CREDIT SUISSE

Monthly Survey of Real Estate Agents

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CHANNEL CHECK

Sharp Lift to Traffic and Buyer Confidence

■ **February brings significant further improvement to buyer traffic:** Our February Survey of Real Estate Agents showed our buyer traffic index at its highest level since we started the survey in 2005. Continuing the trend from January, we again saw significantly better homebuyer confidence in February. This heightened confidence along with the record level of affordability appears to be helping to stabilize home prices.

■ **Traffic levels well ahead of expectations of agents:** Our buyer traffic index increased reached 62.3 in February, up from 49.8 in January, and the highest level since we started the survey in 2005. Readings above 50 indicating traffic above the expectations of agents. We have seen brief improvement in traffic at other times in recent years (around the various government tax credit programs), but see this sharp improvement occurring without any such program, but benefiting from the tremendous affordability and improving underlying employment growth (and buyer confidence). Weather likely helped to the early start of the Spring season, but the better confidence suggests that this will be more sustained than simply a shift in the timing of demand for the Spring season.

■ **Pricing looks nearly stable for February:** Our pricing index improved in February to 41.0, up from to 37.6 in January, and close to a stable level of 50. Our traffic index is based on contract activity, rather than closings, making this a timely indicator. The last time our price index at this level was at the end of the homebuyer tax credit in Spring 2010. The improved buyer demand and limited quality inventory has helped to stabilize prices. We will watch trends closely as more foreclosure supply comes onto the market in the upcoming months.

■ **Reduced time needed to sell homes points to positive future pricing trends:** Our time to sell index moved up sharply to 55.9, up from 45.5 in January. A time to sell index level above 50 points to a shortening time needed to sell a home, and this is the first time we have seen a shortening time since we started the survey. We view this as a particularly key measure as it reflects the impact of both traffic and inventory, and generally is a good predictor of future pricing trends.

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

Traffic Up in January; Confidence, Rates, and Weather Bring Out 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 Exceeded Expectations in February on Affordability and Improved Consumer Confidence

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
Jan-2012	49.8	37.6	41.5	62.7	45.5
Feb-2012	62.3	41.0	43.4	63.6	55.9
Point change	**12.5**	**3.4**	**1.9**	**0.9**	**10.5**

Source: Credit Suisse

Exhibit 2: Several Markets Saw Stable Prices in February, as Agents note that Urgency has Returned to the Market
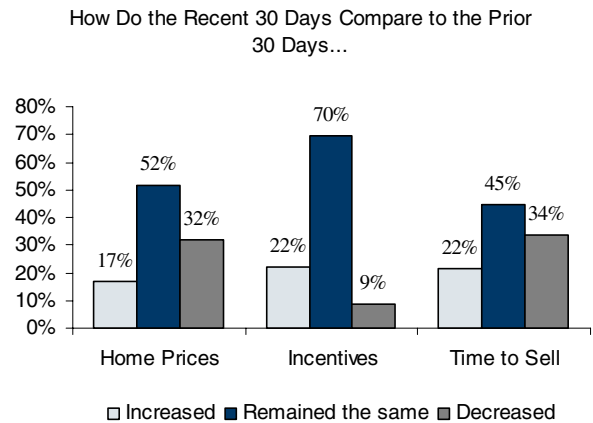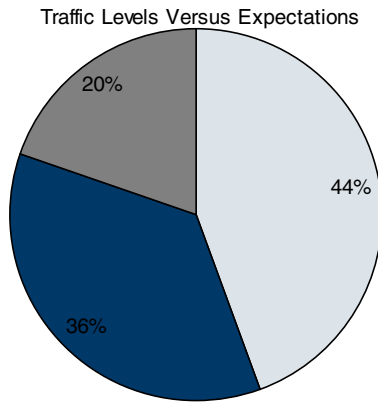
Traffic Levels Versus Expectations

How Do the Recent 30 Days Compare to the Prior 30 Days...

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 February, we received responses from 1,000 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 – Signs Pointing in the Right Direction on Traffic, Inventory and Time to Sell

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

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

Traffic continues to improve as our index reaches its highest point yet. Our buyer traffic index improved further in February, rising to 73 from 60 in January. This indicates traffic levels above agents' expectations for this time of year (any reading above 50 suggests better than expected traffic), just the second time since 2006 that our index has pointed to better than expected traffic in Atlanta and actually the highest reading recorded since our survey began in 2005. There is no doubt that the sharp price declines have played a role as traditional buyers and investors are now out looking for deals. One agent cited, "Consumer confidence, great prices and phenomenal interest rates." Another noted, "Extremely low housing prices. Quadruple the number of foreign investors looking on super low end." A third agent commented, "Interest rates continue to be at an all-time low," though another agent cautioned that, "Higher gas prices may start to be a factor in this eventually."
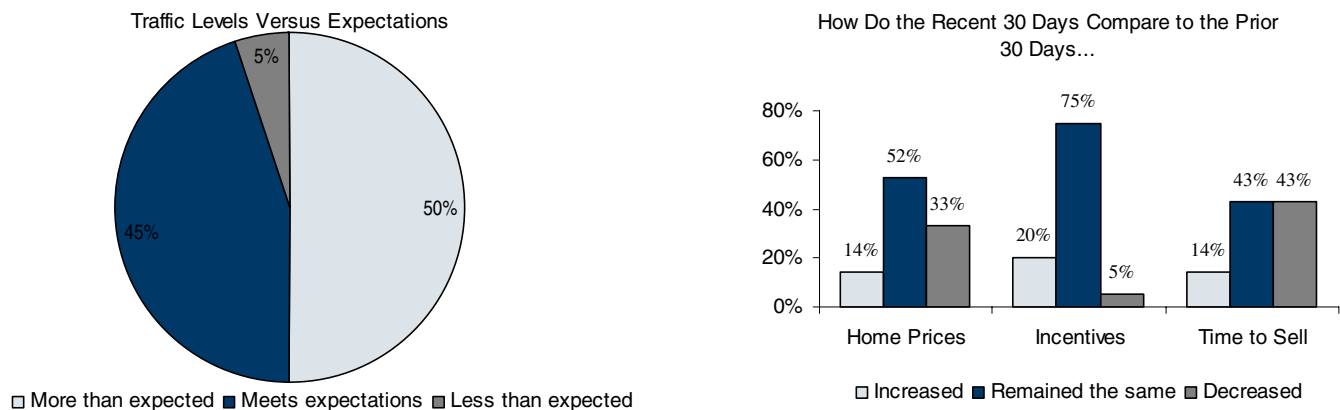
"More investors and 2.99% interest rates on 10/1 ARMS."

Prices fall but pressure may be easing. Our home price index indicated further declines in February, with a reading of 41. This is up from 23 in January, but remains below a neutral reading of 50 (readings below 50 indicate sequentially lower home prices), though it is clearly moving in the right direction. Helping to potentially ease the pressure, inventory levels continued to decline (better than the typical seasonal increase seen), as our home listings index came in at 69 (vs. 71 in January), comfortably above a neutral reading of 50. Furthermore, it took less time to sell a home in February, according to agents, as our time to sell index increased to 64 from 46 in January, with readings above 50 indicating a shorter length of time needed to sell over the past 30 days. This is typically a positive leading indicator for home prices.

Comments from real estate agents:

- "The buyers have sensed a cessation in the price declines in the markets that we serve and are making purchase decisions now (they tend to disappear during times of large price declines)."

- "Buyers are ready to get into the market."

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: Better Traffic and a Shorter Time to Sell Should Help to Ease Pricing Pressure

Traffic Levels Versus Expectations

5%
45%
50%

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days…

	Home Prices	Incentives	Time to Sell
Increased	14%	20%	14%
Remained the same	52%	75%	43%
Decreased	33%	5%	43%

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Austin, TX – Prices Firming Up as Demand Continues to Improve

February Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔

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

"Credit is loosening up."

Traffic improves further as confidence firms. Our buyer traffic index showed further improvement in February, jumping to 78 from 59 in January, indicating traffic levels well above agents' expectations for this time of year (readings above 50). This is the highest reading in our index since we began surveying the Austin market in 2006. While several agents did say some of this was just due to lowered expectations, most agents suggested that the increase was real and credited improved buyer confidence along with attractive affordability. One agent noted, "Things have finally picked up. Nice to be working at this full time." Another agent commented, "I think there has been a lot of pent up demand on both the buyer and seller side that is starting to loosen up. Housing inventory is still really tight though. Good houses in good areas are selling very fast and for top dollar." Another agent said, "Rates are low, I think people may feel a little more comfortable about their job situation."

Price index points to another increase as inventory remains tight. Home prices increased sequentially for the second straight month in February, as our home price index improved to 60 from 57 in January, with readings above 50 indicating higher prices over the past 30 days. The better pricing environment over the past two months has been driven by a combination of improving demand, lower inventory levels and a shorter time to sell. Inventory levels continued to fall in February, as our home listings index increased to 68 from 61 in January, above a neutral level of 50. Meanwhile, our time to sell index increased to 65 in February from 59 in January, indicating less time needed to sell a home over the past 30 days (readings above 50), a positive sign for near-term price trends.
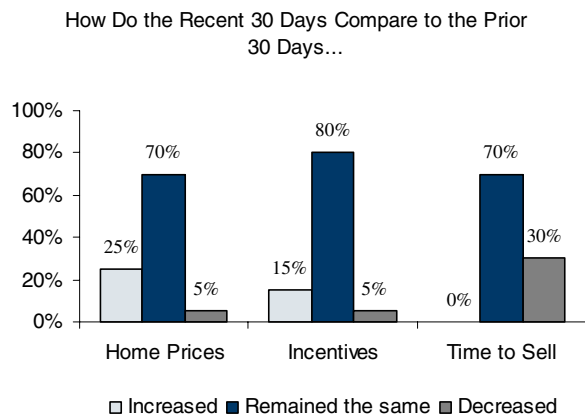
Comments from real estate agents:

- "Significant increase in folks opting to lease vs. buying. Perception is that the market is not recovering as fast as the media portrays. Pre-election jitters are not going away even with amazing interest rates currently being offered."

- "Beware the big bad ugly gas price rise may curtail the confidence just as it seems to be on the rise. Best closing month in years!"

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: Home Prices Rise for Second Straight Month on Better Demand and Inventory
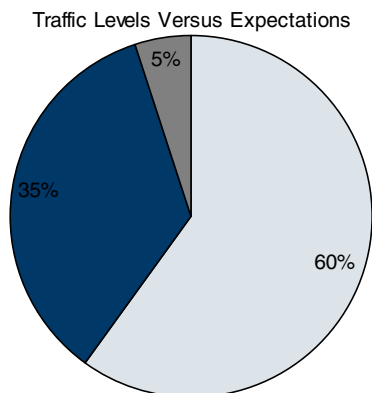
Traffic Levels Versus Expectations
- More than expected: 60%
- Meets expectations: 35%
- Less than expected: 5%

How Do the Recent 30 Days Compare to the Prior 30 Days...

	Increased	Remained the same	Decreased
Home Prices	25%	70%	5%
Incentives	15%	80%	5%
Time to Sell	0%	70%	30%

Source: Credit Suisse

Charlotte, NC – Affordability Driving Better than Expected Traffic Levels

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

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

Traffic remains better than agents' expectations, helped by low prices and rates. Our buyer traffic index continued to jump higher in February, rising to 82 from 60 in January, indicating traffic levels well above agents' expectations for this time of year (any reading above 50 suggests better than expected traffic). The momentum over the past several months has now carried our index back to the highest point seen since 2005. Agents primarily cited the low mortgage rates as the driving force. One agent commented, "The low interest rates are a great incentive for buyers to start buying and it has shown in the increased buyer traffic!" Another agent noted improving trends for new home sales as well, saying, "Mortgage rates continue to be favorable (under 4%) and home prices are still relatively low. Affordability best I've seen. Buyers opting for new construction over resale more times than not. Homes have to be priced aggressively to compete. Still though location is king, sold a home in 2 days because of the area." A third agent mentioned, "Low interest rates & low payments are bringing buyers out of the woodwork."

"Good rates and good weather.'

Time to sell stabilizes but prices remain under pressure. Home prices remained under pressure despite the better demand trends, as our home price increased to 39 in February from 33 in January, but remained below a neutral reading of 50. Buyers remain price sensitive, though the lower inventory levels and the stable time to sell could help to ease pressure in coming months. Our home listings index increased to 71 in February from 50 in January, pointing to falling inventory levels (any reading above 50). Meanwhile, our time to sell index improved to 54 in February from 43 in January, consistent with a neutral reading indicating a stable time to sell over the past 30 days (normally a good leading indicator for home prices).

Comments from real estate agents:

- "People feel it's time to buy."

- "New home builders are offering 2012 models at lower prices. Buyers are weighing this against resale."
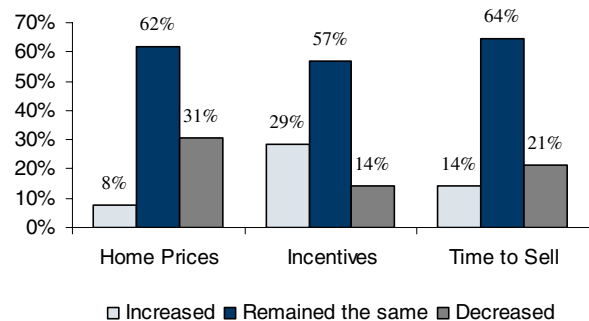
Standard Pacific, NVR and Ryland have the most exposure. Standard Pacific has the greatest exposure to Charlotte with approximately 6% of sales. NVR and Ryland each have approximately 5% exposure to Charlotte. DHI, KBH, LEN, and PHM each have 2%.

Exhibit 7: Demand Continues to Pick Up as Prices Fall Further

Traffic Levels Versus Expectations

How Do the Recent 30 Days Compare to the Prior 30 Days…

Source: Credit Suisse

Chicago, IL – Traffic Unchanged in February, Modestly Above Expectations

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

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

Traffic seems concentrated at low end. Buyer traffic was essentially unchanged in February, as our traffic index slipped to 58 from 60 in January, though this still indicates traffic levels modestly above agents' expectations for this time of year (any reading above 50). However, this was one of the few markets of the top-20 which did not show sequential improvement in February, as some agents still noted a lack of confidence to actually commit to a purchase as well as tougher conditions in the move-up market. Agents generally noted more strength at the low end of the market, driven by activity from investors and bargain-hunting first-time homebuyers. One agent noted, "Majority of activity is bank foreclosures and investors. Some first-time homebuyers, very little move-up traffic." Another agreed, saying, "People feel better, but at this point just the lower end houses are moving." A third agent also noted, "People are buying low price foreclosures and short sale properties." Aside from just the prices, many agents also said the low mortgage rates are encouraging buyers to get out and look.
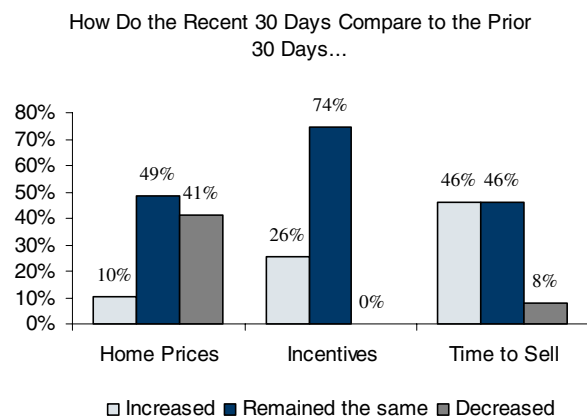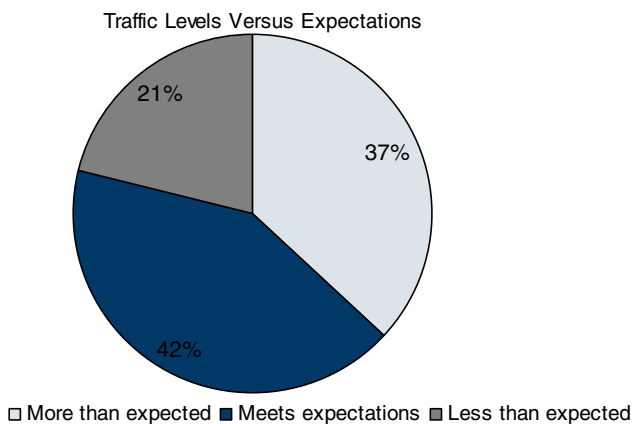
"People seem to be kicking tires, but not committing to anything."

Prices continue to fall as sellers try to find the market. Home prices fell further in February, as our home price index came in at 35, up from 24 in January but below a neutral reading of 50. Pricing was likely hit by a rise in inventory, which would be normal for this time of year, as our home listings index declined sharply from 77 in January to 40 in February. In addition, the length of time needed to sell a home increased, as our time to sell index fell to 31 in February from 47 in January, well below a neutral reading of 50 (typically a negative for home prices).

Comments from real estate agents:

- "In some specific markets the prices are rising, and distressed property is clearing out."

- "Foreclosures and short sales have driven the prices down to the point people feel properties are at a great value."

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: Traffic Unchanged but Prices Remain Under Pressure

Traffic Levels Versus Expectations

□ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Dallas, TX – Low End Demand Helps Traffic, but Buyers Remain Cautious

February Market Trends	
Traffic	⬌
Home Prices	⬌
Incentives	👎

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

Traffic in-line with agents' expectations on demand from investors and first-time buyers. Buyer traffic improved modestly in February, as our traffic index increased to 50 from 45 in January, consistent with a neutral reading indicating traffic levels in-line with agents' expectations for this time of year. However, comments seemed less optimistic than in some other markets, as a handful of agents cited good weather as the main driver for the improvement or said buyers were still cautious. One agent noted, "More traffic, but I am not seeing a lot of contracts. People are still apprehensive about the economy and are not sure we have bottomed out." On the plus side, low end buyers and investors remained active. One agent commented, "A few more buyers popped up wanting homes under $100k," while another noted, "Realistic prices on REOs. More homes priced where cash buyers can get into them." Several agents also noted lower mortgage rates are helping traffic levels.

"Spring-like weather, low interest rates."

Prices steady as inventory falls. Home prices stabilized in February, according to agents, as our home price index improved to 46 from 33 in January, essentially in-line with a neutral reading (a reading of 50 would indicate unchanged home prices over the past 30 days). The modest improvement in traffic coupled with a decline in inventory levels likely helped to support pricing. Our home listings improved to 64 in February from 48 in January, with readings above 50 indicating lower inventory levels (better than the typical seasonal increase seen at the start of spring). It still took longer to sell a home in February, as our time to sell index came in at 39, below a neutral reading of 50, but this was up from 26 in January so at least moving in the right direction. A shorter length of time needed to sell would help to support stable pricing.

Comments from real estate agents:

- "Spring market, good weather, pent-up demand."
- "Continued low interest rates and a new attitude with the new year."

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 6% of sales for Beazer.

Exhibit 9: Healthy Traffic at Low End Helps Support Prices

Traffic Levels Versus Expectations

More than expected 31%, Meets expectations 38%, Less than expected 31%

How Do the Recent 30 Days Compare to the Prior 30 Days…

	Increased	Remained the same	Decreased
Home Prices	14%	64%	21%
Incentives	38%	62%	0%
Time to Sell	36%	50%	14%

Source: Credit Suisse

Denver, CO – Traffic and Prices Holding Steady as Inventory Shrinks

February Market Trends	
Traffic	⬌
Home Prices	⬌
Incentives	⬌

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

Traffic unchanged, remains in-line with agents' expectations. Our buyer traffic index remained unchanged at 50 in February, indicating levels in-line with agents' expectations for this time of year. This is the third straight month of traffic meeting agents' expectations, and importantly this has also occurred with stable home prices, so the improvement is not just being price driven. According to agents, buyer confidence is up and the low rates are enticing. In addition, the falling inventory levels are creating a sense of urgency. One agent commented, "It seems that the FEAR is gone and buyers want to take advantage of low rates…too bad inventory is SO low!" Another agent noted, "More qualified buyers/investors are looking for properties to purchase. They feel the low interest rates and home prices offer an exceptional buying opportunity." According to another agent, "People are out buying. Feels like the good old days." Additionally, one agent noted buyers have, "a sense that the economy has stabilized, interest rates are at or near their lows, and inventory is very tight in town."

"40% less listings on the market today than one year ago in the Denver metro market."

Prices firm for second straight month. Our home price index was unchanged at 48 in February, remaining in-line with a neutral reading, as a reading of 50 indicates stable prices over the past 30 days. Home prices have firmed up over the past several months on the back of improving demand and falling inventory levels. Inventory levels continued to decline in February, as our home listings index inched up to 83 from 82 in January, well above a neutral reading of 50 with three-fourths of agents noting lower inventory levels. Our home listings index has now remained above a level of 80 for five straight months, which should continue to support home prices. It also took less time to sell a home in February, a positive sign for home prices, as our time to sell index increased to 77 from 61 in January, well above a neutral reading of 50.

Comments from real estate agents:

- "Lack of existing inventory, rates are INCREDIBLE, people starting to come out of the woodwork, to kick the tires!"

- "Interest rates are low and people are starting to believe that loans are possible."

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: Stable Traffic and Pricing Continues through February

Traffic Levels Versus Expectations

□ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days…

□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Jacksonville, FL – Improvement Coming Slowly, but Still Seems Price-Driven

February Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

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

Traffic improves modestly as prices fall further. Buyer traffic improved modestly in February, as our traffic index rose to 50 from 46 in January, indicating overall levels in-line with agents' expectations for this time of year (as measured by a reading of 50). Though this is the second straight month of traffic in-line with expectations, it may be a little early to say the market is out of the woods yet, especially since the better traffic seemed to be driven by further price reductions this month (in contrast to many other markets that saw better traffic and stable prices). One agent cited, "Great prices on available inventory!" Another credited, "prices and interest rates." According to one agent, "There is less inventory in certain price points. Especially under $100,000. Buyers are also waking up to the fact that they can spend 5 months waiting on a short sale to happen or wait for new construction." Another agent also noted, "good builder incentives, great interest rates, tightening market, stabilizing prices."
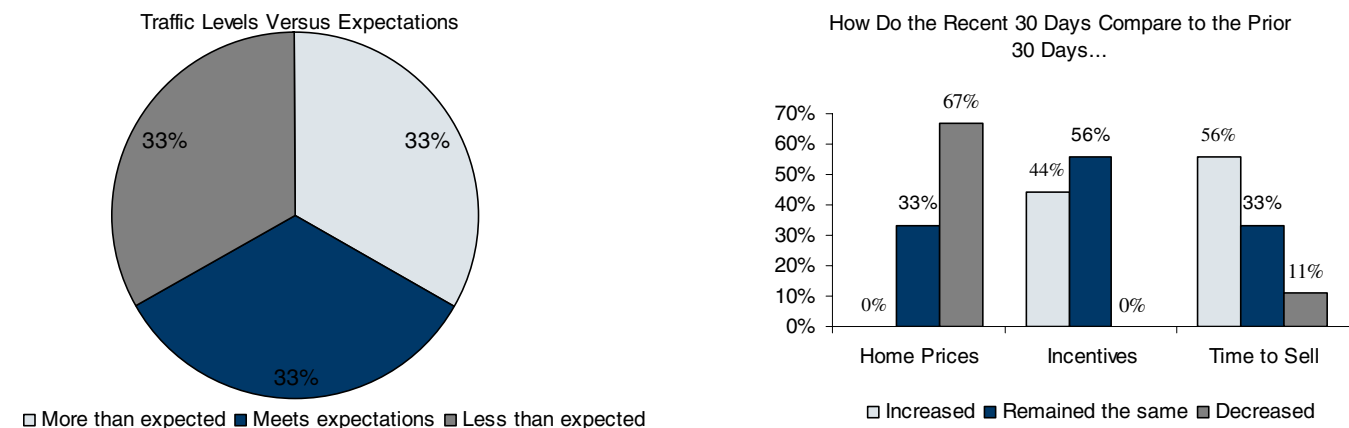
"More lost deals than previous years."

Home prices fall at start of selling season, despite lower inventory. Home prices continued to fall in February, as our home price dropped to 17 from 38 in January, well below a neutral reading of 50 (readings below 50 suggest lower home prices over the past 30 days). This is the lowest reading since late 2010, which is interesting considering the improvement in traffic and inventory trends. We will watch closely in the coming months to see whether this is just a blip or a sign of more meaningful price pressure beginning again. Inventory levels continued to trend lower, as our home listings index improved to 78 in February from 71 in January, well above a neutral 50. However, our concern remains that there is still a meaningful shadow inventory of distressed properties. The length of time needed to sell also increased again in February, reversing last month's improvement, as our time to sell index fell to 28 from 42 in January (well below a neutral 50).

Comments from real estate agents:

- "Comes in spurts, bigger month in January, tapered way back in February."

- "Purchasers are worried about tomorrow!"

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

Exhibit 12: Mixed Signals as Traffic Improves but Prices Fall and Time to Sell Increases

Traffic Levels Versus Expectations

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days…

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Las Vegas, NV – Prices Still Falling as Buyers See Inventory Declines as Artificial

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

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

Buyer traffic up modestly as sellers cut prices. Our buyer traffic index increased to 58 in February from 50 in January, indicating traffic levels modestly above agents' expectations for this time of year (readings above 50 point to better than expected traffic). For the most part, the commentary centered around the same issues as in prior months, as the level of foreclosures and short sales continues to play a large role in both traffic and pricing trends. This month, it appeared that the improvement in demand was largely price-driven, with agents receiving "more than usual low ball offers" on already depressed price levels. "Buyers are out looking for deals. People sense the local housing bottom is near," according to one agent. Another noted, "First-time buyers are coming back into the market." One agent commented, "Both foreign and domestic buyers are responding to historically low prices and rental yields that exceed most financial instruments. Some larger firms backed by institutional monies are also investigating the area." This latter comment is likely a reflection of the recently-announced plans to sell off foreclosures owned by the GSE's in bulk while requiring buyers to rent them out. At the same time, agents cited a "change in state law which is holding back trustee sales," as contributing to an artificial inventory shortage.
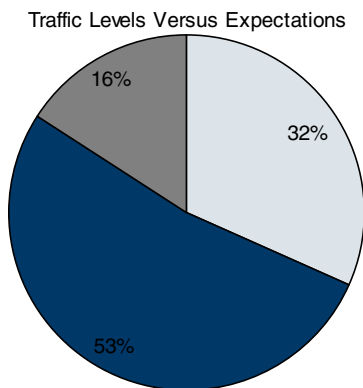
> "Prices are lower than they have been in 15 years."

Price index hits lowest point since September. Home prices continued to fall in February, pressured by the high percentage of distressed inventory, as our price index fell to 24 from 34, far below a neutral reading of 50. Inventory continued to decline, as our home listings index increased 84 in February from 80 in January (well above a neutral reading of 50), but agents said some of this was due to the slowed foreclosure process. The length of time needed to sell a home continued to decline in February, on a positive note, as our index came in at 58 (vs. 61 in January), above a neutral reading of 50. This is typically a positive leading sign for pricing.

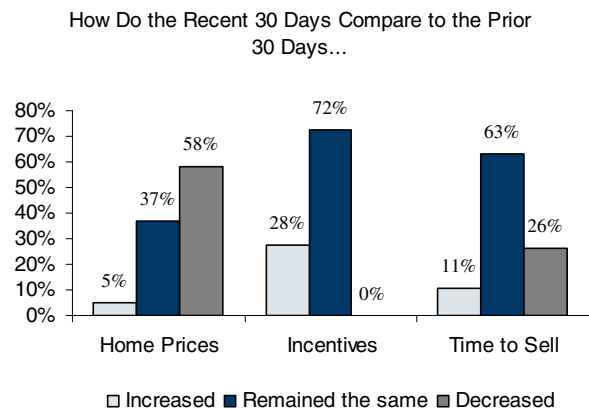*Comments from real estate agents:*

- "Too much REO inventory that is not always worth the price."

- "50% of deals are cash."

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: Sellers Still Facing Pricing Pressure to Find Buyers, Especially Outside Distressed Listings

Traffic Levels Versus Expectations

- More than expected 32%
- Meets expectations 53%
- Less than expected 16%

How Do the Recent 30 Days Compare to the Prior 30 Days…

	Home Prices	Incentives	Time to Sell
Increased	5%	28%	11%
Remained the same	37%	72%	63%
Decreased	58%	0%	26%

Source: Credit Suisse

Los Angeles, CA – Buyers are Out but Still Haven't Fully Committed

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

February Market Trends	
Traffic	⬌
Home Prices	👎
Incentives	⬌

"Buyers seem upbeat."

Traffic inches up, but concerns remain. Buyer traffic improved modestly in February, as our traffic index increased to 54 from 50 in January, still consistent with a neutral reading of 50, indicating traffic essentially in-line with agents' expectations for this time of year. Similar to last month, agents said that more buyers are out and about, but haven't committed due to either ongoing concerns over the economy and home prices, a lack of quality inventory, or difficulties obtaining financing. Responses were definitely more mixed than in many other top-20 markets. On the positive side, one agent noted, "Buyers are showing signs of increased confidence levels," another cited, "Bargain hunters with cash," while a third noted, "The fear of missing historically low rates." However, another agent said, "Buyers are still waiting to see if prices will continue to go down before they commit," and according to one agent, "There is demand, but hard for buyers to qualify." Another agent noted, "Most of my clients are nervous," despite the low interest rates.
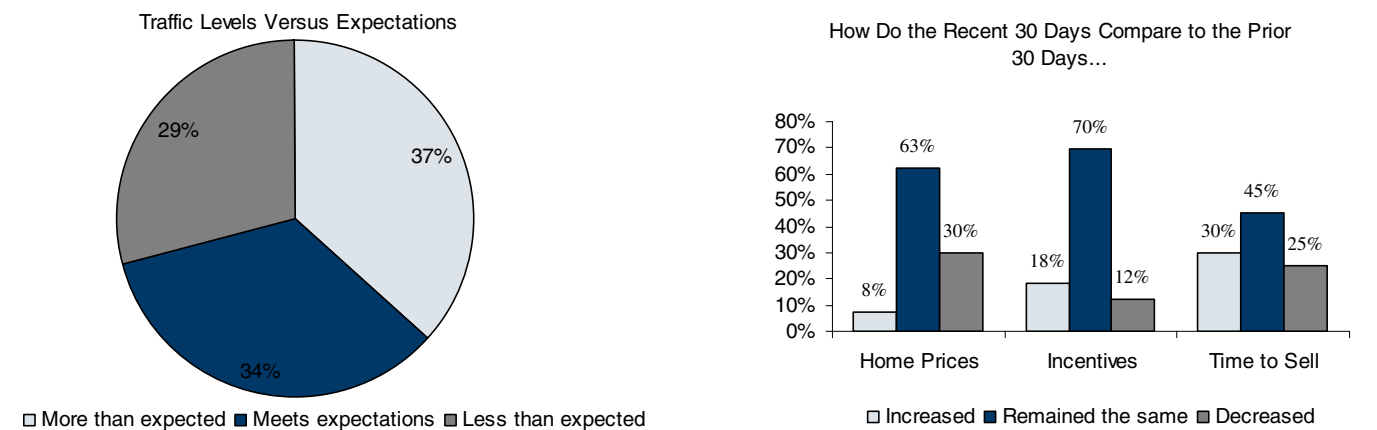
Home prices remain under pressure as buyers waver. Home prices continued to fall in February, according to agents, as our home price index came in at 39. This is up from a reading of 30 in January (potentially indicating more modest declines), but any reading below 50 indicates lower home prices over the past 30 days. Inventory levels were stable in February, as our home listings index fell to a neutral level of 50 from 56 in January, though this is still better than the normal seasonal increase. Meanwhile, the length of time needed to sell a home was unchanged, as our time to sell improved to 48 in February from 40 in January, essentially in-line with a neutral 50. A shorter time to sell would be a positive indicator for pricing trends.

Comments from real estate agents:

- "Inventory is way down giving the appearance of increased activity. Less to see, but same number of buyers."

- "Lower end stable, upper end still adjusting down. First-time homebuyers looking for non-fixers."

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: Traffic In-Line with Expectations, but Prices Fall Further

Traffic Levels Versus Expectations

How Do the Recent 30 Days Compare to the Prior 30 Days…

☐ More than expected ■ Meets expectations ■ Less than expected

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

CREDIT SUISSE

Miami, FL – Traffic Improves Further in February, as Bargain Hunters Look for Inexpensive Homes

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

February Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔

"Buyers are tired of waiting."

Better confidence from domestic and foreign investors boosts demand. Buyer traffic remained above agents' expectations in February, as our buyer traffic index came in at 57 (from 61 in January), with readings above 50 pointing to traffic ahead of agents' expectations for this time of year. Agents noted that domestic buyers continued to express interest in the market in February, as they wanted to take advantage of low prices and interest rates. One agent commented, "With prices and interest rates this low, buyers are coming back into the market." Another added, "Prices are increasing and clients think now is the right time to buy." Agents also highlighted that foreign investors remain interested in the market as well. One agent highlighted, "Affluent foreign investors are still snapping up properties." Low inventory has also remained a contributing factor to demand in February, as several agents noted that the fewer listings have created urgency in the market. One agent mentioned, "Sales are up and people seem to know it. Low inventory and the need for a deal have taken people off the fence."

Prices increase in February as inventories fall and urgency returns. Agents indicated that home prices increased again in February, as our home price index came in at 59 (from 54 in January), with readings above 50 pointing to sequentially higher prices. Meanwhile, inventory continued to fall as our home listings index came in at 72 (from 66 in January), with readings above 50 pointing to reduced inventories. Our time to sell index pointed to a continued sense of urgency in the market, coming in at 66 (unchanged from January), pointing to a reduced time to sell (readings above 50). We view the lower inventories and time to sell as positives for future pricing. However, we remain concerned over the level of shadow foreclosure inventory currently held from the market.

Comments from real estate agents:

- "Clients are starting to take notice now that good deals are harder to find and prices are rising."

- "Everyone is looking for inexpensive properties and there is very little inventory."

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: Pricing Increased in February on Greater Demand and Less Inventory for Sale
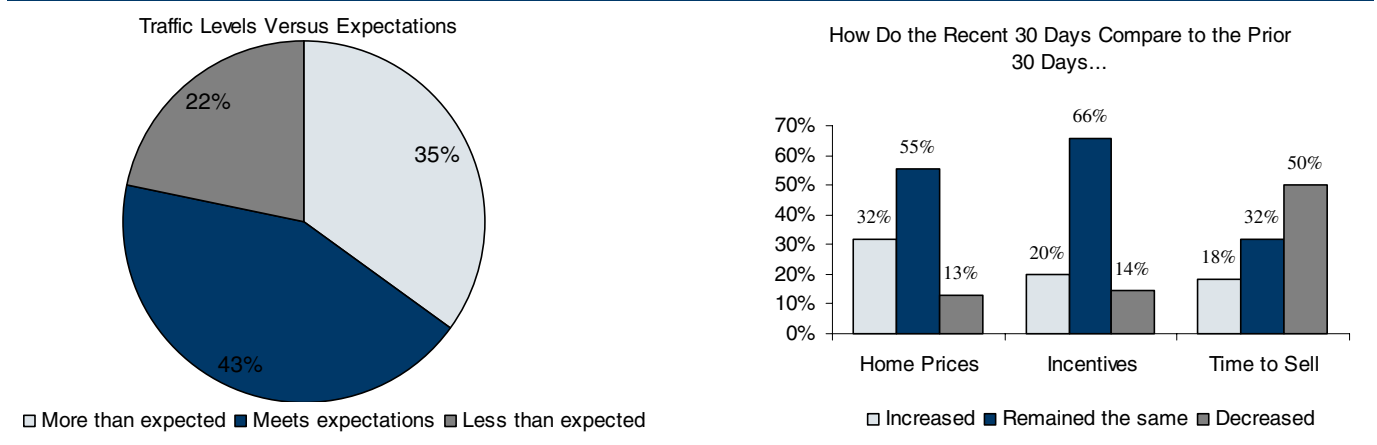
Source: Credit Suisse

Minneapolis, MN – Traffic Picks up Steam in February as Buyers' Confidence Improves

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

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

"People are more confident about the direction of their lives."

Traffic exceeds expectations, weather still helping but buyers are also more confident. Traffic exceeded agents' expectations in February, as our buyer traffic index increased to 63 from 50 in January, with readings above 50 pointing to traffic above expectations for this time of year. Agents noted that weather continued to play a role in better traffic in February; however, several also agents added comments about buyers' improved confidence, a greater sense of job security, and their increasing willingness to step up and buy. One agent mentioned, "Weather is still holding up nice, but people are ready to start buying." Another agent added, "Buyers are finally willing to commit, especially on lower end properties." Yet another mentioned, "People are more confident that they will have jobs in their future." Low interest rates are helping fuel this demand, with agents noting that buyers want to take advantage of affordability while they still can. One agent mentioned, "Buyers are out looking for a good deal with interest rates this low. Those who can buy are doing so." In addition, low inventory has continued to incite urgency in the market, as agents noted that buyers feel the need to act quickly as available inventory falls.

Prices near stabilization but continue to fall. Prices fell further in February, as our home price index fell to 36 from 26 in January, with readings below 50 pointing to sequentially lower prices. Meanwhile, agents indicated that inventories continued to fall, as our home listings index came in at 86 (from 88 in January), with readings above 50 pointing lower inventories, a positive for pricing. Agents also pointed to greater urgency in the market, as our time to sell index came in at 66 (from 52 in January), pointing to a reduced time to sell over the past 30 days (readings below 50). We view the lower inventories and time to sell as positive indicators of future pricing.

Comments from real estate agents:

- "Inventory levels are down considerably, creating several multiple offer situations."

- "Things are picking up. We are selling homes much more quickly than in the past."

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%.
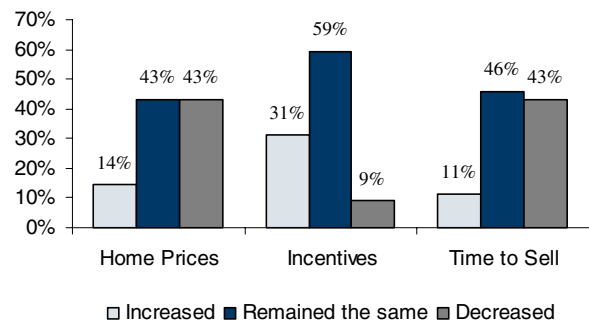
Exhibit 16: Traffic is Higher in February as Buyers Look to take Advantage of Affordability

Traffic Levels Versus Expectations
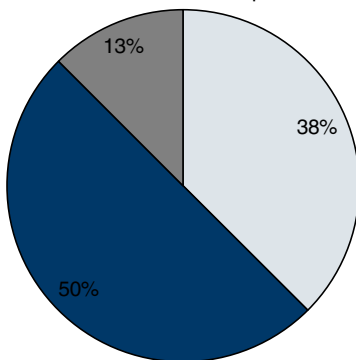
☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

New York-Northern NJ – Better Confidence, Mild Weather Lead to Higher Traffic in February

February Market Trends	
Traffic	⬌
Home Prices	👎
Incentives	⬌

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

Traffic meets expectations on more positive outlook, mild weather. Traffic increased and met expectations in February, as our buyer traffic index improved to 54 from 39 in January, in-line with a neutral reading of 50 (readings of 50 point to traffic in-line with expectations). Agents noted that buyers think the market has reached or is near its bottom and believe that it is a good time to buy. Low interest rates make the proposal more enticing according to agents, as buyers are interested in very favorable affordability. One agent mentioned, "I think there is some pent up demand from buyers who think the market has reached its bottom. It seems that they are more eager to take advantage of low interest rates." Another agent highlighted, "It appears that buyers are more optimistic about the market." In addition to a better outlook on the market, several agents also credited the improved traffic to very mild weather. One agent noted, "We have had warm weather this winter which tends to bring more people to open houses." We will keep a close watch on trends this spring to determine if mild weather has borrowed from March/April traffic, or if current trends will gain steam in the coming months.
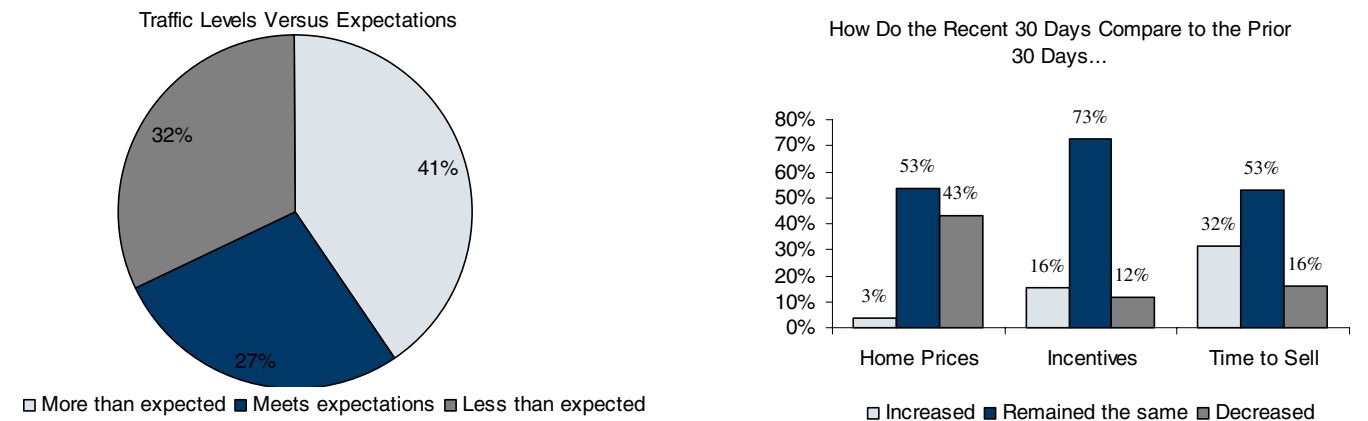
> **"The weather has been very warm and buyers are willing to look earlier than usual."**

Prices fall further while inventories inch higher. Prices continued to fall in February, as our home price index came in at 30 (from 27 in January), with readings below 50 pointing to sequentially lower home prices. Meanwhile, inventories edged higher in February, as our home listings index came in at 43 from 50 in January (readings below 50 point to higher inventories). This is in-line with seasonal trends, as inventories typically increase in February. Our time to sell index came in at 42 in February from 29 in January, closer toward a neutral reading, but still falling short, pointing to an increased time to sell (readings below 50). Though agents indicated that inventories and the time to sell only edged higher, we view both increasing as negatives for future pricing.

Comments from real estate agents:

- "Buyers are more confident in the economy and their job security."

- "Buyers think interest rates will never be this low so they might as well take advantage of them while they still can."

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: Traffic Improves in February on Confidence, though Agents Indicate Weather Played an Important Role

Traffic Levels Versus Expectations
41% / 27% / 32%
☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days…

	Home Prices	Incentives	Time to Sell
Increased	3%	16%	32%
Remained the same	53%	73%	53%
Decreased	43%	12%	16%

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Orlando, FL – More Buyers are Willing to Enter the Market as Prices Remain Stable

February Market Trends	
Traffic	👍
Home Prices	↔
Incentives	👎

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

Traffic increased in February as buyers' outlook on housing improves. Buyer traffic increased sharply in February, as our buyer traffic index improved to 63 from 29 in January, coming in above agents' expectations for this time of year (readings above 50). Agents attributed the better traffic in February to buyers looking to take advantage of affordability, more attractive pricing from sellers and better consumer confidence. Agents noted that buyers think prices have nearly stabilized, creating a sense of urgency that the market has lacked, as buyers were previously hesitant to jump in with the risk of future price declines. One agent noted, "Interest rates are still low and prices have finally stopped falling. Buyers feel more comfortable making commitments now." Another agent highlighted, "Prices are still low and buyers want to get in now before they miss out." Agents also mentioned that sellers were more willing to lower asking prices to attract more interest from buyers. One agent commented, "There has been more aggressive pricing (down) by sellers. They have started to lower expectations and their prices are more in-line with what buyers are looking for."
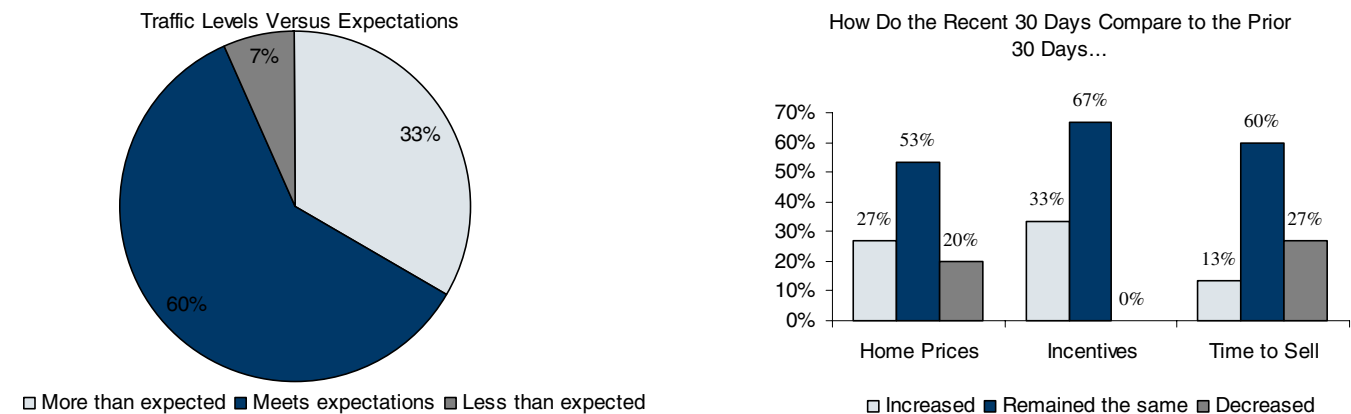
"Buyers are out looking for bargains."

Prices remain stable in February. Home prices were stable once again in February, as our price index came in at 53 from 46 in January, in-line with a neutral reading of 50 (readings of 50 point to unchanged pricing). Meanwhile, inventories continue to fall, as our home listings index came in at 80 from 75 in January, with readings above 50 pointing to reduced inventories. Our time to sell index pointed to a reduced time to sell in February, coming in at 57 from 50 in January, with readings above 50 pointing to a reduced time to sell, indicative of increased urgency among buyers. We view the lower inventories and time to sell as positive indicators for future pricing, though we remain concerned over the backlog of shadow foreclosure inventory.

Comments from real estate agents:

- "Inventory keeps falling and buyers are getting serious about finding the properties they want."

- "We've seen a solid improvement in consumer confidence."

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: Demand Improves in February as Urgency Returns to the Market

Traffic Levels Versus Expectations

- More than expected: 33%
- Meets expectations: 60%
- Less than expected: 7%

How Do the Recent 30 Days Compare to the Prior 30 Days…

	Increased	Remained the same	Decreased
Home Prices	27%	53%	20%
Incentives	33%	67%	0%
Time to Sell	13%	60%	27%

Source: Credit Suisse

Phoenix, AZ – Traffic Remains Strong as Higher Prices and Better Economy Creates Urgency

February Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔

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

Traffic jumps on sentiment that prices are on the rise. Traffic increased in February, as our buyer traffic index improved to 74 from 53 in January, coming in to exceed agents' expectations for this time of year (readings above 50). Agents stressed that buyers felt the market had reached its bottom and wanted to take advantage of affordability now before it's too late. One agent mentioned, "Traffic is way up. Buyers are afraid they will miss out on deals unless they act now!" Another agent highlighted, "Buyers are realizing they might need to buy now before prices start increasing at a faster rate." This sentiment reflects the more positive outlook we have seen in Phoenix in recent months. In addition to a better outlook on housing, agents also noted that buyers have a better outlook on the general economy as well, which only adds to the demand. One agent noted, "Buyers sense an improvement in the economy." Another added that snowbirds have been very active as well.
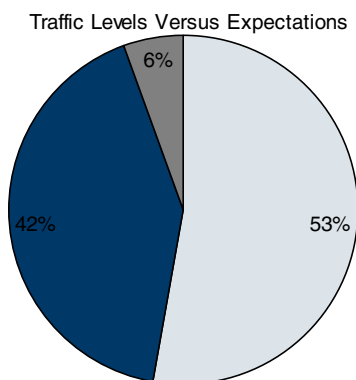
"Demand for low end homes is extremely competitive."

Strong demand with shrinking inventory leads to higher prices in February. Agents pointed to higher prices in February, as our home price index increased to 71 from 65 in January, with readings above 50 pointing to sequentially higher prices. This marks the fifth consecutive month of stable or higher pricing for the region. Inventories continued to fall in February, despite being a month in which inventory typically rise. Our home listings index came in at 79 (from 80 in January), with readings above 50 pointing to lower inventory levels. Meanwhile, our time to sell index came in at 76 (unchanged from January), pointing to a reduced time to sell (readings above 50). We view the lower inventory levels and reduced time to sell as positive indicators for future pricing, though we remain concerned about the potential shadow foreclosure inventory not currently held for sale.
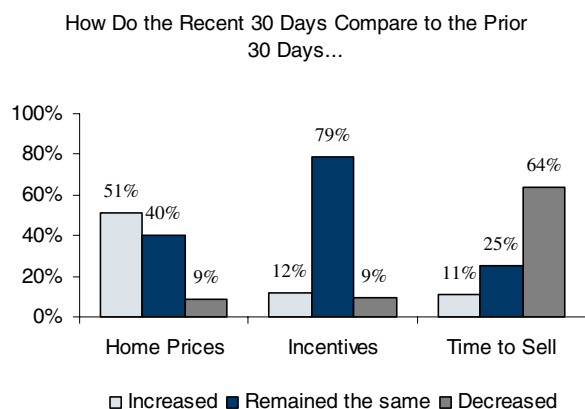
Comments from real estate agents:

- "Buyers think the market has bottomed and are coming back to shop. I have a lot of snowbirds at my open houses too."

- "The market is definitely upbeat. Buyers feel that prices are finally rising."

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: Strong Traffic on Better Economic and Housing Sentiments Drives Higher Pricing

Traffic Levels Versus Expectations

- More than expected: 53%
- Meets expectations: 42%
- Less than expected: 6%

How Do the Recent 30 Days Compare to the Prior 30 Days…

	Home Prices	Incentives	Time to Sell
Increased	51%	12%	11%
Remained the same	40%	79%	25%
Decreased	9%	9%	64%

Source: Credit Suisse

Riverside-San Bernardino, CA (Inland Empire) – Traffic Remains Weak on Economic Anxiety

February Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

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

Traffic misses expectations as uncertainty remains an overhang. Traffic came in below expectations again in February, as our buyer traffic index came in at 38 (from 39 in January), with readings below 50 pointing to less than expected traffic for this time of year. Inland Empire was the only market among the top 20 markets in which traffic did not meet expectations in February. Agents mentioned that buyers were still nervous about the economy in February and did not want to risk buying a new home without having the desired job or financial security. One agent noted, "My buyers don't have much confidence in their jobs right now. They are nervous and worried that they might be unemployed down the road." While agents in most other markets in our survey point to buyers' improved outlook on the economy, agents in the Inland Empire were not as quick to do so. Buyers' uncertainty was still a major factor in February, with several agents highlighting that buyers were not sure about their future. One agent mentioned, "Uncertainty at work and unexpected living expenses are forcing people to place shopping for a home further down on the priorities list."

"Buyers want job security."

Prices continue to fall. Home prices fell further in February, as our home price index came in at 38 (unchanged from our January survey), with readings below 50 pointing to lower prices over the past 30 days. Meanwhile agents indicated that inventories fell in February, as our home listings index came in at 79 from 54 in January, above a neutral reading of 50 (readings above 50 point to reduced inventories). We think the lower inventories are a positive for future pricing. In addition, the time to sell was unchanged in February, another positive for pricing. Our time to sell index came in at 53 (from 50 in January), in-line with a neutral reading (readings of 50 point to an unchanged time to sell). Despite the lower inventories and unchanged time to sell, we remain concerned about shadow foreclosure inventory not currently held for sale.
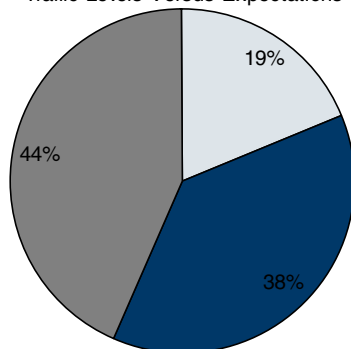
Comments from real estate agents:

- "Buyers do not like the available inventory. Too few houses are move-in ready."

- "Traffic is ok, but the economy is still a limiting factor."

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%).
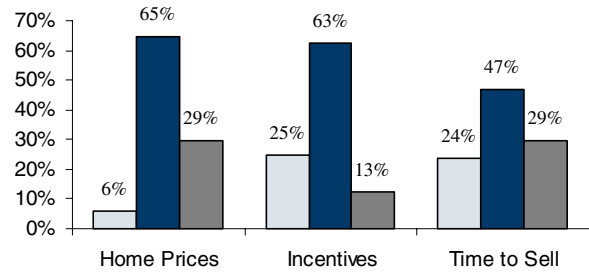
Exhibit 20: Economic Concerns Keep Buyers Away from the Market

Traffic Levels Versus Expectations

- More than expected
- Meets expectations
- Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

- Increased
- Remained the same
- Decreased

Source: Credit Suisse

San Antonio, TX – Traffic Continues Solid Pace in February

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

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

Traffic exceeds expectations on positive economic outlook. Traffic exceeded expectations for the second consecutive month in February, as our buyer traffic index came in at 63, unchanged from January, with readings above 50 pointing to traffic greater than agents' expectations. Agents credited the solid traffic in February to increased confidence and a better outlook on the economy, with buyers and sellers adjusting to the market. This commentary is similar on that which we saw in our January survey, in which agents noted that buyers felt comfortable about the local economy. One agent noted, "I think there is more optimism about the economy among my buyers. A lot of them have been waiting to buy but they wanted to make sure conditions weren't deteriorating further before they went ahead with a purchase." Affordability also played a factor in February, as one agent mentioned that "low interest rates and low prices brought buyers out."
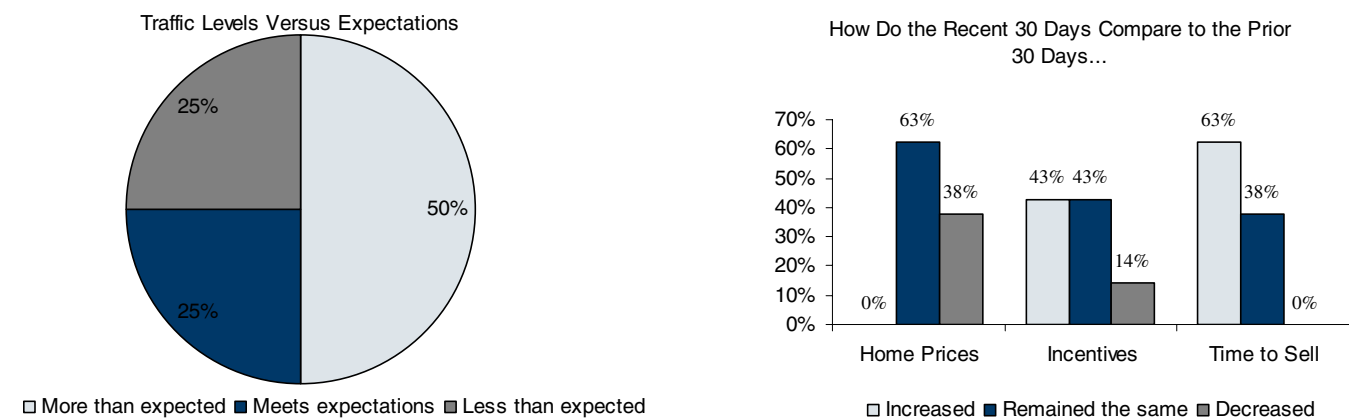
"People feel better about where the market is headed."

Prices fall despite lower inventories as homes sit on the market. Agents indicated that prices fell in February, as our home price index fell to 31 from 50 in January, with readings below 50 pointing to sequentially lower prices. Meanwhile, inventory levels edged lower, as our home listings index came in at 56 (from 44 in January), above a neutral reading of 50, with readings above 50 pointing to reduced inventories. We view the lower inventories as a positive for pricing, but would expect levels to rise seasonally as the spring selling season gets more underway. Our time to sell index came in at 19 from 25 in January, well below a neutral reading of 50, pointing to an increased time to sell in February (readings below 50). We view the increased time to sell as a negative indicator for future pricing.

Comments from real estate agents:

- "Buyers are definitely more eager to get on and purchase."

- "Buyers and sellers are adjusting for the better to the more stringent mortgage process."

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: Traffic Levels Solid in February, but Prices fall

Traffic Levels Versus Expectations

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days…

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Seattle, WA – Traffic Picks up in February on Affordability and Improved Confidence

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	↔

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

Traffic jumps to exceed expectations on affordability. Agents indicated that traffic jumped in February, as our buyer traffic index increased to 69 from 38 in January, coming in above agents' expectations for this time of year (readings above 50). Agents noted that buyers were actively looking to take advantage of low interest rates in our February survey. One agent mentioned, "The low rates are a real driving force behind demand right now." Agents also highlighted that buyers were more willing to take advantage of low interest rates, whereas in the past they may have shied away from the market. Improved economic sentiment has allowed for this and several agents noted greater confidence among buyers. One agent noted that "people feel more secure and optimistic." Another agent said, "Improved economic news has improved buyer confidence." Low inventory added to the urgency in February, as one agent noted, "Inventory is down and that is funneling buyers into fewer available properties."

"Sales are up 20% vs. last year."

Pricing continues to fall while inventories and the time to sell decrease. Prices continued to fall in February, as our home price index came in at 39 from 15 in January, closer toward a neutral reading of 50, but still falling short (readings below 50 point to falling prices). Prices continued to decline despite lower inventories and a reduced time to sell, both positive indicators for pricing. Our home listings index came in at 71 from 56 in January, with readings above 50 pointing to decreased inventories. Our time to sell index came in at 64 (from 41 in February), with readings above 50 pointing to less time needed to sell over the past 30 days.
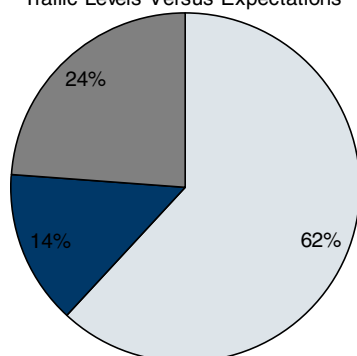
Comments from real estate agents:

- "Buyers see the low interest rates and are looking for homes that are priced well below market value."

- "There is a general sense that prices may have bottomed out."

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%.
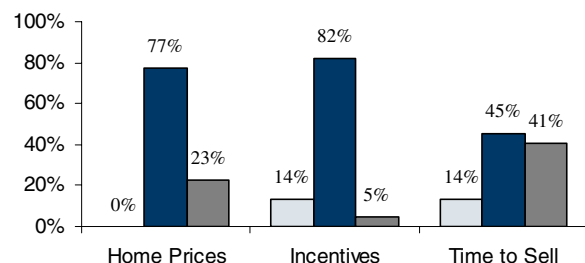
Exhibit 22: Buyers are More Willing to Look at Homes with an Improved Economic Outlook

Traffic Levels Versus Expectations

□ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Tampa, FL – Deal Seekers Drive Traffic Again in February, Prices Remain Stable

February Market Trends	
Traffic	👍
Home Prices	↔
Incentives	↔

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

Traffic exceeds expectations on better demand from bargain hunters. Agents indicated that traffic was greater than expectations in February, as our buyer traffic index increased to 60 from 44 in January, pointing to traffic above expectations for this time of year (readings above 50). Agents attributed the better traffic to buyers' improved sentiment about the housing market. Several agents noted that buyers think prices are at or near their lows and want to get into the market now before they miss out on deals. One agent mentioned, "Buyers sense that the market is bottoming out." Another agent highlighted, "People are out shopping for deals." Agents indicated that seasonal snowbird traffic was also at a good pace, with one commenting, "We've been getting more interest from a lot of snowbirds. They are looking and buying." Low inventory levels continue to create urgency in the market as well, continuing themes from our January survey. One agent noted, "Low inventory levels are starting to create a backlog of homebuyers."
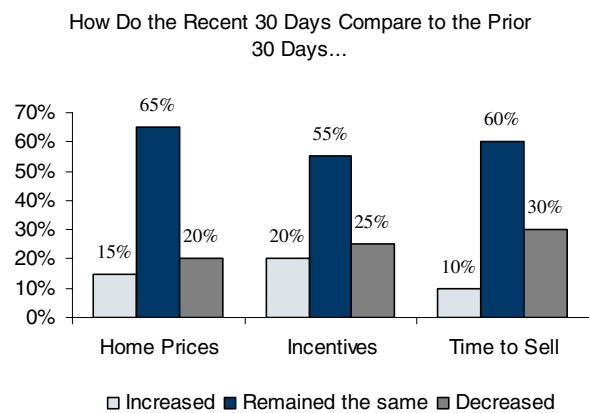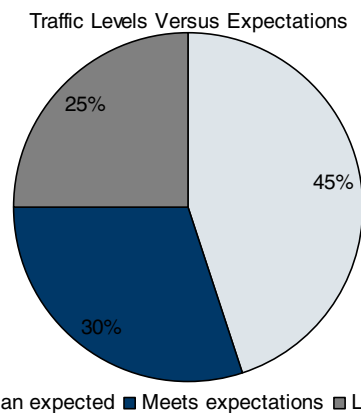
"People think there are bargains to be had."

Price stable once again in February. Agents indicated that prices were stable in February, as our home price index came in at 48 from 46 in January, in-line with a neutral reading of 50 (readings of 50 point to stable pricing), marking two consecutive months of stable pricing. Meanwhile, inventory levels continued to fall, as our home listings index came in at 75 (from 80 in January), with readings above 50 pointing to lower inventory levels. This marks the twelfth consecutive month of lower inventory levels for the region. Our time to sell index came in at 60 in February (from 63 in January), pointing to a reduced time to sell (readings above 50). We view the lower inventory readings and reduced time to sell as positive indicators for future pricing, but remain concerned over the level of shadow foreclosure inventory not currently held for sale.

Comments from real estate agents:

- "Homes that are priced appropriately receive multiple offers."

- "People generally feel better about their financial security.'"

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: Bargain Hunters Search for Deals in February, Help Drive Stable Pricing

Traffic Levels Versus Expectations

- More than expected: 45%
- Meets expectations: 30%
- Less than expected: 25%

How Do the Recent 30 Days Compare to the Prior 30 Days…

	Increased	Remained the same	Decreased
Home Prices	15%	65%	20%
Incentives	20%	55%	25%
Time to Sell	10%	60%	30%

Source: Credit Suisse

Washington, D.C. – Higher Traffic on Better Confidence, Affordability; Weather Plays Key Role

February Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👎

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

Traffic comes higher in February, exceeds agents' expectations. Agents indicated that traffic improved further in February, as our traffic index increased to 67 from 48 in January, pointing to traffic ahead of agents' expectations for this time of year (readings above 50). Agents attributed the stronger traffic this month to improved consumer confidence, low interest rates, a lack of inventory, and mild winter weather. Agents' commentary showed an improvement over trends we observed in our January survey, in which buyers were out testing the waters, but not willing make final decisions. One agent mentioned, "Buyers are definitely more willing to make the move, especially with interest rates so low." Another agent mentioned, "Confidence is better as more people think the economy is starting to improve." Low inventory also helped, as one agent noted, "There aren't very many new listings. Homes that come to market are receiving a lot of attention." Lastly, several agents highlighted that warm winter weather has brought buyers out earlier than usual this year. One agent commented, "Warm winter weather has brought buyers out sooner this year. Thank goodness!!"
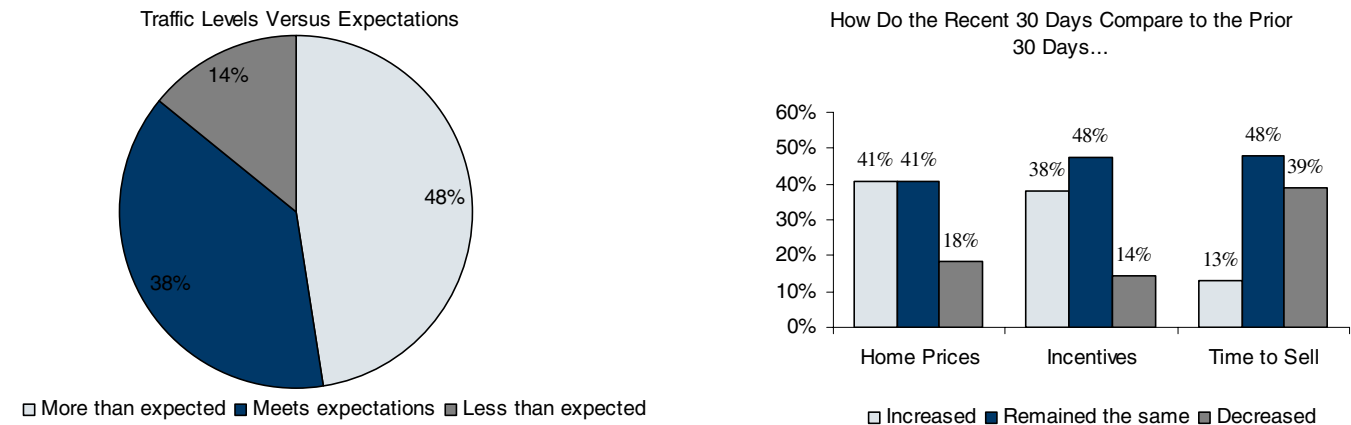
Prices improve as homes spend less time on market. Agents pointed to higher prices in February, as our home price index increased to 61 from 34 in January, with readings above 50 pointing to sequentially higher prices. Meanwhile, inventories edged higher in February, as our home listings index came in at 44 (from 63 in January), below a neutral reading of 50 (readings short of 50 point to higher inventories). This increase is typically with seasonal patterns. Listings spent less time on the market, as our time to sell index came in at 63 (from 34 in January), pointing to a reduced time to sell (readings greater than 50). We view the decreased time to sell as a positive indicator for future pricing, though seasonally higher inventories may offset this benefit to pricing.

Comments from real estate agents:

- "The lack of winter weather has brought an early spring season."

- "There is a lot of looking, but the only homes selling are those that are offering exceptional value for the money."

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.

"Confidence and low interest rates have brought the buyers out."

Exhibit 24: Better Traffic and Lower Inventories, but Prices Continue to Slip

Traffic Levels Versus Expectations

48% / 38% / 14%

□ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

Home Prices: 41% / 41% / 18%
Incentives: 38% / 48% / 14%
Time to Sell: 13% / 48% / 39%

□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Additional Key Housing Markets

Baltimore, MD

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

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

Traffic exceeds expectations. Traffic was above expectations in February, as our traffic index came in at 58 (from 50 in January), above a neutral reading (readings greater than 50 indicate traffic exceeded agents' expectations). 50% of agents said traffic was in-line with expectations, 33% said it exceeded expectations, and 17% said it was below expectations.

Prices fall, incentives increase. Home prices fell again in February, as our home price index came in at 33 from 42 in January, short of a neutral reading of 50 (readings below 50 indicating lower prices). 67% of agents said prices were unchanged and 33% said prices were lower. Meanwhile, incentives moved higher in February, as our incentive index came in at 33 (from 40 in January), also short of 50 (readings below 50 suggest higher incentives). 67% of agents said incentives were unchanged 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 30 in February (from 25 in January), coming in below a neutral reading of 50, suggesting an increased time to sell (readings below 50 point to an increased time to sell). 60% of agents said the time to sell was unchanged and 40% 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:

- "Warm winter weather is making it easier for buyers to look for homes."
- "People are coming and asking about low interest rates."

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 February
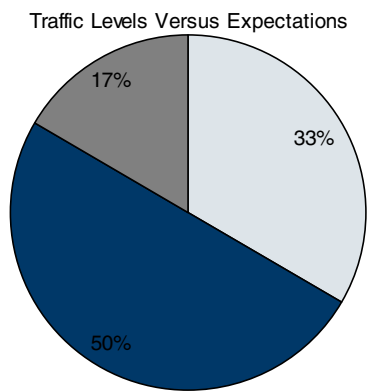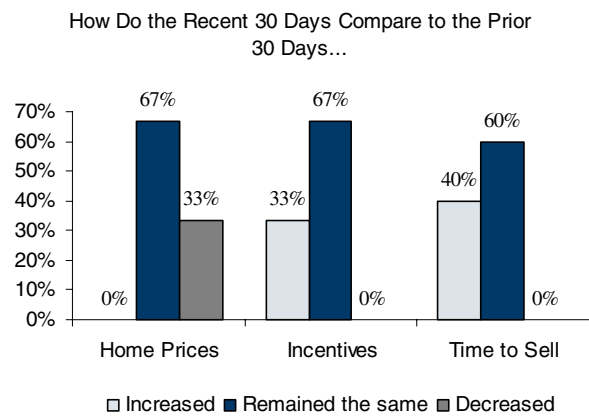
Source: Credit Suisse

Boston, MA

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

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	↔

Traffic above expectations. Traffic was above agents' expectations in February, as our traffic index came in at 70 from 35 in January, exceeding a neutral reading of 50 (readings greater than 50 indicate traffic exceeded agents' expectations). 47% of agents said traffic was above expectations, 47% said it met expectations, and 6% said it was below expectations.

Lower prices, flat incentives. Home prices faced additional pressure in February, as our price index came in at 43 (from 21 in January), closer toward a neutral reading, but still falling short of 50 (readings below 50 indicate sequentially lower prices). 57% of agents said prices were unchanged, 29% said they were lower, and 14% said they were higher. Sellers held incentives steady in February, as our incentive index came in at 54 (from 50 January), in-line with a neutral reading of 50 (readings of 50 suggest flat incentives). 92% of agents said incentives were unchanged and 8% said they were lower.

Unchanged time needed to sell a home in February. Our time to sell index came in at 50 in February (from 19 in January), in-line with a neutral reading of 50, pointing to an unchanged time to sell over the past 30 days (readings of 50 indicate an unchanged time to sell). 36% of agents said the time to sell decreased, 36% said the time to sell increased, and 28% said the time to sell was unchanged. We view the unchanged time needed to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Weather has had a meaningful positive impact. There is no snow and no ice. Buyers have also shown a bit more confidence."

- "Interest rates are very low and buyers and sellers are feeling a bit more optimistic."

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

Exhibit 26: Traffic above Expectations, Lower Prices, Unchanged Incentives, Unchanged Time to Sell in February
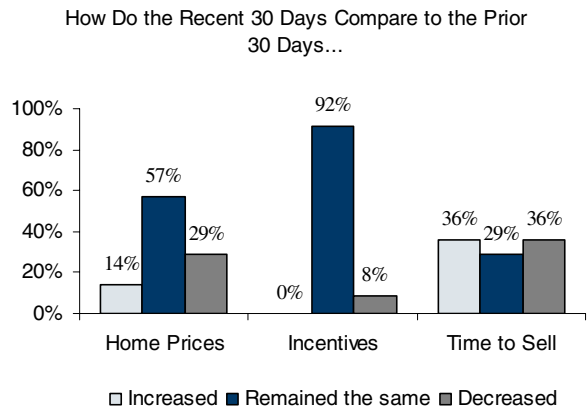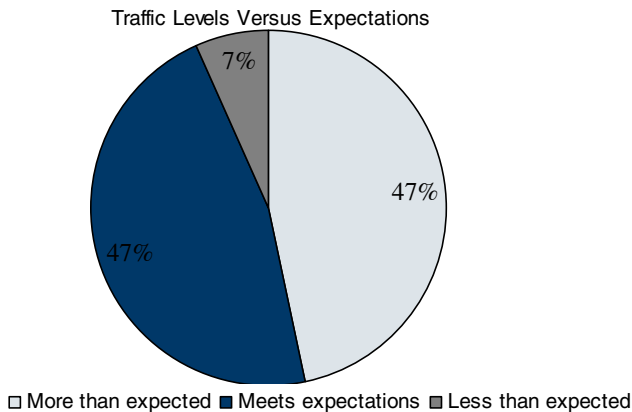
Source: Credit Suisse

Charleston, SC

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

February Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

Traffic just below expectations. Buyer traffic fell just shy of agents' expectations in February, as our traffic index came in at 43 (from 38 January), pointing to traffic below agents' expectations (readings lower than 50). 42% of agents said traffic was short of expectations, 29% said it met expectations, and 29% said it exceeded expectations.

Lower prices, higher incentives. Home prices fell further in February, as our home price index came in at 7 (from 25 January), pointing to sequentially lower prices (readings short of 50 indicate lower prices). 86% of agents said prices were lower and 14% said they were unchanged. Meanwhile, incentives were higher in February, as our incentive index came in at 33 (from 50 in January), short of a neutral reading (a reading short of 50 higher incentives over the last 30 days). 67% of agents said incentives were unchanged 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 21 in February (from 27 January), still below a neutral reading of 50, indicating an increased time to sell over the past month (readings lower than 50). 72% of agents said the time to sell increased over the last 30 days, 14% said the time to sell was unchanged and 14% 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:

- "People are running into too many hurdles with banks. Buyers are getting frustrated."

- "There is no urgency and people are scared to make decisions."

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 Increase, Longer Time to Sell in February
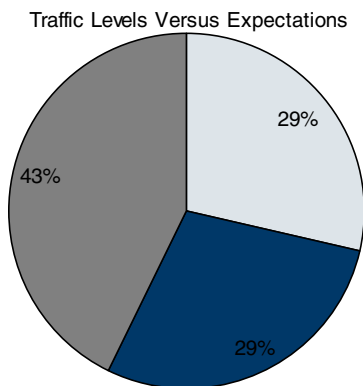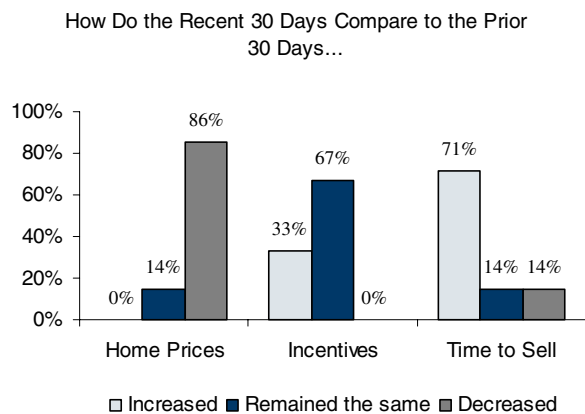
Source: Credit Suisse

Cincinnati, OH

February Market Trends	
Traffic	⬌
Home Prices	👎
Incentives	⬌

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

Traffic meets expectations. Our buyer traffic index came in at 45 in February (from 47 in January), coming in-line with a neutral reading of 50, pointing to traffic meeting expectations (a reading of 50 suggests traffic met expectations). 70% of agents said traffic met expectations, 20% said it fell short of expectations, and 10% said it exceeded expectations.

Prices fall, incentives unchanged. Home prices remained under pressure in February, as our price index came in at 35 from 30 in January, remaining below a neutral reading of 50, indicating sequentially lower home prices (readings short of 50). 70% of agents said prices were unchanged and 30% said they were lower. Meanwhile, sellers held incentives flat in February, as our incentive index came in at 50 (from 40 in January) in-line with a neutral reading of 50 (readings of 50 suggest flat incentives). 80% of agents said incentives were unchanged, 10% said they were lower, and 10% said they were higher.

Less time needed to sell a home in February. Our time to sell index came in at 70 in February (from 40 in January), pointing to a reduced time to sell over the past 30 days (readings above 50 indicate a reduced time to sell). 60% of agents said the time to sell was unchanged and 40% said the time to sell decreased. We view the decreased time to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Buyers are more comfortable going after homes if they think there are good deals."

- "People keeping talking about low interest rates. Buyers finally appear ready to make the jump."

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 Meets Expectations, Prices Fall, Incentives Flat, Reduced Time to Sell in February
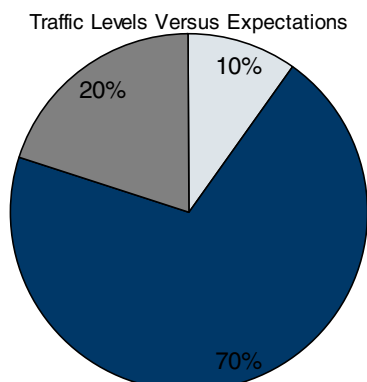
Traffic Levels Versus Expectations

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days…
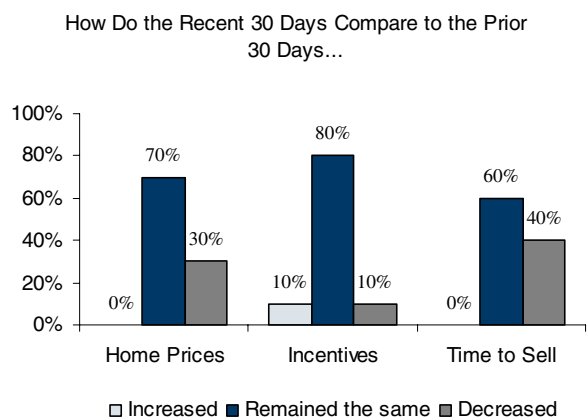
☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Columbus, OH

February 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 February, as our traffic index came in at 50 (from 55 in January), with readings of 50 pointing to traffic in-line with agents' expectations. 72% of agents said traffic met expectations, 14% said it was below expectations, and 14% said it exceeded expectations.

Prices fall, incentives increase. Prices remained under pressure in February, as our price index came in at 36 (from 30 in January) with readings below 50 indicating sequentially lower home prices. 43% of agents said prices were unchanged, 43% said they were lower, and 14% said they were higher. Meanwhile, sellers increased incentives in February, as our incentive index came in at 43 (from 40 in January), just short of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 86% of agents said incentives were unchanged and 14% said they were higher.

Increased time needed to sell a home in February. Our time to sell index came in at 43 in February (from 30 in January), pointing to a longer time to sell over the past 30 days (readings short of 50 suggest an increased time to sell). 57% of agents said the time to sell was unchanged, 29% said the time to sell increased, and 14% said the time to sell decreased. We believe the increased time to sell is a negative indicator for future pricing trends.

Comments from real estate agents:

- "The mild weather has definitely played a role in better traffic. Low interest rates have helped as well."

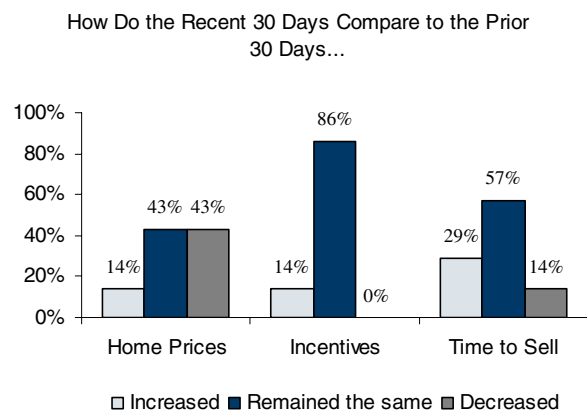- "People have an improved outlook on the economy and housing."

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 February
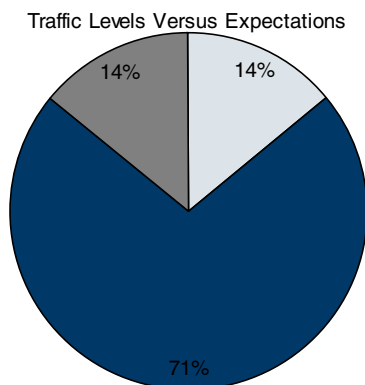
Source: Credit Suisse

Detroit, MI

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

February Market Trends	
Traffic	⬌
Home Prices	👎
Incentives	⬌

Traffic meets expectations. Buyer traffic met expectations in February, as our traffic index came in at 50 (from 37 in January), suggesting traffic met agents' expectations (readings of 50 indicate traffic met expectations). 34% of agents said traffic met expectations, 33% said it exceeded expectations and 33% said it was below expectations.

Prices fall, incentives flat. Home prices moved lower in February, as our price index came in at 31 (from 44 in January), shy of a neutral reading of 50 (readings short of 50 suggest sequentially lower prices). 50% of agents said prices were unchanged, 33% said they were lower, and 17% said they were higher. Meanwhile, incentives were flat, as our incentive index came in at 50 (from 43 in January), in-line with a neutral reading of 50 (readings of 50 suggest unchanged incentives). 76% of agents said incentives were stable, 12% said they were lower, and 12% said they were higher.

Less time needed to sell a home in February. Our time to sell index came in at 56 in February (from 44 in January), above a neutral reading of 50, indicating a reduced time to sell over the past 30 days (readings greater than 50). 44% of agents said the time to sell was unchanged, 34% said the time to sell decreased, and 22% said the time to sell increased. We view the decreased time to sell as a positive indicator for future pricing trends.

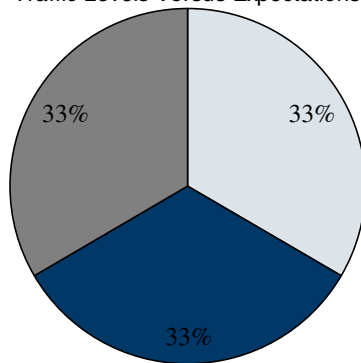*Comments from real estate agents:*

- "Many buyers think we may have hit a bottom. Low interest rates are also fueling demand."

- "The economy seems to be getting better. People are thinking that now is a good time to buy."

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

Exhibit 30: Traffic in-line with Expectations, Lower Prices, Flat Incentives, Reduced Time to Sell in February
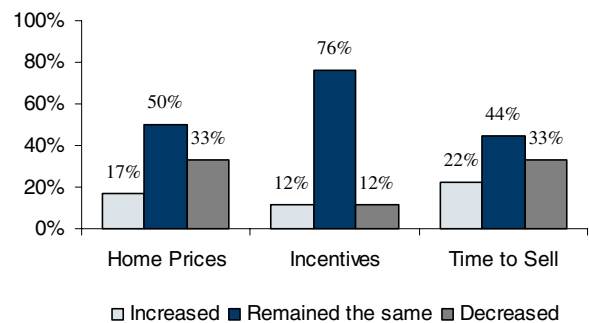

Traffic Levels Versus Expectations

33% / 33% / 33%

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

Home Prices: 17% / 50% / 33%
Incentives: 12% / 76% / 12%
Time to Sell: 22% / 44% / 33%

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Ft. Myers, FL

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

Traffic above expectations. Buyer traffic exceeded agents' expectations in February, as our traffic index came in at 76 (from 43 in January), above a neutral reading of 50 (readings greater than 50 point to traffic exceeding agents' expectations). 63% of agents said traffic was above expectations, 26% said it met expectations, and 11% said it was below expectations.

Prices higher, incentives increase. Agents indicated home prices were higher in February, as our home price index came in at 79 (from 80 in January), above a neutral reading of 50, indicating sequentially higher home prices (readings greater than 50). 58% of agents said prices were higher and 42% said they were unchanged. Meanwhile, incentives were higher in February, as our incentive index came in at 42 (from 47 in January), short of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 63% of agents said incentives were unchanged, 26% said they were higher, and 11% said they were lower.

Less time needed to sell a home in February. Our time to sell index came in at 79 in February (from 77 in January), 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). 63% of agents said the time to sell decreased over the past 30 days, 32% said the time to sell was unchanged, and 5% 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 are more confident in the economy."

- "Buyers are more willing to bite after missing out on one or two offers."

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%.
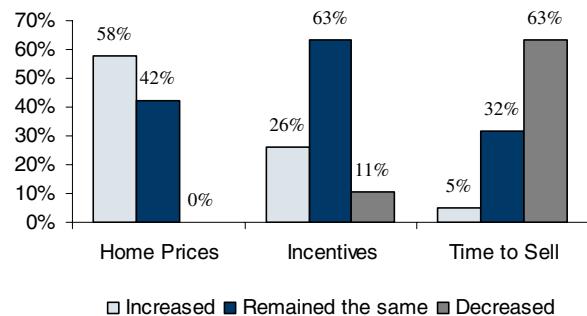
Exhibit 31: Traffic above Expectations, Higher Prices and Incentives, Less Time to Sell in February
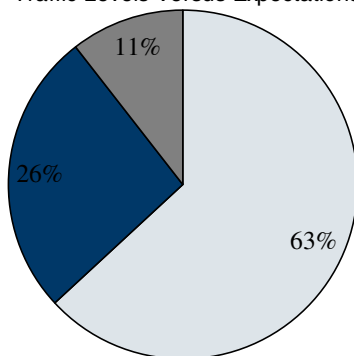
Traffic Levels Versus Expectations

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Nashville, TN

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

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

Traffic exceeds expectations. Buyer traffic came in above agents' expectations in February, as our traffic index came in at 67 (from 63 in January), above a neutral reading of 50 (readings greater than 50 point to traffic above agents' expectations). 58% of agents said traffic was above expectations, 25% said it was below expectations, and 17% said it met expectations.

Prices lower, incentives higher. Home prices fell in February, as our home price index came in at 33 (from 50 January), coming in short of a neutral reading of 50, indicating sequentially lower home prices (readings below 50). 67% of agents said prices were unchanged and 33% said they were lower. Meanwhile, incentives were higher in February, as our incentive index came in at 27 (from 38 in January) short of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 55% of agents said incentives were unchanged and 45% said they were higher.
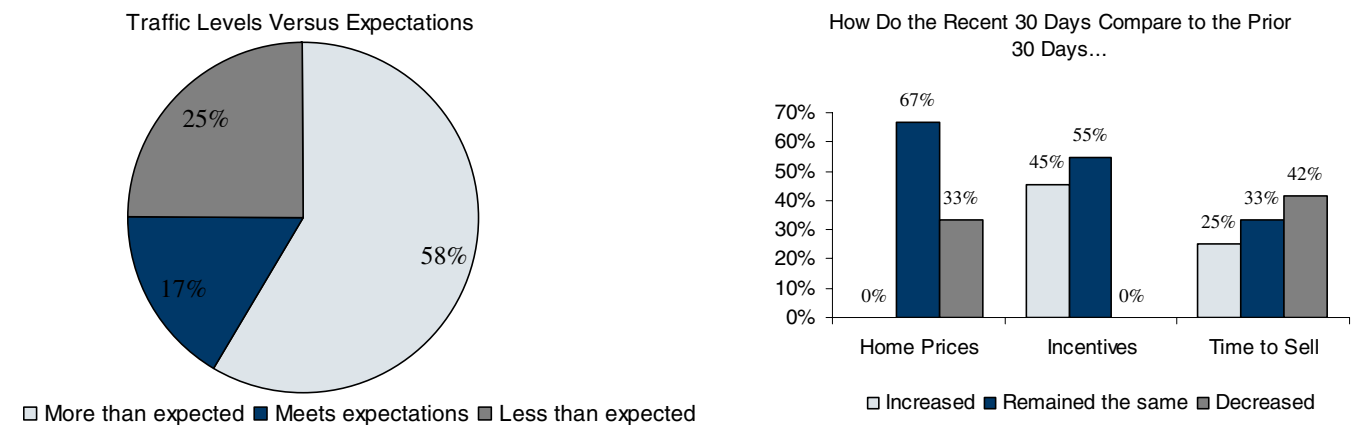
Less time needed to sell a home in February. Our time to sell index came in at 58 in February (from 38 in January), above a neutral reading of 50, suggesting a reduced time to sell over the past 30 days (readings greater than 50). 42% of agents said the time to sell decreased over the past 30 days, 33% said the time to sell was unchanged, and 25% 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:

- "Consumer confidence has been improving."

- "Warm weather has helped, but I still think the biggest deal for traffic is that buyers feel better about the economy."

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 above Expectations, Lower Prices, Higher Incentives, Reduced Time to Sell in February

Traffic Levels Versus Expectations

25%
58%
17%

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

	Increased	Remained the same	Decreased
Home Prices	0%	67%	33%
Incentives	45%	55%	0%
Time to Sell	25%	33%	42%

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Philadelphia, PA-Southern NJ

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	↔

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

Traffic above expectations. Buyer traffic remained above agents' expectations in February, as our traffic index came in at 58 (from 43 in January), exceeding a neutral reading of 50 (readings below 50 indicate traffic did not meet agents' expectations). 50% of agents said traffic was below expectations, 35% said it exceeded expectations, and 15% said it met expectations.

Prices decline, incentives flat. Home prices fell again in February, as our price index came in at 39 (from 36 in January), remaining short of a reading of 50 (readings short of 50 indicate sequentially lower home prices). 78% of agents said prices were unchanged over the past 30 days and 22% said they were lower. Meanwhile, incentives were flat in February, as our incentive index came in at 47 (from 35 in January), in-line with a neutral reading of 50 (readings of 50 point to unchanged incentives). 80% of agents said incentives were unchanged, 13% said they were higher, and 7% said they were lower.

Unchanged time needed to sell a home in February. Our time to sell index came in at 50 in February (from 36 in January), coming in-line with a neutral reading of 50, pointing to an unchanged time to sell over the past 30 days (readings of 50). 58% of agents said the time to sell was unchanged, 21% said the time to sell decreased, and 21% said the time to sell increased. We view the unchanged time needed to sell as a positive indicator for future pricing trends.

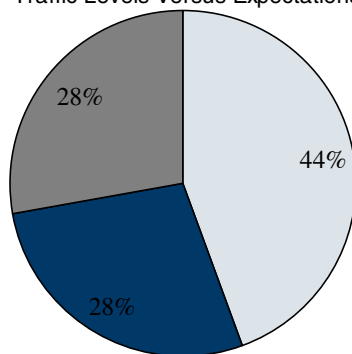*Comments from real estate agents:*

- "Great weather has made it easier for people to look, but I also think more people are looking because they're feeling more confident."

- "Low interest rates are really bringing buyers off the fence."

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 Above Expectations, Lower Prices, Flat Incentives , Unchanged Time to Sell in February
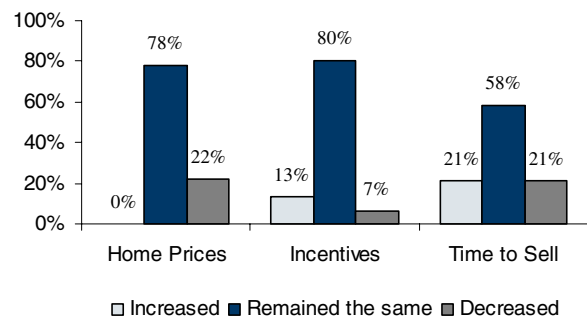

Traffic Levels Versus Expectations

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Portland, OR

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	↔

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

Traffic above agents' expectations. Buyer traffic exceeded agents' expectations in February, as our traffic index came in at 75 (from 50 in January), above a neutral reading of 50 (readings greater than 50 suggest traffic exceeded agents' expectations). 50% of agents said traffic was above expectations and 50% said it met expectations.

Lower prices, unchanged incentives. Home prices remained under pressure in February, as our price index came in at 39 (from 34 in January), remaining below a neutral reading of 50 (readings short of 50 point to sequentially lower prices). 64% of agents said prices were unchanged, 29% said prices were lower, and 7% said they were higher. Sellers held incentives steady in February, as our incentive index came in at 50 (from 46 in January), in-line with a neutral reading of 50 (readings of 50 suggest flat incentives). 84% of agents said incentives were unchanged, 8% said they were lower, and 8% said they were higher.
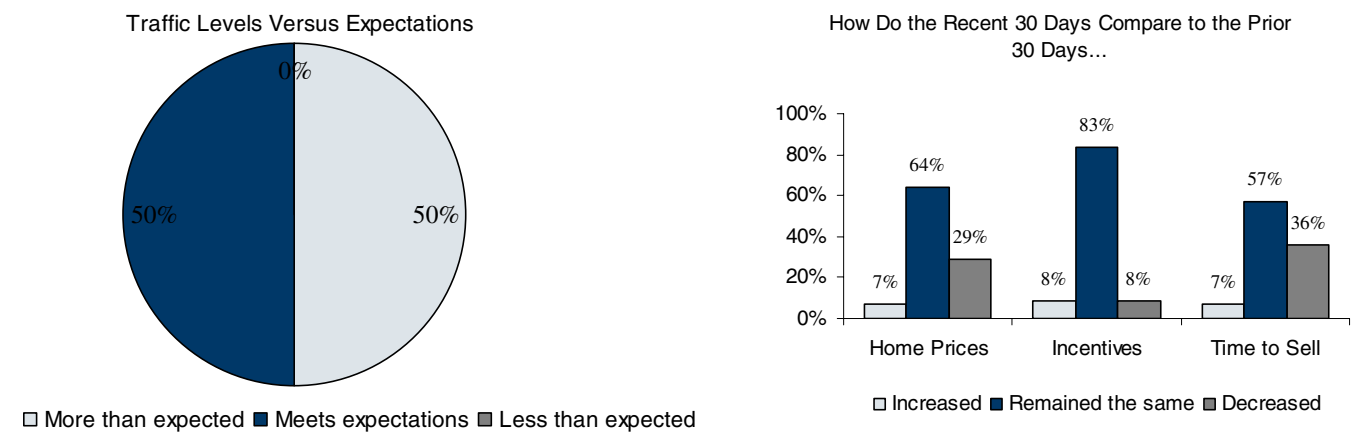
Less time needed to sell a home in February. Our time to sell index came in at 64 in February (from 52 in January), coming in above a neutral reading, suggesting a reduced time to sell over the past 30 days (readings greater than 50 point to a reduced time to sell). 57% of agents said the time to sell was unchanged, 36% said the time to sell decreased, and 7% 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:

- "Buyers are still 'tire-kicking' but at least they are looking."

- "Buyers want to get in interest rates this low. They also seem a bit more confident about the economy."

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

Exhibit 34: Traffic Above Expectations, Prices Fall, Flat Incentives, Unchanged Time to Sell in February

Traffic Levels Versus Expectations

0%
50%
50%

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

	Increased	Remained the same	Decreased
Home Prices	7%	64%	29%
Incentives	8%	83%	8%
Time to Sell	7%	57%	36%

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Raleigh, NC

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

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	⬌

Traffic above expectations. Buyer traffic exceeded agents' expectations in February, as our traffic index came in at 57 (from 63 in January), above a reading of 50 (readings greater than 50 point to traffic above agents' expectations). 57% of agents said traffic was greater than expectations and 43% said it was lower than expectations.

Lower prices, flat incentives. Home prices edged lower in February, as our price index came in at 43 (from 38 in January), just shy of a neutral reading of 50, suggesting sequentially lower prices. 57% of agents said prices were unchanged, 29% said they were lower, and 14% said they were higher. Meanwhile, incentives were flat in February, as our incentive index came in at 50 (unchanged from January), with readings of 50 pointing to flat incentives. 72% of agents said incentives were flat, 14% said they were lower, and 14% said they were higher.
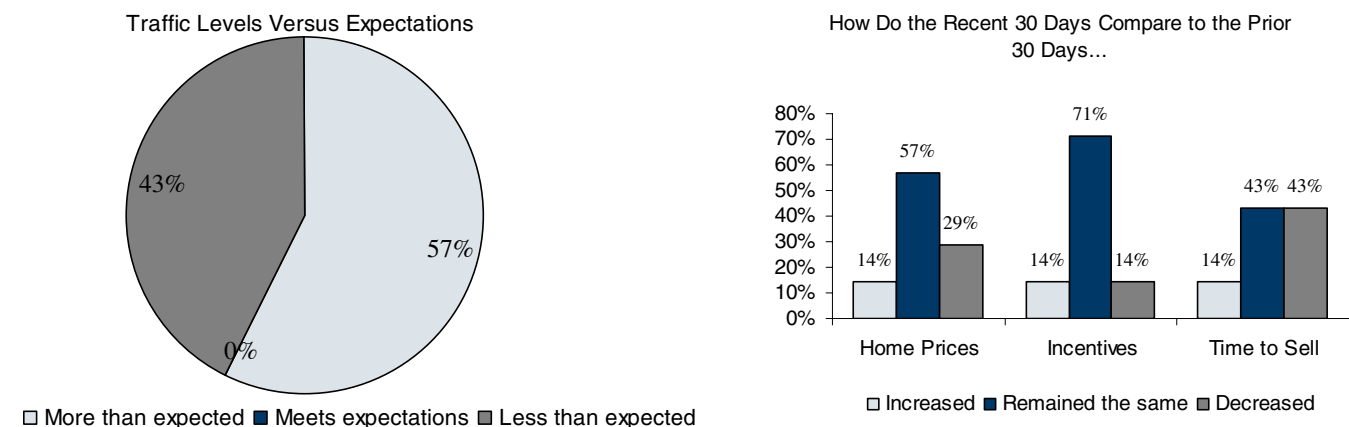
Less time needed to sell a home in February. Our time to sell index came in at 64 in February (from 56 in January), coming in above a neutral reading of 50, suggesting a reduced time to sell over the past 30 days (readings greater than 50 suggest a reduced time to sell). 43% of agents said the time to sell decreased, 43% said the time to sell was unchanged, and 14% said the time to sell increased. We view the reduced time needed to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "The economy seems to be getting better and people have a more positive outlook on things."

- "It feels like the spring market has started earlier this year. It usually begins around mid-March, but I think low interest rates and mild weather have brought buyers out earlier this year."

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 Above Expectations, Prices Decrease, Incentives Flat, Less Time to Sell in February

Traffic Levels Versus Expectations

43%

57%

0%

□ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

	Home Prices	Incentives	Time to Sell
Increased	14%	14%	14%
Remained the same	57%	71%	43%
Decreased	29%	14%	43%

□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Richmond, VA

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

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	↔

Traffic above expectations. Our buyer traffic index came in at 83 in February (from 75 in January), coming in above a neutral reading, suggesting traffic was greater than agents' expectations (readings above 50). 67% of agents said traffic exceeded expectations and 33% said it met expectations.

Prices lower, incentives unchanged. Home prices were lower in February, as our price index came in at 17 (from 25 in January), remaining below a neutral reading of 50, indicating sequentially lower prices (readings short of 50 indicate lower prices over the last 30 days). 67% of agents said prices were lower and 33% said they were unchanged. Meanwhile, sellers held incentives steady in February, as our incentive index came in at 50 (unchanged from January), in-line with a neutral reading, suggesting unchanged incentives. 100% of agents said incentives were unchanged.

Less time needed to sell a home in February. Our time to sell index came in at 83 in February (from 50 in January), above a neutral reading, suggesting a reduced time to sell over the past 30 days (readings lower than 50 point to a reduced time to sell). 67% of agents said the time to sell decreased and 33% said the time to sell was unchanged. We view the reduced time needed to sell as a positive indicator for future pricing trends.
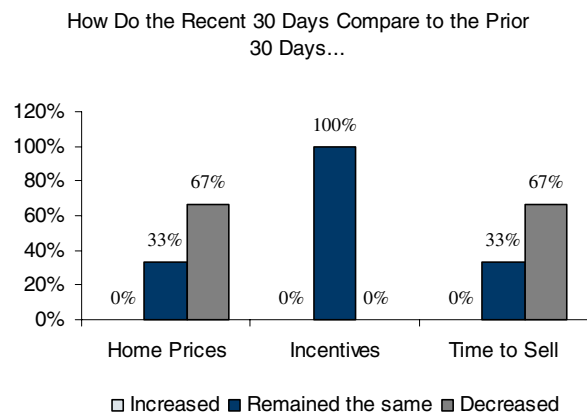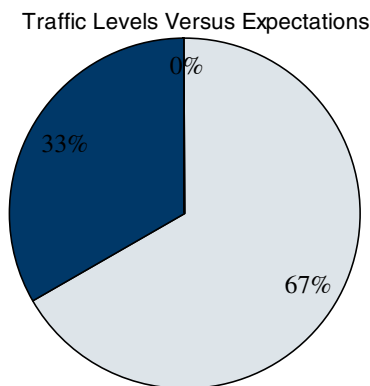
Comments from real estate agents:

- "Buyers want to take advantage of interest rates. They also feel more secure about theirs jobs."

- "Buyers are stepping back into the market as sellers are more willing to give in on price."

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 Above Expectations, Prices Lower, Incentives Flat, Unchanged Time to Sell in February

Traffic Levels Versus Expectations

How Do the Recent 30 Days Compare to the Prior 30 Days...

☐ More than expected ■ Meets expectations ■ Less than expected

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Sacramento, CA

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

February Market Trends	
Traffic	👍
Home Prices	↔
Incentives	👎

Traffic well above expectations. Our buyer traffic index came in at 100 (from 64 in January) above a neutral reading of 50, suggesting traffic exceeded agents' expectations (readings greater than 50). 100% of agents said traffic exceeded expectations.

Prices flat, incentives higher. Home prices were unchanged in February, as our home price index came in at 50 (from 46 in January), in-line with a neutral reading of 50, indicating sequentially flat prices. 74% of agents said prices were unchanged, 13% said they were lower, and 13% said they were higher. Meanwhile, incentives were higher in February, as our incentive index came in at 36 (from 46 in January), short of a neutral reading, with readings lower than 50 pointing to increased incentives. 43% of agents said incentives were higher, 43% said they were unchanged, and 14% said they were lower.

Less time needed to sell a home in February. Our time to sell index came in at 75 (from 57 in January), coming in above a neutral reading of 50, pointing to a reduced time to sell over the past 30 days (readings above 50 suggest less time to sell). 50% of agents said the time to sell decreased and 50% said the time to sell was unchanged. We view the reduced time needed to sell as a positive indicator for future pricing trends.
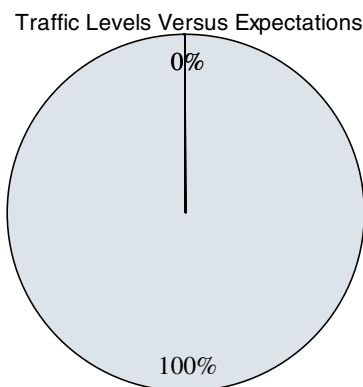
Comments from real estate agents:

- "There is a real sense that the worst is behind us and that prices aren't going much lower."

- "Consumer confidence is up and low inventory is creating urgency in the market."

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 Above Expectations, Flat Prices, Higher Incentives, Less Time to Sell in February

Traffic Levels Versus Expectations

□ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...
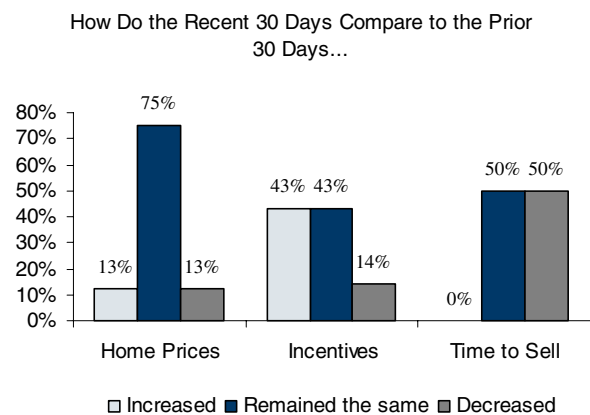
□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

San Diego, CA

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

February Market Trends	
Traffic	👍
Home Prices	↔
Incentives	👎

Traffic above expectations. Buyer traffic exceeded expectations in February, as our traffic index came in at 56 (from 31 in January), above a neutral reading of 50 (readings greater than 50 point to above agents' expectations). 42% of agents said traffic exceeded expectations, 29% said it met expectations, and 29% said it was below expectations.

Flat prices, higher incentives. Home prices were flat in February. Our price index came in at 48 (from 29 in January), in-line with a reading of 50 (readings of 50 point to sequentially unchanged prices). 61% of agents said prices were unchanged, 22% said they were lower, and 17% said they were higher. Meanwhile, incentives were higher in February, as our incentive index came in at 41 (from 30 in January), below a neutral reading of 50 (readings short of 50 point to higher incentives). 73% of agents said incentives were unchanged, 23% said they were higher, and 4% said they were lower.

Less time needed to sell a home in February. Our time to sell index came in at 58 in February (from 40 in January), coming in above a neutral reading of 50, pointing to a reduced time to sell over the last 30 days (readings above 50). 50% of agents said the time to sell was unchanged, 33% said the time to sell decreased, and 17% said the time to sell increased. We view the reduced time needed to sell as a positive indicator for future pricing trends.
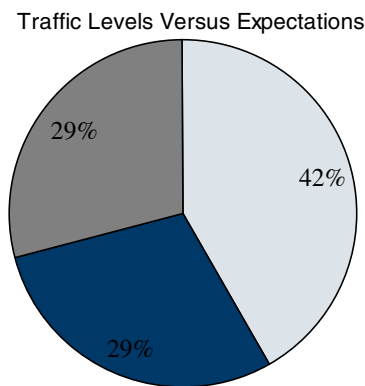
Comments from real estate agents:

- "Buyers are starting to believe that pricing has bottomed out. Inventory is down and that is also pulling buyers off the fence."
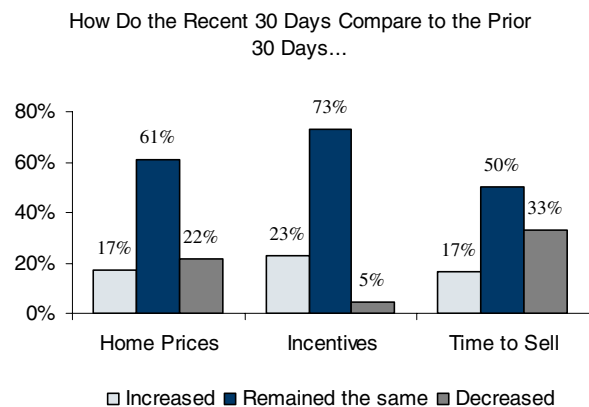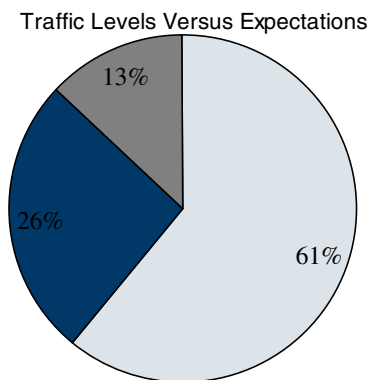
- "Low interest rates are motivating buyers."

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 Above Expectations, Flat Prices, Higher Incentives, Reduced Time to Sell in February

Traffic Levels Versus Expectations

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

San Francisco, CA

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

February Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔

Traffic exceeds expectations. Buyer traffic was above agents' expectations in February, as our traffic index came in at 74 (from 54 in January), above a neutral reading of 50 (readings greater than 50 point to traffic exceeding expectations). 61% of agents said traffic was above expectations, 26% said it met expectations, and 13% said it was below expectations.

Prices higher, incentives flat. Home prices increased in February, as our price index came in at 63 (from 46 in January), above a neutral reading of 50 (readings greater than 50 suggest sequentially higher prices). 48% of agents said prices were unchanged over the past 30 days, 39% said they were higher, and 13% said they were lower. Meanwhile, incentives were flat in February, as our incentive index came in at 50 (unchanged from January), in-line with a neutral reading, pointing to flat incentives. 88% of agents said incentives were unchanged, 6% said they were higher and 6% said they were lower.

Less time needed to sell a home in February. Our time to sell index came in at 71 in February (from 52 in January), coming in above a neutral reading of 50, suggesting a reduced time to sell over the last 30 days (readings above 50 indicate a reduced time to sell). 50% of agents said the time to sell decreased, 41% said the time to sell was unchanged, and 9% said the time to sell increased. We view the reduced time needed to sell as a positive indicator for future pricing trends.
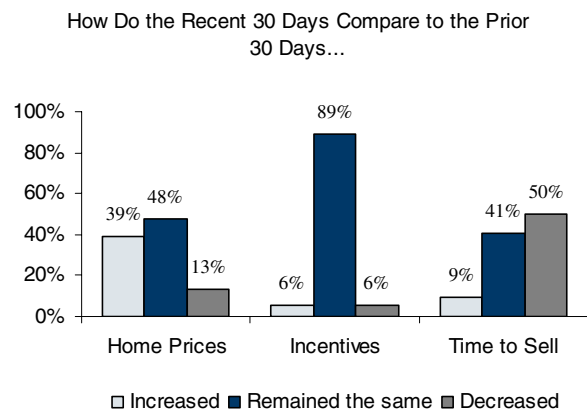
Comments from real estate agents:

- "Buyers are more optimistic."

- "Very low inventory has led to buyers placing multiple offers on some properties."

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 Meets Expectations, Prices Higher, Incentives Flat, Less Time to Sell in February

Traffic Levels Versus Expectations

☐ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Sarasota, FL

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

February Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👎

Traffic above expectations. Buyer traffic exceeded agents' expectations in February as our traffic index came in at 72 (from 70 in January), above a neutral reading of 50 (readings greater than 50 point to traffic above agents' expectations). 56% of agents said traffic met expectations and 44% said it exceeded expectations.

Prices higher, incentives increase. Home prices were higher in February, as our price index came in at 61 (from 60 in January), above a neutral reading, indicating sequentially higher prices (readings greater than 50). 56% of agents said prices were unchanged, 33% said they were higher, and 11% said prices were lower. Meanwhile, incentives edged higher in February, as our incentive index came in at 44 (unchanged from January), just missing a neutral reading of 50 (readings lower than 50 indicate increased incentives). 88% of agents said incentives were unchanged and 12% said incentives were higher.

Less time needed to sell a home in February. Our time to sell index came in at 89 in February (from 75 in January), above a neutral reading of 50, pointing to a reduced time to sell over the past 30 days (readings above 50). 78% of agents said the time to sell decreased and 22% said the time to sell was unchanged. We view the decreased time to sell as a positive indicator for future pricing trends.
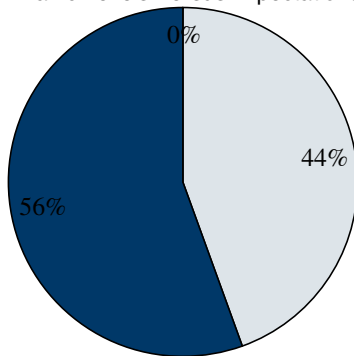
Comments from real estate agents:

- "It seems buyers are expecting prices to start increasing again."

- "Snowbirds think prices have bottomed out."

Ryland and Lennar have the greatest exposure. Sarasota represents 3% of sales for Ryland, followed by Lennar at 2%.
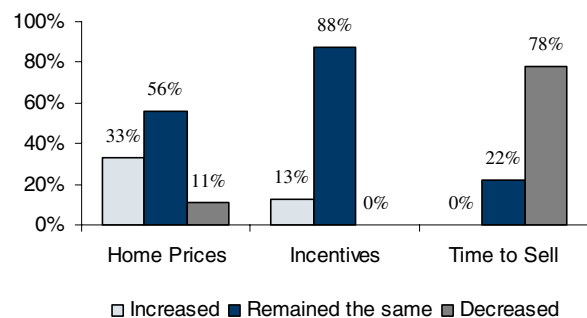
Exhibit 40: Traffic above Expectations, Prices and Incentives Increase, Less Time to Sell in February

Traffic Levels Versus Expectations

- More than expected
- Meets expectations
- Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

- Increased
- Remained the same
- Decreased

Source: Credit Suisse

St. Louis, MO

February 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 February, as our traffic index came in at 40 (from 38 January), closer toward a neutral reading but still short, with readings below 50 pointing to traffic short of expectations. 40% of agents said traffic was below expectations, 40% said it met expectations, and 20% said it exceeded expectations.

Lower prices, flat incentives. Home prices fell further in February, as our price index came in at 38 (unchanged from January), still below a neutral reading of 50 (readings lower than 50 point to sequentially lower prices). 75% of agents said prices were unchanged and 25% said they were lower. Meanwhile, sellers held incentives steady in February, as our incentive index came in at 50 (from 38 in January), in-line with a neutral reading of 50, suggesting flat incentives over the past month (readings of 50). 34% of agents said incentives were flat, 33% said they were lower, and 33% said they were higher.

Longer time needed to sell a home in February. Our time to sell index came in at 38 (from 0 in January), short of a neutral reading, pointing to an increased time to sell over the last 30 days (readings lower than 50). 50% of agents said the time to sell increased, 25% said the time to sell was unchanged, and 25% said the time to sell decreased. We view the longer time needed to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

- "Buyers are having a tough time qualifying for loans."

- "People are nervous about moving, they don't know what to expect."

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

Exhibit 41: Traffic Below Expectations, Lower Prices, Unchanged Incentives, Increased Time to Sell in February
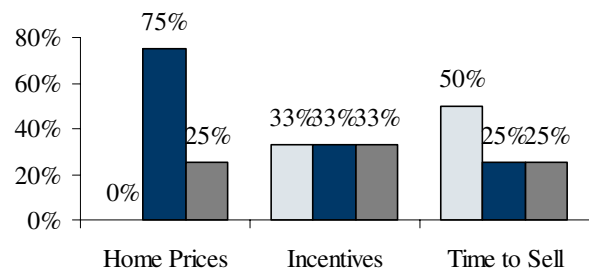

Traffic Levels Versus Expectations
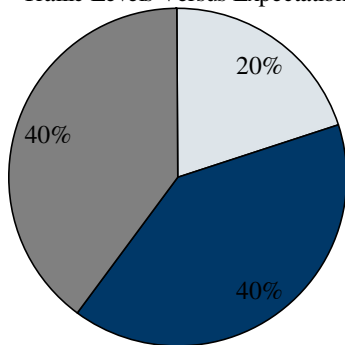
How Do the Recent 30 Days Compare to the Prior 30 Days...

☐ More than expected ■ Meets expectations ■ Less than expected

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Tucson, AZ

February Market Trends	
Traffic	👍
Home Prices	◄►
Incentives	👎

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

Traffic above expectations. Buyer traffic exceeded expectations in February, as our traffic index came in at 61 (from 27 in January), above a neutral reading of 50 (readings greater than 50 suggest traffic exceeded agents' expectations). 56% of agents said traffic was in-line with expectations, 33% said it exceeded expectations, and 11% said it was below expectations.

Prices flat, incentives increase. Home prices were flat in February, as our home price index came in at 50 (from 23 in January), in-line with a neutral reading of 50, suggesting flat prices over the last 30 days (readings of 50 point to unchanged prices). 34% of agents said prices were flat, 33% said they were higher, and 33% said they were unchanged. Meanwhile, incentives edged lower in February, as our incentive index came in at 44 (from 46 in January), just short of a neutral reading of 50, with readings lower than 50 pointing to increased incentives. 67% of agents said incentives were unchanged, 22% said they were higher, and 11% said they were lower.
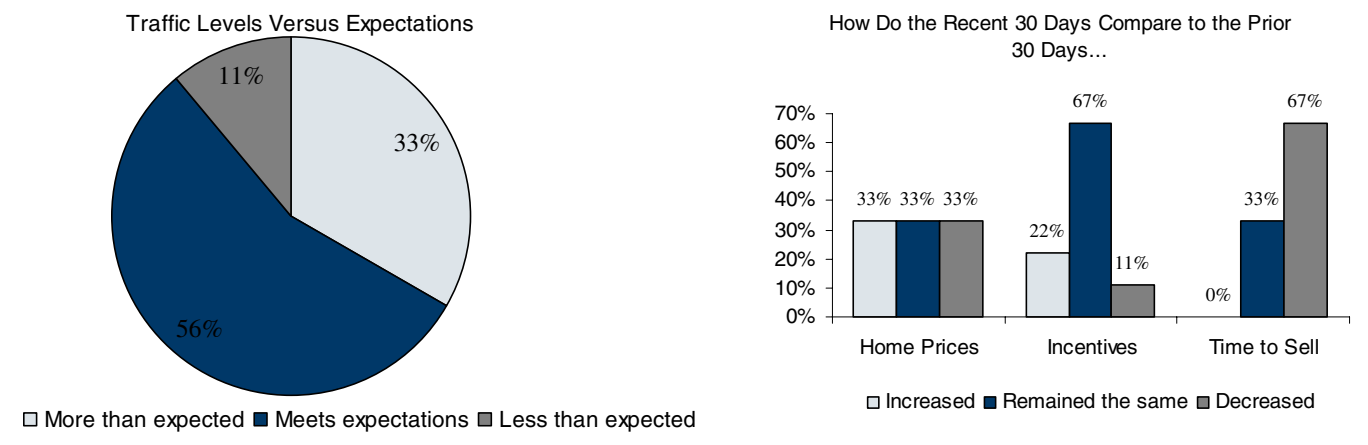
Less time needed to sell a home in February. Our time to sell index came in at 83 in February (from 68 in January), above a neutral reading of 50, pointing to a reduced time to sell (readings lower than 50). 67% of agents said the time to sell a home increased and 33% said the time to sell unchanged. We view the decreased time to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Buyers are finally starting to think it is a good time to buy."

- "Buyers like these low interest rates and prices. There is a lot of activity."

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 Above Expectations, Prices Flat, Incentives Higher, Less Time to Sell in February

Traffic Levels Versus Expectations

□ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Virginia Beach, VA

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	↔

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

Traffic above expectations. Buyer traffic came in above agents' expectations in February, as our traffic index came in at 71 (from 61 in January), above a neutral reading (readings greater than 50 suggest traffic exceeded expectations). 57% of agents said traffic was above expectations, 29% said it met expectations, and 14% said it was below expectations.

Prices fall, incentives unchanged. Home prices fell in February, as our price index came in at 14 (from 28 in January), still below a neutral reading of 50, suggesting lower prices over the last 30 days (readings below 50). 71% of agents said prices were lower and 29% said they unchanged. Meanwhile, sellers held incentives steady in February, as our incentive index came in at 50 (from 39 in January), coming in-line with a neutral reading, suggesting unchanged incentives over the past month (readings of 50). 72% of agents said incentives were flat, 14% said they were lower, and 14% said they were higher.
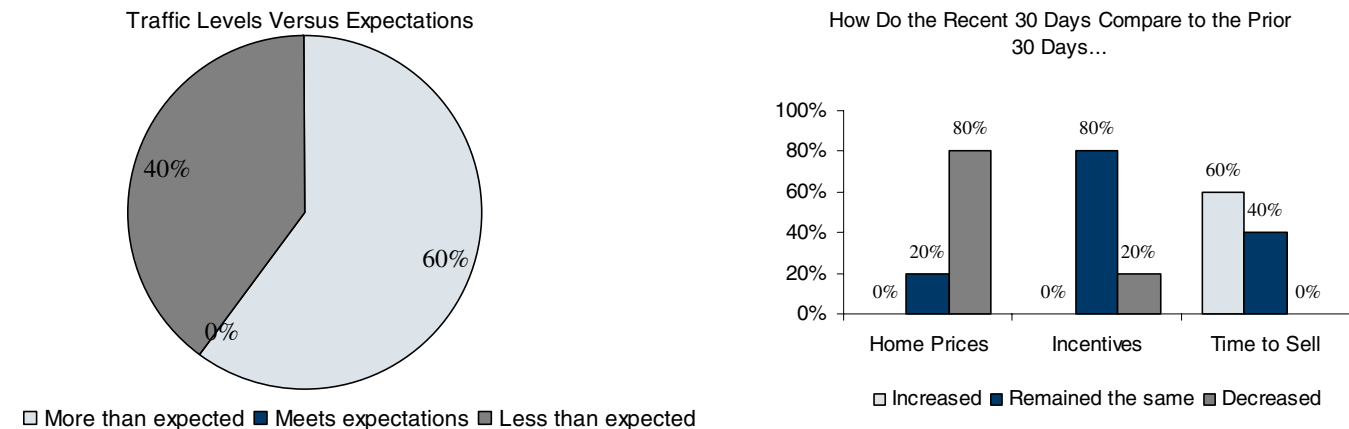
Unchanged time needed to sell a home in February. Our time to sell index came in at 50 in February (from 33 in January), pointing to an unchanged time to sell over the past 30 days (readings of 50). 42% of agents said the time to sell was unchanged, 29% said the time to sell decreased, and 29% said the time to sell increased. We view the unchanged time needed to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Buyers are becoming more confident and sellers are willing to cut price in order to attract buyers."

- "The economy is getting better and buyers want to take advantage of affordability."

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 Above Expectations, Lower Prices, Flat Incentives, Unchanged Time to Sell in February

Traffic Levels Versus Expectations

□ More than expected ■ Meets expectations ■ Less than expected

How Do the Recent 30 Days Compare to the Prior 30 Days...

□ Increased ■ Remained the same ■ Decreased
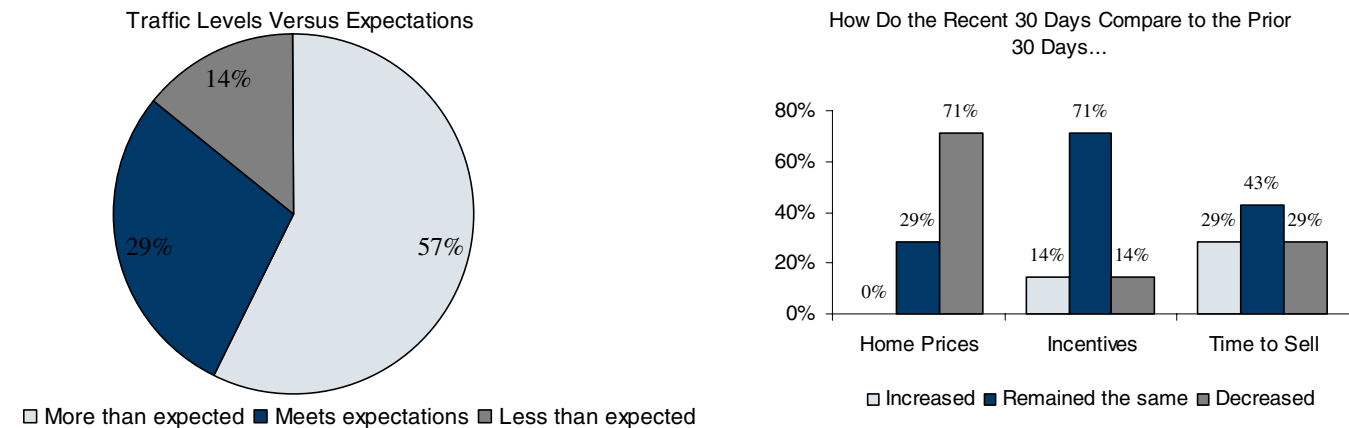
Source: Credit Suisse

Wilmington, NC

February Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👍

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

Traffic above expectations. Our buyer traffic index came in at 60 in February (unchanged from January), pointing to traffic exceeding agents' expectations (readings above 50 point to traffic greater than agents' expectations). 60% of agents said traffic exceeded expectations and 40% said traffic fell short of expectations.

Prices fall, incentives decrease. Home prices faced additional pressure in February, as our price index came in at 10 (from 30 in January), 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, incentives were lower in February, as our incentive index came in at 60 in February (from 40 in January), above a neutral reading (readings greater than 50 suggest reduced incentives over the past month). 80% of agents said incentives were unchanged and 20% said they were lower.

Longer time needed to sell a home in February. Our time to sell index came in at 20 in February (from 30 in January), 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). 60% of agents said the time to sell increased and 40% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

- "More people are looking, but it is still tough for them to pull the trigger."

- "Affordability is fantastic. Investors are looking more actively as well."

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

Exhibit 44: **Traffic above Expectations, Prices and Incentives Fall, Time to Sell Lengthens in February**

Traffic Levels Versus Expectations

How Do the Recent 30 Days Compare to the Prior 30 Days...

☐ More than expected ■ Meets expectations ■ Less than expected

☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

Historical Trends

Buyer traffic exceeded agents' expectations in February, as buyers were said to want to take advantage of affordability, with a more positive outlook on home prices and the economy. According to agents, a greater sense of job security gave buyers the confidence to commit, whereas previously many buyers were hesitant to take the plunge. Historical traffic trends:

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

	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
Atlanta, GA	20.0	25.0	21.2	25.9	33.3	33.3	26.5	16.1	24.1	38.5	41.3	59.5	72.5
Austin, TX	42.5	39.6	46.4	41.3	27.3	25.0	23.9	44.7	15.0	33.3	35.0	58.7	77.5
Baltimore, MD	68.8	42.3	20.8	20.0	5.6	45.0	37.5	0.0	33.3	28.6	62.5	50.0	58.3
Boston, MA	31.3	44.4	50.0	28.6	46.9	34.6	18.8	35.0	32.1	23.1	50.0	34.6	70.0
Charleston, SC	50.0	16.7	16.7	10.0	30.0	30.0	16.7	0.0	12.5	0.0	0.0	37.5	42.9
Charlotte, NC	41.7	28.6	31.8	34.4	23.1	19.2	21.9	6.7	25.0	46.4	45.8	60.0	82.1
Chicago, IL	27.6	26.4	27.4	32.9	20.8	24.2	21.1	26.3	27.4	17.6	41.2	58.6	57.9
Cincinnati, OH	21.4	35.7	26.7	25.0	11.5	20.0	14.3	0.0	16.7	11.1	25.0	46.7	45.0
Columbus, OH	42.9	31.3	16.7	28.6	33.3	25.0	25.0	27.8	20.0	22.7	50.0	55.0	50.0
Dallas, TX	30.4	41.1	42.5	39.5	21.9	45.0	23.1	22.2	27.8	19.4	30.0	45.2	50.0
Denver, CO	40.7	38.6	43.8	31.0	28.6	26.9	22.2	37.0	38.5	41.7	46.3	50.0	50.0
Detroit, MI	36.8	60.0	56.3	38.6	38.9	40.0	35.7	33.3	19.4	21.4	38.2	36.7	50.0
Fort Myers, FL	52.6	66.7	53.3	52.8	52.8	42.9	40.0	36.1	46.2	46.9	45.8	43.3	76.3
Houston, TX	39.5	29.2	31.0	27.8	23.1	36.5	19.0	50.0	32.4	41.3	36.1	50.0	67.5
Inland Empire, CA	50.0	33.3	31.3	27.8	29.4	33.3	21.4	25.0	50.0	29.2	33.3	38.5	37.5
Jacksonville, FL	50.0	53.6	53.8	61.1	36.7	41.7	38.5	22.7	25.0	37.5	16.7	45.8	50.0
Las Vegas, NV	43.5	26.0	50.0	31.3	42.5	32.7	33.3	47.9	44.1	42.9	52.5	50.0	57.9
Los Angeles, CA	39.4	33.3	28.4	25.7	19.4	28.1	33.3	12.5	25.0	23.4	35.2	50.0	53.7
Miami, FL	51.5	52.4	48.8	52.5	42.4	37.5	37.1	28.4	38.5	44.2	40.0	60.8	56.8
Minneapolis, MN	39.1	34.7	38.5	30.7	35.5	33.3	23.6	29.7	26.6	21.1	31.4	50.0	62.5
Nashville, TN	50.0	30.8	43.8	15.0	26.9	8.3	16.7	28.6	25.0	37.5	31.8	62.5	66.7
New York-Northern NJ	34.0	23.1	23.5	18.3	11.1	15.3	17.4	12.5	8.8	19.4	24.4	38.1	54.2
Orlando, FL	50.0	39.5	44.1	39.6	13.9	27.8	23.5	32.1	34.6	18.4	41.7	29.2	63.3
Phila.-Southern NJ	43.2	36.0	11.4	7.7	7.5	17.6	21.4	25.0	21.1	15.2	30.6	42.5	58.3
Phoenix, AZ	47.1	44.2	54.8	54.2	45.7	50.0	39.2	37.9	40.0	27.9	50.0	53.4	73.6
Portland, OR	38.0	32.7	23.8	23.9	24.0	26.2	21.1	14.3	25.0	36.8	36.8	50.0	75.0
Raleigh, NC	35.0	37.5	16.7	16.7	30.0	22.2	13.6	0.0	31.3	60.0	50.0	62.5	57.1
Richmond, VA	60.0	50.0	25.0	18.8	33.3	66.7	75.0	33.3	25.0	66.7	50.0	75.0	83.3
Sacramento, CA	39.3	18.8	25.0	27.8	39.5	28.1	25.0	5.0	35.0	39.3	38.9	64.3	100.0
San Antonio, TX	18.2	32.1	40.9	27.8	40.9	16.7	12.5	18.8	14.3	38.9	37.5	62.5	62.5
San Diego, CA	34.1	23.9	30.0	21.7	15.4	11.5	18.8	10.7	15.0	14.3	29.5	30.8	56.3
San Francisco, CA	56.3	37.5	41.3	33.3	25.0	42.0	38.6	25.0	37.5	39.7	26.5	54.3	73.9
Sarasota, FL	45.5	62.5	75.0	64.7	43.8	33.3	27.8	18.2	22.2	50.0	46.2	70.0	72.2
Seattle, WA	61.1	36.5	26.3	41.3	33.3	25.0	22.2	36.8	33.3	16.7	35.3	38.2	69.0
St. Louis, MO	33.3	25.0	20.0	25.0	8.3	30.0	42.9	33.3	25.0	0.0	0.0	37.5	40.0
Tampa, FL	42.1	38.6	61.8	37.5	21.7	30.4	22.0	32.6	25.0	31.0	53.1	43.5	60.0
Tucson, AZ	41.2	57.7	40.9	43.8	34.4	45.5	26.9	32.1	43.3	30.8	35.0	27.3	61.1
Virginia Beach, VA	54.2	45.0	50.0	29.2	16.7	50.0	50.0	40.0	30.0	80.0	50.0	61.1	71.4
Washington, DC	50.0	45.3	32.0	37.0	28.0	35.4	27.3	24.0	25.9	29.2	31.7	48.2	66.7
Wilmington, NC	28.6	25.0	50.0	25.0	50.0	37.5	0.0	30.0	62.5	60.0	30.0	60.0	60.0
Total	41.0	36.6	35.9	31.1	28.8	31.1	26.9	24.8	29.0	32.5	37.1	49.8	62.3

Source: Credit Suisse

Home prices continued their slow but steady march toward stabilization, though our home price index pointed to falling prices in February. Overall trends point to continued pressure, though several markets were said to have higher prices.

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]**

	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
Atlanta, GA	20.8	32.8	21.2	22.4	31.7	28.8	26.5	31.7	25.9	23.1	19.6	22.7	40.5
Austin, TX	28.6	50.0	40.0	45.7	43.5	32.5	30.4	42.5	30.0	26.3	47.4	56.5	60.0
Baltimore, MD	31.3	12.5	25.0	20.0	22.2	22.2	25.0	31.3	33.3	28.6	12.5	41.7	33.3
Boston, MA	43.8	41.7	32.4	17.9	43.3	26.9	25.0	20.0	31.3	26.9	28.6	20.8	42.9
Charleston, SC	50.0	8.3	25.0	0.0	20.0	35.0	16.7	25.0	25.0	0.0	0.0	25.0	7.1
Charlotte, NC	22.7	21.4	33.3	28.1	11.5	20.8	16.7	18.8	25.0	21.4	33.3	33.3	38.5
Chicago, IL	21.4	25.0	18.6	15.8	12.5	15.6	9.5	15.8	12.9	19.7	20.6	23.5	34.6
Cincinnati, OH	33.3	35.7	32.1	20.0	23.1	20.0	14.3	0.0	16.7	22.2	35.7	30.0	35.0
Columbus, OH	28.6	37.5	25.0	35.7	22.2	22.2	25.0	27.8	20.0	29.2	33.3	30.0	35.7
Dallas, TX	21.7	25.0	47.5	34.2	36.7	50.0	34.6	22.2	38.9	33.3	27.3	33.3	46.4
Denver, CO	38.9	34.3	39.1	32.3	28.6	36.5	42.3	33.3	34.0	36.4	41.7	48.1	47.8
Detroit, MI	35.0	32.5	46.7	43.2	38.2	39.3	34.6	27.8	39.5	42.9	44.1	31.3	41.7
Fort Myers, FL	44.7	58.3	60.0	47.2	71.9	46.4	60.7	55.9	46.4	62.5	66.7	80.0	78.9
Houston, TX	36.8	41.7	45.2	41.7	32.7	36.0	42.5	36.8	41.2	37.0	47.2	46.2	47.7
Inland Empire, CA	26.5	40.5	31.3	26.3	35.3	29.2	32.1	35.7	19.2	25.0	37.5	37.5	38.2
Jacksonville, FL	30.0	19.2	38.5	25.0	42.9	25.0	23.1	31.8	22.2	25.0	31.3	37.5	16.7
Las Vegas, NV	30.4	30.0	30.6	21.2	32.5	28.0	19.4	18.8	23.5	26.2	35.0	34.2	23.7
Los Angeles, CA	28.1	34.0	27.0	27.0	22.2	30.6	27.9	25.0	21.2	28.1	37.5	30.0	38.8
Miami, FL	30.0	36.9	38.5	37.2	32.6	40.6	50.0	44.6	47.6	53.4	54.3	53.9	59.2
Minneapolis, MN	21.2	27.8	20.0	16.3	22.6	23.6	22.9	22.4	15.6	16.2	19.4	25.6	35.7
Nashville, TN	31.3	30.8	25.0	35.0	26.9	25.0	20.8	42.9	25.0	25.0	36.4	50.0	33.3
New York-Northern NJ	22.8	34.6	32.8	22.6	18.3	25.0	16.7	21.9	15.0	18.5	14.0	27.0	30.2
Orlando, FL	11.5	21.1	38.2	35.4	18.4	41.7	37.5	46.2	42.3	47.2	47.1	45.8	53.3
Phila.-Southern NJ	25.0	32.0	20.5	23.1	19.0	17.6	21.4	23.7	18.4	21.7	18.2	35.7	38.9
Phoenix, AZ	20.6	28.7	40.5	37.5	38.6	51.4	40.5	40.0	50.0	48.5	56.3	64.8	71.4
Portland, OR	17.3	19.6	15.9	21.7	18.0	21.4	17.5	19.0	19.4	26.3	34.2	34.1	39.3
Raleigh, NC	40.9	25.0	27.8	20.0	30.0	16.7	22.7	35.7	31.3	40.0	33.3	37.5	42.9
Richmond, VA	50.0	40.0	8.3	31.3	10.0	16.7	0.0	0.0	33.3	33.3	0.0	25.0	16.7
Sacramento, CA	26.9	9.4	25.0	19.4	23.7	21.9	23.1	20.0	25.0	32.1	33.3	46.4	50.0
San Antonio, TX	36.4	35.7	40.9	35.0	27.3	33.3	37.5	37.5	35.7	38.9	25.0	50.0	31.3
San Diego, CA	27.3	18.2	36.0	29.2	26.9	33.3	14.3	25.0	25.0	21.4	25.0	28.8	47.8
San Francisco, CA	34.8	33.3	36.0	29.6	22.9	32.0	29.5	23.5	23.7	40.7	29.4	45.8	63.0
Sarasota, FL	22.7	42.3	37.5	26.5	62.5	37.5	50.0	40.9	50.0	50.0	53.8	60.0	61.1
Seattle, WA	27.8	30.8	31.6	26.0	27.1	29.4	20.7	26.3	34.8	13.2	14.7	14.7	38.6
St. Louis, MO	33.3	20.8	35.0	0.0	20.0	40.0	28.6	33.3	25.0	40.0	0.0	37.5	37.5
Tampa, FL	28.9	22.7	47.1	36.8	34.8	45.5	26.0	35.7	28.8	32.8	44.1	45.7	47.5
Tucson, AZ	5.9	34.6	13.6	31.3	26.7	27.3	23.1	15.4	23.3	33.3	35.0	22.7	50.0
Virginia Beach, VA	25.0	30.0	33.3	25.0	41.7	8.3	25.0	0.0	10.0	30.0	10.0	27.8	14.3
Washington, DC	50.0	53.6	44.2	43.5	56.0	42.0	35.7	38.9	36.2	39.6	32.8	33.9	61.4
Wilmington, NC	21.4	16.7	37.5	8.3	12.5	0.0	0.0	20.0	25.0	10.0	10.0	30.0	10.0
Total	30.1	29.9	31.8	26.7	29.7	28.7	26.7	27.8	28.7	30.7	30.6	37.6	41.0

Source: Credit Suisse

Incentives inched higher in February, though agents' responses indicate incentives may hold steady in the near future. Historical incentive trends:

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

	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
Atlanta, GA	27.3	41.1	34.0	28.8	32.8	32.7	38.2	26.8	31.0	41.7	37.0	33.3	42.5
Austin, TX	35.0	41.3	43.3	39.1	34.1	31.6	37.0	25.0	45.0	20.0	30.6	40.9	45.0
Baltimore, MD	43.8	30.0	40.0	20.0	27.8	37.5	25.0	37.5	33.3	41.7	12.5	40.0	33.3
Boston, MA	50.0	40.6	53.3	53.8	50.0	53.8	36.7	50.0	46.4	45.5	42.9	50.0	54.2
Charleston, SC	43.8	40.0	50.0	40.0	40.0	38.9	50.0	37.5	37.5	50.0	50.0	50.0	33.3
Charlotte, NC	27.3	42.9	54.5	43.3	45.8	45.8	50.0	37.5	50.0	42.9	37.5	26.7	42.9
Chicago, IL	57.7	46.9	54.2	45.6	47.0	45.0	43.8	51.6	40.4	41.2	43.5	50.0	37.1
Cincinnati, OH	41.7	42.9	43.3	50.0	29.2	30.0	14.3	16.7	33.3	38.9	35.7	40.0	50.0
Columbus, OH	41.7	37.5	50.0	50.0	50.0	35.0	31.3	25.0	12.5	27.3	25.0	40.0	42.9
Dallas, TX	26.1	44.4	42.1	38.9	50.0	66.7	37.5	35.3	37.5	34.4	50.0	23.8	30.8
Denver, CO	44.2	50.0	50.0	38.9	30.8	44.0	42.0	37.5	37.5	50.0	43.5	48.0	54.5
Detroit, MI	44.4	42.1	53.6	50.0	43.3	37.5	36.4	50.0	50.0	44.7	43.3	42.9	50.0
Fort Myers, FL	36.8	41.7	46.7	28.1	43.3	50.0	42.9	33.3	37.5	40.6	37.5	46.7	42.1
Houston, TX	34.2	43.5	38.9	34.4	32.0	34.0	33.3	38.2	37.5	34.1	27.8	35.4	38.1
Inland Empire, CA	38.2	42.5	53.3	38.9	44.1	50.0	50.0	50.0	29.2	37.5	33.3	45.0	43.8
Jacksonville, FL	40.0	35.7	42.3	35.3	30.8	27.3	30.8	36.4	16.7	40.9	43.8	25.0	27.8
Las Vegas, NV	37.0	31.3	36.1	31.3	28.9	34.0	35.3	32.6	28.1	31.0	39.5	36.8	36.1
Los Angeles, CA	39.3	46.3	50.0	37.1	38.3	29.6	37.5	40.6	40.0	50.0	46.0	40.6	47.0
Miami, FL	45.2	48.8	43.4	47.2	40.2	46.3	41.2	48.5	41.0	41.3	45.6	50.0	47.1
Minneapolis, MN	39.1	33.3	46.2	39.3	35.5	38.2	47.0	38.9	39.1	30.6	30.0	39.0	39.1
Nashville, TN	31.3	34.6	56.3	40.0	38.5	41.7	50.0	41.7	45.8	37.5	45.5	37.5	27.3
New York-Northern NJ	50.0	44.5	50.9	47.2	44.4	35.9	40.0	40.4	40.5	41.5	40.2	46.4	48.0
Orlando, FL	29.2	36.1	26.5	26.1	47.2	50.0	43.8	38.5	26.9	30.6	25.0	41.7	33.3
Phila.-Southern NJ	27.8	31.8	39.5	32.6	27.8	43.8	52.9	34.4	43.8	38.1	39.5	35.3	46.7
Phoenix, AZ	36.4	43.6	42.1	29.4	31.3	34.3	42.4	44.8	43.8	46.9	43.1	44.0	48.5
Portland, OR	42.0	50.0	47.7	45.7	46.0	38.1	47.5	47.6	44.4	50.0	50.0	45.5	50.0
Raleigh, NC	35.0	50.0	30.0	25.0	30.0	33.3	27.3	35.7	50.0	30.0	16.7	50.0	50.0
Richmond, VA	50.0	40.0	41.7	35.7	35.0	33.3	0.0	50.0	50.0	33.3	50.0	50.0	50.0
Sacramento, CA	37.5	50.0	40.6	44.1	36.8	31.3	54.2	37.5	45.0	30.8	43.8	45.8	35.7
San Antonio, TX	27.3	42.9	31.8	35.0	27.3	37.5	31.3	43.8	28.6	44.4	41.7	56.3	35.7
San Diego, CA	35.0	42.1	50.0	40.0	36.4	45.0	40.9	34.6	44.4	41.2	36.4	30.4	40.9
San Francisco, CA	43.3	42.1	40.9	35.0	35.7	50.0	44.1	41.7	40.0	38.1	46.4	50.0	50.0
Sarasota, FL	25.0	25.0	35.7	37.5	21.4	33.3	25.0	40.9	38.9	40.9	45.5	44.4	43.8
Seattle, WA	43.8	47.9	36.1	37.0	40.5	36.7	47.9	38.9	36.1	33.3	32.1	34.4	45.5
St. Louis, MO	33.3	31.8	40.0	25.0	62.5	37.5	25.0	0.0	25.0	50.0	25.0	37.5	50.0
Tampa, FL	30.0	32.5	32.4	32.5	28.3	32.6	36.5	25.0	42.0	42.9	50.0	47.8	52.5
Tucson, AZ	37.5	30.8	40.9	34.4	46.7	40.9	34.6	37.5	43.3	37.5	50.0	45.5	44.4
Virginia Beach, VA	50.0	38.9	40.0	30.0	50.0	25.0	37.5	30.0	30.0	20.0	30.0	38.9	50.0
Washington, DC	39.1	33.3	40.0	34.2	38.6	43.2	37.5	39.6	32.7	28.3	32.7	35.7	38.1
Wilmington, NC	35.7	50.0	50.0	66.7	50.0	37.5	25.0	60.0	62.5	60.0	50.0	40.0	60.0
Total	38.6	39.5	42.4	37.1	38.7	38.3	37.6	37.8	38.4	39.0	38.7	41.5	43.4

Source: Credit Suisse

Inventories continued to decline, despite February being a month in which inventories typically increase. Lower inventories have definitely played a role in better pricing in certain markets, though we are concerned that foreclosures could return to the market as banks resolve paperwork delays. 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]

	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
Atlanta, GA	27.1	32.8	34.6	31.5	38.3	34.6	58.8	60.7	63.8	61.5	67.4	70.5	69.0
Austin, TX	42.9	47.8	36.7	41.3	37.0	47.5	47.8	55.0	60.0	70.0	81.6	61.4	67.5
Baltimore, MD	12.5	16.7	20.8	40.0	44.4	66.7	62.5	68.8	66.7	57.1	87.5	66.7	50.0
Boston, MA	64.3	22.2	20.6	25.0	16.7	30.8	25.0	35.0	56.3	57.7	71.4	38.5	42.3
Charleston, SC	50.0	25.0	25.0	20.0	50.0	61.1	50.0	37.5	37.5	50.0	50.0	62.5	57.1
Charlotte, NC	22.7	32.1	45.8	43.8	42.3	45.8	50.0	59.4	90.0	67.9	91.7	50.0	71.4
Chicago, IL	35.7	24.5	26.2	25.0	23.6	28.8	35.1	42.9	53.2	47.2	59.1	77.3	40.8
Cincinnati, OH	7.1	8.3	10.0	50.0	29.2	20.0	42.9	41.7	50.0	44.4	64.3	53.3	70.0
Columbus, OH	16.7	37.5	33.3	35.7	33.3	44.4	81.3	50.0	60.0	58.3	66.7	50.0	71.4
Dallas, TX	35.4	33.9	30.0	21.1	40.0	40.0	38.5	44.4	61.1	63.9	65.0	47.6	64.3
Denver, CO	33.3	38.6	34.8	37.1	42.6	63.5	78.8	70.4	81.3	81.3	83.3	81.5	83.3
Detroit, MI	52.5	58.3	46.7	65.9	56.3	50.0	57.7	63.9	57.9	71.4	64.7	56.3	63.9
Fort Myers, FL	78.9	64.6	70.0	63.9	86.7	78.6	67.9	75.0	61.5	59.4	70.8	76.7	75.0
Houston, TX	26.3	37.5	31.0	26.5	20.0	42.0	50.0	57.9	52.9	67.4	63.9	61.5	56.8
Inland Empire, CA	32.4	47.6	40.6	34.2	47.1	54.2	53.6	57.1	65.4	50.0	54.2	53.8	79.4
Jacksonville, FL	40.0	53.6	38.5	58.3	53.8	58.3	50.0	50.0	55.0	62.5	56.3	70.8	77.8
Las Vegas, NV	21.7	42.0	30.6	34.8	50.0	50.0	55.6	54.2	58.8	71.4	60.0	80.0	84.2
Los Angeles, CA	43.8	31.9	37.8	31.1	39.7	41.7	45.6	50.0	59.3	46.8	51.8	55.7	50.0
Miami, FL	60.3	62.2	70.5	64.1	68.5	75.8	66.2	63.5	73.2	72.0	70.0	65.8	72.4
Minneapolis, MN	34.8	40.3	48.1	51.1	56.5	62.9	72.9	85.5	84.8	82.9	86.1	88.4	85.7
Nashville, TN	50.0	26.9	31.3	20.0	31.8	33.3	33.3	50.0	50.0	54.2	59.1	31.3	50.0
New York-Northern NJ	32.6	24.6	21.9	15.9	21.7	25.5	31.8	33.3	23.8	35.6	52.4	50.0	43.0
Orlando, FL	61.5	71.1	67.6	71.7	78.9	83.3	84.4	73.1	84.6	66.7	61.8	75.0	80.0
Phila.-Southern NJ	34.1	32.0	25.0	25.0	21.4	20.6	40.5	33.3	50.0	70.5	59.1	60.0	39.5
Phoenix, AZ	35.3	57.8	67.9	76.4	75.7	81.6	78.4	76.7	75.7	73.5	76.6	79.5	78.6
Portland, OR	44.2	50.0	52.3	45.7	60.0	73.8	65.0	73.8	72.2	76.3	73.7	63.6	46.4
Raleigh, NC	22.7	25.0	30.0	41.7	30.0	55.6	50.0	50.0	62.5	60.0	66.7	93.8	42.9
Richmond, VA	40.0	20.0	16.7	37.5	30.0	16.7	25.0	16.7	50.0	50.0	66.7	87.5	75.0
Sacramento, CA	26.9	59.4	61.1	36.1	63.2	50.0	75.0	70.0	60.0	67.9	66.7	64.3	81.3
San Antonio, TX	18.2	32.1	31.8	45.0	36.4	27.8	43.8	25.0	14.3	38.9	50.0	43.8	56.3
San Diego, CA	34.1	29.5	38.0	31.8	33.3	33.3	42.9	39.3	50.0	50.0	65.9	48.0	52.1
San Francisco, CA	30.4	43.8	54.0	27.8	34.8	54.0	50.0	38.2	63.2	79.6	79.4	62.5	88.6
Sarasota, FL	65.0	53.8	75.0	79.4	100.0	95.8	94.4	81.8	88.9	63.6	61.5	50.0	83.3
Seattle, WA	31.5	36.0	21.1	27.1	41.3	55.9	46.6	60.5	64.6	63.2	71.9	55.9	70.5
St. Louis, MO	0.0	33.3	25.0	12.5	30.0	50.0	42.9	50.0	50.0	70.0	75.0	25.0	25.0
Tampa, FL	26.3	52.3	67.6	57.5	58.7	67.4	65.4	65.0	71.2	70.7	79.4	80.4	75.0
Tucson, AZ	21.9	23.1	27.3	59.4	65.6	81.8	73.1	53.8	66.7	36.4	80.0	63.6	77.8
Virginia Beach, VA	13.6	30.0	25.0	27.3	50.0	58.3	25.0	50.0	60.0	60.0	70.0	62.5	64.3
Washington, DC	42.9	44.0	38.5	37.0	44.0	52.0	54.5	53.8	51.8	66.7	75.9	63.0	43.2
Wilmington, NC	35.7	50.0	25.0	25.0	50.0	25.0	0.0	30.0	37.5	50.0	62.5	80.0	40.0
Total	35.5	37.9	37.4	39.0	45.8	49.7	52.8	53.7	59.9	61.2	68.0	62.7	63.6

Source: Credit Suisse

Agents indicated that urgency returned to the market in February, as agents pointed to a reduced time to sell. We view this as a positive indicator for future 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]

	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
Atlanta, GA	27.1	32.8	25.0	18.5	33.3	32.0	32.4	30.4	25.0	42.3	43.5	45.5	64.3
Austin, TX	26.2	41.7	43.3	41.3	34.8	32.5	30.4	34.2	25.0	40.0	50.0	58.7	65.0
Baltimore, MD	14.3	29.2	37.5	30.0	16.7	27.8	25.0	18.8	33.3	21.4	37.5	25.0	30.0
Boston, MA	28.6	41.2	64.7	32.1	30.0	15.4	21.9	50.0	28.1	23.1	25.0	19.2	50.0
Charleston, SC	43.8	16.7	25.0	20.0	30.0	33.3	16.7	25.0	12.5	0.0	0.0	28.6	21.4
Charlotte, NC	22.7	32.1	33.3	25.0	23.1	23.1	26.7	18.8	30.0	28.6	37.5	43.3	53.6
Chicago, IL	25.0	17.9	25.0	23.0	25.0	22.7	20.3	23.0	22.6	23.0	33.8	47.0	30.8
Cincinnati, OH	28.6	25.0	26.7	40.0	19.2	0.0	14.3	8.3	50.0	11.1	35.7	40.0	70.0
Columbus, OH	8.3	25.0	41.7	35.7	27.8	16.7	25.0	27.8	40.0	27.3	33.3	30.0	42.9
Dallas, TX	16.7	32.1	47.5	31.6	34.4	30.0	15.4	16.7	33.3	19.4	36.4	26.2	39.3
Denver, CO	35.2	41.4	39.1	41.9	32.7	40.0	40.4	35.2	42.0	43.5	58.3	61.1	77.1
Detroit, MI	52.5	52.6	63.3	52.3	52.9	53.6	50.0	44.4	36.8	40.0	44.1	43.8	55.6
Fort Myers, FL	60.5	60.4	70.0	58.3	73.3	64.3	57.1	63.9	46.2	62.5	62.5	76.7	78.9
Houston, TX	34.2	33.3	28.6	26.5	14.0	32.0	26.2	44.7	38.2	43.5	41.7	58.0	57.1
Inland Empire, CA	26.5	45.2	34.4	28.9	29.4	33.3	42.9	35.7	42.3	25.0	50.0	50.0	52.9
Jacksonville, FL	45.0	39.3	50.0	41.7	35.7	20.8	23.1	13.6	25.0	50.0	31.3	41.7	27.8
Las Vegas, NV	37.0	37.5	44.4	37.9	40.0	47.9	38.9	47.9	41.2	50.0	52.5	60.5	57.9
Los Angeles, CA	28.8	31.5	29.2	24.3	26.5	23.3	32.4	15.0	33.3	18.8	28.6	39.7	47.5
Miami, FL	52.9	59.8	53.9	50.0	54.5	51.6	54.2	39.2	55.0	57.0	48.6	65.8	65.8
Minneapolis, MN	28.8	33.3	21.2	26.2	21.7	31.9	28.6	35.5	29.7	31.1	36.8	52.4	65.7
Nashville, TN	28.1	38.5	43.8	30.0	29.2	33.3	20.8	14.3	20.8	12.5	36.4	37.5	58.3
New York-Northern NJ	30.7	25.4	34.1	16.4	17.5	18.1	12.5	14.5	16.7	14.2	15.1	28.7	42.1
Orlando, FL	34.6	36.8	44.1	39.1	34.2	55.9	53.1	42.3	61.5	47.2	50.0	50.0	56.7
Phila.-Southern NJ	34.1	40.0	26.2	19.2	19.0	17.6	26.2	20.6	28.9	20.5	27.3	35.7	50.0
Phoenix, AZ	35.3	40.4	59.5	57.1	67.1	65.8	63.5	58.3	57.1	55.9	64.5	75.6	76.4
Portland, OR	34.6	39.3	31.8	40.9	32.0	42.9	42.5	40.5	41.7	36.8	50.0	52.4	64.3
Raleigh, NC	27.3	33.3	10.0	8.3	20.0	11.1	18.2	21.4	50.0	40.0	50.0	56.3	64.3
Richmond, VA	50.0	40.0	58.3	31.3	35.0	50.0	25.0	33.3	33.3	66.7	16.7	50.0	83.3
Sacramento, CA	38.5	31.3	44.4	33.3	52.6	28.1	26.9	38.9	30.0	38.5	44.4	57.1	75.0
San Antonio, TX	18.2	28.6	36.4	27.8	31.8	11.1	12.5	31.3	16.7	27.8	16.7	25.0	18.8
San Diego, CA	20.5	27.3	37.5	28.3	33.3	25.0	17.9	17.9	22.2	19.0	34.1	40.0	58.3
San Francisco, CA	28.3	33.3	40.0	17.3	26.1	38.0	29.5	27.8	34.2	38.9	17.6	52.1	70.5
Sarasota, FL	45.5	53.8	75.0	58.8	68.8	66.7	83.3	40.9	55.6	54.5	61.5	75.0	88.9
Seattle, WA	31.5	42.3	42.1	45.8	39.1	47.1	41.4	55.3	41.7	47.4	38.2	41.2	63.6
St. Louis, MO	50.0	33.3	30.0	0.0	40.0	50.0	28.6	33.3	25.0	20.0	0.0	0.0	37.5
Tampa, FL	32.5	40.5	46.9	42.5	41.3	47.8	38.5	45.0	36.5	43.1	56.3	63.0	60.0
Tucson, AZ	26.5	34.6	36.4	37.5	37.5	50.0	46.2	46.2	36.7	37.5	50.0	68.2	83.3
Virginia Beach, VA	16.7	35.0	33.3	18.2	30.0	50.0	25.0	40.0	20.0	50.0	40.0	33.3	50.0
Washington, DC	48.2	51.2	44.2	28.3	44.0	26.0	22.7	22.2	17.9	29.2	26.8	33.9	63.0
Wilmington, NC	35.7	16.7	25.0	0.0	25.0	12.5	0.0	30.0	37.5	30.0	25.0	30.0	20.0
Total	31.9	35.4	39.1	30.9	34.5	33.6	31.4	32.5	34.3	34.7	37.7	45.5	55.9

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. 29% of agents (net of positive responses less negative responses) surveyed said they would recommend Toll, while 25% said they would recommend Pulte, 21% 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	29%
2	PHM	Pulte Group	25%
3	DHI	D.R. Horton	21%
4	MTH	Meritage Homes	18%
5	SPF	Standard Pacific Corp.	15%
6	LEN	Lennar Corp.	13%
7	RYL	Ryland Group	8%
8	HOV	Hovnanian Enterprises	7%
9	NVR	NVR, Inc.	6%
10	BZH	Beazer Homes	3%
11	MDC	MDC Holdings	1%
12	KBH	KB Home	(8%)

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	24%	24%	--	--	--	--	--	--	48%	33%	--	--
Austin, TX	--	75%	--	20%	45%	--	45%	--	60%	--	50%	50%
Baltimore, MD	17%	0%	0%	0%	17%	0%	--	33%	--	17%	--	--
Charleston, SC	29%	57%	--	0%	43%	--	--	0%	--	29%	--	--
Charlotte, NC	0%	33%	0%	7%	20%	--	--	20%	--	33%	33%	33%
Chicago, IL	--	15%	15%	--	15%	5%	--	--	30%	18%	--	28%
Cincinnati, OH	--	--	10%	--	--	--	--	10%	10%	10%	--	--
Columbus, OH	--	--	0%	--	--	--	--	0%	0%	--	--	--
Dallas, TX	13%	27%	40%	0%	7%	0%	7%	--	20%	--	20%	27%
Denver, CO	--	29%	--	25%	13%	33%	25%	--	38%	33%	25%	33%
Detroit, MI	--	--	0%	--	--	--	--	--	50%	--	--	61%
Fort Myers, FL	--	37%	5%	11%	42%	--	0%	--	42%	0%	--	--
Houston, TX	18%	41%	23%	9%	50%	0%	32%	--	18%	--	--	--
Jacksonville, FL	22%	56%	--	33%	33%	0%	--	--	44%	--	22%	33%
Las Vegas, NV	16%	32%	--	32%	26%	11%	5%	--	47%	16%	--	58%
Los Angeles, CA	--	12%	15%	39%	20%	0%	0%	--	12%	--	22%	15%
Miami, FL	--	10%	--	--	44%	--	--	--	--	--	0%	--
Minneapolis, MN	--	17%	23%	--	40%	--	--	--	23%	17%	--	11%
Nashville, TN	25%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	7%	22%	--	2%	--	--	0%	23%	--	--	47%
Orlando, FL	27%	27%	20%	13%	33%	--	33%	--	20%	20%	0%	20%
Philadelphia-Southern NJ	--	5%	5%	--	5%	0%	--	21%	37%	--	--	37%
Phoenix, AZ	25%	19%	6%	3%	14%	8%	36%	--	31%	6%	11%	56%
Port St. Lucie, FL	--	25%	--	0%	--	--	--	--	--	--	--	--
Portland, OR	--	36%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	0%	14%	29%	0%	14%	--	--	14%	0%	--	14%	43%
Richmond, VA	0%	--	--	--	--	--	--	0%	--	--	--	--
Riverside-San Bernardino, CA	6%	24%	12%	41%	24%	0%	--	--	35%	12%	24%	--
Sacramento, CA	0%	38%	13%	25%	0%	0%	25%	--	38%	0%	0%	13%
San Antonio, TX	0%	63%	--	25%	25%	--	25%	--	75%	--	--	25%
San Diego, CA	0%	25%	25%	29%	8%	0%	--	--	13%	8%	8%	13%
San Francisco, CA	--	4%	--	--	4%	--	9%	--	39%	--	9%	30%
Sarasota, FL	--	--	--	11%	33%	--	--	--	11%	--	11%	--
Seattle, WA	--	52%	--	--	--	13%	--	--	--	--	--	4%
Tampa, FL	15%	25%	15%	5%	20%	0%	--	--	30%	10%	25%	--
Tucson, AZ	--	11%	11%	11%	33%	33%	56%	--	44%	--	11%	22%
Virginia Beach, VA	--	0%	14%	--	--	--	--	0%	--	--	--	--
Washington, DC	17%	22%	13%	--	4%	0%	--	26%	13%	4%	--	43%
Wilmington, NC	20%	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	**14%**	**27%**	**14%**	**15%**	**23%**	**6%**	**23%**	**10%**	**30%**	**16%**	**17%**	**32%**

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	10%	10%	--	--	--	--	--	--	5%	5%	--	--
Austin, TX	--	0%	--	55%	10%	--	15%	--	10%	--	0%	10%
Baltimore, MD	0%	0%	17%	17%	17%	17%	--	33%	--	50%	--	--
Charleston, SC	14%	14%	--	0%	0%	--	--	0%	--	14%	--	--
Charlotte, NC	33%	0%	0%	20%	13%	--	--	0%	--	0%	0%	0%
Chicago, IL	--	0%	3%	--	5%	3%	--	--	8%	5%	--	3%
Cincinnati, OH	--	--	0%	--	--	--	--	0%	0%	10%	--	--
Columbus, OH	--	--	0%	--	--	--	--	0%	0%	--	--	--
Dallas, TX	0%	0%	0%	47%	13%	0%	7%	--	7%	--	0%	0%
Denver, CO	--	8%	--	33%	0%	13%	4%	--	4%	0%	0%	0%
Detroit, MI	--	--	0%	--	--	--	--	--	22%	--	--	6%
Fort Myers, FL	--	11%	16%	11%	16%	--	5%	--	5%	5%	--	--
Houston, TX	0%	0%	5%	45%	0%	5%	5%	--	5%	--	--	--
Jacksonville, FL	0%	11%	--	11%	0%	11%	--	--	0%	--	0%	0%
Las Vegas, NV	11%	21%	--	32%	26%	11%	11%	--	11%	5%	--	5%
Los Angeles, CA	--	0%	2%	10%	2%	0%	0%	--	2%	--	0%	5%
Miami, FL	--	8%	--	--	3%	--	--	--	--	--	0%	--
Minneapolis, MN	--	9%	6%	--	6%	--	--	--	14%	11%	--	0%
Nashville, TN	0%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	2%	18%	--	3%	--	--	2%	7%	--	--	2%
Orlando, FL	7%	20%	0%	27%	27%	--	7%	--	0%	0%	13%	0%
Philadelphia-Southern NJ	--	0%	11%	--	0%	0%	--	0%	5%	--	--	21%
Phoenix, AZ	11%	6%	17%	42%	11%	3%	3%	--	8%	6%	8%	0%
Port St. Lucie, FL	--	0%	--	0%	--	--	--	--	--	--	--	--
Portland, OR	--	0%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	43%	14%	14%	43%	14%	--	--	14%	0%	--	0%	0%
Richmond, VA	0%	--	--	--	--	--	--	0%	--	--	--	--
Riverside-San Bernardino, CA	6%	0%	6%	18%	0%	0%	--	--	6%	0%	0%	--
Sacramento, CA	50%	25%	13%	13%	13%	0%	0%	--	0%	13%	0%	0%
San Antonio, TX	0%	0%	--	25%	13%	--	13%	--	0%	--	--	0%
San Diego, CA	0%	0%	4%	8%	4%	0%	--	--	0%	0%	4%	0%
San Francisco, CA	--	4%	--	--	9%	--	0%	--	4%	--	0%	0%
Sarasota, FL	--	--	--	0%	11%	--	--	--	0%	--	0%	--
Seattle, WA	--	9%	--	--	--	0%	--	--	--	--	--	0%
Tampa, FL	10%	0%	5%	10%	10%	0%	--	--	0%	0%	5%	--
Tucson, AZ	--	22%	0%	44%	11%	0%	0%	--	0%	--	0%	0%
Virginia Beach, VA	--	0%	0%	--	--	--	--	0%	--	--	--	--
Washington, DC	9%	9%	13%	--	22%	22%	--	4%	17%	13%	--	9%
Wilmington, NC	20%	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	**11%**	**6%**	**6%**	**23%**	**9%**	**5%**	**5%**	**4%**	**5%**	**8%**	**2%**	**3%**

Source: Credit Suisse

Exhibit 53: Homebuilding Industry Comparative Valuations

3/9/12	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	Outperform	Underperform	Neutral	Outperform	Neutral	Neutral	Neutral	Neutral	Neutral	Outperform	
Current Price	$14.56	$2.79	$11.66	$24.69	$24.50	$26.26	$703.57	$8.92	$18.36	$23.42	
Target Price	**$17.25**	**$1.00**	**$10.50**	**$28.75**	**$27.00**	**$24.75**	**$760.00**	**$9.25**	**$18.75**	**$28.00**	
Target Adj. BV Multiple	1.50x	NM	1.17x	1.50x	1.39x	1.35x	2.42x	1.19x	1.30x	1.56x	1.42x
Dividend Yield	1.0%	0.0%	2.1%	0.6%	4.1%	0.0%	0.0%	0.0%	0.7%	0.0%	0.6%
Total Return Potential	**19.5%**	**(64.2%)**	**(7.8%)**	**17.1%**	**14.3%**	**(5.8%)**	**8.0%**	**3.7%**	**2.8%**	**19.6%**	**11.5%**
VALUATION											
Book Value	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	TOL	Average
Tangible BV/Share	$8.37	($5.97)	$5.73	$15.21	$18.56	$15.02	$260.09	$4.66	$9.98	$15.62	
P/TBV	1.74x	NM	2.03x	1.62x	1.32x	1.75x	2.71x	1.91x	1.84x	1.50x	1.64x
Year-end 2013E TBV	$10.25	($8.11)	$4.72	$17.21	$15.97	$16.78	$313.53	$5.26	$10.99	$16.58	
DTA Adjustment	$1.23	$3.15	$4.26	$1.98	$3.40	$1.56	$0.00	$2.53	$3.39	$1.38	
Adjusted BV/Share	$11.48	NM	$8.98	$19.19	$19.37	$18.34	$313.53	$7.79	$14.38	$17.96	
P/Adj. BV	**1.27x**	**NM**	**1.30x**	**1.29x**	**1.26x**	**1.43x**	**2.24x**	**1.15x**	**1.28x**	**1.30x**	**1.27x**
EARNINGS											
CS Calendar Year Ests.											
2010	$0.10	$0.00	($0.90)	$0.50	($1.39)	$0.22	$33.42	($2.90)	($1.93)	($0.03)	
2011	$0.38	($2.23)	($2.32)	$0.48	($2.11)	($0.65)	$23.31	($0.55)	($1.14)	$0.20	
2012E	$0.60	($1.40)	($0.80)	$0.60	($0.50)	$0.30	$32.20	$0.00	$0.11	$0.30	
2013E	$1.15	($0.80)	$0.25	$1.45	$0.15	$1.50	$49.40	$0.60	$1.20	$0.85	
Price/Earnings											
2010	143.9x	774.4x	NM	48.9x	NM	118.5x	21.1x	NM	NM	NM	NM
2011	38.5x	NM	NM	51.8x	NM	NM	30.2x	NM	NM	117.3x	76.7x
2012E	24.4x	NM	NM	40.9x	NM	NM	21.8x	NM	NM	79.3x	41.3x
2013E	12.6x	NM	46.1x	17.0x	NM	17.5x	14.2x	14.7x	15.3x	27.7x	18.3x
OPERATING METRICS											
CY Orders (Homes)	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	TOL	Total
2010	18,701	4,086	6,556	10,928	3,261	3,383	9,415	15,148	3,700	2,627	77,805
% Ch. Yr/Yr	2.2%	(21.1%)	(21.4%)	(5.1%)	(1.4%)	(12.2%)	0.1%	6.8%	(30.2%)	(3.1%)	(5.2%)
2011	17,852	4,159	6,632	11,554	2,887	3,398	9,247	15,215	3,954	2,888	77,786
% Ch. Yr/Yr	(4.5%)	1.8%	1.2%	5.7%	(11.5%)	0.4%	(1.8%)	0.4%	6.9%	9.9%	(0.0%)
2012E	21,382	4,682	7,971	14,222	3,342	4,035	10,885	16,907	4,647	3,616	91,690
% Ch. Yr/Yr	19.8%	12.6%	20.2%	23.1%	15.8%	18.8%	17.7%	11.1%	17.5%	25.2%	17.9%
2013E	25,659	5,293	9,547	17,066	4,011	4,752	13,007	19,773	5,570	4,340	109,018
% Ch. Yr/Yr	20.0%	13.0%	19.8%	20.0%	20.0%	17.8%	19.5%	17.0%	19.9%	20.0%	18.9%
CY Closings (Homes)											
2010	18,983	4,483	7,346	10,955	3,245	3,700	10,030	17,095	4,245	2,616	82,698
% Ch. Yr/Yr	4.5%	(14.5%)	(13.5%)	(4.6%)	7.7%	(8.4%)	10.9%	13.9%	(17.2%)	(9.7%)	0.2%
2011	17,176	3,876	5,812	10,923	2,762	3,268	8,487	15,275	3,513	2,605	73,697
% Ch. Yr/Yr	(9.5%)	(13.5%)	(20.9%)	(0.3%)	(14.9%)	(11.7%)	(15.4%)	(10.6%)	(17.2%)	(0.4%)	(10.9%)
2012E	20,634	4,439	7,261	13,520	3,185	3,944	10,322	16,359	4,283	3,226	87,173
% Ch. Yr/Yr	20.1%	14.5%	24.9%	23.8%	15.3%	20.7%	21.6%	7.1%	21.9%	23.8%	18.3%
2013E	24,353	5,034	8,232	15,914	3,749	4,514	12,081	18,901	5,065	3,852	101,695
% Ch. Yr/Yr	18.0%	13.4%	13.4%	17.7%	17.7%	14.4%	17.0%	15.5%	18.3%	19.4%	16.7%
Gross Margins, Ex-Charges											Average
2010	17.3%	10.9%	18.6%	20.7%	19.1%	18.5%	18.4%	13.1%	15.5%	15.2%	16.7%
2011	16.1%	10.3%	14.9%	21.0%	13.7%	18.2%	17.5%	13.2%	15.5%	17.9%	15.8%
2012E	16.9%	11.9%	16.0%	21.5%	14.7%	18.6%	16.1%	13.5%	16.4%	18.5%	16.4%
2013E	17.8%	12.4%	17.0%	22.1%	15.7%	19.1%	17.6%	14.7%	17.1%	19.5%	17.3%
SG&A % of Housing Revs											
2010	12.1%	17.9%	18.4%	17.9%	24.2%	14.5%	8.9%	14.1%	15.3%	17.6%	16.1%
2011	13.6%	18.8%	19.3%	18.3%	22.9%	16.2%	10.1%	13.0%	15.2%	18.2%	16.6%
2012E	11.9%	15.8%	16.6%	17.0%	18.1%	14.5%	9.2%	11.2%	13.9%	17.4%	14.6%
2013E	11.2%	14.7%	15.6%	16.0%	16.4%	13.0%	8.7%	10.6%	13.6%	16.3%	13.7%
LAND EXPOSURE											
Lots Controlled	115,300	31,036	40,170	111,386	9,822	16,722	53,000	131,010	21,926	37,497	
Years Supply	6.7	8.0	6.9	10.2	3.6	5.1	6.2	8.6	6.2	14.4	7.6
% Owned	75%	59%	82%	86%	82%	83%	0%	89%	67%	81%	70%
% Optioned	25%	41%	18%	14%	18%	17%	100%	11%	33%	19%	30%
Cumulative Impairments	$5,078	$2,558	$2,928	$4,965	$1,252	$1,021	$610	$13,277	$1,286	$2,373	$35,349
% of Average '06 Inventory	45%	57%	39%	49%	40%	56%	36%	63%	44%	37%	51%
Current Inventory	$3,479	$1,026	$1,860	$4,906	$851	$822	$685	$5,050	$806	$3,065	$22,549
% of Assets	65%	49%	74%	54%	40%	67%	39%	70%	52%	61%	59%
% of Book Value	131%	NM	420%	182%	97%	165%	50%	263%	155%	117%	173%
SHORT INTEREST											
Short Interest, % of Float	9.2%	29.0%	41.3%	19.8%	12.0%	13.1%	3.9%	10.3%	16.1%	7.3%	12.3%

Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 08 Mar 12)*
DR Horton (DHI, $14.56, OUTPERFORM, TP $17.25)
Hovnanian Enterprises (HOV, $2.79, UNDERPERFORM [V], TP $1.00)
KB Home (KBH, $11.66, NEUTRAL [V], TP $10.50)
Lennar (LEN, $24.69, OUTPERFORM, TP $28.75)
M.D.C. Holdings, Inc. (MDC, $24.50, NEUTRAL, TP $27.00)
Meritage Corp (MTH, $26.26, NEUTRAL [V], TP $24.75)
NVR Inc. (NVR, $703.57, NEUTRAL, TP $760.00)
Ryland Group (RYL, $18.36, NEUTRAL, TP $18.75)
Toll Brothers (TOL, $23.42, OUTPERFORM, TP $28.00)

Disclosure Appendix

Important Global Disclosures

I, Dan Oppenheim, CFA, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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Analysts' coverage universe weightings are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe* versus the relevant broad market benchmark**:

Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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**The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.

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