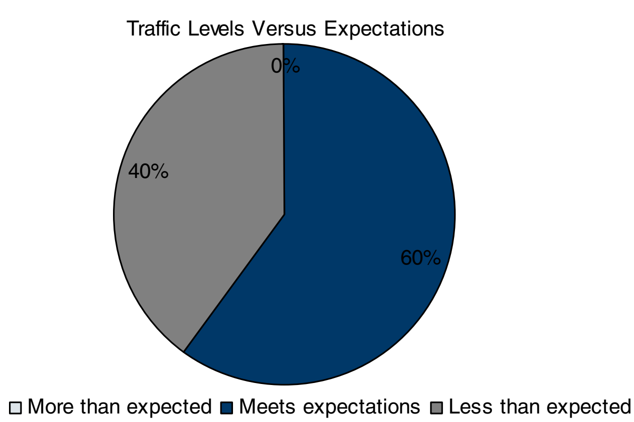
Home prices remain under pressure. Home prices fell further in December, as our home price index fell to 27 from 33 in November, with readings below 50 pointing to lower prices over the past 30 days. The reductions were likely necessary to bring back demand after the drop-off in traffic last month. Inventory levels continued to fall as well, however, as our home listings index inched up to 65 in December from 64 in November (better than a neutral reading of 50). Lower inventory should help prices to find a bottom. Our time to sell index also improved to 36 in December from 19 in November, still below a neutral reading of 50 (indicating a longer time needed to sell a home) but at least moving in the right direction.

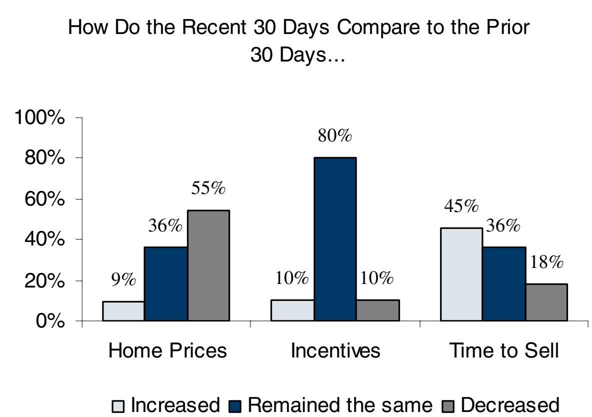
Comments from real estate agents:

- "Sellers are taking listings off the market due to light showings and want too much money."
- "Too much fear about 2012. Many are waiting to see."

Meritage, D.R. Horton and Hovnanian have the greatest exposure. Meritage has the greatest exposure to Dallas, which represents 17% of its sales, followed by D.R. Horton at 14% and Hovnanian at 8%. Dallas represents 7% of sales for Ryland and 6% for Beazer.

Exhibit 9: **Improved Affordability Helps Demand**





Source: Credit Suisse

Denver, CO – Buyers are Ready to Act, Fearing that the Best Deals are Drying Up

December Market Trends	
Traffic	
Home Prices	
Incentives	

(3,704 single-family permits in 2010, 24th largest market in the country)

Dwindling inventory creates some urgency for buyers. Our buyer traffic index improved again in December, reaching 46 from 42 in November. This is essentially in-line with a neutral reading of 50, indicating traffic levels in-line with agents' expectations for this time of year. Our index has climbed steadily since bottoming out in August and is now at the highest levels since the tax credit-fueled spurt in April 2010. Agents widely cited the declining level of quality listings as causing the higher traffic levels, as potential buyers finally have some reason for acting with urgency. One agent noted, "Showing traffic and interest are surprisingly strong for this time of year. Inventory is way down in some segments so buyers have a lot less to choose from. If it is a good listing the offers are coming in." Another commented, "Housing inventory is very low. Buyers don't have much to choose from." As a result, one agent said, "People may be realizing the good deals on homes and mortgages will not likely last."

"Our inventory is down over 30% for SFR and closer to 40% for condos."

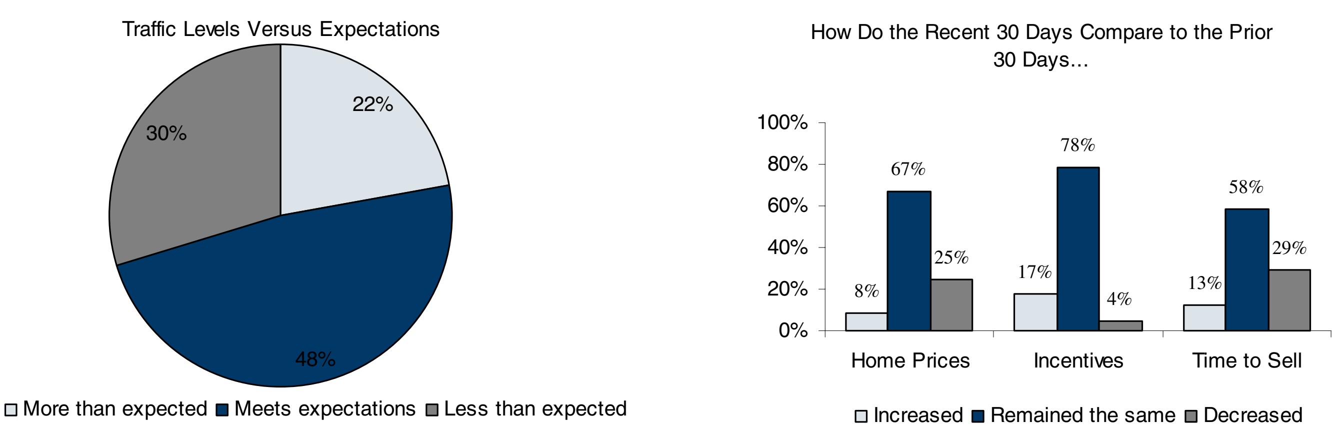
Home prices moving closer to stabilization as demand picks up and inventory falls. Our home price index improved to 42 in December from 36 in November, moving closer to a neutral reading of 50, which would indicate stable prices. We think prices will likely continue to firm near-term, assuming the current demand and inventory trends persist. Inventory levels continued to fall in December, as our home listings index increased to 83 from 81 in November, well above a neutral reading of 50, the fifth consecutive month in which our index has exceeded a level of 70. In a positive sign for home prices, our time to sell index jumped to 58 in December from 44 in November, above a neutral reading of 50 indicating a shorter length of time needed to sell a home as compared with the prior month. This is the first time our time to sell index has exceeded 50 since April 2010, which is typically a positive leading indicator for home prices.

Comments from real estate agents:

- "Lack of homes for sale has increased showings on homes now listed. New on the market properties are selling quickly."
- "People are starting to buy more. Seem more confident."

MDC Holdings has the greatest exposure. MDC Holdings has the greatest exposure to Denver, which generates approximately 16% of its sales, followed by KB Home and Meritage at 4% each. D.R. Horton has approximately 2% exposure.

Exhibit 10: Better Demand and Lower Inventory Lead to a Shorter Time to Sell, a Positive Sign for Pricing



Source: Credit Suisse

Houston, TX – Traffic Off Modestly but Improving Jobs Helping Keep Demand at Reasonable Levels

December Market Trends	
Traffic	
Home Prices	
Incentives	

"I believe it is demand that has not been satisfied all year."

(22,134 single-family permits in 2010, largest market in the country)

Traffic index down modestly, but agents say quality traffic is better. Our buyer traffic index fell to 36 in December from 41 in November, continuing the up and down trend seen for most of the year and still indicating traffic levels modestly below agents' expectations for this time of year (readings below 50). However, the commentary seemed to be more positive than the decline in the index would suggest, as some of the agents who saw worse than expected traffic blamed the seasonal slowdown and only a few cited economic uncertainty. One agent noted, "confusion in political and economic arenas." On the other hand, a number of agents noted an improving local employment outlook as driving better quality traffic. One agent commented, "Quantity may be down but quality activity and sales continue to surprise." Another agent cited the, "return of move-up buyers to the market." According to a third agent, "It seems like there are a lot more oil companies hiring."

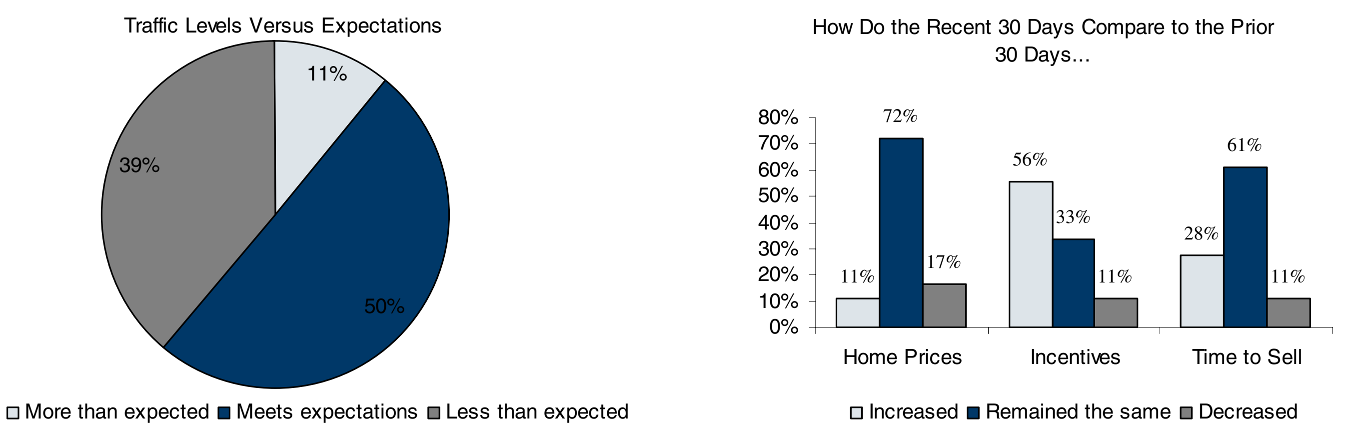
Home prices hold steady at year end. Home prices stabilized in December, according to agents, as our home price index improved to 47 from 37 in November, essentially in-line with a neutral reading of 50 indicating flat prices over the past 30 days. This is the highest level seen in our index since February 2010, and was likely helped by the continued trend lower in inventory levels. Our home listings index came in at 64 in December (from 67 in November), above a neutral reading of 50, indicating lower inventory over the past 30 days. However, our time to sell index indicated a modestly longer time needed to sell a home in December, slipping to 42 from 44 in November, below a neutral reading of 50. While the lower inventory levels help, a shorter time to sell would be a more positive indicator for home prices.

Comments from real estate agents:

- "Thanks to the Houston area economy and ongoing new arrivals I have picked up two new home contracts this last month."
- "End of the year flurry. Tax incentives. Improved job market."

Hovnanian, Meritage and Lennar have the greatest exposure. Houston represents approximately 21% of sales for Hovnanian, 19% of sales for Meritage, 14% for Lennar, and 11% of sales for Ryland. KBH and BZH each have 10% exposure and DHI has 6%.

Exhibit 11: **Traffic Fell in December but Agents Happier with the Quality of Those Remaining**



Source: Credit Suisse

Jacksonville, FL – A Dark Spot in Florida as Economic Woes Remain a Drag

(3,381 single-family permits in 2010, 26th largest market in the country)

December Market Trends	
Traffic	
Home Prices	
Incentives	

"Economic conditions, lack of inventory to motivate buyers."

Relapse in traffic as buyers continue to lack confidence. Buyer traffic deteriorated in December, suffering a setback after seeing improvement in November, as our traffic index dropped to 17 from 38. This is well below a neutral reading of 50, indicating traffic below agents' expectations for this time of year, and is also by far the worst reading out of any of the Florida markets we surveyed in December. Despite the attractive prices and rates, most agents said that economic fears and credit concerns dominated buyers' psyche. According to one agent, "Buyers are afraid the economy is not recovering and are waiting for prices to fall even more." Another agent cited the "lack of available mortgage money…tighter lending criteria." And in another negative sign, one agent commented, "Buyer leads are pretty soft right now. Listing leads are up." This could point to further inventory troubles ahead. Agents who saw better traffic credited the "great prices" and buyers who are either all-cash or relocations.

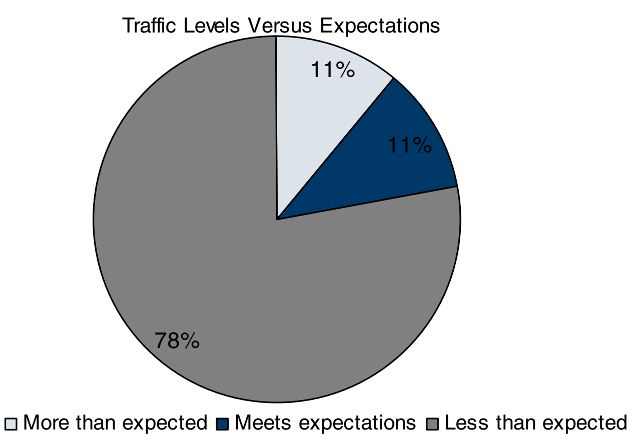
Time to sell lengthens, home prices fall. Home prices remained under pressure in December, as our home price index came in at 31 (from 25 in November), with readings below 50 indicating lower home prices over the past 30 days. Inventory levels continued to trend lower, though the declines appeared more modest than last month as our home listings index fell to 56 in December from 63 in November (above a neutral 50). In addition, we continue to believe that the massive backlog of distress still working its way through the system will add to inventory over the next year, which is likely why the recent trend lower has not helped home prices. Furthermore, the length of time needed to sell increased in December, typically a negative indicator for pricing trends, as our time to sell index fell to 31 from 50 in November, below a neutral reading of 50.

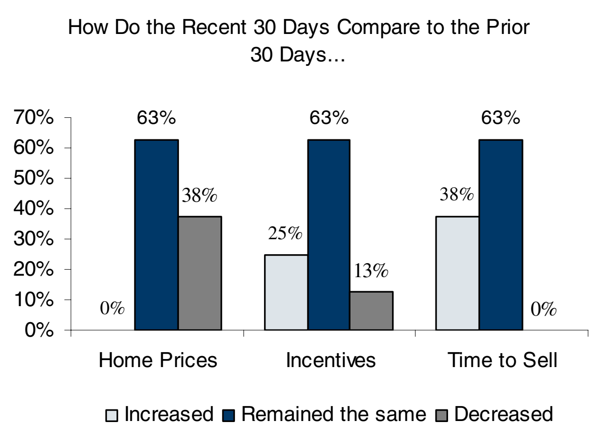
Comments from real estate agents:

- "Buyers are still a bit gun shy, fearing further declines in value."
- "Interestingly, my last two transactions have appraised over sale price."

MDC Holdings and KB Home have the most exposure. Jacksonville represents approximately 5% of sales for MDC and 4% for KB Home, with Ryland and D.R. Horton each at 3%, and LEN and TOL each at 2%.

Exhibit 12: Demand Suffers a Setback as Buyer Confidence Remains Weak





Source: Credit Suisse

Las Vegas, NV – 'Tis the Season for Lowball Cash Offers

December Market Trends	
Traffic	
Home Prices	
Incentives	

(4,630 single-family permits in 2010, 13th largest market in the country)

Traffic improves as buyers go bargain hunting for the holidays. Buyer traffic improved and was in-line with agents' expectations for this time of year, as our traffic index increased to 53 in December from 43 in November, consistent with a neutral reading of 50. One agent commented, "The 'holiday spirit' must be in lots of buyers in the Las Vegas market. I have not been this busy during the month of December in the past 4 years! Buyers are plentiful." Agents also made it clear that the cash economy in Vegas extends to housing as well, as most deals getting done are all-cash and largely investor-driven. According to one agent, "Values are continuing to decline as each month passes, which is the impetus for investor interest." However, not all of the interest is translating into deals, as some banks remain resistant to offers they deem too low. One agent noted, "Cash buyers are out in force making offers for less than asking price and getting rejected by the banks." Agents also noted more challenging conditions outside of the distressed arena.

"Investors are motivated to purchase more properties."

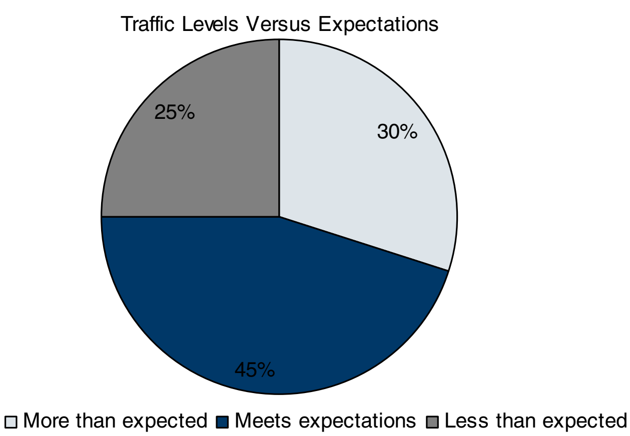
Foreclosures and short sales continue to weigh on prices. Home prices fell further in December, as our price index came in at 35 in December (from 26 in November), with any reading below 50 indicating sequentially lower home prices. Despite the lower inventory levels, there is still a glut of distress which continues to pressure home prices. Our home listings index fell to 60 in December from 71 in November, still above a neutral reading of 50, indicating lower inventory levels. Meanwhile, the length of time needed to sell a home remained unchanged, as our index increased to 53 in December from 50 in November, consistent with a neutral reading of 50. We think the pace of absorption of foreclosures and short sales will dictate trends in home prices for the foreseeable future.

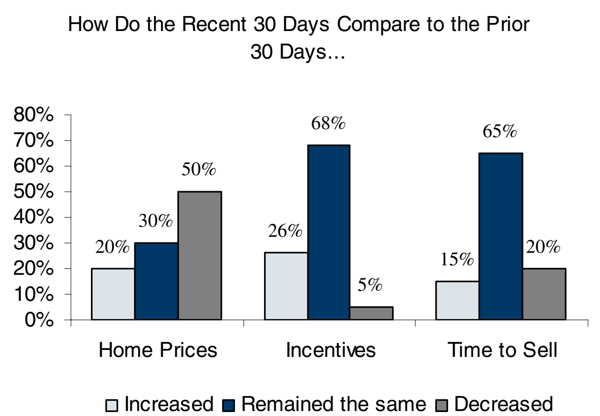
Comments from real estate agents:

- "Prices appear to be approaching a bottom. Buyers seem to recognize that the bargain basement could be going upscale next year!"
- "It is normally slow during the holiday time however I am seeing a continued decline in values due to slowing sales."

MDC Holdings and KB Home have most exposure to Vegas. MDC has the greatest exposure to Las Vegas, which generates 15% of its sales, followed by KB home with 8% and Ryland at 7%. Las Vegas represents 4% of sales for BZH and TOL each.

Exhibit 13: **Investors are Ready with Cash in Hand, as Long as the Price is Low Enough**





Source: Credit Suisse

Los Angeles, CA – Low Rates Stimulate Some Activity, Though Many Want to Wait For Lower Prices

December Market Trends	
Traffic	
Home Prices	
Incentives	

(4,012 single-family permits in 2010, 19th largest market in the country)

Traffic picks up as rates fall. Buyer traffic improved modestly in December, as our traffic index increased to 35 from 23 in November, still at levels indicating traffic below agents' expectations (any reading below 50), but pointing to a sequential improvement. Agents widely credited the low mortgage rates as providing a strong incentive for buyers to begin looking, though fears of further price declines remain a large hurdle to overcome. One agent cited, "Lower rates, extra inventory priced well." Another said, "Lower rates and the fear of being left behind. It's also still easier for first-time buyers whose decisions aren't contingent on selling an existing home. One agent commented, "Our clients were first-time buyers wanting to close by the holidays." One the other side, a more cautious agent noted disappointing activity due to, "Buyer belief that prices will go lower; frustration with lenders; questionable titles on REO's (past and present)." Furthermore, another said there, "Appears to be less activity, maybe based on harder qualifying standards for loans and lower inventory levels."

"Even perfect buyers are being put through the ringer," on getting a loan.

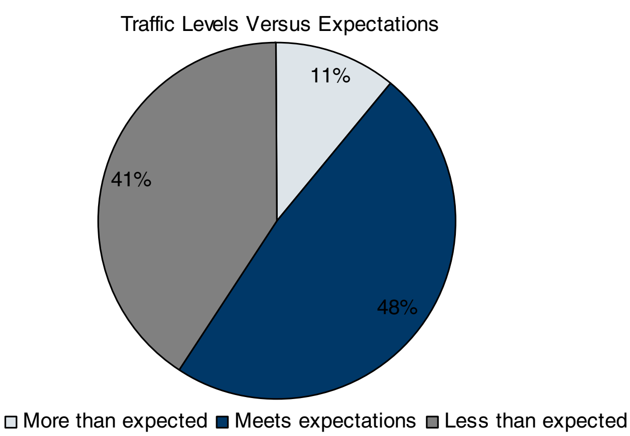
Prices remain under pressure even as inventory stabilizes. Home prices fell further in December, though the declines appeared more modest/less widespread, as our home price index improved to 38 from 28 in November vs. a neutral reading of 50. Inventory levels remained stable, as our home listings index increased to 52 in December from 47 in November, in-line with a neutral level of 50. However, further declines in inventory are likely necessary before prices can firm up. It also took longer to sell a home in December, as our time to sell index came in at 29 (from 19 in November), with any reading below 50 indicating a longer time needed to sell a home over the past 30 days.

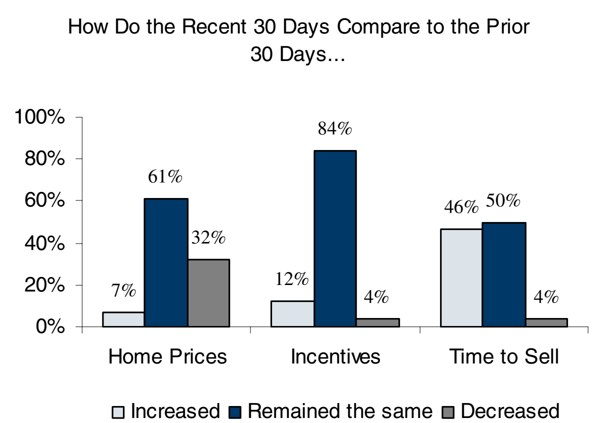
Comments from real estate agents:

- "Potential buyers and sellers are in a wait and see attitude for new programs, price reductions, etc. for next year."
- "Investors are out buying. More traffic at open houses. More sales less cans. Market has a pulse."

Standard Pacific and KB Home have the most exposure. Approximately 7% of sales for Standard Pacific come from L.A., and 6% for KB Home. L.A. represents 5% of sales for Beazer and 3% for Lennar.

Exhibit 14: Lower Traffic and a Longer Time to Sell Point to Further Price Declines





Source: Credit Suisse

Miami, FL – Traditional Buyers Remain Hesitant, Investor Demand Drives the Market

(3,178 single-family permits in 2010, 29th largest market in the country)

December Market Trends	
Traffic	
Home Prices	
Incentives	

Buyers a bit more weary of housing, but investor demand is still strong. Buyer traffic fell slightly in December, as our traffic index fell to 40 from 44 in November, coming in short of agents' expectations for this time of year (readings below 50). Agents indicated that a greater portion of buyers in December were concerned about economic uncertainty, more price declines. They were further deterred by a less attractive inventory from which to choose. One agent mentioned, "Buyers are taking a wait and see attitude because they believe prices will continue to drop. Buyers and sellers are afraid." Another agent noted, "There is limited quality inventory. Lending standards are also too tight." High unemployment also remains a strong deterrent as buyers are afraid for their jobs. However, agents indicated that investors remain active, with one adding "Canadian cash buyers are coming in droves!" Another noted, "Investor demand for inexpensive rentable condos is out of control." This is similar to commentary we observed in our November survey.

"United States buyers are still very cautious."

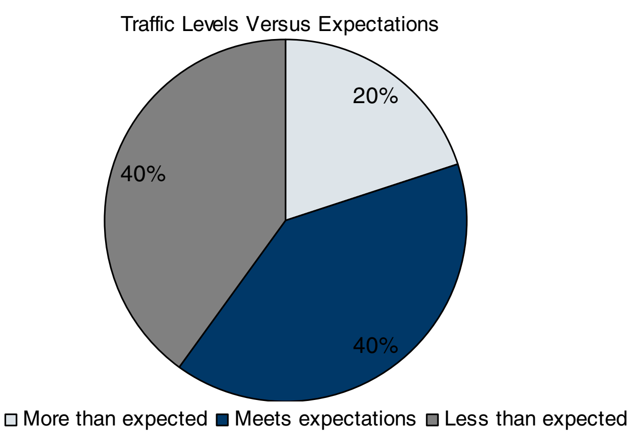
Prices remain stable. Home prices were stable again in December, as our home price index came in at 54 from 53 in November, in-line with a neutral reading (readings of 50 point to flat pricing). This marks the fifth consecutive month of stable pricing for the region. This follows the now eleven consecutive months of stable or lower inventory levels according to agents, as our home listings index came in at 70 from 72 in November (readings above 50 point to lower inventories). Agents pointed to an unchanged time to sell in December, as our time to sell index came in at 49 from 57 in November, in-line with a neutral reading (readings of 50 point to an unchanged time to sell). We view the reduced time to sell as a positive for future pricing, but remain concerned over the level of shadow foreclosure inventory currently held from the market.

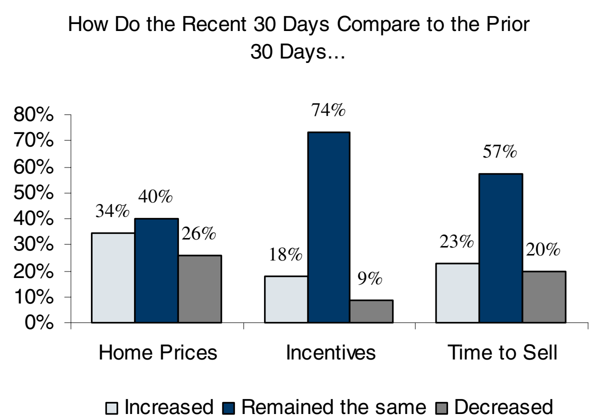
Comments from real estate agents:

- "If buyers make an offer it is usually ridiculously low. They want to steal a property."
- "Most buyers are paying all or mostly cash. Mortgages are cheap but a huge hassle."

Lennar has the most exposure. Lennar has the greatest exposure to Miami, representing 5% of its sales, followed by D.R. Horton at 2%.

Exhibit 15: Cash Buyers Continue to Dominate the Landscape, Traditional Buyers Back off Due to Economic Concerns





Source: Credit Suisse

Minneapolis, MN – Buyers Don't See Much to Look Forward to, Stay on Sidelines

(3,794 single-family permits in 2010, 21st largest market in the country)

December Market Trends
Traffic
Home Prices
Incentives

"It's almost a street fight to get a mortgage."

Traffic slightly higher, but not out of the woods. Traffic was a bit higher in December, as our traffic index came in at 31 from 21 in November, but levels still fell short of agents' expectations for this time of year (readings below 50). Agents credited the slightly better traffic to first time buyers taking advantage of affordability with increased urgency due to falling inventories. One agent mentioned, "There is less inventory to choose from, and a declining supply of good homes to see." However, not all agents had such positive news. Several agents pointed that expectations for more price declines, frustration with banks on lending and short sales, and overall economic pessimism kept traffic at bay in December. One agent noted, "There is a lot of poor news on the economy. The negative news is enough to keep people away." Another agent added, "Home prices are still dropping and buyers are waiting it out." Uncertainty is a recurring theme in this market, as agents also stressed buyers' similar sentiment in November. Agents also voiced buyers' lack of a job security, which only adds to the market weakness.

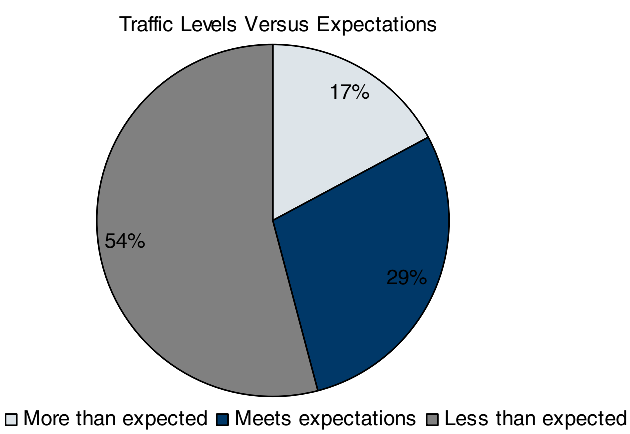
Prices fall further even as inventories shrink. Home prices continued to fall in December, as our home price index came in at 19 from 16 in November, pointing to sequentially lower prices (readings below 50). This is in spite of the now nine months of stable or lower inventory readings for the region. Our home listings index came in at 86 from 83 in November, above a neutral reading of 50, pointing to lower inventories (readings above 50). Yet, buyers remain patient, as our time to sell index came in at 37 (from 31 in November), pointing to an increased time to sell (readings below 50). We view the lower inventories as a positive for pricing, yet see the increased time to sell as a negative.

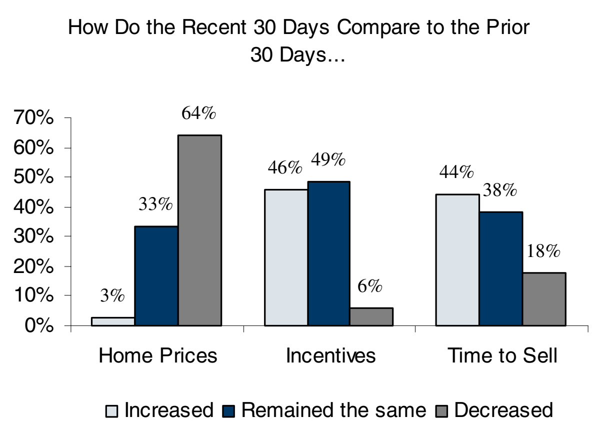
Comments from real estate agents:

- "If the lack of jobs and visibility weren't bad enough, I'm surprised the market is not worse the way the banks handle their inventory and mortgages."
- "Everyone is scared of the future. The steady drumbeat of bad news has people afraid and angry."

Ryland, Lennar and Pulte have the greatest exposure. Ryland has the greatest exposure to Minneapolis, which generates approximately 5% of its sales, followed by Lennar at 3% and Pulte at 2%.

Exhibit 16: **Inventories Fall, but Pricing Declines Continue**





Source: Credit Suisse

New York-Northern NJ – Market Outlook Still Bleak as Job Security and Confidence Remains Poor

December Market Trends
Traffic
Home Prices
Incentives

(7,092 single-family permits in 2010, 5th largest market in the country)

Traffic index remains at depressed levels. Traffic was a bit higher in December, but it was nothing to write home about. Our traffic index came in at 24 from 19 in November, remaining well below agents' expectations for this time of year (readings below 50). Agents continued to sing the same song in our December survey. Very weak expectations about the economy, employment, pricing and tough lending all worked to create a still weak housing market for the region. One agent mentioned, "Job uncertainty continues to hover over buyers. Nobody is ready to commit to anything as they watch their neighbors go through foreclosure." Another agent noted, "There is no rush to purchase. Buyers expect prices to be lower next month…and the next month…and the next month." On lending one agent highlighted, "Buyers are still hesitant and marginal buyers can no longer get financing." To sum it all up, one agent noted, "There is a lot fear in the market, phones are very quiet and leads wind up going nowhere."

"There are still concerns that prices are falling."

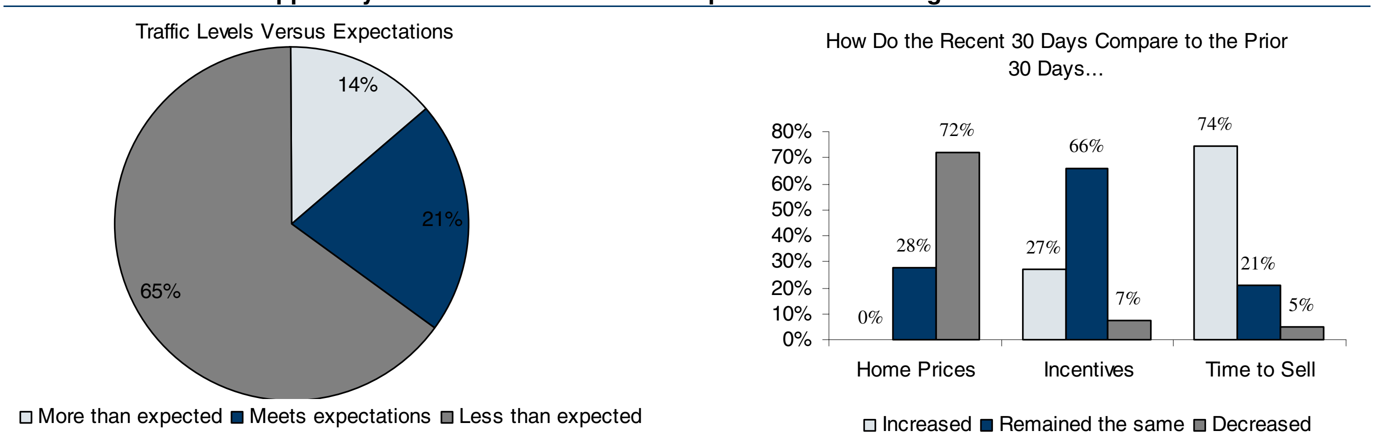
Stable inventories do nothing for pricing as home sit on the market. Prices fell again in December, as our home price index fell to 14 from 19 in November, further from a neutral reading of 50, pointing to sequentially lower home prices (readings below 50). This marks the region's lowest reading since February 2009. Meanwhile, our home listings index came in at 52 from 36 in November, pointing to flat inventory levels over the past month. We view this as a positive for pricing, though underlying demand remains very weak, as our time to sell index came in at 15 (from 14 in November), well below a neutral reading of 50, pointing to an increased time to sell over the past month (readings below 50). We view the increased time to sell as a negative indicator of future pricing.

Comments from real estate agents:

- "The market is weaker than normal because of all the worries over employment and the economy."
- "People are worried that the entire economy will collapse!"

Toll Brothers and Hovnanian have the greatest exposure. Toll Brothers has the greatest exposure to the New York-Northern NJ area market, which represents approximately 14% of its sales, followed by Hovnanian with 12%.

Exhibit 17: Market is Crippled by a Lack of Confidence and Expectations of Falling Prices



Source: Credit Suisse

Orlando, FL – Choppy Traffic Bounces Back on Low Prices and Interest Rates

December Market Trends	
Traffic	
Home Prices	
Incentives	

(4,177 single-family permits in 2010, 18th largest market in the country)

Traffic rebounds on affordability, investor demand. Buyer traffic showed a sharp improvement in December, as our traffic index came in at 42 from a very weak 18 in November, but levels still fell short of agents' expectations for this time of year (readings below 50). In addition, it's tough to get excited about the jump given the choppiness in demand in recent months. Agents highlighted that more buyers were taking advantage of attractive affordability with a little bit more confidence than in November. Short sales were said to have made up most of the activity, as there was a slowdown in REO property sales, with one agent mentioning that "inventory is shrinking." One agent noted that buyers shifted their interest to owning given the elevated cost of renting, with additional incentive from low interest rates. In addition, investors remained active, with one agent noting that "everyone else has tapered off." However, agents also noted that buyers are still waiting patiently for the best deals with one agent mentioning, "Sales are occurring only if the house is turnkey and the price is just right."

"Banks are still difficult to deal with."

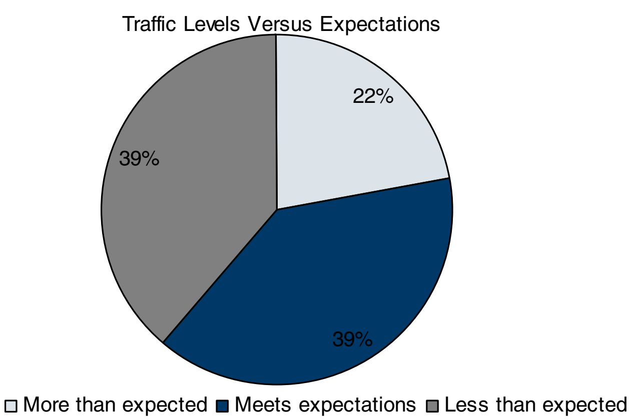
Prices remain stable as inventories continue to fall. Home prices remained stable in December, as our home price index came in at 47 (unchanged from November), in-line with a neutral reading of 50 (points to flat pricing). Pricing was helped by the now thirteen consecutive months of lower inventories for the region, as our home listings index came in at 62 (from 67 in November), above a neutral reading of 50, pointing to lower inventories (readings above 50). In addition, our time to sell index came in at 50 (from 47 in November), pointing to an unchanged time to sell over the past month (readings of 50). We view the lower inventories and unchanged time to sell as positive indicators of future pricing, though we remain concerned over the backlog of shadow foreclosure inventory.

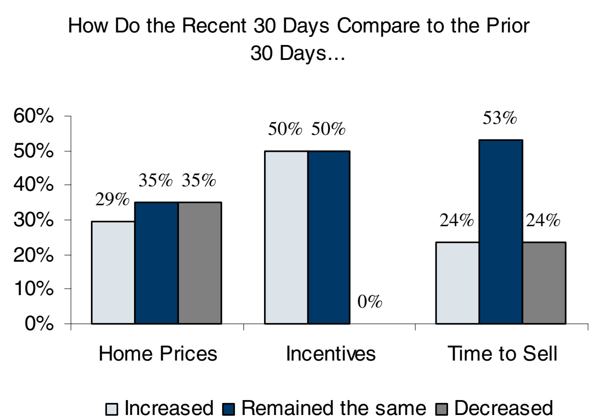
Comments from real estate agents:

- "Investors are still out there, propping up the total buyer load."
- "Buyers on vacation are taking time to look at some properties."

Meritage and Ryland have the greatest exposure. Meritage generates approximately 9% of its sales in Orlando, followed by Ryland at 6%. The market represents approximately 4% of sales for Lennar and KB Home.

Exhibit 18: **Prices Remain Stable, Aided by Lower Inventories and Better Demand**





Source: Credit Suisse

Phoenix, AZ – Falling Inventories Bring Urgency to the Market as Investors Move to Grab Properties

(7,259 single-family permits in 2010, 4th largest market in the country)

December Market Trends
Traffic
Home Prices
Incentives

Affordability sparks demand, as buyers think prices may have hit bottom. Buyer traffic bounced back in December, as our buyer traffic index came in at 50 from 28 in November, coming in to meet expectations for the first time since July (readings of 50 point to traffic meeting expectations). Agents credited the better traffic in December to attractive prices and still low interest rates. One agent mentioned, “Affordability has brought buyers back into the market.” Another agent mentioned, “The market has been steady with good traffic at the low end.” Some agents also noted that buyers are increasingly feeling comfortable with the idea that prices may have stopped falling. One agent highlighted “stable property values,” while another noted that “people think the declines in Arizona are behind us.” Meanwhile, lower inventory appeared to create urgency in December, whereas it had the opposite effect in November, as buyers were anticipating more REOs to enter the market. Several agents mentioned that lower inventories helped traffic, with one noting, “the word is out, inventory is falling.”

“Snowbirds are back and are hunting for deals.”

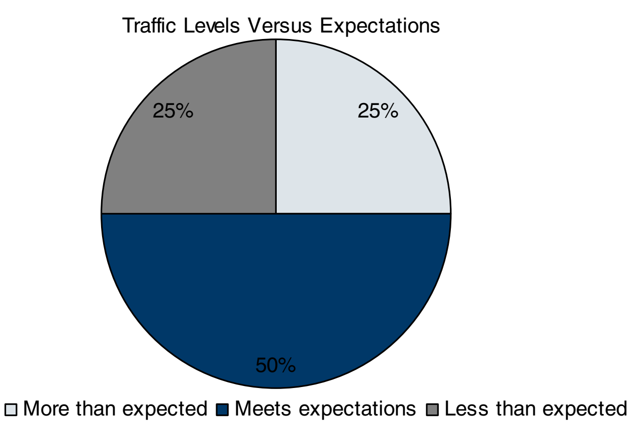
Pricing moves higher as inventories continue to fall. Agents indicated that prices were higher in December, as our home price index came in at 56 from 49 in November (readings above 50 point to higher prices). This follows two months of stable price readings and signals the first time agents have pointed to better pricing since September 2009. Inventory levels continued to decline in December, as our home listings index came in at 77 (from 74 in November), marking the tenth consecutive month of lower inventory readings for the region. Though we view this as a positive for pricing, we remain concerned over the potential backlog of foreclosure inventory that has yet to hit the market, potentially negative impacting pricing. Meanwhile, our time to sell index came in at 65 from 56 in November, pointing to a reduced time to sell (readings above 50), consistent with agents’ commentary on increased urgency.

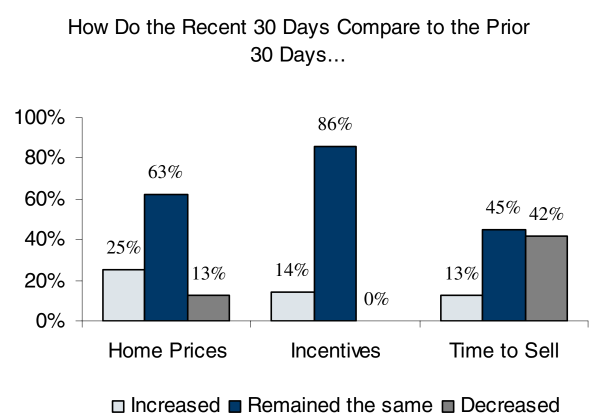
Comments from real estate agents:

- “Sellers are pricing to sell and buyers are not hesitating to take advantage.”
- “Investors are still going strong here, snapping up properties as inventories drop.”

Meritage and MDC Holdings have the greatest exposure. MTH has the largest exposure to Phoenix, which represents approximately 12% of total company sales, followed by MDC (10%), BZH (7%), PHM (6%), TOL (5%), DHI (4%), and KBH (3%).

Exhibit 19: Prices Rise after Ten Consecutive Months of Lower Inventories as Urgency Returns to the Market





Source: Credit Suisse

Riverside-San Bernardino, CA (Inland Empire) – Buyers and Sellers Can't Agree on Price

December Market Trends	
Traffic	
Home Prices	
Incentives	

(5,248 single-family permits in 2010, 10th largest market in the country)

"The economy is still tough."

Demand still weak as concerns over price stability remain. Our buyer traffic index showed a slight uptick in traffic in December, coming in at 33 from 29 in November, but levels still fell short of agents' expectations (readings below 50). Agents indicated a discord on price between buyers and sellers in our December survey. Buyers were said to have offers below asking price, with both parties unwilling to budge in either direction. One agent noted, "Buyers are not willing to pay the prices sellers are asking and sellers aren't willing to accept below market offers." In addition, agents indicated there were fears that prices have yet to stop falling, while job security is also not certain. One agent mentioned, "Clients hesitate when they think they could get a better deal on a home they're looking at in a few months." Lending restrictions also continue to dampen the market further, as would-be buyers are denied the ability to close. However, agents indicated there is slightly better interest due to affordability and snowbirds, with Canadians driving additional demand.

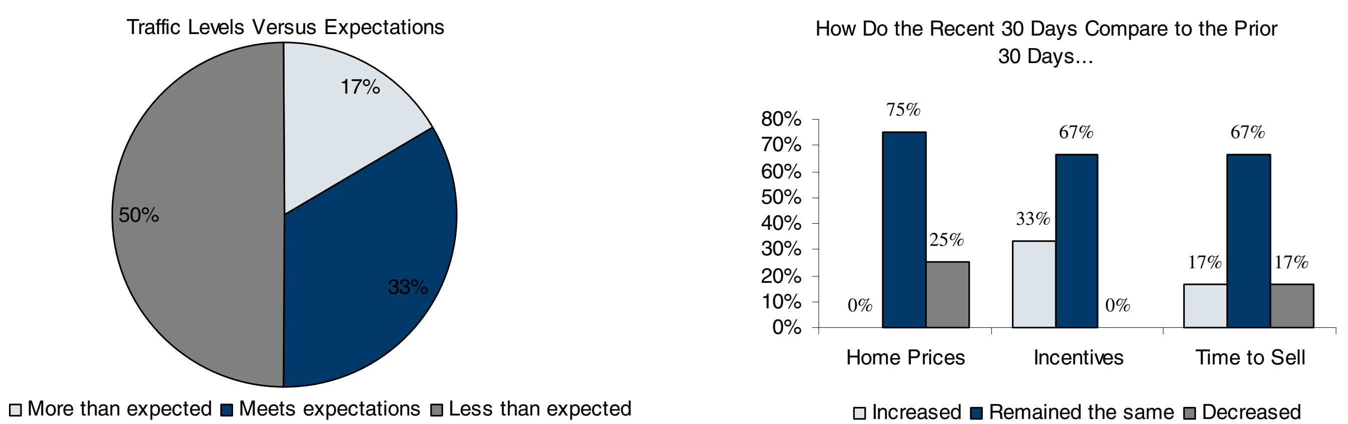
Prices continue to fall despite flat inventories and an unchanged time to sell. Home prices fell further in December, as our home price index came in at 38 (from 25 in November), closer toward a neutral reading but still falling short of a reading of 50, pointing to sequentially lower prices. Meanwhile, our home listings index pointed to unchanged inventory levels, coming in at 54 from 50 in November, in-line with a reading of 50 (readings of 50 point to flat inventory levels). Prices continue to fall despite the now seven months of flat or lower inventories for the region. However, our time to sell index came in at 50 in December from 25 in November, pointing to an unchanged time to sell (readings of 50), a positive indicator for future pricing. However, we remain concerned over the potential level of shadow foreclosure inventory not currently held for sale.

Comments from real estate agents:

- "Qualifying is increasingly becoming more difficult."
- "Inventory is lower, but buyers don't like the available selection."

Standard Pacific, KB Home, MDC and Meritage have the greatest exposure. Standard Pacific generates approximately 13% of its sales in the region, followed by KB Home (8%), MDC and Meritage (6%), Hovnanian (5%), and Pulte (4%).

Exhibit 20: **Pricing Still Weak as Buyers Need More Job Security to Look for Homes**



Source: Credit Suisse

San Antonio, TX – Economic Anxiety Still at the Forefront of Buyers' Concerns

(5,122 single-family permits in 2010, 11th largest market in the country)

December Market Trends	
Traffic	
Home Prices	
Incentives	

"I haven't had a sale in 30 days."

Traffic little changed, still short of expectations on concerns over economy. Buyer traffic was little change in December, as our traffic index came in at 38 from 39 in November, still pointing to levels below agents' expectations (readings below 50). Agents highlighted that the economy continued to hold traffic back in December, as buyers remained uncertain and nervous about their future. One agent mentioned, "The awful economy is really keeping buyers away." Another agent mentioned that even though traffic is decent, sales remain tepid. The cautious commentary is similar to what we saw in our November survey, though there was not as much positive commentary on jobs in December. One agent mentioned that a slightly better jobs outlook helped traffic, as did better confidence, though agents were quick to point out that activity remained soft. In addition, lending remained a deterrent, as one agent mentioned, "Lending is too strict and there is too much in difficulty trying to help along the process. Securing a mortgage is tough."

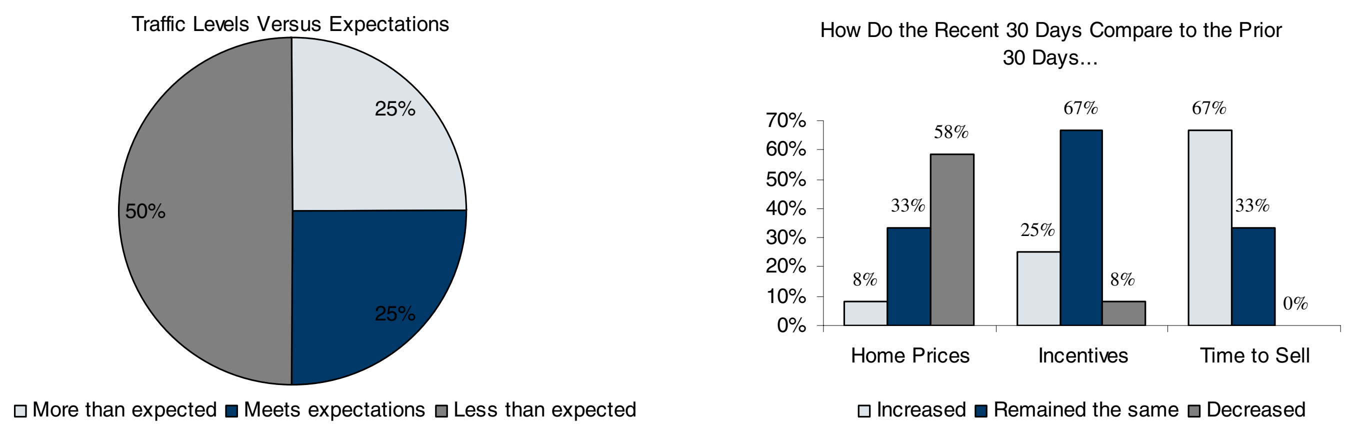
Pricing remains weak while the time to sell increases. Pricing remained weak in December, as our home price index fell to 25 from 39 in November, pointing to lower prices over the past month (readings below 50). Meanwhile, inventory levels were unchanged in December, as our home listings index came in at 50 from 39 in November, in-line with a neutral reading of 50 (a reading of 50 points to flat inventory levels). Meanwhile our time to sell index came in at 17 from 28 in November, pointing to an increased time to sell, a negative for future pricing.

Comments from real estate agents:

- "Buyers are still nervous and are afraid to buy because of economic conditions."
- "There are very few buyers in this market. There are lots of lookers but not many buyers."

KB Home, Ryland and Meritage and have the greatest exposure. KB Home has the most exposure to the San Antonio market, as it represents approximately 9% of its sales. San Antonio represents 7% of sales for Ryland and Meritage each, 6% of sales for D.R. Horton and 5% of sales for Pulte.

Exhibit 21: Prices Continue to Fall Despite Flat Inventory Levels as Demand is Lackluster



Source: Credit Suisse

Seattle, WA – Traffic a Bit Better, but Sales are Few and Headwinds are Prevalent

December Market Trends
Traffic
Home Prices
Incentives

(6,097 single-family permits in 2010, 7th largest market in the country)

December traffic rebounds after very weak November, but levels still short of expectations. Buyer traffic was higher in December as our traffic index came in at 36 from 17 in November, though levels aren't much cause for excitement, as traffic remains choppy and levels still fell short of agents' expectations for this time of year (readings below 50). Agents noted that there was more foot traffic in December, though the conversion to sales remained weak and levels were taken as more of a potential sign of things to come this spring. One agent mentioned, "There are homebuyers in the market, but the global and domestic economies have them indecisive. It is still at least somewhat encouraging." However, most agents stressed that weak confidence, uncertainty about the economy, and difficulties obtaining down payments continued to hamper the market. This is similar to commentary we observed in our November and October surveys. One agent mentioned, "Uncertainty regarding overall employment and a continued sense that prices will fall further is keeping buyers in a wait and see mode." Another agent mentioned, "Most buyers are still challenged by down payments, job security and a lack of confidence."

"December is typically slow, but we've reached new levels of quiet."

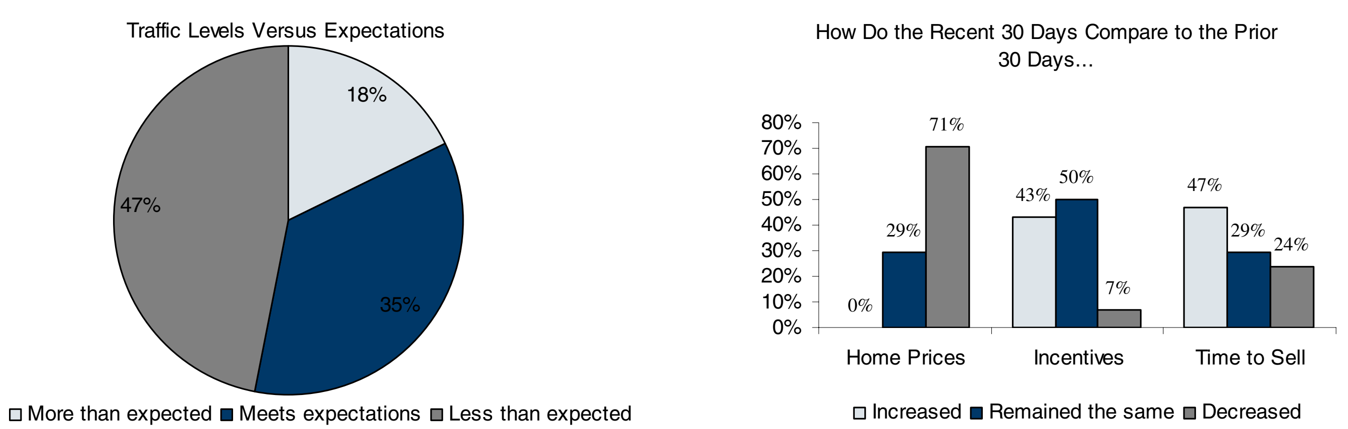
Pricing continues to fall despite lower inventories in December. Home prices fell further in December, as our home price index came in at 15 from 13 in November, pointing to sequentially lower prices (readings below 50). Meanwhile, inventory levels continue to decline, as our home listings index came in at 72 from 63 in November, with readings above 50 pointing to lower inventory levels. That prices continue to fall despite the now seven consecutive months of lower inventories, underscores the choppy demand for housing. Our time to sell index came in at 38 from 47 in November, pointing to an increased time to sell over the past 30 days (readings below 50). We view the lower inventories as a positive for pricing, but remain concerned over the increased time to sell.

Comments from real estate agents:

- "The lack of jobs and the lack of job security are crippling the market. "
- "I'm hoping that consumers will have something positive to look forward to in 2012, otherwise I'm not so sure sales are going to improve."

MDC, D.R. Horton and Pulte have the most exposure to Seattle. MDC generates approximately 9% of its sales in Seattle, followed by D.R. Horton at 2% and Pulte Group at 1%.

Exhibit 22: Lower Inventories Do Nothing to Help Pricing, Our Home Price Index Stays at Depressed Levels



Source: Credit Suisse

Tampa, FL – Falling Inventory Finally Sparks Demand; Pricing Nears a Stable Reading

December Market Trends	
Traffic	⟺
Home Prices	👎
Incentives	⟺

(4,395 single-family permits in 2010, 15th largest market in the country)

Traffic meets expectations, lack of inventory sparks interest. Agents indicated that traffic improved in December, as our traffic index came in at 53 from 31 in November, coming in to meet expectations for the first time since April (readings above 50), though levels remain choppy. Agents attributed the higher traffic in December to greater urgency sparked by low prices, low inventory, and more interest from bargain hunting investors. One agent mentioned, “Buyers believe that prices are at their lowest levels in four years.” Another agent commented, “Supply is getting smaller and investors seem to be getting more active on the deals.” This is similar to the positive (but limited) commentary we saw in our November survey, as is the continued interest from snow birds, as one agent noted, “snow birds are arriving and buying.” In addition, tight lending did not appear to be as large a headwind in December as in previous months. Agents noted that financing is still an issue but, “nothing like in September. It hasn’t been part of the conversation lately."

“Shrinking inventory is pulling some buyers off the sidelines.”

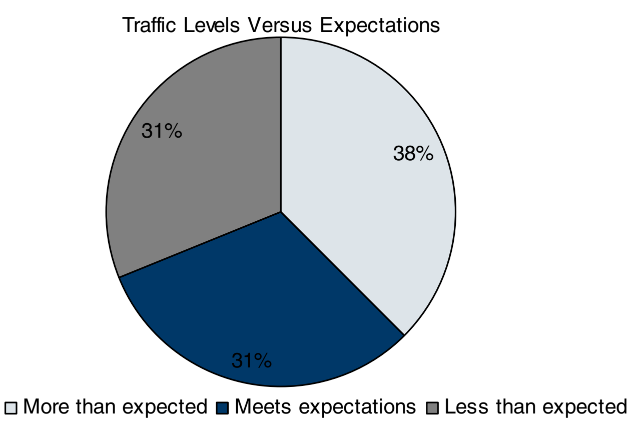
Prices near stabilization as inventory levels continue to fall. Agents indicated that home prices edged lower in December, as our home price index came in at 44 from 33 in December, just short of a reading of 50 (readings below 50 point to sequentially lower pricing). Yet this marks the highest reading since July. Declining inventory levels continue to play a key role in this market, as our home listings index came in at 79 from 71 in November, pointing to lower inventories (readings above 50). Meanwhile, agents pointed to a reduced time to sell in December, as our time to sell index came in at 56 from 43 in November (readings above 50 indicate a reduced time to sell). We view this and the lower inventories as positives for pricing, but believe the lower inventory is likely temporary, and remain concerned over the backlog of shadow foreclosure inventory not currently held for sale.

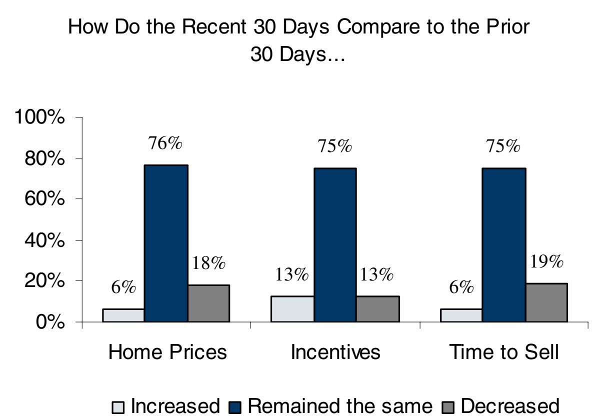
Comments from real estate agents:

- “Buyers see inexpensive housing and want to take advantage.”
- “Low interest rates are helping, especially for first-time buyers.”

Standard Pacific and Ryland have the most exposure. Tampa contributes to approximately 10% of Standard Pacific’s net sales, followed by 8% for Ryland, 6% Lennar and 4% for Beazer.

Exhibit 23: Demand Levels Improve as Inventory Levels Continue to Fall and Available Options Dwindle





Source: Credit Suisse

Washington, D.C. – Market Remains Bogged Down by Uncertainty and the Lack of Visibility

(9,362 single-family permits in 2010, 3rd largest market in the country)

December Market Trends
Traffic
Home Prices
Incentives

“Buying a home doesn’t seem like a priority for people at this time.”

Traffic a bit better, but short of expectations. Agents pointed to slightly higher traffic in December, as our traffic index came in at 32 from 29 in November, but our reading still pointed to levels short of agents’ expectations for this time of year (readings below 50). Uncertainty was the key word in our December survey, as agents repeatedly highlighted that buyers simply weren’t sure whether to expect a housing market decline or improvement. One agent noted, “People are just waiting to see if there are any signs of a real recovery before making their moves into the market.” Another agent mentioned, “There is very little interest because buyers are uncertain about the direction of the market.” Job security also remained an issue in December, as one agent noted, “Buyers are still nervous over job concerns.” Poor visibility into future government spending plans also continues to be an overhang on the market. However some agents did note that there was some interest from buyers seeking deals, hoping to take advantage of low prices and interest rates.

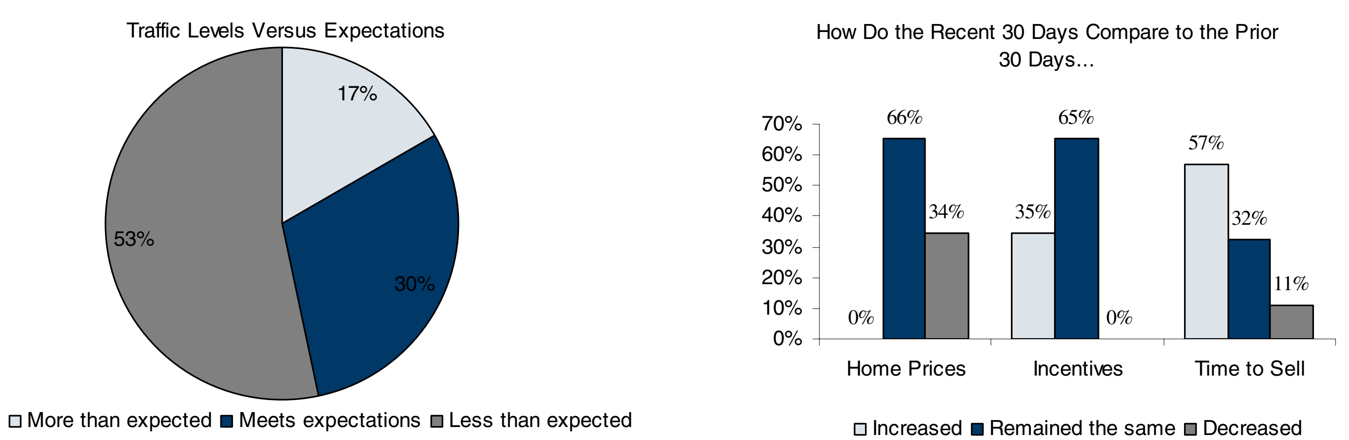
Prices continue to fall despite lower inventories. Home prices remained under pressure in December, as our home price index fell to 33 from 40 in November, pointing to sequentially lower prices (readings below 50). This now marks the sixth consecutive month of readings lower than 50 for the region. Meanwhile, agents indicated that inventories fell in December, as our home listings index came in at 76 from 67 in November, with readings above 50 pointing to lower inventory levels. Yet prices continue to fall, as our time to sell index pointed to an increased time to sell in December, coming in at 27 from 29 in November (readings below 50). We view the lower inventory levels as a positive for pricing, but remain concerned over the increased time to sell.

Comments from real estate agents:

- “Buyers look around and if they make an offer it is extremely low. They want only the best deals they can find.”
- “People look, but increasingly take as much time as possible to decide whether to buy or hold off.”

NVR and Toll Brothers have the greatest exposure. NVR and Toll Brothers have the most exposure to Washington, D.C., as it represents approximately 19% and 17% of each company’s sales, respectively. D.C. accounts for 13% of Hovnanian’s and Beazer’s sales.

Exhibit 24: Lower Inventories Can’t Help Pricing as Buyers Back Away



Source: Credit Suisse

Additional Key Housing Markets

Baltimore, MD

December Market Trends	
Traffic	
Home Prices	
Incentives	

(3,586 single-family permits in 2010, 25th largest market in the country)

Traffic exceeds expectations. Traffic was above expectations in December, as our traffic index came in at 63 from 29 in November, exceeding a neutral reading of 50 (readings greater than 50 indicate traffic beat agents' expectations). 50% of agents said traffic was above expectations, 25% said it met expectations, and 25% said it was below expectations.

Prices fall, incentives increase. Home prices fell again in December, as our home price index fell to 13 from 29 in November, with readings below 50 indicating lower prices over the last 30 days. 75% of agents said prices were lower and 25% said prices were unchanged. Meanwhile, incentives moved higher in December, as our incentive index came in at 13 (from 42 in November), short of a neutral reading of 50 (readings below 50 suggest higher incentives). 75% of agents said incentives were higher and 25% said they were unchanged.

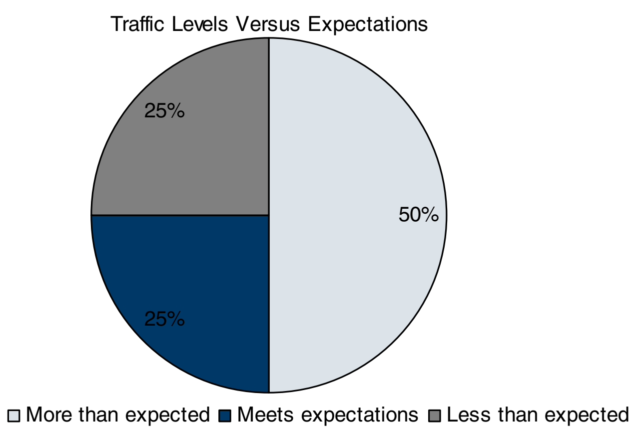
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 38 in December (from 21 in November), coming in below a neutral reading of 50, suggesting an increased time to sell (readings below 50 point to an increased time to sell). 75% of agents said the time to sell was unchanged and 25% said the time to sell increased. We view an increased time to sell as a negative step toward price stabilization.

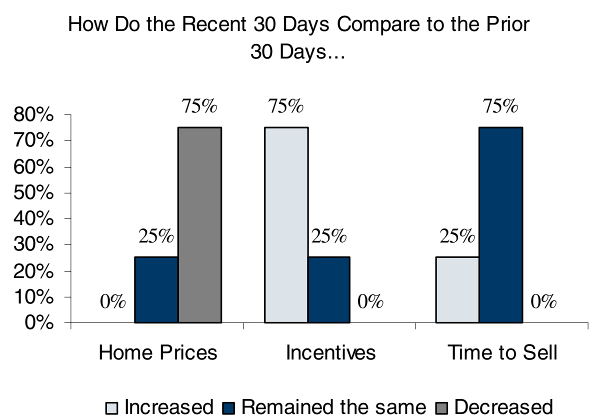
Comments from real estate agents:

- "Buyers seem to be getting more confident and want to take advantage of low interest rates."
- "We've been creating more appointments for open houses as of late."

NVR and Ryland have the greatest exposure. NVR has the most exposure to Baltimore, as it represents approximately 11% of the company's sales. Baltimore represented 5% of Ryland's sales, and 4% of Beazer's sales.

Exhibit 25: **Traffic Above Expectations, Lower Prices, Higher Incentives, Time to Sell Increases in December**





Source: Credit Suisse

Boston, MA

December Market Trends	
Traffic	
Home Prices	
Incentives	

(3,706 single-family permits in 2010, 23rd largest market in the country)

Traffic meets expectations. Traffic met agents' expectations in December, as our traffic index came in at 50 from 23 in November, in-line with a neutral reading of 50 (readings of 50 indicate traffic met agents' expectations). 42% of agents said traffic met expectations, 29% said it exceeded expectations, and 29% said it was below expectations.

Lower prices, higher incentives. Home prices faced additional pressure in December, as our price index came in at 29 (from 27 in November), short of neutral reading of 50 (readings below 50 indicate sequentially lower prices). 57% of agents said prices were unchanged and 43% said they were lower. Sellers increased incentives slightly in December, as our incentive index came in at 43 (from 46 November), just missing a neutral reading of 50 (readings lower than 50 suggest increased incentives). 86% of agents said incentives were unchanged and 14% said they were higher.

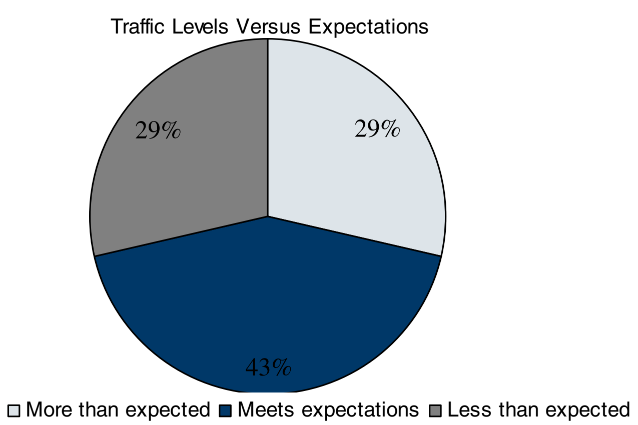
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 25 in December (from 23 in November), short of a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings lower than 50 indicate an increased time to sell). 57% of agents said the time to sell increased, 36% said the time to sell was unchanged, and 7% said the time to sell decreased. We view an increased time to sell as a negative step toward price stabilization.

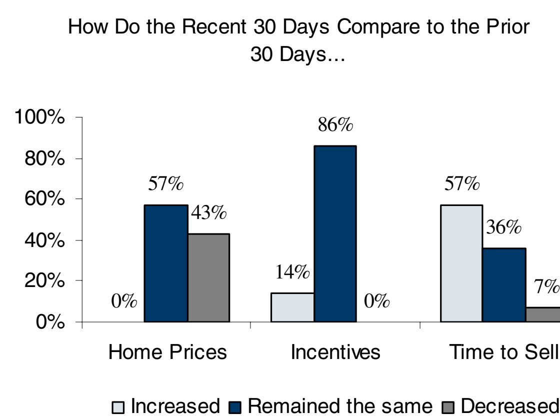
Comments from real estate agents:

- "First time homebuyers want to take advantage of depressed home values."
- "Interest rates are helping buyers show some interest."

The Boston market represented less than 1% of sales for all homebuilders in our coverage universe.

Exhibit 26: **Traffic Meets Expectations, Lower Prices, Higher Incentives, Increased Time to Sell in December**





Source: Credit Suisse

Charleston, SC

December Market Trends	
Traffic	
Home Prices	
Incentives	

(2,780 single-family permits in 2010, 36th largest market in the country)

Traffic below expectations. Buyer traffic failed to meet agents' expectations again in December, as our traffic index came in at 0 (unchanged from November), pointing to traffic below agents' expectations (readings lower than 50). 100% of agents said traffic was short of expectations.

Lower prices, flat incentives. Home prices fell further in December, as our home price index came in at 0 (unchanged from November), pointing to sequentially lower prices (readings short of 50 indicate lower prices). 100% of agents said prices were lower. Meanwhile, incentives were unchanged in December, as our incentive index came in at 50 (unchanged from November), in-line with a neutral reading of 50 (a reading of 50 indicates flat incentives over the last 30 days). 100% of agents said incentives were unchanged.

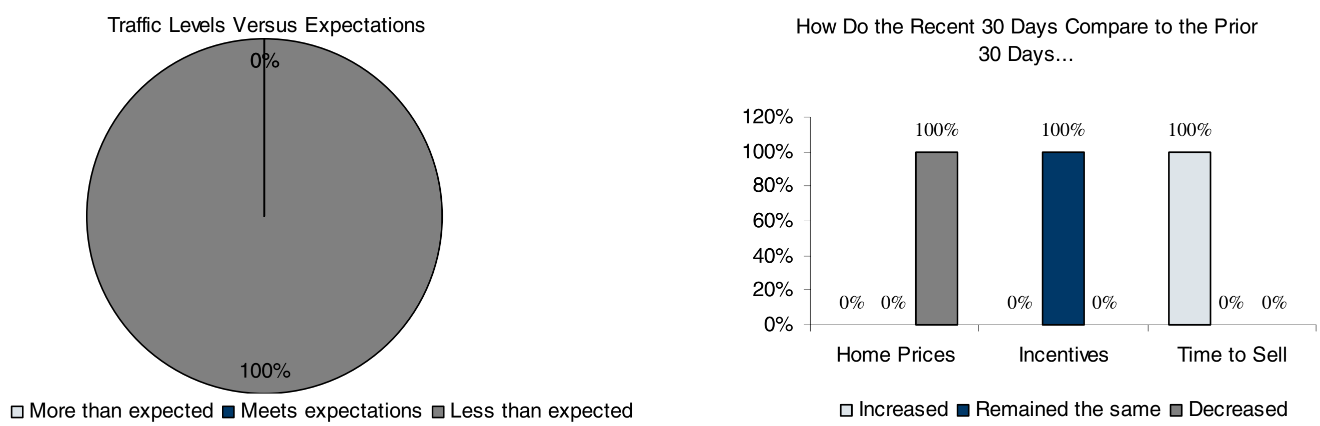
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 0 in December (unchanged from November), still below a neutral reading of 50, indicating an increased time to sell over the past month (readings lower than 50). 100% of agents said the time to sell increased over the last 30 days. We view an increased time to sell as a negative step toward price stabilization.

Comments from real estate agents:

- "Buyers aren't sure what to expect about the economy or their job security."
- "Nobody is really sure what direction prices are headed."

Ryland and Beazer have the greatest exposure. Ryland has the most exposure to the Charleston market, which represents approximately 5% of the company's sales. Charleston represented 4% of Beazer's sales.

Exhibit 27: **Traffic Below Expectations, Prices Decrease, Incentives Unchanged, Longer Time to Sell in December**



Source: Credit Suisse

Cincinnati, OH

December Market Trends	
Traffic	
Home Prices	
Incentives	

(2,856 single-family permits in 2010, 35th largest market in the country)

Traffic remains short of expectations. Our buyer traffic index came in at 25 in December (from 11 in November), remaining below a neutral reading of 50, pointing to traffic missing expectations (a reading short of 50 suggests lower than expected traffic). 50% of agents said traffic was below expectations and 50% said it met expectations.

Prices fall, incentives increase. Home prices remained under pressure in December, as our price index came in at 36 from 22 in November, remaining below a neutral reading of 50, indicating sequentially lower home prices (readings short of 50). 71% of agents said prices were unchanged and 29% said they were lower. Meanwhile, sellers increased incentives in December, as our incentive index came in at 36 (from 39 in November) still short of a neutral reading of 50 (readings lower than 50 suggest higher incentives). 71% of agents said incentives were unchanged and 29% said they were higher.

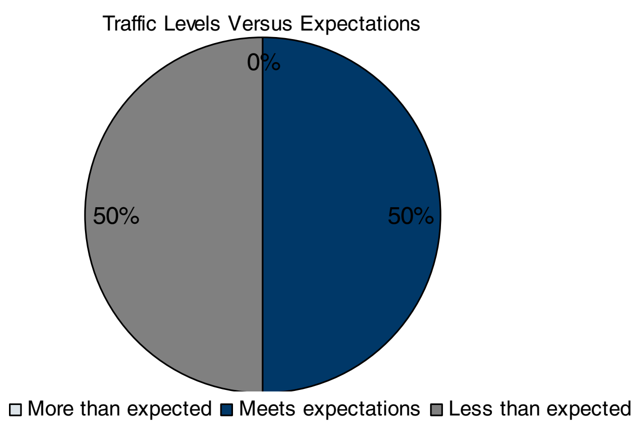
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 36 in December (from 11 in November), pointing to an increased time to sell over the past 30 days (readings lower than 50 indicate an increased time to sell). 71% of agents said the time to sell increased and 29% said the time to sell was unchanged . We view an increased time to sell as a negative step toward price stabilization.

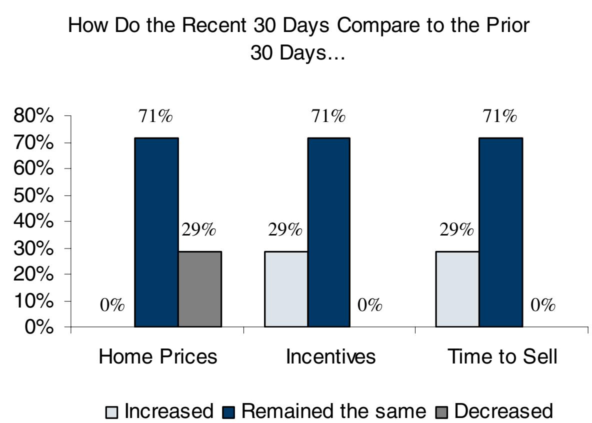
Comments from real estate agents:

- "Buyers still fear that prices will go lower."
- "Consumer confidence is too weak. There is a lot of conflicting rhetoric and buyers aren't sure what to expect."

NVR has the greatest exposure. NVR has the most exposure to the Cincinnati market, as it represented approximately 5% of the company's sales.

Exhibit 28: **Traffic Below Expectations, Prices Fall, Incentives Higher, Increased Time to Sell in December**





Source: Credit Suisse

Columbus, OH

December Market Trends	
Traffic	
Home Prices	
Incentives	

(2,902 single-family permits in 2010, 32nd largest market in the country)

Traffic meets expectations. Buyer traffic met agents' expectations in December, as our traffic index came in at 50 (from 23 in November), with readings of 50 pointing to traffic in-line with agents' expectations. 66% of agents said traffic met expectations, 17% said it exceeded expectations, and 17% said it was below expectations.

Prices fall, incentives increase. Prices remained under pressure in December, as our price index came in at 33 (from 29 in November) with readings below 50 indicating sequentially lower home prices. 67% of agents said prices were unchanged and 33% said they were lower. Meanwhile, sellers increased incentives in December, as our incentive index came in at 25 (from 37 in November), short of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 50% of agents said incentives were higher and 50% said they were unchanged.

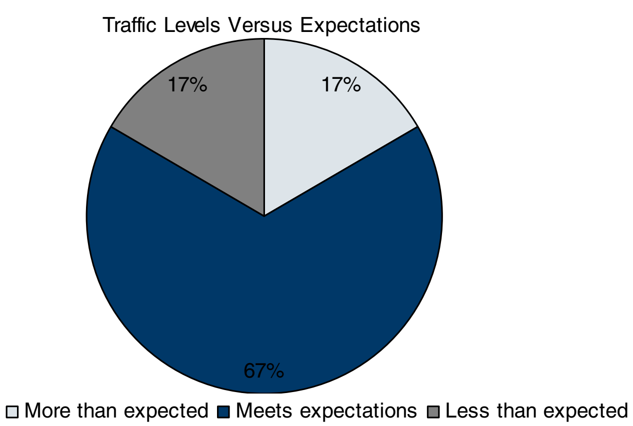
Increased time needed to sell a home in December. Our time to sell index came in at 33 in December (from 27 in November), pointing to a longer time to sell over the past 30 days (readings short of 50 suggest an increased time to sell). 67% of agents said the time to sell was unchanged and 33% said the time to sell increased. We believe the increased time to sell is a negative indicator for future pricing trends.

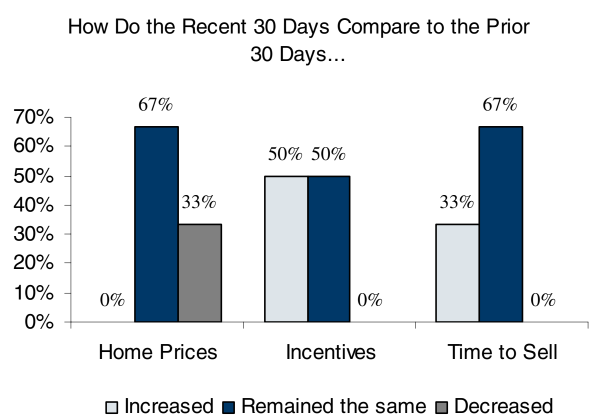
Comments from real estate agents:

- "REO properties are driving some demand. Lower inventories and pricing have brought some people out."
- "It's tough to gauge traffic right now, the winter months tend to be slow."

The Columbus market represented less than 1% of sales for all homebuilders in our coverage universe.

Exhibit 29: **Traffic in-line with Expectations, Lower Prices, Higher Incentives, Increased Time to Sell in December**





Source: Credit Suisse

Detroit, MI

December Market Trends
Traffic
Home Prices
Incentives

(2,399 single-family permits in 2010, 52nd largest market in the country)

Traffic remains below agents' expectations. Buyer traffic remained below expectations in December, as our traffic index came in at 38 (from 21 in November), suggesting traffic fell short of agents' expectations (readings lower than 50 indicate traffic was below expectations). 41% of agents said traffic was below expectations, 41% said it met expectations, and 18% said it was greater than expectations.

Prices fall, incentives increase. Home prices edged lower in December, as our price index came in at 44 (from 43 in November), just shy of a neutral reading of 50 (readings short of 50 suggest sequentially lower prices). 64% of agents said prices were unchanged, 24% said they were lower, and 12% said they were higher. Meanwhile, incentives edged higher, as our incentive index came in at 43 (from 45 in November), just short of a neutral reading of 50 (readings lower than 50 suggest higher incentives). 73% of agents said incentives were stable, 20% said they were higher, and 7% said they were lower.

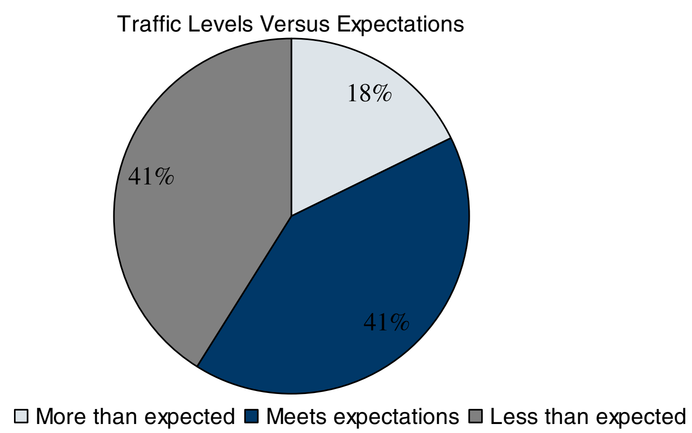
Increased time needed to sell a home in December. Our time to sell index came in at 44 in December (from 40 in November), just missing a neutral reading of 50, indicating an increased time to sell over the past 30 days (readings lower than 50). 42% of agents said the time to sell increased, 29% said the time to sell decreased, and 29% said the time to sell was unchanged. We believe the increased time to sell is a negative indicator for future pricing trends.

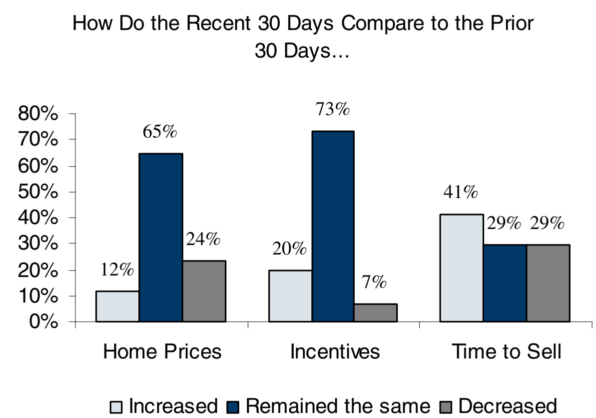
Comments from real estate agents:

- "Its' impossible for buyers to get mortgages."
- "The economy is the biggest drag on the housing market."

Toll Brothers has the greatest exposure. The Detroit market represents approximately 2% of sales for Toll Brothers.

Exhibit 30: **Traffic Lower than Expectations, Lower Prices, Higher Incentives, Increased Time to Sell in December**





Source: Credit Suisse

December Market Trends	
Traffic	
Home Prices	
Incentives	

Ft. Myers, FL

(1,175 single-family permits in 2010, 76th largest market in the country)

Traffic meets expectations. Buyer traffic met agents' expectations in December, as our traffic index came in at 46 (from 47 in November), in-line with a neutral reading of 50 (readings of 50 point to traffic in-line with agents' expectations). 58% of agents said traffic met expectations, 25% said it was below expectations, and 17% said it exceeded expectations.

Prices and incentives higher. Agents indicated home prices were higher in December, as our home price index came in at 67 (from 63 in November), above a neutral reading of 50, indicating sequentially higher home prices (readings greater than 50). 67% of agents said prices were unchanged and 33% said they were higher. Meanwhile, incentives increased in December, as our incentive index came in at 38 (from 41 in November), short of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 58% of agents said incentives were unchanged, 33% said they were higher, and 9% said they were lower.

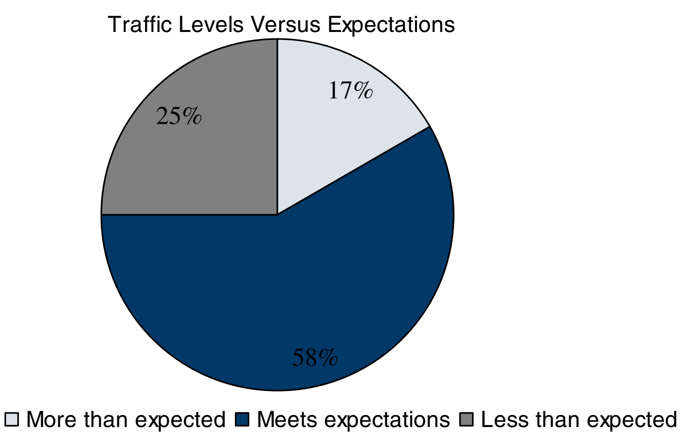
Less time needed to sell a home in December. Our time to sell index came in at 63 in December (unchanged from November), exceeding a neutral reading of 50, suggesting a reduced time to sell over the past 30 days (readings above 50 point to less time to sell). 42% of agents said the time to sell decreased over the past 30 days, 42% said the time to sell was unchanged, and 16% said the time to sell increased. We view the decreased time to sell as a positive indicator for future pricing trends.

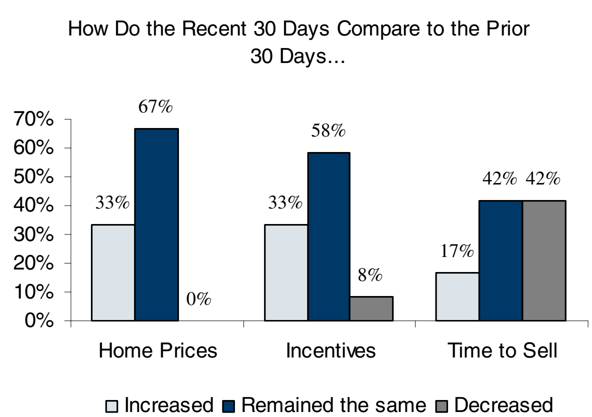
Comments from real estate agents:

- "People think prices might go up next year, but mortgages are still very tough to secure."
- "The economy is really causing a problem with potential clients. But investors are buying at above market prices, squeezing out traditional buyers."

Pulte, Toll and Lennar have the most exposure. Pulte, Toll and Lennar have the greatest exposure to Ft. Myers, which accounted for approximately 2% of each company's sales, followed by D.R. Horton at 1%.

Exhibit 31: **Traffic Meets Expectations, Higher Prices, Increased Incentives, Less Time to Sell in December**





Source: Credit Suisse

December Market Trends	
Traffic	
Home Prices	
Incentives	

Nashville, TN

(3,945 single-family permits in 2010, 20th largest market in the country)

Traffic remains below expectations. Buyer traffic remained below agents' expectations in December, as our traffic index came in at 32 (from 38 in November), still short of a neutral reading of 50 (readings lower than 50 point to traffic missing agents' expectations). 45% of agents said traffic was below expectations, 45% said it met expectations, and 10% said it exceeded expectations.

Prices decline, incentives flat. Home prices remained under pressure in December, as our home price index came in at 36 (from 25 November), remaining below a neutral reading of 50, indicating sequentially lower home prices (readings below 50). 55% of agents said prices were unchanged, 36% said they were lower, and 9% said they were higher. Meanwhile, incentives were unchanged in December, as our incentive index came in at 46 (from 38 in November) in-line with a neutral reading of 50 (readings of 50 indicate flat incentives). 73% of agents said incentives were unchanged, 18% said they were higher, and 9% said they were lower.

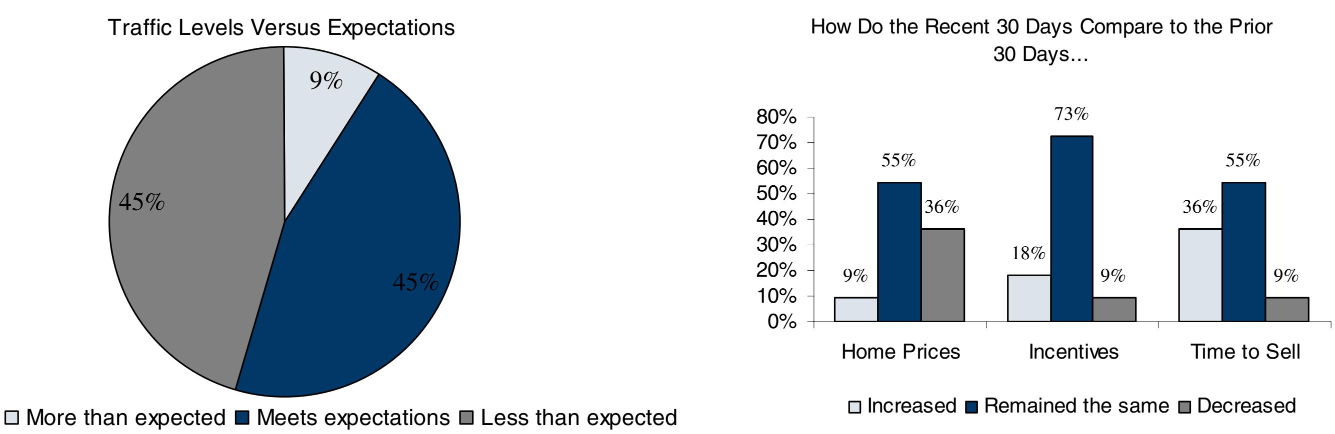
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 36 in December (from 13 in November), further below a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings short of 50). 55% of agents said the time to sell was unchanged over the past 30 days, 36% said the time to sell increased, and 9% said the time to sell decreased. We view the longer time to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

- "Economic and employment conditions aren't strong enough to boost traffic."
- "Buyers are concerned about the economy and banks won't lend."

Beazer, Pulte and NVR have the greatest exposure. Beazer generates approximately 5% of its sales in Nashville. Pulte and NVR each have approximately 2% their sales from Nashville.

Exhibit 32: **Traffic Misses Expectations, Lower Prices, Flat Incentives, Longer Time to Sell in December**



Source: Credit Suisse

Philadelphia, PA-Southern NJ

December Market Trends	
Traffic	
Home Prices	
Incentives	

(5,262 single-family permits in 2010, 9th largest market in the country)

Traffic below expectations. Buyer traffic remained below agents' expectations in December, as our traffic index came in at 31 (from 15 in November), still short of a neutral reading of 50 (readings below 50 indicate traffic did not meet agents' expectations). 61% of agents said traffic was below expectations, 22% said it exceeded expectations, and 17% said it met expectations.

Prices decline, incentives increase. Home prices fell again in December, as our price index came in at 18 (from 22 in November), remaining short of a reading of 50 (readings short of 50 indicate sequentially lower home prices). 64% of agents said prices were lower over the past 30 days and 36% said they were unchanged. Meanwhile, incentives were higher in December, as our incentive index came in at 40 (from 38 in November), shy of a neutral reading of 50 (readings lower than 50 point to increased incentives). 58% of agents said incentives were unchanged, 32% said they were higher, and 10% said they were lower.

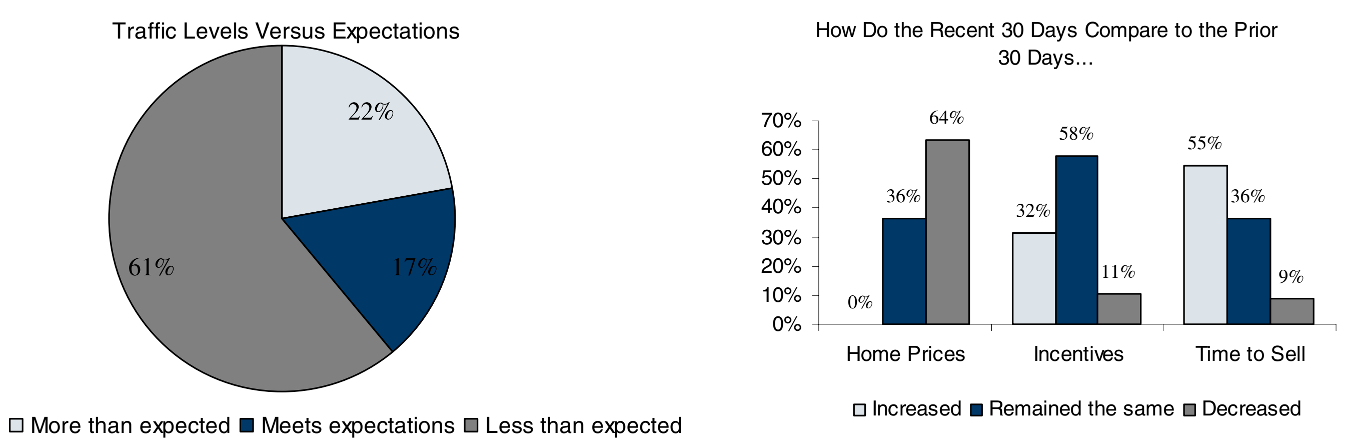
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 27 in December (from 21 in November), remaining short of a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings lower than 50). 55% of agents said the time to sell increased, 36% said the time to sell was unchanged, and 9% said the time to sell decreased. We view an increased time to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

- "There is such an intermittent level of activity. We have two weeks of strength followed by weeks of nothing. Strange times."
- "Buyers are worried about commitment and sellers are afraid to sell right now."

Toll Brothers and NVR have the greatest exposure. Toll Brothers generates approximately 11% of its sales in the Philadelphia-Southern NJ market, followed by NVR at 7%, Hovnanian at 6%, and Beazer at 4%.

Exhibit 33: **Traffic Below Expectations, Lower Prices, Increased Incentives , Increased Time to Sell in December**



Source: Credit Suisse

Portland, OR

December Market Trends	
Traffic	
Home Prices	
Incentives	

(3,368 single-family permits in 2010, 27th largest market in the country)

Traffic remains below agents' expectations. Buyer traffic came in short of agents' expectations in December, as our traffic index came in at 37 (unchanged from November), remaining short of a neutral reading of 50 (readings below 50 suggest traffic did not meet agents' expectations). 42% of agents said traffic was lower than expectations, 42% said it met expectations, and 16% said it exceeded expectations.

Lower prices, unchanged incentives. Home prices remained under pressure in December, as our price index came in at 34 (from 26 in November), remaining below a neutral reading of 50 (readings short of 50 point to sequentially lower prices). 58% of agents said prices were unchanged, 37% said prices were lower, and 5% said they were higher. Sellers held incentives steady in December, as our incentive index came in at 50 (unchanged from November), in-line with a neutral reading (readings of 50 suggest flat incentives). 89% of agents said incentives were unchanged, 6% said they were lower, and 5% said they were higher.

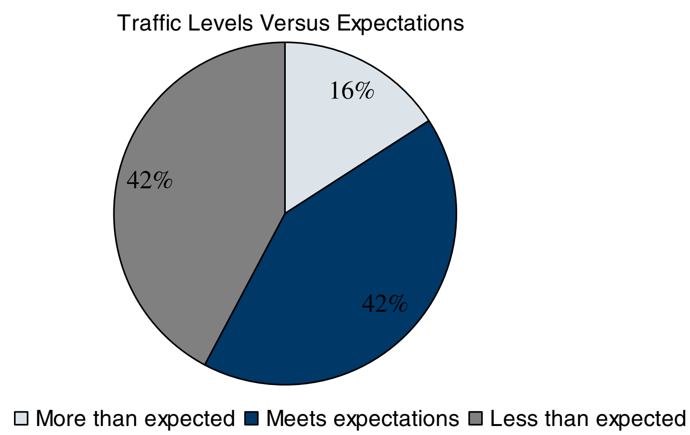
Unchanged time needed to sell a home in December. Our time to sell index came in at 50 in December (from 37 in November), coming in-line with a neutral reading, suggesting an increased time to sell over the past 30 days (readings of 50 point to an unchanged time to sell). 48% of agents said the time to sell was unchanged, 26% said the time to sell decreased, and 26% said the time to sell increased. We view the unchanged time needed to sell as a positive indicator of future pricing trends.

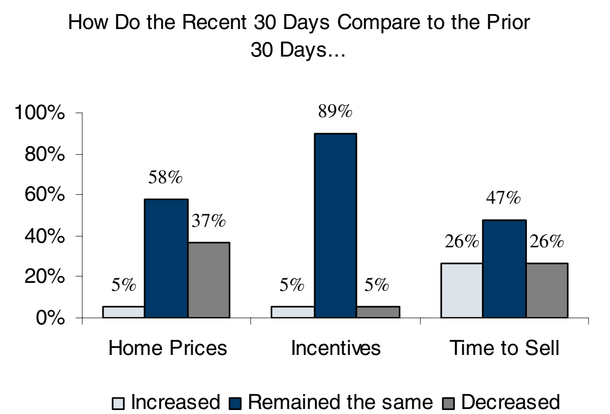
Comments from real estate agents:

- "Buyers are exhibiting hesitation because of the economy. They think prices will continue to fall."
- "Unemployment is still high and global uncertainty adds to the anxiety."

The Portland market represented less than 1% of sales for all homebuilders in our coverage universe.

Exhibit 34: **Traffic short of Expectations, Prices Fall, Flat Incentives, Unchanged Time to Sell in December**





Source: Credit Suisse

December Market Trends	
Traffic	
Home Prices	
Incentives	

Raleigh, NC

(4,669 single-family permits in 2010, 12th largest market in the country)

Traffic meets expectations. Buyer traffic met agents' expectations in December, as our traffic index came in at 50 (from 60 in November), in-line with a reading of 50 (readings of 50 point to traffic meeting agents' expectations). 34% of agents said traffic met expectations, 33% said it exceeded expectations, and 33% said it was lower than expectations.

Lower prices, higher incentives. Home prices faced additional pressure in December, as our price index came in at 33 (from 40 in November), pointing to sequentially lower prices over the last 30 days (readings below 50 suggest lower prices). 67% of agents said prices were unchanged and 33% said they were lower. Meanwhile, incentives were higher in December, as our incentive index came in at 17 (from 30 in November), with readings lower than 50 pointing to increased incentives. 67% of agents said incentives were higher and 33% said they were unchanged.

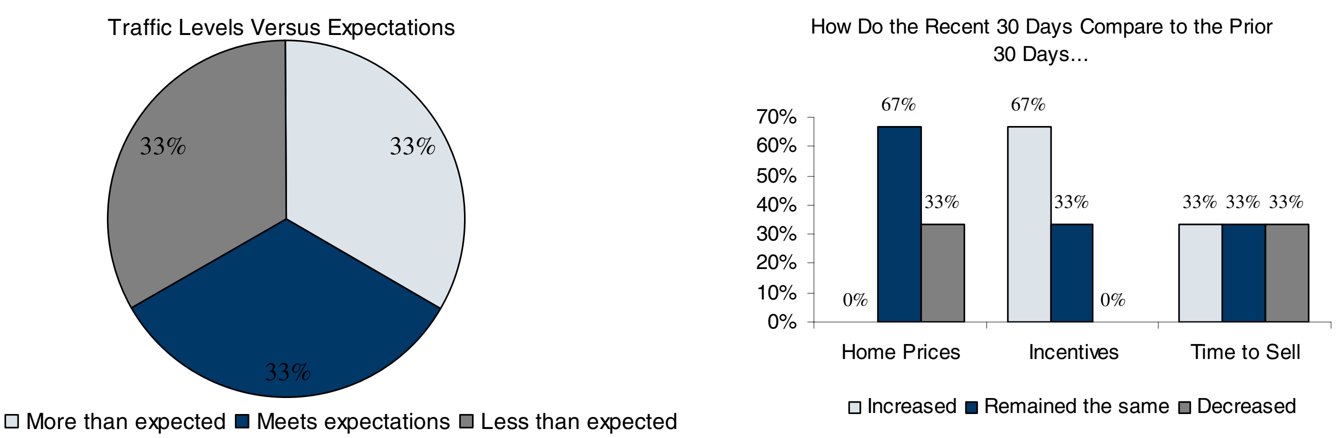
Unchanged time needed to sell a home in December. Our time to sell index came in at 50 in December (from 40 in November), coming in-line with a neutral reading of 50, suggesting an unchanged time to sell over the past 30 days (readings of 50 suggest an unchanged time to sell). 34% of agents said the time to sell was unchanged, 33% said the time to sell decreased, and 33% said the time to sell increased. We view the unchanged time needed to sell as a positive indicator of future pricing trends.

Comments from real estate agents:

- "Buyers are responding well to increased incentives."
- "We still see deals fall through because of cold feet and tough lending."

Standard Pacific has the greatest exposure. Standard Pacific has the most exposure to the Raleigh market, as it represents approximately 8% of the company's sales. Raleigh represents 4% of sales for Toll Brothers and 3% of sales for both Lennar and Hovnanian.

Exhibit 35: **Traffic Meets Expectations, Prices Decrease, Incentives Higher, Unchanged Time to Sell in December**



Source: Credit Suisse

Richmond, VA

December Market Trends	
Traffic	↔
Home Prices	👎
Incentives	↔

(2,536 single-family permits in 2010, 38th largest market in the country)

Traffic meets expectations. Our buyer traffic index came in at 50 in December (from 67 in November), coming in-line with a neutral reading, suggesting traffic met agents' expectations (readings of 50). 34% of agents said traffic met expectations, 33% said it exceeded expectations, and 33% said it was below expectations.

Prices lower, incentives unchanged. Home prices were lower in December, as our price index came in at 0 (from 33 in November), remaining below a neutral reading of 50, indicating sequentially lower prices (readings short of 50 indicate lower prices over the last 30 days). 100% of agents said prices were lower. Meanwhile, sellers held incentives steady in December, as our incentive index came in at 50 (from 33 in November), in-line with a neutral reading, suggesting unchanged incentives. 34% of agents said incentives were unchanged, 33% said they were lower, and 33% said they were higher.

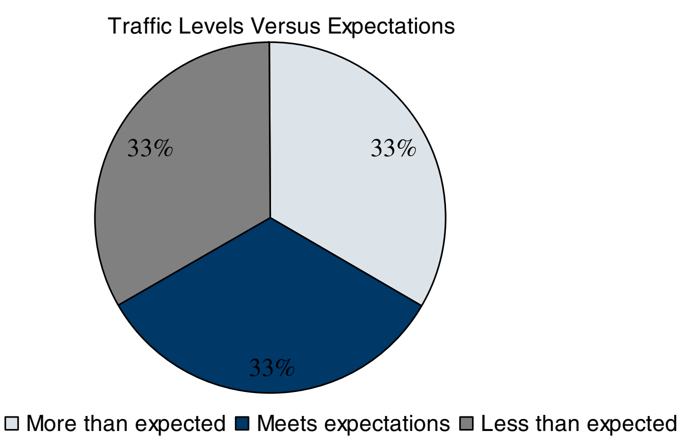
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 17 in December (from 67 in November), below a neutral reading, suggesting an increased time to sell over the past 30 days (readings lower than 50 point to an increased time to sell). 67% of agents said the time to sell increased and 33% said the time to sell was unchanged. We view the longer time to sell as a negative indicator for future pricing trends.

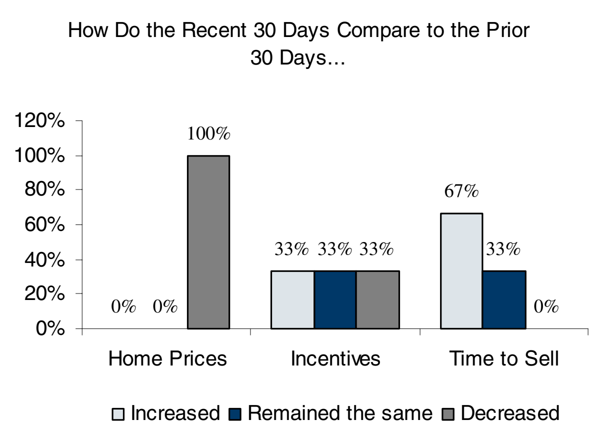
Comments from real estate agents:

- "Traffic was slow but that's a typical seasonal pattern, so it's tough to read into it."
- "Low prices and interest rates are bringing buyers to the market."

NVR and Pulte have the greatest exposure. NVR has the most exposure to the Richmond market, as it represents approximately 5% of the company's sales. Richmond represents 1% of sales for Pulte.

Exhibit 36: **Traffic Meets Expectations, Prices Lower, Incentives Unchanged, Increased Time to Sell in December**





Source: Credit Suisse

Sacramento, CA

December Market Trends	
Traffic	
Home Prices	
Incentives	

(2,166 single-family permits in 2010, 43rd largest market in the country)

Traffic remains below expectations. Our buyer traffic index came in at 39 (unchanged from November) remaining below a neutral reading of 50, suggesting traffic levels failed to meet agents' expectations (readings lower than 50). 78% of agents said traffic met expectations and 22% said it was below expectations.

Prices fall, incentives higher. Home prices continued to fall in December, as our home price index came in at 33 (from 32 in November), with readings lower than 50 indicating sequentially lower prices. 45% of agents said prices were lower, 44% said they were unchanged, and 11% said they were higher. Meanwhile, incentives edged higher in December, as our incentive index came in at 44 (from 31 in November), short of a neutral reading, with readings lower than 50 pointing to higher incentives. 63% of agents said incentives were unchanged, 25% said they were higher, and 12% said they were lower.

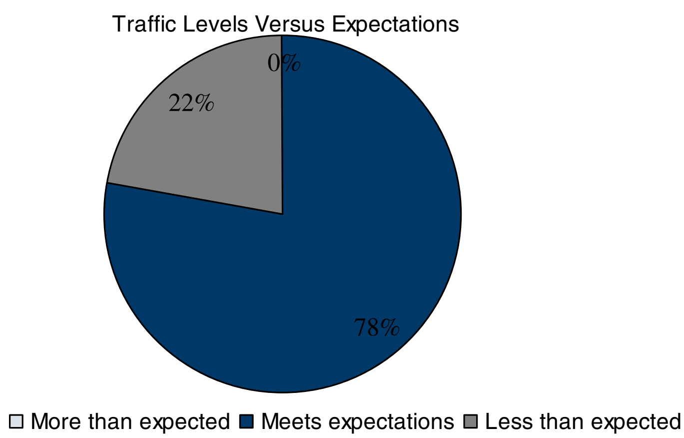
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 44 (from 39 in November), coming in just shy of a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings lower than 50 suggest an increased time to sell). 67% of agents said the time to sell was unchanged, 22% said the time to sell increased, and 11% said the time to sell decreased. We view the longer time to sell as a negative indicator for future pricing trends.

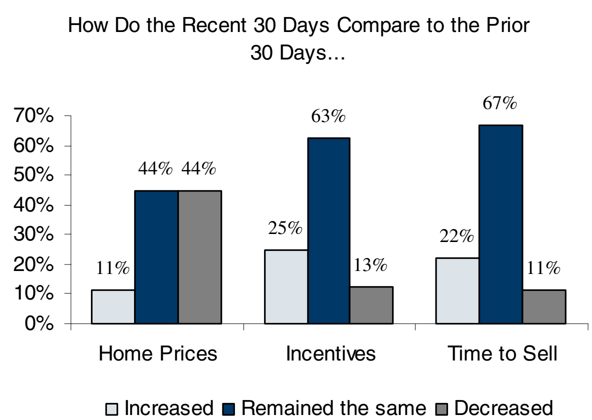
Comments from real estate agents:

- "Consumer confidence is down."
- "Buyers are only looking for homes in pristine condition."

Standard Pacific has the greatest exposure. The Sacramento market represents approximately 4% of sales for Standard Pacific, followed by BZH, LEN, MTH, and PHM each at 2%.

Exhibit 37: **Traffic Below Expectations, Lower Prices, Higher Incentives, Time to Sell Increases in December**





Source: Credit Suisse

San Diego, CA

December Market Trends
Traffic
Home Prices
Incentives

(2,270 single-family permits in 2010, 53rd largest market in the country)

Traffic below expectations. Buyer traffic remained short of expectations in December, as our traffic index came in at 30 (from 14 in November), short of a neutral reading of 50 (readings lower than 50 point to traffic below agents' expectations). 54% of agents said traffic was below expectations, 32% said it met expectations, and 14% said it exceeded expectations.

Lower prices, higher incentives. Homes faced additional pressure in December. Our price index came in at 25 (from 21 in November), short of a reading of 50 (readings below 50 point to sequentially lower prices). 50% of agents said prices were lower and 50% said they were unchanged. Meanwhile, incentives were higher in December, as our incentive index came in at 36 (from 41 in November), below a neutral reading of 50 (readings short of 50 point to higher incentives). 73% of agents said incentives were unchanged and 27% said they were higher.

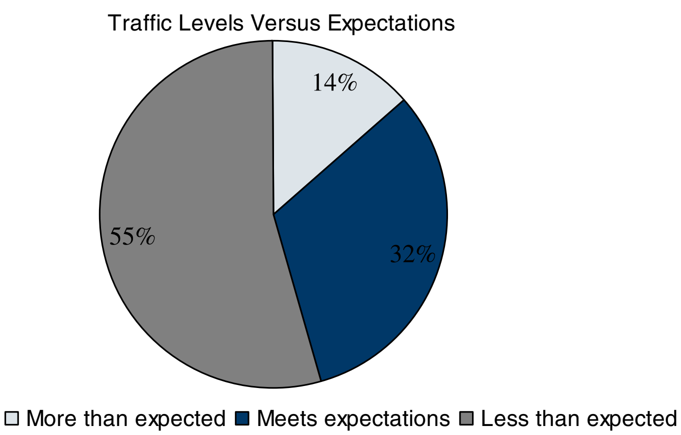
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 34 in December (from 19 in November), remaining below a neutral reading of 50, pointing to an increased time to sell over the last 30 days (readings short of 50). 45% of agents said the time to sell increased, 41% said the time to sell was unchanged, and 14% said the time to sell decreased. We view the longer time to sell as a negative indicator for future pricing trends.

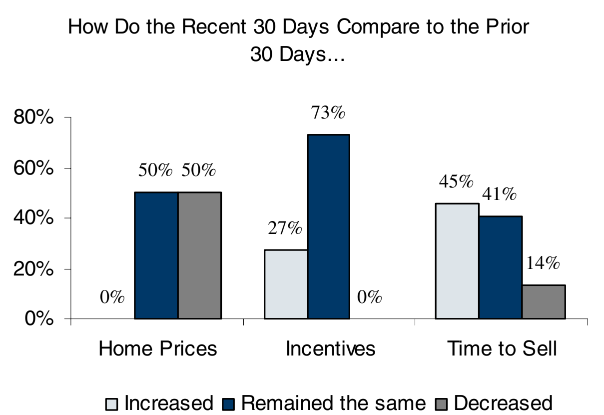
Comments from real estate agents:

- "Banks will not lend. Credit is non-existent."
- "Traffic is bad because buyers are more 'picky.' There is still fear in the market that prices are going to fall more."

Standard Pacific has the greatest exposure. Standard Pacific has the most exposure to the San Diego market, as it represents approximately 3% of the company's sales. San Diego represents 1% of sales for KB Home, Lennar, and Toll Brothers.

Exhibit 38: **Traffic Below Expectations, Lower Prices, Higher Incentives, Longer Time to Sell in December**





Source: Credit Suisse

San Francisco, CA

December Market Trends	
Traffic	
Home Prices	
Incentives	

(2,138 single-family permits in 2010, 44th largest market in the country)

Traffic below expectations. Buyer traffic remained below agents' expectations in December, as our traffic index fell to 27 from 40 in November, short of a neutral reading of 50 (readings lower than 50 point to traffic below expectations). 59% of agents said traffic was below expectations, 29% said it met expectations, and 12% said it exceeded expectations.

Prices decline, incentives flat. Home prices edged lower in December, as our price index came in at 29 (from 41 in November), just below a neutral reading of 50 (readings below 50 suggest sequentially lower prices). 47% of agents said prices were lower over the past 30 days, 47% said they were unchanged, and 6% said they were higher. Meanwhile, incentives were flat in December, as our incentive index came in at 46 (from 38 in November), in-line with a neutral reading of 50, pointing to flat incentives. 79% of agents said incentives were unchanged, 14% said they were higher, and 7% said they were lower.

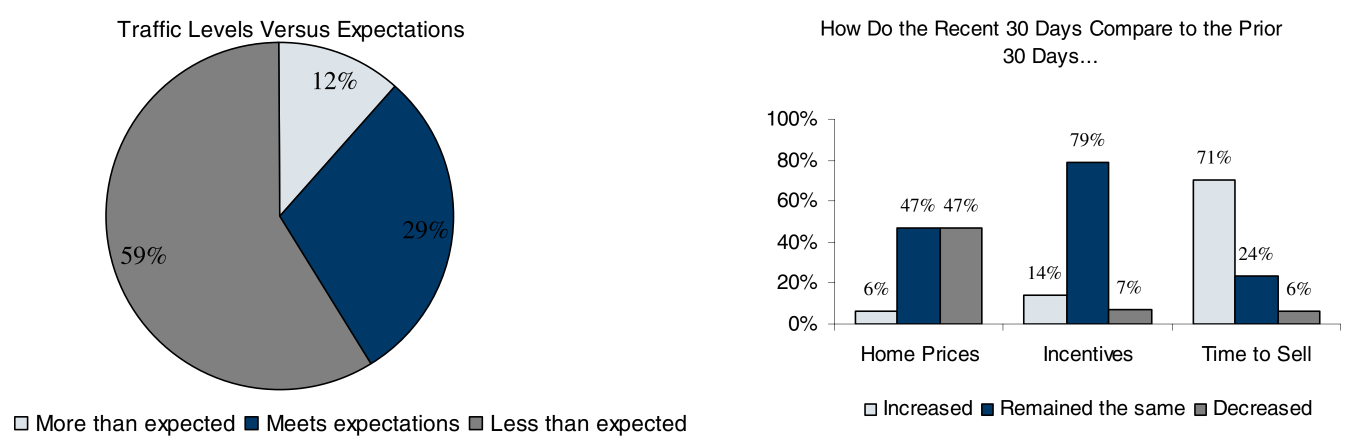
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 18 in December (from 39 in November), still below a neutral reading of 50, suggesting an increased time to sell over the last 30 days (readings below 50 indicate a longer time to sell). 70% of agents said the time to sell increased, 24% said the time to sell was unchanged, and 6% said the time to sell decreased. We view the longer time to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

- "People don't find much security in buying homes, despite record low interest rates."
- "There is still of concern that the economy will get worse and prices will fall further."

Standard Pacific has the greatest exposure. Standard Pacific has the most exposure to the San Francisco area, which represents approximately 5% of company sales. San Francisco represents 4% of sales for both KBH and PHM, followed by PHM at 2%.

Exhibit 39: **Traffic Below Expectations, Prices Decline, Unchanged Incentives, Time to Sell Lengthens in December**



Source: Credit Suisse

Sarasota, FL

December Market Trends	
Traffic	⬌
Home Prices	⬌
Incentives	⬌

(1,704 single-family permits in 2010, 56th largest market in the country)

Traffic meets expectations. Buyer traffic met agents' expectations in December as our traffic index came in at 46 (from 50 in November), in-line with a neutral reading of 50 (readings of 50 point to traffic meeting agents' expectations). 38% of agents said traffic was below expectations, 31% said it exceeded expectations, and 31% said it met expectations.

Prices and incentives flat. Home prices were unchanged in December, as our price index came in at 54 (from 50 in November), in-line with a neutral reading, indicating sequentially flat prices (readings of 50). 77% of agents said prices were unchanged, 15% said they were lower, and 8% said they were higher. Meanwhile, incentives were flat in December, as our incentive index came in at 46 (from 41 in November), in-line with a neutral reading of 50 (readings of 50 indicate unchanged incentives). 91% of agents said incentives were unchanged and 9% said incentives were higher.

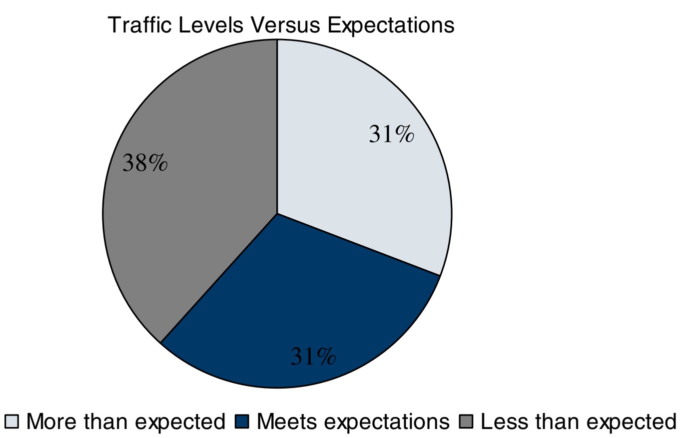
Less time needed to sell a home in December. Our time to sell index came in at 62 in December (from 55 in November), above a neutral reading of 50, pointing to a reduced time to sell over the past 30 days (readings above 50). 62% of agents said the time to sell was unchanged, 30% said the time to sell decreased, and 8% said the time to sell increased. We view the decreased time to sell as a positive indicator for future pricing trends.

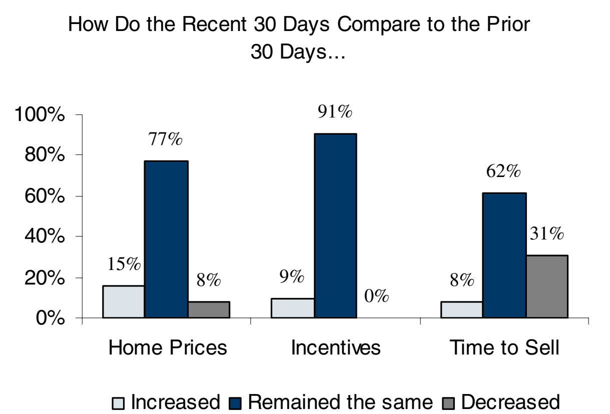
Comments from real estate agents:

- "Well, we weren't expecting much traffic in December, so I guess in that context traffic wasn't disappointing."
- "Traffic was ok, but people are still worried about the economy and won't commit to buying anything."

Ryland and Lennar have the greatest exposure. Sarasota represents 3% of sales for Ryland, followed by Lennar at 2%.

Exhibit 40: **Traffic in-line with Expectations, Flat Prices and Incentives, Less Time to Sell in December**





Source: Credit Suisse

St. Louis, MO

December Market Trends
Traffic
Home Prices
Incentives

(4,200 single-family permits in 2010, 17th largest market in the country)

Traffic below expectations. Buyer traffic remained below agents' expectations in December, as our traffic index came in at 0 (unchanged from November), with readings below 50 pointing to traffic short of expectations. 100% of agents said traffic was below expectations.

Lower prices, higher incentives. Home prices fell further in December, as our price index came in at 0 (unchanged from November), below a neutral reading of 50 (readings lower than 50 point to sequentially lower prices). 100% of agents said prices were lower. Meanwhile, sellers increased incentives in December, as our incentive index came in at 25 (from 50 in November), short of a reading of 50, suggesting higher incentives over the past month (readings lower than 50 point to increased incentives). 50% of agents said incentives were higher and 50% said they were lower.

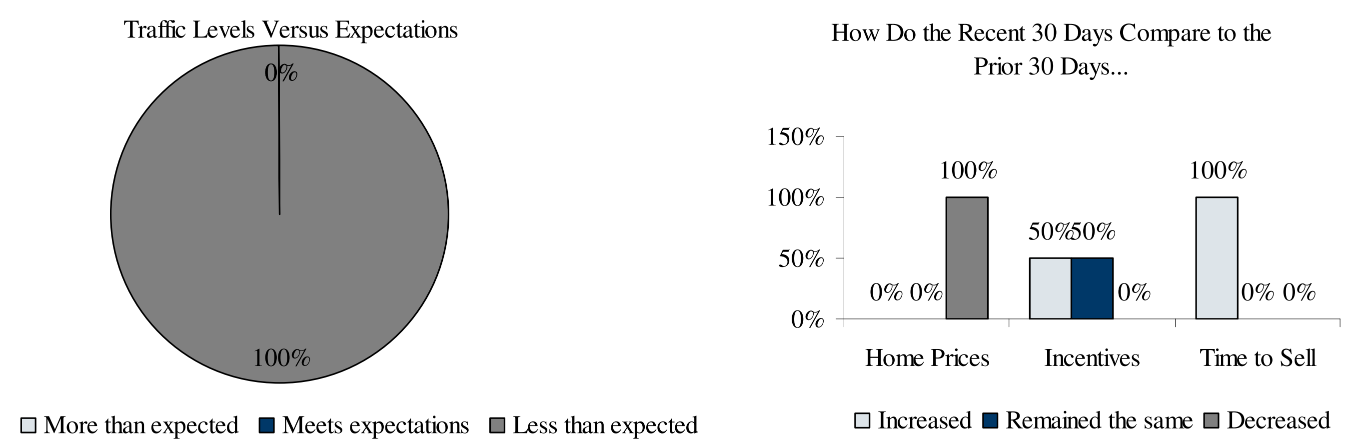
Longer time needed to sell a home in December. Our time to sell index came in at 0 (from 20 in November), short of a neutral reading, pointing to an increased time to sell over the last 30 days (readings lower than 50). 100% of agents said the time to sell increased. We view the longer time needed to sell as a negative indicator of future pricing trends.

Comments from real estate agents:

- "Uncertainty about the financial markets remains a cause for concern."
- "People don't think they have any job security."

Pulte has the greatest exposure. St. Louis represents 2% of sales for Pulte.

Exhibit 41: **Traffic Below Expectations, Lower Prices, Higher Incentives, Increased Time to Sell in December**



Source: Credit Suisse

Tucson, AZ

December Market Trends	
Traffic	
Home Prices	
Incentives	

(1,766 single-family permits in 2010, 50th largest market in the country)

Traffic below expectations. Buyer traffic missed expectations in December, as our traffic index came in at 35 (from 31 in November), short of a neutral reading of 50 (readings lower than 50 suggest traffic failed to meet agents' expectations). 50% of agents said traffic met expectations, 40% said it was below expectations, and 10% said it exceeded expectations.

Prices fall, incentives flat. Home prices remained under pressure in December, as our home price index came in at 35 (from 33 in November), short of a neutral reading of 50, suggesting lower prices over the last 30 days (readings lower than 50 point to lower prices). 50% of agents said prices were unchanged, 40% said they were lower, and 10% said they were higher. Meanwhile, incentives were unchanged in December, as our incentive index came in at 50 (from 38 in November), in-line with a neutral reading of 50, with readings lower than 50 pointing to increased incentives. 56% of agents said incentives were unchanged, 22% said they were lower, and 22% said they were higher.

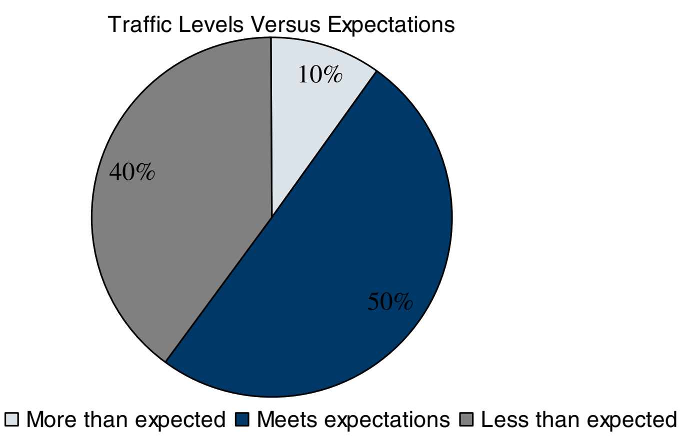
Unchanged time needed to sell a home in December. Our time to sell index came in at 50 in December (from 38 in November), in-line with a neutral reading of 50, pointing to an unchanged time to sell (readings of 50). 60% of agents said the time to sell a home was unchanged, 20% said the time to sell decreased, and 20% said the time to sell increased. We view the unchanged time needed to sell as a positive indicator of future pricing trends.

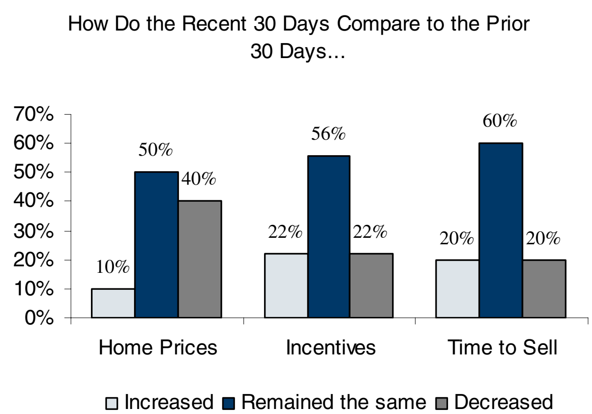
Comments from real estate agents:

- "We are in poor and uncertain economic times."
- "The market is lacking any kind of enthusiasm."

MDC, Meritage and Lennar have the greatest exposure. MDC has the most exposure to the Tucson market, as it represents approximately 8% of the company's sales. Tucson represents 5% of Meritage's sales and 4% of Lennar's sales.

Exhibit 42: Traffic Below Expectations, Prices Lower, Incentives Flat, Unchanged Time to Sell in December





Source: Credit Suisse

Virginia Beach, VA

December Market Trends	
Traffic	
Home Prices	
Incentives	

(3,147 single-family permits in 2010, 30th largest market in the country)

Traffic meets expectations. Buyer traffic met agents' expectations in December, as our traffic index came in at 50 (from 80 in November), in-line with a neutral reading (readings of 50 suggest traffic met expectations). 60% of agents said traffic met expectations, 20% said it was below expectations, and 20% said it exceed expectations.

Prices fall, incentives increase. Home prices fell in December, as our price index came in at 10 (from 30 in November), still below a neutral reading of 50, suggesting lower prices over the last 30 days (readings below 50). 80% of agents said prices were lower and 20% said they were unchanged. Meanwhile, sellers increased incentives in December, as our incentive index came in at 30 (from 20 in November), coming in short of a neutral reading, suggesting increased incentives over the past month (readings lower than 50). 60% of agents said incentives were higher and 40% said they were higher.

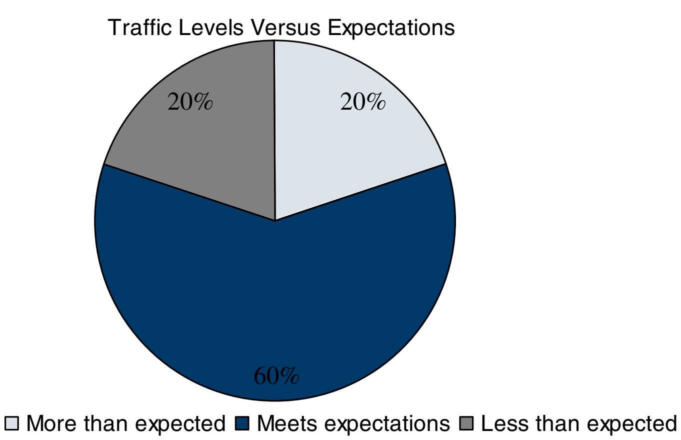
Longer time needed to sell a home in December. Our time to sell index came in at 40 in December (from 50 in November), pointing to an increased time to sell over the past 30 days (readings lower than 50). 40% of agents said the time to sell increased, 40% said the time to sell was unchanged, and 20% said the time to sell decreased. We view the longer time needed to sell as a negative indicator of future pricing trends.

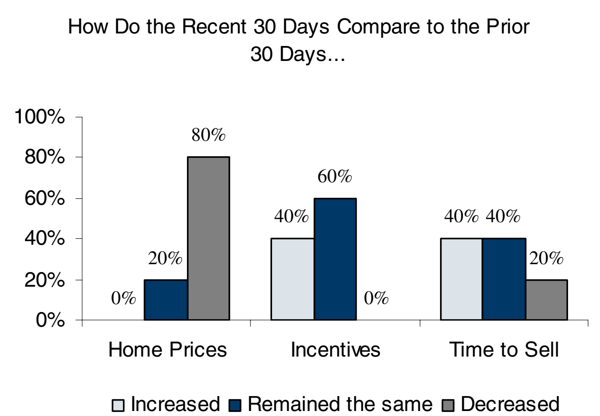
Comments from real estate agents:

- "Traffic is never really strong in December. It's slow, but nothing out of the ordinary."
- "Interest rates are low, creating some level of interest from buyers."

Lennar and NVR have the greatest exposure. Lennar and NVR have the most exposure to the Virginia Beach market, as it represented approximately 1% of each company's sales.

Exhibit 43: **Traffic Meets Expectations, Lower Prices, Higher Incentives, Increased Time to Sell in December**





Source: Credit Suisse

Wilmington, NC

December Market Trends	
Traffic	
Home Prices	
Incentives	

(1,547 single-family permits in 2010, 64th largest market in the country)

Traffic below expectations. Our buyer traffic index came in at 30 in December (from 60 in November), pointing to traffic missing agents' expectations (readings below 50 point to traffic missing agents' expectations). 60% of agents said traffic met expectations and 40% said it missed expectations.

Prices fall, incentives unchanged. Home prices faced additional pressure in December, as our price index came in at 10 (unchanged from November), still well below a neutral reading of 50, suggesting lower prices over the last 30 days (readings below 50). 80% of agents said prices were lower and 20% said they were unchanged. Meanwhile, incentives were unchanged in December, as our incentive index came in at 50 in December (from 60 in November), in-line with a neutral reading (readings of 50 suggest flat incentives over the past month). 100% of agents said incentives were unchanged.

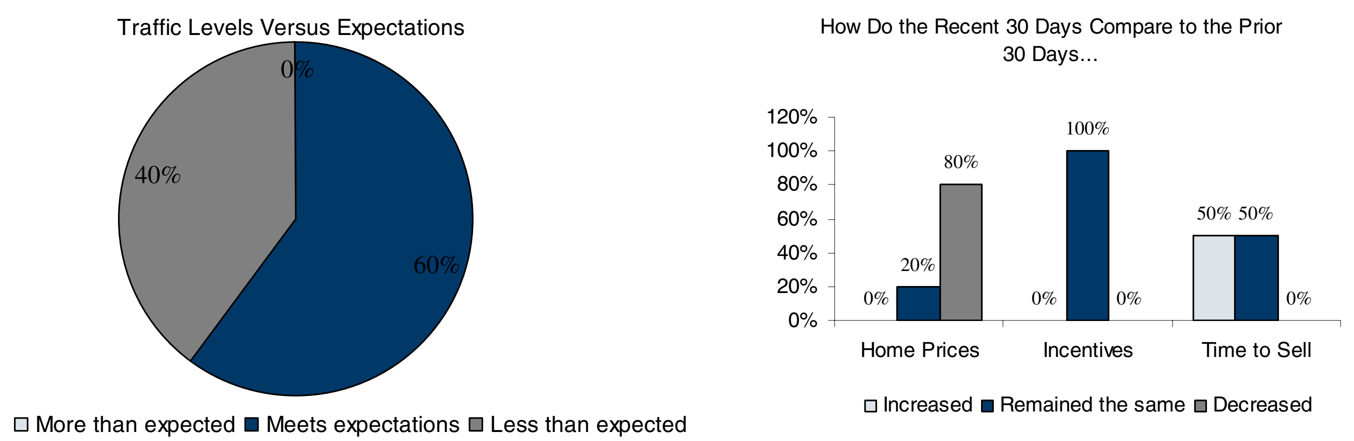
Longer time needed to sell a home in December. Our time to sell index came in at 25 in December (from 30 in November), remaining below a neutral reading of 50, indicating an increased time to sell (readings below 50 suggest the time to sell increased over the last 30 days). 50% of agents said the time to sell increased and 50% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator of future pricing trends.

Comments from real estate agents:

- "We only have 'lookers,' nobody that actually wants to buy."
- "The holiday season caused the market to come to a halt."

The Wilmington market represented less than 1% of sales for all homebuilders in our coverage universe.

Exhibit 44: **Traffic Below Expectations, Prices Fall, Incentives Flat, Time to Sell Lengthens in December**



Source: Credit Suisse

Historical Trends

Buyer traffic improved in December as our traffic index reached its highest level since the start of the year, as lower pricing and rates proved attractive in many markets. Historical traffic trends:

Exhibit 45: Traffic Levels [> 50.0: above seasonal expectations/ = 50.0: in-line with expectations/ <50.0: below expectations]

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Atlanta, GA	33.3	24.1	20.0	25.0	21.2	25.9	33.3	33.3	26.5	16.1	24.1	38.5	41.3
Austin, TX	39.3	38.1	42.5	39.6	46.4	41.3	27.3	25.0	23.9	44.7	15.0	33.3	35.0
Baltimore, MD	40.0	16.7	68.8	42.3	20.8	20.0	5.6	45.0	37.5	0.0	33.3	28.6	62.5
Boston, MA	13.6	30.0	31.3	44.4	50.0	28.6	46.9	34.6	18.8	35.0	32.1	23.1	50.0
Charleston, SC	25.0	50.0	50.0	16.7	16.7	10.0	30.0	30.0	16.7	0.0	12.5	0.0	0.0
Charlotte, NC	20.0	55.0	41.7	28.6	31.8	34.4	23.1	19.2	21.9	6.7	25.0	46.4	45.8
Chicago, IL	25.7	25.6	27.6	26.4	27.4	32.9	20.8	24.2	21.1	26.3	27.4	17.6	41.2
Cincinnati, OH	33.3	22.2	21.4	35.7	26.7	25.0	11.5	20.0	14.3	0.0	16.7	11.1	25.0
Columbus, OH	50.0	25.0	42.9	31.3	16.7	28.6	33.3	25.0	25.0	27.8	20.0	22.7	50.0
Dallas, TX	24.0	38.6	30.4	41.1	42.5	39.5	21.9	45.0	23.1	22.2	27.8	19.4	30.0
Denver, CO	35.4	31.3	40.7	38.6	43.8	31.0	28.6	26.9	22.2	37.0	38.5	41.7	46.3
Detroit, MI	13.9	20.0	36.8	60.0	56.3	38.6	38.9	40.0	35.7	33.3	19.4	21.4	38.2
Fort Myers, FL	32.1	63.6	52.6	66.7	53.3	52.8	52.8	42.9	40.0	36.1	46.2	46.9	45.8
Houston, TX	40.6	42.9	39.5	29.2	31.0	27.8	23.1	36.5	19.0	50.0	32.4	41.3	36.1
Inland Empire, CA	36.1	45.5	50.0	33.3	31.3	27.8	29.4	33.3	21.4	25.0	50.0	29.2	33.3
Jacksonville, FL	50.0	70.0	50.0	53.6	53.8	61.1	36.7	41.7	38.5	22.7	25.0	37.5	16.7
Las Vegas, NV	26.2	27.3	43.5	26.0	50.0	31.3	42.5	32.7	33.3	47.9	44.1	42.9	52.5
Los Angeles, CA	15.0	32.6	39.4	33.3	28.4	25.7	19.4	28.1	33.3	12.5	25.0	23.4	35.2
Miami, FL	18.8	46.2	51.5	52.4	48.8	52.5	42.4	37.5	37.1	28.4	38.5	44.2	40.0
Minneapolis, MN	19.1	31.4	39.1	34.7	38.5	30.7	35.5	33.3	23.6	29.7	26.6	21.1	31.4
Nashville, TN	46.7	0.0	50.0	30.8	43.8	15.0	26.9	8.3	16.7	28.6	25.0	37.5	31.8
New York-Northern NJ	33.0	28.7	34.0	23.1	23.5	18.3	11.1	15.3	17.4	12.5	8.8	19.4	24.4
Orlando, FL	37.5	50.0	50.0	39.5	44.1	39.6	13.9	27.8	23.5	32.1	34.6	18.4	41.7
Phila.-Southern NJ	13.9	53.6	43.2	36.0	11.4	7.7	7.5	17.6	21.4	25.0	21.1	15.2	30.6
Phoenix, AZ	28.2	39.7	47.1	44.2	54.8	54.2	45.7	50.0	39.2	37.9	40.0	27.9	50.0
Portland, OR	28.8	40.0	38.0	32.7	23.8	23.9	24.0	26.2	21.1	14.3	25.0	36.8	36.8
Raleigh, NC	0.0	39.3	35.0	37.5	16.7	16.7	30.0	22.2	13.6	0.0	31.3	60.0	50.0
Richmond, VA	16.7	66.7	60.0	50.0	25.0	18.8	33.3	66.7	75.0	33.3	25.0	66.7	50.0
Sacramento, CA	27.3	25.0	39.3	18.8	25.0	27.8	39.5	28.1	25.0	5.0	35.0	39.3	38.9
San Antonio, TX	27.8	37.5	18.2	32.1	40.9	27.8	40.9	16.7	12.5	18.8	14.3	38.9	37.5
San Diego, CA	15.8	33.3	34.1	23.9	30.0	21.7	15.4	11.5	18.8	10.7	15.0	14.3	29.5
San Francisco, CA	41.2	50.0	56.3	37.5	41.3	33.3	25.0	42.0	38.6	25.0	37.5	39.7	26.5
Sarasota, FL	43.8	50.0	45.5	62.5	75.0	64.7	43.8	33.3	27.8	18.2	22.2	50.0	46.2
Seattle, WA	41.1	55.0	61.1	36.5	26.3	41.3	33.3	25.0	22.2	36.8	33.3	16.7	35.3
St. Louis, MO	50.0	25.0	33.3	25.0	20.0	25.0	8.3	30.0	42.9	33.3	25.0	0.0	0.0
Tampa, FL	27.5	32.4	42.1	38.6	61.8	37.5	21.7	30.4	22.0	32.6	25.0	31.0	53.1
Tucson, AZ	38.9	50.0	41.2	57.7	40.9	43.8	34.4	45.5	26.9	32.1	43.3	30.8	35.0
Virginia Beach, VA	41.7	30.0	54.2	45.0	50.0	29.2	16.7	50.0	50.0	40.0	30.0	80.0	50.0
Washington, DC	30.6	47.1	50.0	45.3	32.0	37.0	28.0	35.4	27.3	24.0	25.9	29.2	31.7
Wilmington, NC	33.3	75.0	28.6	25.0	50.0	25.0	50.0	37.5	0.0	30.0	62.5	60.0	30.0
Total	29.1	38.2	41.0	36.6	35.9	31.1	28.8	31.1	26.9	24.8	29.0	32.5	37.1

Source: Credit Suisse

Home prices remained under pressure across most markets, though some hard hit areas saw stability as investors snapped up foreclosures. Historical price trends:

Exhibit 46: Home Prices [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Atlanta, GA	23.8	14.5	20.8	32.8	21.2	22.4	31.7	28.8	26.5	31.7	25.9	23.1	19.6
Austin, TX	25.0	35.7	28.6	50.0	40.0	45.7	43.5	32.5	30.4	42.5	30.0	26.3	47.4
Baltimore, MD	20.0	33.3	31.3	12.5	25.0	20.0	22.2	22.2	25.0	31.3	33.3	28.6	12.5
Boston, MA	36.4	40.0	43.8	41.7	32.4	17.9	43.3	26.9	25.0	20.0	31.3	26.9	28.6
Charleston, SC	25.0	25.0	50.0	8.3	25.0	0.0	20.0	35.0	16.7	25.0	25.0	0.0	0.0
Charlotte, NC	16.7	25.0	22.7	21.4	33.3	28.1	11.5	20.8	16.7	18.8	25.0	21.4	33.3
Chicago, IL	14.9	16.7	21.4	25.0	18.6	15.8	12.5	15.6	9.5	15.8	12.9	19.7	20.6
Cincinnati, OH	16.7	27.8	33.3	35.7	32.1	20.0	23.1	20.0	14.3	0.0	16.7	22.2	35.7
Columbus, OH	0.0	25.0	28.6	37.5	25.0	35.7	22.2	22.2	25.0	27.8	20.0	29.2	33.3
Dallas, TX	26.0	34.1	21.7	25.0	47.5	34.2	36.7	50.0	34.6	22.2	38.9	33.3	27.3
Denver, CO	16.7	33.9	38.9	34.3	39.1	32.3	28.6	36.5	42.3	33.3	34.0	36.4	41.7
Detroit, MI	27.8	26.7	35.0	32.5	46.7	43.2	38.2	39.3	34.6	27.8	39.5	42.9	44.1
Fort Myers, FL	39.3	40.9	44.7	58.3	60.0	47.2	71.9	46.4	60.7	55.9	46.4	62.5	66.7
Houston, TX	43.8	33.3	36.8	41.7	45.2	41.7	32.7	36.0	42.5	36.8	41.2	37.0	47.2
Inland Empire, CA	32.4	50.0	26.5	40.5	31.3	26.3	35.3	29.2	32.1	35.7	19.2	25.0	37.5
Jacksonville, FL	30.0	30.0	30.0	19.2	38.5	25.0	42.9	25.0	23.1	31.8	22.2	25.0	31.3
Las Vegas, NV	32.5	23.9	30.4	30.0	30.6	21.2	32.5	28.0	19.4	18.8	23.5	26.2	35.0
Los Angeles, CA	35.7	37.0	28.1	34.0	27.0	27.0	22.2	30.6	27.9	25.0	21.2	28.1	37.5
Miami, FL	22.7	34.6	30.0	36.9	38.5	37.2	32.6	40.6	50.0	44.6	47.6	53.4	54.3
Minneapolis, MN	16.3	22.7	21.2	27.8	20.0	16.3	22.6	23.6	22.9	22.4	15.6	16.2	19.4
Nashville, TN	30.0	25.0	31.3	30.8	25.0	35.0	26.9	25.0	20.8	42.9	25.0	25.0	36.4
New York-Northern NJ	17.4	23.1	22.8	34.6	32.8	22.6	18.3	25.0	16.7	21.9	15.0	18.5	14.0
Orlando, FL	25.0	25.0	11.5	21.1	38.2	35.4	18.4	41.7	37.5	46.2	42.3	47.2	47.1
Phila.-Southern NJ	26.5	40.0	25.0	32.0	20.5	23.1	19.0	17.6	21.4	23.7	18.4	21.7	18.2
Phoenix, AZ	21.8	20.6	20.6	28.7	40.5	37.5	38.6	51.4	40.5	40.0	50.0	48.5	56.3
Portland, OR	9.6	23.3	17.3	19.6	15.9	21.7	18.0	21.4	17.5	19.0	19.4	26.3	34.2
Raleigh, NC	29.2	17.9	40.9	25.0	27.8	20.0	30.0	16.7	22.7	35.7	31.3	40.0	33.3
Richmond, VA	0.0	25.0	50.0	40.0	8.3	31.3	10.0	16.7	0.0	0.0	33.3	33.3	0.0
Sacramento, CA	13.6	15.0	26.9	9.4	25.0	19.4	23.7	21.9	23.1	20.0	25.0	32.1	33.3
San Antonio, TX	27.8	37.5	36.4	35.7	40.9	35.0	27.3	33.3	37.5	37.5	35.7	38.9	25.0
San Diego, CA	30.6	23.3	27.3	18.2	36.0	29.2	26.9	33.3	14.3	25.0	25.0	21.4	25.0
San Francisco, CA	23.5	26.5	34.8	33.3	36.0	29.6	22.9	32.0	29.5	23.5	23.7	40.7	29.4
Sarasota, FL	16.7	12.5	22.7	42.3	37.5	26.5	62.5	37.5	50.0	40.9	50.0	50.0	53.8
Seattle, WA	21.0	23.3	27.8	30.8	31.6	26.0	27.1	29.4	20.7	26.3	34.8	13.2	14.7
St. Louis, MO	20.0	12.5	33.3	20.8	35.0	0.0	20.0	40.0	28.6	33.3	25.0	40.0	0.0
Tampa, FL	15.0	16.7	28.9	22.7	47.1	36.8	34.8	45.5	26.0	35.7	28.8	32.8	44.1
Tucson, AZ	16.7	54.5	5.9	34.6	13.6	31.3	26.7	27.3	23.1	15.4	23.3	33.3	35.0
Virginia Beach, VA	58.3	30.0	25.0	30.0	33.3	25.0	41.7	8.3	25.0	0.0	10.0	30.0	10.0
Washington, DC	34.2	40.6	50.0	53.6	44.2	43.5	56.0	42.0	35.7	38.9	36.2	39.6	32.8
Wilmington, NC	0.0	0.0	21.4	16.7	37.5	8.3	12.5	0.0	0.0	20.0	25.0	10.0	10.0
Total	23.0	26.9	30.1	29.9	31.8	26.7	29.7	28.7	26.7	27.8	28.7	30.7	30.6

Source: Credit Suisse

Incentives increased modestly in December. Historical incentive trends:

Exhibit 47: Incentives [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Atlanta, GA	30.0	37.5	27.3	41.1	34.0	28.8	32.8	32.7	38.2	26.8	31.0	41.7	37.0
Austin, TX	39.3	40.5	35.0	41.3	43.3	39.1	34.1	31.6	37.0	25.0	45.0	20.0	30.6
Baltimore, MD	40.0	16.7	43.8	30.0	40.0	20.0	27.8	37.5	25.0	37.5	33.3	41.7	12.5
Boston, MA	40.9	46.2	50.0	40.6	53.3	53.8	50.0	53.8	36.7	50.0	46.4	45.5	42.9
Charleston, SC	50.0	37.5	43.8	40.0	50.0	40.0	40.0	38.9	50.0	37.5	37.5	50.0	50.0
Charlotte, NC	36.7	45.0	27.3	42.9	54.5	43.3	45.8	45.8	50.0	37.5	50.0	42.9	37.5
Chicago, IL	37.5	45.3	57.7	46.9	54.2	45.6	47.0	45.0	43.8	51.6	40.4	41.2	43.5
Cincinnati, OH	41.7	38.9	41.7	42.9	43.3	50.0	29.2	30.0	14.3	16.7	33.3	38.9	35.7
Columbus, OH	50.0	37.5	41.7	37.5	50.0	50.0	50.0	35.0	31.3	25.0	12.5	27.3	25.0
Dallas, TX	37.5	39.5	26.1	44.4	42.1	38.9	50.0	66.7	37.5	35.3	37.5	34.4	50.0
Denver, CO	37.0	41.7	44.2	50.0	50.0	38.9	30.8	44.0	42.0	37.5	37.5	50.0	43.5
Detroit, MI	47.1	50.0	44.4	42.1	53.6	50.0	43.3	37.5	36.4	50.0	50.0	44.7	43.3
Fort Myers, FL	46.4	36.4	36.8	41.7	46.7	28.1	43.3	50.0	42.9	33.3	37.5	40.6	37.5
Houston, TX	21.4	38.1	34.2	43.5	38.9	34.4	32.0	34.0	33.3	38.2	37.5	34.1	27.8
Inland Empire, CA	32.4	37.5	38.2	42.5	53.3	38.9	44.1	50.0	50.0	50.0	29.2	37.5	33.3
Jacksonville, FL	50.0	30.0	40.0	35.7	42.3	35.3	30.8	27.3	30.8	36.4	16.7	40.9	43.8
Las Vegas, NV	37.5	41.3	37.0	31.3	36.1	31.3	28.9	34.0	35.3	32.6	28.1	31.0	39.5
Los Angeles, CA	47.1	47.5	39.3	46.3	50.0	37.1	38.3	29.6	37.5	40.6	40.0	50.0	46.0
Miami, FL	37.9	39.6	45.2	48.8	43.4	47.2	40.2	46.3	41.2	48.5	41.0	41.3	45.6
Minneapolis, MN	36.7	40.9	39.1	33.3	46.2	39.3	35.5	38.2	47.0	38.9	39.1	30.6	30.0
Nashville, TN	40.0	50.0	31.3	34.6	56.3	40.0	38.5	41.7	50.0	41.7	45.8	37.5	45.5
New York-Northern NJ	50.0	39.6	50.0	44.5	50.9	47.2	44.4	35.9	40.0	40.4	40.5	41.5	40.2
Orlando, FL	37.5	45.8	29.2	36.1	26.5	26.1	47.2	50.0	43.8	38.5	26.9	30.6	25.0
Phila.-Southern NJ	42.3	40.9	27.8	31.8	39.5	32.6	27.8	43.8	52.9	34.4	43.8	38.1	39.5
Phoenix, AZ	37.8	37.0	36.4	43.6	42.1	29.4	31.3	34.3	42.4	44.8	43.8	46.9	43.1
Portland, OR	46.2	53.3	42.0	50.0	47.7	45.7	46.0	38.1	47.5	47.6	44.4	50.0	50.0
Raleigh, NC	29.2	28.6	35.0	50.0	30.0	25.0	30.0	33.3	27.3	35.7	50.0	30.0	16.7
Richmond, VA	25.0	33.3	50.0	40.0	41.7	35.7	35.0	33.3	0.0	50.0	50.0	33.3	50.0
Sacramento, CA	40.9	27.8	37.5	50.0	40.6	44.1	36.8	31.3	54.2	37.5	45.0	30.8	43.8
San Antonio, TX	27.8	62.5	27.3	42.9	31.8	35.0	27.3	37.5	31.3	43.8	28.6	44.4	41.7
San Diego, CA	38.2	40.9	35.0	42.1	50.0	40.0	36.4	45.0	40.9	34.6	44.4	41.2	36.4
San Francisco, CA	40.0	50.0	43.3	42.1	40.9	35.0	35.7	50.0	44.1	41.7	40.0	38.1	46.4
Sarasota, FL	37.5	37.5	25.0	25.0	35.7	37.5	21.4	33.3	25.0	40.9	38.9	40.9	45.5
Seattle, WA	39.3	46.2	43.8	47.9	36.1	37.0	40.5	36.7	47.9	38.9	36.1	33.3	32.1
St. Louis, MO	40.0	33.3	33.3	31.8	40.0	25.0	62.5	37.5	25.0	0.0	25.0	50.0	25.0
Tampa, FL	34.2	36.1	30.0	32.5	32.4	32.5	28.3	32.6	36.5	25.0	42.0	42.9	50.0
Tucson, AZ	27.8	22.7	37.5	30.8	40.9	34.4	46.7	40.9	34.6	37.5	43.3	37.5	50.0
Virginia Beach, VA	50.0	37.5	50.0	38.9	40.0	30.0	50.0	25.0	37.5	30.0	30.0	20.0	30.0
Washington, DC	29.4	28.6	39.1	33.3	40.0	34.2	38.6	43.2	37.5	39.6	32.7	28.3	32.7
Wilmington, NC	33.3	50.0	35.7	50.0	50.0	66.7	50.0	37.5	25.0	60.0	62.5	60.0	50.0
Total	39.5	40.4	38.6	39.5	42.4	37.1	38.7	38.3	37.6	37.8	38.4	39.0	38.7

Source: Credit Suisse

Inventories declined further in December, consistent with typical seasonal trends, although foreclosure delays are also likely contributing to the decline. Historical inventory trends:

Exhibit 48: **Homes listed for sale [> 50.0: Fewer homes listed versus prior month/ = 50.0: listings unchanged / <50.0: more home listings]**

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Atlanta, GA	45.2	44.8	27.1	32.8	34.6	31.5	38.3	34.6	58.8	60.7	63.8	61.5	67.4
Austin, TX	50.0	50.0	42.9	47.8	36.7	41.3	37.0	47.5	47.8	55.0	60.0	70.0	81.6
Baltimore, MD	40.0	33.3	12.5	16.7	20.8	40.0	44.4	66.7	62.5	68.8	66.7	57.1	87.5
Boston, MA	59.1	63.3	64.3	22.2	20.6	25.0	16.7	30.8	25.0	35.0	56.3	57.7	71.4
Charleston, SC	70.0	37.5	50.0	25.0	25.0	20.0	50.0	61.1	50.0	37.5	37.5	50.0	50.0
Charlotte, NC	46.4	50.0	22.7	32.1	45.8	43.8	42.3	45.8	50.0	59.4	90.0	67.9	91.7
Chicago, IL	58.3	36.8	35.7	24.5	26.2	25.0	23.6	28.8	35.1	42.9	53.2	47.2	59.1
Cincinnati, OH	66.7	40.0	7.1	8.3	10.0	50.0	29.2	20.0	42.9	41.7	50.0	44.4	64.3
Columbus, OH	100.0	50.0	16.7	37.5	33.3	35.7	33.3	44.4	81.3	50.0	60.0	58.3	66.7
Dallas, TX	40.7	36.4	35.4	33.9	30.0	21.1	40.0	40.0	38.5	44.4	61.1	63.9	65.0
Denver, CO	47.9	45.3	33.3	38.6	34.8	37.1	42.6	63.5	78.8	70.4	81.3	81.3	83.3
Detroit, MI	52.8	66.7	52.5	58.3	46.7	65.9	56.3	50.0	57.7	63.9	57.9	71.4	64.7
Fort Myers, FL	57.1	45.5	78.9	64.6	70.0	63.9	86.7	78.6	67.9	75.0	61.5	59.4	70.8
Houston, TX	36.7	45.0	26.3	37.5	31.0	26.5	20.0	42.0	50.0	57.9	52.9	67.4	63.9
Inland Empire, CA	61.1	45.8	32.4	47.6	40.6	34.2	47.1	54.2	53.6	57.1	65.4	50.0	54.2
Jacksonville, FL	70.0	70.0	40.0	53.6	38.5	58.3	53.8	58.3	50.0	50.0	55.0	62.5	56.3
Las Vegas, NV	25.0	26.1	21.7	42.0	30.6	34.8	50.0	50.0	55.6	54.2	58.8	71.4	60.0
Los Angeles, CA	45.2	39.1	43.8	31.9	37.8	31.1	39.7	41.7	45.6	50.0	59.3	46.8	51.8
Miami, FL	37.9	44.2	60.3	62.2	70.5	64.1	68.5	75.8	66.2	63.5	73.2	72.0	70.0
Minneapolis, MN	51.1	40.0	34.8	40.3	48.1	51.1	56.5	62.9	72.9	85.5	84.8	82.9	86.1
Nashville, TN	46.7	37.5	50.0	26.9	31.3	20.0	31.8	33.3	33.3	50.0	50.0	54.2	59.1
New York-Northern NJ	54.3	37.5	32.6	24.6	21.9	15.9	21.7	25.5	31.8	33.3	23.8	35.6	52.4
Orlando, FL	54.2	58.3	61.5	71.1	67.6	71.7	78.9	83.3	84.4	73.1	84.6	66.7	61.8
Phila.-Southern NJ	35.3	30.0	34.1	32.0	25.0	25.0	21.4	20.6	40.5	33.3	50.0	70.5	59.1
Phoenix, AZ	32.1	45.6	35.3	57.8	67.9	76.4	75.7	81.6	78.4	76.7	75.7	73.5	76.6
Portland, OR	69.2	40.0	44.2	50.0	52.3	45.7	60.0	73.8	65.0	73.8	72.2	76.3	73.7
Raleigh, NC	29.2	39.3	22.7	25.0	30.0	41.7	30.0	55.6	50.0	50.0	62.5	60.0	66.7
Richmond, VA	66.7	33.3	40.0	20.0	16.7	37.5	30.0	16.7	25.0	16.7	50.0	50.0	66.7
Sacramento, CA	36.4	50.0	26.9	59.4	61.1	36.1	63.2	50.0	75.0	70.0	60.0	67.9	66.7
San Antonio, TX	50.0	50.0	18.2	32.1	31.8	45.0	36.4	27.8	43.8	25.0	14.3	38.9	50.0
San Diego, CA	35.3	33.3	34.1	29.5	38.0	31.8	33.3	33.3	42.9	39.3	50.0	50.0	65.9
San Francisco, CA	58.8	25.0	30.4	43.8	54.0	27.8	34.8	54.0	50.0	38.2	63.2	79.6	79.4
Sarasota, FL	44.4	33.3	65.0	53.8	75.0	79.4	100.0	95.8	94.4	81.8	88.9	63.6	61.5
Seattle, WA	68.3	48.3	31.5	36.0	21.1	27.1	41.3	55.9	46.6	60.5	64.6	63.2	71.9
St. Louis, MO	40.0	25.0	0.0	33.3	25.0	12.5	30.0	50.0	42.9	50.0	50.0	70.0	75.0
Tampa, FL	45.0	41.7	26.3	52.3	67.6	57.5	58.7	67.4	65.4	65.0	71.2	70.7	79.4
Tucson, AZ	33.3	35.0	21.9	23.1	27.3	59.4	65.6	81.8	73.1	53.8	66.7	36.4	80.0
Virginia Beach, VA	41.7	30.0	13.6	30.0	25.0	27.3	50.0	58.3	25.0	50.0	60.0	60.0	70.0
Washington, DC	69.4	50.0	42.9	44.0	38.5	37.0	44.0	52.0	54.5	53.8	51.8	66.7	75.9
Wilmington, NC	16.7	25.0	35.7	50.0	25.0	25.0	50.0	25.0	0.0	30.0	37.5	50.0	62.5
Total	51.2	40.9	35.5	37.9	37.4	39.0	45.8	49.7	52.8	53.7	59.9	61.2	68.0

Source: Credit Suisse

The length of time needed to sell a home increased in December, typically a negative indicator for pricing. Historical time to sell trends:

Exhibit 49: Length of time needed to sell a home [> 50.0: Time to sell decreased/ = 50.0: time to sell unchanged / <50.0: time to sell increased]

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Atlanta, GA	28.6	19.0	27.1	32.8	25.0	18.5	33.3	32.0	32.4	30.4	25.0	42.3	43.5
Austin, TX	28.6	23.8	26.2	41.7	43.3	41.3	34.8	32.5	30.4	34.2	25.0	40.0	50.0
Baltimore, MD	10.0	8.3	14.3	29.2	37.5	30.0	16.7	27.8	25.0	18.8	33.3	21.4	37.5
Boston, MA	18.2	30.0	28.6	41.2	64.7	32.1	30.0	15.4	21.9	50.0	28.1	23.1	25.0
Charleston, SC	40.0	37.5	43.8	16.7	25.0	20.0	30.0	33.3	16.7	25.0	12.5	0.0	0.0
Charlotte, NC	17.9	10.0	22.7	32.1	33.3	25.0	23.1	23.1	26.7	18.8	30.0	28.6	37.5
Chicago, IL	16.2	24.4	25.0	17.9	25.0	23.0	25.0	22.7	20.3	23.0	22.6	23.0	33.8
Cincinnati, OH	33.3	16.7	28.6	25.0	26.7	40.0	19.2	0.0	14.3	8.3	50.0	11.1	35.7
Columbus, OH	0.0	62.5	8.3	25.0	41.7	35.7	27.8	16.7	25.0	27.8	40.0	27.3	33.3
Dallas, TX	25.0	20.5	16.7	32.1	47.5	31.6	34.4	30.0	15.4	16.7	33.3	19.4	36.4
Denver, CO	22.9	25.0	35.2	41.4	39.1	41.9	32.7	40.0	40.4	35.2	42.0	43.5	58.3
Detroit, MI	33.3	30.0	52.5	52.6	63.3	52.3	52.9	53.6	50.0	44.4	36.8	40.0	44.1
Fort Myers, FL	50.0	54.5	60.5	60.4	70.0	58.3	73.3	64.3	57.1	63.9	46.2	62.5	62.5
Houston, TX	21.9	31.0	34.2	33.3	28.6	26.5	14.0	32.0	26.2	44.7	38.2	43.5	41.7
Inland Empire, CA	33.3	29.2	26.5	45.2	34.4	28.9	29.4	33.3	42.9	35.7	42.3	25.0	50.0
Jacksonville, FL	40.0	40.0	45.0	39.3	50.0	41.7	35.7	20.8	23.1	13.6	25.0	50.0	31.3
Las Vegas, NV	17.5	22.7	37.0	37.5	44.4	37.9	40.0	47.9	38.9	47.9	41.2	50.0	52.5
Los Angeles, CA	15.0	26.1	28.8	31.5	29.2	24.3	26.5	23.3	32.4	15.0	33.3	18.8	28.6
Miami, FL	22.7	46.2	52.9	59.8	53.9	50.0	54.5	51.6	54.2	39.2	55.0	57.0	48.6
Minneapolis, MN	19.1	23.3	28.8	33.3	21.2	26.2	21.7	31.9	28.6	35.5	29.7	31.1	36.8
Nashville, TN	21.4	6.3	28.1	38.5	43.8	30.0	29.2	33.3	20.8	14.3	20.8	12.5	36.4
New York-Northern NJ	25.0	22.1	30.7	25.4	34.1	16.4	17.5	18.1	12.5	14.5	16.7	14.2	15.1
Orlando, FL	25.0	33.3	34.6	36.8	44.1	39.1	34.2	55.9	53.1	42.3	61.5	47.2	50.0
Phila.-Southern NJ	17.6	33.3	34.1	40.0	26.2	19.2	19.0	17.6	26.2	20.6	28.9	20.5	27.3
Phoenix, AZ	21.8	38.2	35.3	40.4	59.5	57.1	67.1	65.8	63.5	58.3	57.1	55.9	64.5
Portland, OR	23.1	26.7	34.6	39.3	31.8	40.9	32.0	42.9	42.5	40.5	41.7	36.8	50.0
Raleigh, NC	16.7	35.7	27.3	33.3	10.0	8.3	20.0	11.1	18.2	21.4	50.0	40.0	50.0
Richmond, VA	0.0	25.0	50.0	40.0	58.3	31.3	35.0	50.0	25.0	33.3	33.3	66.7	16.7
Sacramento, CA	18.2	25.0	38.5	31.3	44.4	33.3	52.6	28.1	26.9	38.9	30.0	38.5	44.4
San Antonio, TX	16.7	18.8	18.2	28.6	36.4	27.8	31.8	11.1	12.5	31.3	16.7	27.8	16.7
San Diego, CA	19.4	30.0	20.5	27.3	37.5	28.3	33.3	25.0	17.9	17.9	22.2	19.0	34.1
San Francisco, CA	38.2	28.1	28.3	33.3	40.0	17.3	26.1	38.0	29.5	27.8	34.2	38.9	17.6
Sarasota, FL	27.8	37.5	45.5	53.8	75.0	58.8	68.8	66.7	83.3	40.9	55.6	54.5	61.5
Seattle, WA	26.7	36.7	31.5	42.3	42.1	45.8	39.1	47.1	41.4	55.3	41.7	47.4	38.2
St. Louis, MO	20.0	37.5	50.0	33.3	30.0	0.0	40.0	50.0	28.6	33.3	25.0	20.0	0.0
Tampa, FL	22.5	33.3	32.5	40.5	46.9	42.5	41.3	47.8	38.5	45.0	36.5	43.1	56.3
Tucson, AZ	27.8	27.3	26.5	34.6	36.4	37.5	37.5	50.0	46.2	46.2	36.7	37.5	50.0
Virginia Beach, VA	16.7	40.0	16.7	35.0	33.3	18.2	30.0	50.0	25.0	40.0	20.0	50.0	40.0
Washington, DC	47.4	43.8	48.2	51.2	44.2	28.3	44.0	26.0	22.7	22.2	17.9	29.2	26.8
Wilmington, NC	16.7	12.5	35.7	16.7	25.0	0.0	25.0	12.5	0.0	30.0	37.5	30.0	25.0
Total	23.1	29.2	31.9	35.4	39.1	30.9	34.5	33.6	31.4	32.5	34.3	34.7	37.7

Source: Credit Suisse

Agent Recommendations

Agents recommend Toll, Pulte, D.R. Horton, and Meritage. Toll Brothers received the highest percentage of recommendations by agents across the markets we survey. 23% of agents (net of positive responses less negative responses) surveyed said they would recommend Toll, while 22% said they would recommend Pulte, 20% would recommend D.R. Horton and 18% would recommend Meritage. We believe this is important since 35-40% of new home sales involve an agent. This is a positive for those companies, in addition to others below that received strong recommendations.

Exhibit 50: Toll Brothers Most Highly Recommended by Agents

Rank	Ticker	Company Name	Net Recommendation
1	TOL	Toll Brothers	23%
2	PHM	Pulte Group	22%
3	DHI	D.R. Horton	20%
4	MTH	Meritage Homes	18%
5	LEN	Lennar Corp.	16%
6	SPF	Standard Pacific Corp.	14%
7	RYL	Ryland Group	6%
8	BZH	Beazer Homes	4%
9	MDC	MDC Holdings	4%
10	NVR	NVR, Inc.	2%
11	HOV	Hovnanian Enterprises	1%
12	KBH	KB Home	(7%)

Source: Credit Suisse

Exhibit 51: Which of the following homebuilders would you most highly recommend to clients?

Market	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	17%	26%	--	--	--	--	--	--	52%	26%	--	--
Austin, TX	--	65%	--	15%	35%	--	35%	--	40%	--	60%	45%
Baltimore, MD	0%	0%	25%	0%	0%	0%	--	25%	--	0%	--	--
Charleston, SC	0%	0%	--	0%	0%	--	--	0%	--	0%	--	--
Charlotte, NC	0%	58%	8%	0%	8%	--	--	17%	--	17%	25%	25%
Chicago, IL	--	0%	3%	--	23%	0%	--	--	23%	20%	--	29%
Cincinnati, OH	--	--	0%	--	--	--	--	0%	0%	14%	--	--
Columbus, OH	--	--	0%	--	--	--	--	0%	17%	--	--	--
Dallas, TX	0%	27%	36%	0%	0%	0%	9%	--	9%	--	27%	36%
Denver, CO	--	19%	--	19%	26%	37%	11%	--	19%	19%	4%	41%
Detroit, MI	--	--	0%	--	--	--	--	--	29%	--	--	59%
Fort Myers, FL	--	50%	0%	0%	50%	--	17%	--	42%	17%	--	--
Houston, TX	32%	42%	11%	5%	37%	0%	21%	--	16%	--	--	--
Jacksonville, FL	11%	56%	--	22%	44%	22%	--	--	33%	22%	33%	44%
Las Vegas, NV	20%	20%	--	25%	25%	15%	10%	--	45%	15%	--	50%
Los Angeles, CA	--	0%	0%	14%	21%	4%	0%	--	7%	--	25%	18%
Miami, FL	--	17%	--	--	39%	--	--	--	--	--	3%	--
Minneapolis, MN	--	35%	14%	--	43%	--	--	--	32%	19%	--	3%
Nashville, TN	45%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	7%	16%	--	9%	--	--	2%	23%	--	--	40%
Orlando, FL	28%	44%	11%	22%	28%	--	33%	--	22%	6%	11%	33%
Philadelphia-Southern NJ	--	0%	4%	--	13%	0%	--	13%	39%	--	--	30%
Phoenix, AZ	9%	19%	6%	16%	9%	3%	38%	--	44%	16%	28%	41%
Port St. Lucie, FL	--	17%	--	17%	--	--	--	--	--	--	--	--
Portland, OR	--	37%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	33%	33%	0%	0%	0%	--	--	0%	0%	--	0%	0%
Richmond, VA	0%	--	--	--	--	--	--	33%	--	--	--	--
Riverside-San Bernardino, CA	8%	33%	17%	25%	17%	0%	--	--	50%	17%	42%	--
Sacramento, CA	22%	22%	11%	22%	44%	0%	22%	--	33%	0%	0%	11%
San Antonio, TX	0%	75%	--	25%	33%	--	25%	--	75%	--	--	25%
San Diego, CA	0%	23%	23%	41%	18%	0%	--	--	18%	5%	5%	0%
San Francisco, CA	--	18%	--	--	0%	--	6%	--	29%	--	18%	29%
Sarasota, FL	--	--	--	8%	15%	--	--	--	15%	--	0%	--
Seattle, WA	--	35%	--	--	--	--	--	--	--	--	--	--
Tampa, FL	18%	24%	0%	12%	24%	0%	--	--	18%	29%	18%	--
Tucson, AZ	--	30%	20%	0%	40%	40%	40%	--	40%	--	0%	10%
Virginia Beach, VA	--	0%	0%	--	--	--	--	0%	--	--	--	--
Washington, DC	17%	7%	17%	--	10%	3%	--	23%	20%	10%	--	43%
Wilmington, NC	20%	--	--	--	--	--	--	20%	--	--	--	--
TOTAL	**14%**	**26%**	**10%**	**13%**	**22%**	**8%**	**21%**	**11%**	**28%**	**14%**	**18%**	**29%**

Source: Credit Suisse

Agents discourage customers from buying a home from KB Home. KB Home received the highest percentage of negative recommendations by agents nationwide, although we expect this to improve as the more affordable "Open Series" gains traction. We also note that KB Home pre-sells a majority of its homes, which may negatively influence agents' responses.

Exhibit 52: **From which of the following homebuilders would you most strongly discourage clients from buying?**

Market	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	26%	13%	--	--	--	--	--	--	13%	9%	--	--
Austin, TX	--	0%	--	70%	10%	--	5%	--	20%	--	0%	15%
Baltimore, MD	25%	0%	25%	0%	0%	25%	--	50%	--	50%	--	--
Charleston, SC	0%	0%	--	0%	0%	--	--	0%	--	0%	--	--
Charlotte, NC	50%	0%	8%	8%	17%	--	--	8%	--	0%	8%	0%
Chicago, IL	--	0%	6%	--	9%	3%	--	--	6%	6%	--	0%
Cincinnati, OH	--	--	0%	--	--	--	--	0%	0%	29%	--	--
Columbus, OH	--	--	0%	--	--	--	--	0%	0%	--	--	--
Dallas, TX	9%	9%	18%	45%	9%	0%	9%	--	9%	--	9%	0%
Denver, CO	--	11%	--	33%	4%	7%	4%	--	4%	0%	4%	0%
Detroit, MI	--	--	0%	--	--	--	--	--	29%	--	--	0%
Fort Myers, FL	--	8%	25%	33%	17%	--	0%	--	0%	0%	--	--
Houston, TX	0%	5%	0%	37%	5%	5%	16%	--	16%	--	--	--
Jacksonville, FL	0%	11%	--	22%	0%	0%	--	--	0%	11%	0%	0%
Las Vegas, NV	10%	15%	--	25%	15%	15%	0%	--	5%	5%	--	5%
Los Angeles, CA	--	4%	11%	7%	0%	0%	0%	--	0%	--	0%	4%
Miami, FL	--	6%	--	--	6%	--	--	--	--	--	0%	--
Minneapolis, MN	--	8%	8%	--	5%	--	--	--	5%	14%	--	11%
Nashville, TN	0%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	5%	16%	--	5%	--	--	7%	2%	--	--	2%
Orlando, FL	6%	22%	0%	17%	6%	--	0%	--	0%	0%	0%	6%
Philadelphia-Southern NJ	--	0%	17%	--	0%	0%	--	0%	9%	--	--	26%
Phoenix, AZ	9%	6%	19%	25%	9%	0%	0%	--	9%	3%	9%	9%
Port St. Lucie, FL	--	0%	--	17%	--	--	--	--	--	--	--	--
Portland, OR	--	11%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	0%	0%	33%	0%	0%	--	--	0%	0%	--	0%	33%
Richmond, VA	0%	--	--	--	--	--	--	33%	--	--	--	--
Riverside-San Bernardino, CA	0%	8%	0%	17%	0%	0%	--	--	8%	0%	0%	--
Sacramento, CA	22%	0%	0%	11%	0%	0%	0%	--	11%	0%	22%	0%
San Antonio, TX	0%	0%	--	25%	8%	--	0%	--	0%	--	--	0%
San Diego, CA	0%	0%	0%	5%	0%	0%	--	--	0%	0%	0%	0%
San Francisco, CA	--	6%	--	--	6%	--	0%	--	12%	--	0%	0%
Sarasota, FL	--	--	--	8%	15%	--	--	--	0%	--	0%	--
Seattle, WA	--	18%	--	--	--	--	--	--	--	--	--	--
Tampa, FL	6%	0%	0%	0%	24%	0%	--	--	6%	0%	0%	--
Tucson, AZ	--	10%	0%	40%	0%	0%	0%	--	0%	--	10%	0%
Virginia Beach, VA	--	0%	0%	--	--	--	--	0%	--	--	--	--
Washington, DC	20%	17%	10%	--	3%	10%	--	17%	3%	20%	--	17%
Wilmington, NC	20%	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	**10%**	**6%**	**9%**	**20%**	**6%**	**4%**	**3%**	**10%**	**6%**	**8%**	**4%**	**6%**

Source: Credit Suisse

Exhibit 53: Homebuilding Industry Comparative Valuations

1/4/2012	Beazer Homes BZH	D.R. Horton DHI	Hovnanian HOV	KB Home KBH	Lennar Corp. LEN	MDC Holdings MDC	Meritage MTH	NVR Inc NVR	PulteGroup PHM	Ryland RYL	Toll Brothers TOL	Average
RATINGS AND RETURN POTENTIAL												
Rating	**Neutral**	**Neutral**	**Underperform**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	
Current Price	$2.36	$12.38	$1.46	$7.50	$19.51	$17.20	$21.75	$656.20	$5.59	$15.06	$20.22	
Target Price	**$1.25**	**$10.00**	**$1.00**	**$4.50**	**$14.50**	**$18.00**	**$17.00**	**$550.00**	**$4.00**	**$9.50**	**$16.50**	
Target BV Multiple	NM	1.2x	NM	1.0x	1.1x	1.2x	1.2x	2.4x	1.0x	1.0x	1.1x	**1.1x**
Dividend Yield	0.0%	1.2%	0.0%	3.3%	0.8%	5.8%	0.0%	0.0%	0.0%	0.8%	0.0%	**0.8%**
Total Return Potential	**(46.9%)**	**(18.0%)**	**(31.5%)**	**(36.6%)**	**(24.9%)**	**10.5%**	**(21.8%)**	**(16.2%)**	**(28.4%)**	**(36.1%)**	**(18.4%)**	**(20.7%)**
CAPITALIZATION												
Market Cap. ($ mln)	$179	$3,913	$139	$578	$3,649	$817	$705	$3,290	$2,323	$669	$3,409	**$1,788**
Cash ($ mln)	$647	$1,062	$353	$591	$809	$1,104	$357	$492	$1,256	$562	$1,209	**$767**
Debt ($ mln)	$1,489	$1,588	$1,663	$1,587	$3,128	$1,007	$606	$2	$3,335	$832	$1,605	**$1,531**
Net Debt/Cap	81%	17%	144%	70%	46%	NM	33%	NM	52%	38%	13%	**44%**
VALUATION												
Book Value												
Tangible BV/Share	$2.01	$8.29	($4.92)	$5.61	$13.68	$18.83	$15.31	$239.92	$4.63	$10.13	$15.58	
P/TBV	**1.17x**	**1.49x**	**NM**	**1.34x**	**1.43x**	**0.91x**	**1.42x**	**2.74x**	**1.21x**	**1.49x**	**1.30x**	**1.38x**
Adjusted BV/Share	NM	$8.22	NM	$4.50	$13.38	$15.30	$13.93	$233.15	$4.11	$9.48	$14.92	
P/Adj. BV	**NM**	**1.51x**	**NM**	**1.67x**	**1.46x**	**1.12x**	**1.56x**	**2.81x**	**1.36x**	**1.59x**	**1.35x**	**1.43x**
EARNINGS												
CS Calendar Year Ests.												
2009	($1.71)	($0.96)	($7.36)	($1.33)	($2.45)	$0.52	($2.12)	$31.01	($4.23)	($3.77)	($4.38)	
2010	($1.79)	$0.10	($3.78)	($0.90)	$0.50	($1.39)	$0.22	$33.42	($2.90)	($1.93)	$0.24	
2011E	($2.80)	$0.27	($2.63)	($2.32)	$0.35	($2.73)	($0.54)	$26.90	($0.63)	($1.40)	$0.12	
2012E	($2.15)	$0.30	($1.68)	($1.15)	$0.40	($1.65)	($0.35)	$31.25	($0.20)	($0.40)	$0.30	
Price/Earnings												
2009	NM	NM	NM	NM	NM	33.2x	NM	21.2x	NM	NM	NM	**NM**
2010	NM	122.4x	NM	NM	38.7x	NM	98.2x	19.6x	NM	NM	84.3x	**NM**
2011E	NM	45.5x	NM	NM	56.3x	NM	NM	24.4x	NM	NM	170.8x	**96.4x**
2012E	NM	41.3x	NM	NM	49.1x	NM	NM	21.0x	NM	NM	67.0x	**41.8x**
OPERATING METRICS												
CY Orders (Homes)	**BZH**	**DHI**	**HOV**	**KBH**	**LEN**	**MDC**	**MTH**	**NVR**	**PHM**	**RYL**	**TOL**	**Total**
2009	4,406	18,294	5,178	8,341	11,510	3,306	3,853	9,409	14,185	5,302	2,710	**86,494**
% Ch. Yr/Yr	*(17.8%)*	*(7.5%)*	*(13.6%)*	*0.8%*	*0.8%*	*7.5%*	*(16.6%)*	*7.4%*	*(7.3%)*	*(12.2%)*	*5.1%*	***0.7%***
2010	4,073	18,701	4,086	6,556	10,928	3,261	3,383	9,415	15,148	3,700	2,627	**81,878**
% Ch. Yr/Yr	*(7.6%)*	*2.2%*	*(21.1%)*	*(21.4%)*	*(5.1%)*	*(1.4%)*	*(12.2%)*	*0.1%*	*6.8%*	*(30.2%)*	*(3.1%)*	***(5.3%)***
2011E	4,118	17,647	3,922	6,380	10,839	2,861	3,385	8,847	15,234	3,762	2,819	**79,812**
% Ch. Yr/Yr	*1.1%*	*(5.6%)*	*(4.0%)*	*(2.7%)*	*(0.8%)*	*(12.3%)*	*0.1%*	*(6.0%)*	*0.6%*	*1.7%*	*7.3%*	***(2.5%)***
2012E	4,508	19,447	4,231	6,864	12,083	2,970	3,775	9,797	16,428	4,082	3,101	**87,286**
% Ch. Yr/Yr	*9.5%*	*10.2%*	*7.9%*	*7.6%*	*11.5%*	*3.8%*	*11.5%*	*10.7%*	*7.8%*	*8.5%*	*10.0%*	***9.4%***
CY Closings (Homes)												
2009	4,411	18,164	5,245	8,488	11,478	3,013	4,039	9,042	20,603	5,129	2,896	**92,508**
% Ch. Yr/Yr	*(33.0%)*	*(24.0%)*	*(35.9%)*	*(31.8%)*	*(27.1%)*	*(32.9%)*	*(28.2%)*	*(15.8%)*	*(2.0%)*	*(30.2%)*	*(31.0%)*	***(18.6%)***
2010	4,233	18,983	4,483	7,346	10,955	3,245	3,700	10,030	17,095	4,245	2,616	**86,931**
% Ch. Yr/Yr	*(4.0%)*	*4.5%*	*(14.5%)*	*(13.5%)*	*(4.6%)*	*7.7%*	*(8.4%)*	*10.9%*	*(17.0%)*	*(17.2%)*	*(9.7%)*	***(6.0%)***
2011E	3,889	16,842	3,781	6,199	10,589	3,197	3,380	8,802	15,479	3,573	2,579	**78,309**
% Ch. Yr/Yr	*(8.1%)*	*(11.3%)*	*(15.7%)*	*(15.6%)*	*(3.3%)*	*(1.5%)*	*(8.7%)*	*(12.2%)*	*(9.5%)*	*(15.8%)*	*(1.4%)*	***(9.9%)***
2012E	4,392	18,318	4,074	6,444	11,817	3,319	3,717	9,466	16,092	3,891	2,719	**84,249**
% Ch. Yr/Yr	*12.9%*	*8.8%*	*7.8%*	*4.0%*	*11.6%*	*3.8%*	*10.0%*	*7.5%*	*4.0%*	*8.9%*	*5.4%*	***7.6%***
Gross Margins, Ex-Charges												**Average**
2009	10.1%	15.3%	8.8%	13.4%	19.1%	12.8%	17.2%	17.0%	13.1%	14.5%	16.7%	**14.4%**
2010	10.4%	15.6%	9.4%	13.7%	19.2%	12.9%	17.3%	17.1%	13.2%	14.6%	17.0%	**14.6%**
2011E	11.0%	16.2%	10.3%	15.3%	21.2%	13.0%	17.8%	17.6%	13.2%	15.7%	17.6%	**15.4%**
2012E	10.5%	15.6%	9.4%	14.1%	19.5%	13.2%	17.5%	17.2%	13.5%	15.0%	16.9%	**14.8%**
SG&A % of Housing Revs												
2009	24.5%	14.8%	20.7%	21.9%	21.4%	25.9%	17.6%	13.6%	16.5%	17.7%	19.2%	**19.4%**
2010	20.2%	11.2%	16.8%	18.0%	16.3%	22.3%	14.8%	9.7%	11.4%	14.9%	15.9%	**15.6%**
2011E	24.3%	13.3%	19.1%	17.7%	18.2%	21.6%	16.0%	9.7%	13.3%	16.3%	17.9%	**17.0%**
2012E	18.7%	12.3%	18.3%	16.0%	17.0%	19.5%	15.1%	9.5%	11.6%	14.7%	17.4%	**15.5%**
LAND EXPOSURE												
Lots Controlled	30,918	112,700	32,185	37,000	107,374	11,091	16,000	51,900	140,889	23,506	36,185	
Years Supply	8.0	6.7	8.5	6.0	10.1	3.5	4.7	5.9	9.1	6.6	14.0	**7.6**
% Owned	80%	76%	59%	81%	85%	75%	83%	0%	89%	71%	84%	**71%**
% Optioned	20%	24%	41%	19%	15%	25%	17%	100%	11%	29%	16%	**29%**
Cumulative Impairments	$1,617	$5,077	$2,558	$2,928	$4,941	$1,252	$1,013	$607	$13,212	$1,285	$2,355	**$36,846**
% of Average '06 Inventory	44%	45%	57%	39%	49%	40%	56%	36%	62%	44%	37%	**51%**
Current Inventory	$1,269	$3,501	$1,088	$1,946	$4,955	$861	$799	$687	$5,063	$840	$3,611	**$24,619**
% of Assets	64%	64%	64%	72%	56%	40%	67%	41%	70%	57%	71%	**62%**
% of Book Value	345%	132%	NM	452%	184%	97%	165%	54%	263%	176%	138%	**179%**
SHORT INTEREST												
Short Interest, % of Float	18.5%	9.1%	26.0%	32.9%	21.2%	14.8%	11.2%	6.7%	8.4%	16.1%	6.8%	**11.9%**

Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 04 Jan 12)*
Beazer Homes USA (BZH, $2.60, NEUTRAL [V], TP $1.25)
DR Horton (DHI, $13.12, NEUTRAL, TP $10.00)
Hovnanian Enterprises (HOV, $1.56, UNDERPERFORM [V], TP $1.00)
KB Home (KBH, $6.77, NEUTRAL [V], TP $4.50)
Lennar (LEN, $20.21, NEUTRAL, TP $14.50)
M.D.C. Holdings, Inc. (MDC, $18.27, NEUTRAL, TP $18.00)
Meritage Corp (MTH, $23.71, NEUTRAL [V], TP $17.00)
NVR Inc. (NVR, $705.01, NEUTRAL, TP $550.00)
Pulte (PHM, $6.54, NEUTRAL, TP $4.00)
Ryland Group (RYL, $16.22, NEUTRAL, TP $9.50)
Toll Brothers (TOL, $21.62, NEUTRAL, TP $16.50)

Disclosure Appendix

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