CREDIT SUISSE

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Americas/United States
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Homebuilding / MARKET WEIGHT

Monthly Survey of Real Estate Agents

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CHANNEL CHECK

Prices Dropping on Depressed Traffic

- **Agents see additional pressure on home prices:** Our Monthly Survey of Real Estate Agents indicated further pressure on home prices in August, with the trend likely to continue through at least the end of the year, but likely into 2011. Our price index fell to 22.9 in August from 26.8 in July, now back to the levels of early '09. The downward trend to pricing was seen across markets. The key driver appears to be the lack of buyer traffic, which has forced sellers to become more realistic about their asking prices, if they want the sale to be completed in the short-term. In addition, the rising inventory levels are problematic as there are more homes to choose between, but fewer buyers looking. Clearly this doesn't bode well for pricing. Our home listings (inventory) index fell to 30.0 in August, down from 36.3 in July, and the lowest since early 2008 (lower levels indicate rising inventory).
- **Traffic stable in August, but at depressed levels:** Our traffic index was unchanged in August from July, registering 17.0 vs 16.9 in July. This level of traffic is essentially untenable, as it will lead both sellers of existing homes and homebuilders to cut prices in order to spur additional traffic. August was the fourth month following the expiration of the tax credit and the slowdown appears too prolonged to be just the impact of the expiration of the credit. Buyers continue to have concerns about job security, the weak economy, and especially lack any sense of urgency given the increasingly common expectation of lower home prices in the future.
- **Consistent weakness in traffic, even in foreclosure heavy markets:** All of the top twenty markets that we survey had traffic readings below 30, reflecting the consistent weakness seen in August. We saw the lowest traffic readings in Minneapolis, Chicago, Phoenix, Denver, and Charlotte, but also foreclosure-heavy markets such as the Inland Empire and Ft Myers have seen considerably less traffic than earlier in the year, as it seems that some of the investor demand has passed.
- **Reversal of trends seems unlikely in near-term:** We expect to see published pricing metrics show weakness in the upcoming months based on the trends that we have seen in our survey. In addition, we think that many of the sellers of existing homes will likely see the need to reduce prices ahead given the high inventory of 3.98 million existing homes for sale. Our concerns are reinforced by the lengthening time needed to sell a home. Our time to sell index, which reflects both the level of traffic and inventory, fell to 19.1 in August, down from 23.6 in July, and at the lowest level since October 2008.

Table of Contents

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

Prices Dropping on Depressed Traffic

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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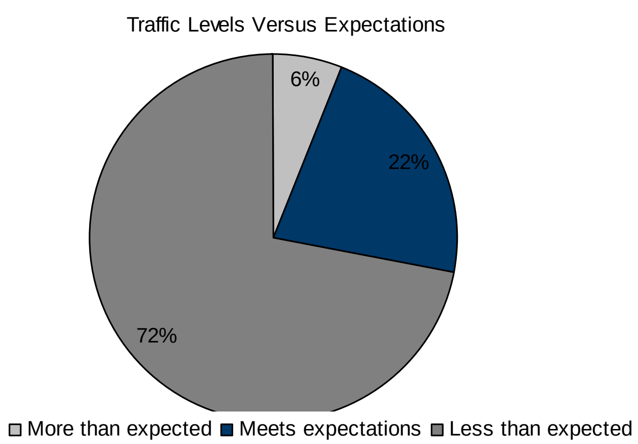
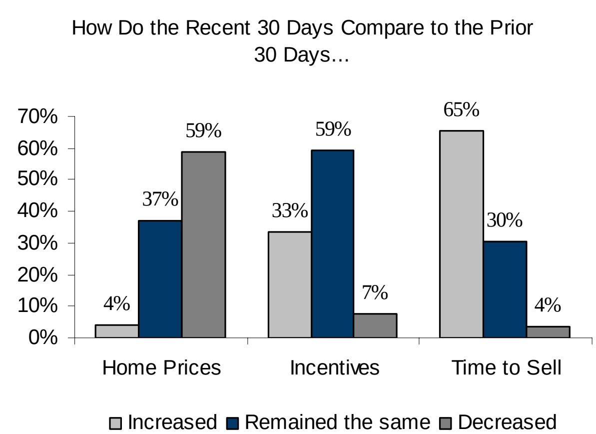
Exhibit 1: Traffic Index Stabilized at Depressed Levels, but Further Pressure on Home Prices

Month	Buyer Traffic Index	Home Price Index	Incentive Index	Home Listings Index	Time to Sell Index
Apr-2008	33.1	20.6	28.3	27.2	24.2
May-2008	31.5	21.4	30.8	32.1	24.9
Jun-2008	29.0	22.1	28.8	33.6	26.6
Jul-2008	27.4	21.0	30.5	34.7	24.9
Aug-2008	25.9	20.1	29.7	37.5	25.7
Sep-2008	24.0	17.5	30.6	39.5	22.5
Oct-2008	19.6	15.3	29.6	41.0	19.9
Nov-2008	19.8	15.3	30.3	45.3	22.0
Dec-2008	25.3	13.3	30.3	48.0	23.2
Jan-2009	36.5	15.9	32.1	43.5	26.6
Feb-2009	36.0	17.1	31.1	40.5	28.2
Mar-2009	39.5	20.5	32.5	41.7	33.4
Apr-2009	48.4	24.8	35.3	45.3	42.6
May-2009	45.4	27.0	37.5	47.0	44.6
Jun-2009	43.1	30.9	41.2	52.4	43.7
Jul-2009	43.4	33.6	40.3	56.0	46.2
Aug-2009	44.5	34.5	40.4	55.9	45.4
Sep-2009	44.8	36.3	41.0	57.2	43.7
Oct-2009	43.5	37.6	43.8	57.2	44.1
Nov-2009	43.0	34.1	40.2	60.2	42.9
Dec-2009	41.1	35.6	41.6	61.6	40.3
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
Point change	**0.2**	**(3.9)**	**(3.6)**	**(6.3)**	**(4.4)**

Source: Credit Suisse estimates

Exhibit 2: Home Prices are Under Renewed Pressure Following Four Months of Weak Demand and Rising Inventory





Source: Credit Suisse estimates

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 85% 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 August, we received responses from 1,200 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 Key New Home Markets**

Market	2009 1-Family Permits	Estimated Market Exposure										
		DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	5,397	2%	-	-	-	-	-	-	4%	5%	-	-
Austin, TX	6,669	5%	-	5%	4%	-	11%	-	4%	-	-	-
Charlotte, NC	4,426	2%	-	4%	-	-	-	10%	4%	4%	6%	-
Chicago, IL	4,442	3%	3%	-	-	-	-	-	3%	4%	-	-
Dallas, TX	14,130	7%	8%	-	2%	-	20%	-	5%	7%	-	-
Denver, CO	2,709	2%	-	2%	1%	8%	-	-	1%	-	-	-
Fort Myers, FL	906	-	-	1%	5%	-	-	-	1%	2%	-	-
Houston, TX	22,360	4%	11%	9%	17%	-	21%	-	-	-	-	-
Inland Empire, CA	4,557	4%	5%	7%	5%	-	-	-	3%	-	13%	-
Jacksonville, FL	3,320	3%	-	4%	2%	6%	-	-	1%	4%	-	-
Las Vegas, NV	3,791	3%	-	8%	4%	18%	-	-	4%	-	-	-
Los Angeles, CA	3,388	1%	1%	3%	2%	3%	-	-	1%	-	3%	-
Miami, FL	2,272	1%	-	-	-	-	-	-	-	-	-	-
Minneapolis, MN	3,631	1%	3%	-	3%	-	-	-	2%	4%	-	-
NY - Northern NJ	6,416	0%	8%	-	3%	-	-	1%	-	-	-	12%
Orlando, FL	3,707	1%	-	5%	2%	-	-	-	3%	5%	-	-
Phoenix, AZ	8,657	13%	-	5%	4%	24%	11%	-	12%	-	12%	-
Seattle, WA	5,019	1%	-	-	-	-	-	-	1%	-	-	-
Tampa, FL	3,933	1%	-	3%	5%	-	-	-	1%	5%	7%	-
Washington, DC	9,014	-	6%	-	3%	-	-	20%	3%	4%	-	21%
Total Exposure to Top 20	**118,744**	**55%**	**47%**	**58%**	**62%**	**59%**	**64%**	**32%**	**53%**	**44%**	**40%**	**33%**

Source: Company data, Builder Online, Credit Suisse estimates

Atlanta, GA – Traffic Off Modestly, Bouncing Along the Bottom

August Market Trends
Traffic
Home Prices
Incentives

(5,397 single-family building permits in 2009, 8th largest market in the country)

Traffic slipped again in August. Our buyer traffic index slipped to 13 in August from 16 in July, indicating modestly lower traffic and overall levels well below agents' expectations (readings under 50 suggest traffic below expectations). Agents continued to note a lack of buyer confidence, with job concerns at the forefront of buyers' minds. One agent said, "One word – FEAR! People are scared about their jobs. All other factors point to a great buying opportunity." Another agent commented, "The stagnant economy and huge inventory levels, especially in the condo market." However, some agents saw qualified buyers trying to take advantage of the distress. According to one agent, "Traffic is ok on short sales, but not on regular purchases." This was consistent with a comment from another agent, who said that, "Opportunistic buyers continue to look for 'deals' in foreclosures or sellers who are being forced to sell."

"Lending is a big problem."

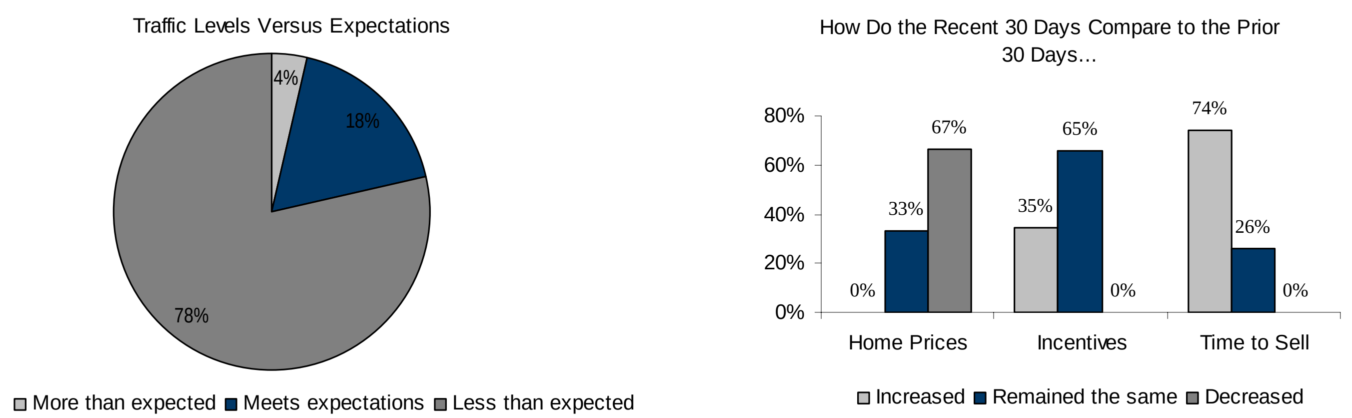
Home prices fall further. Agents noted further price declines in August, as our home price index fell to 17 from 22 in July, with any reading below 50 indicating lower home prices over the past 30 days. This is the lowest level seen in our index since spring of last year. Home prices are likely to come under further pressure in the coming months based on the depressed levels of demand and elevated inventory. Our home listings index slipped to 33 in August from 35 in July, with readings below 50 indicating higher inventory levels over the past month. Meanwhile, our time to sell index, which reflects both demand and inventory trends, fell to the lowest level seen in our survey since last 2007, coming in at 13 (down from 23 in July and well below a neutral reading of 50). A longer time needed to sell a home is typically a negative leading indicator for home prices.

Comments from real estate agents:

- "Appraisals seem to have gotten more representative of what I consider to be market value."
- "Buyers are taking advantage of foreclosures."

Ryland and Pulte Homes have the most exposure. Ryland has the greatest exposure to Atlanta with approximately 5% of net sales, followed by Pulte Homes with 4%.

Exhibit 4: **Prices Come Under Increased Pressure**



Source: Credit Suisse estimates

Austin, TX – Slight Rebound from Depressed Levels Still Leaves Traffic in Weak Shape

August Market Trends	
Traffic	
Home Prices	
Incentives	

(6,669 single-family permits in 2009, 5th largest market in the country)

Buyers remain scarce. Our buyer traffic index rebounded slightly from extremely depressed levels in August, increasing to 13 from 3 in July, but continued to signal very weak levels of demand (readings below 50 indicate traffic levels below agents' expectations). Voicing what has become a common theme across markets, agents said buyers have little appetite or urgency to take on such a large financial commitment in these uncertain times. One agent noted, "Clients have no urgency to act, interest rates appear to be staying low." Another said, "Fewer folks want to risk a mortgage; fewer folks qualify for a mortgage," and yet another agent commented that buyers are "still concerned about a falling market." Traffic also appears to be somewhat price sensitive, as one agent who saw better demand cited "new homebuilder deals."

"Last two out of three sales did not meet value on appraisal."

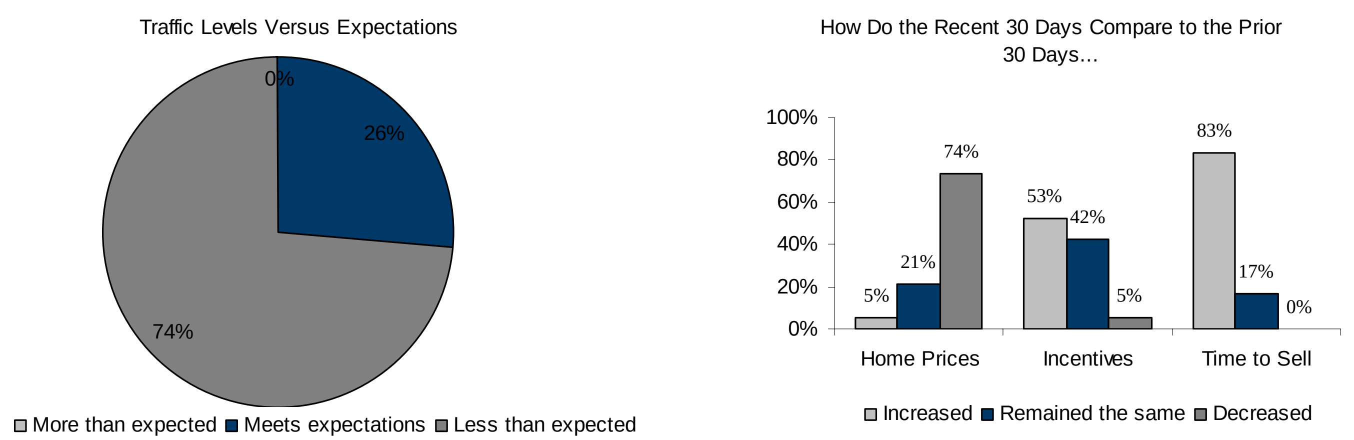
Sellers adjusting prices as weak demand continues. Prices fell further in August, as our home price index dropped to 16 from 29 in July, the lowest reading since the height of the credit crisis in late 2008 (any reading below 50 indicates sequentially lower home prices). After four months of weak traffic, it appears sellers are beginning to recognize the need to lower prices, especially as competition increases. Our home listings index indicated a further increase in inventory levels, falling to 13 in August from 18 in July, with any reading below 50 pointing to higher inventory levels. The combination of weak demand and rising inventory led to a longer time needed to sell a home over the past month (our time to sell index fell to 8 in August from 24 in July, well below a neutral reading of 50), which is likely to lead to further price reductions in the coming months.

Comments from real estate agents:

- "Buyers are scared to buy as they see too many friends losing their homes."
- "Apprehension about the economy and jobs. My traffic comes in waves, one week busy, three weeks slow. Only when the absolute need arises does the buyer get off the fence and make a move."

Meritage, D.R. Horton and KB Home have the most exposure. Meritage has the greatest exposure to Austin with approximately 11% of net sales, followed by D.R. Horton with 5% and KB Home with 5%.

Exhibit 5: **Sellers Compete for Few Buyers**



Source: Credit Suisse estimates

Charlotte, NC – Same Story, Different Day

August Market Trends	
Traffic	
Home Prices	
Incentives	

"Financing is hard to come by."

(4,426 single-family permits in 2009, 13th largest market in the country)

Buyers remain on the fence, in no hurry to act. Buyer traffic deteriorated from already weak levels in August, as our traffic index fell to 11 from 16 in July, well below a neutral reading of 50 (readings below 50 point to traffic levels below agents' expectations). Agents said that buyers focus remains on "jobs, jobs, jobs," and they are also fearful of further price declines. One agent commented, "Buyers won't get off the fence, and for good reason: Prices and rates keep dropping." Another agreed, saying, "Buyers for the most part are still sitting on the sidelines." One noted the continued hangover from the tax credit stimulus and said, "Buyers lack confidence in the market. Still waiting for a 'bottom'!" One agent noted a "rebound from the lull after the end of the tax credit," likely due to the recent price reductions.

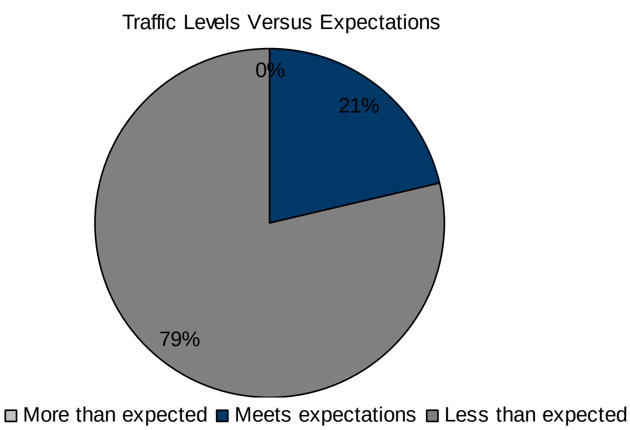
Sellers cut prices as inventory rises. Agents noted that prices remained under pressure in August, as our home price index improved to 23 from 18 in July but remains well below a neutral reading (readings below 50 indicate lower home prices over the past 30 days). Prices took another dip as demand fell further and as home listings increased. After essentially stabilizing in July, inventory levels appeared to increase again in August, as our home listings index dropped to 31 from 44 (readings below 50 indicate rising inventories). Sellers are trying to draw buyers back into the market, but seemingly having little success as the length of time needed to sell a home continued to lengthen in August. Our time to sell index fell to 12 in August from 13 in July (readings below 50 point to a longer time to sell). We view a longer time needed to sell as a negative indicator for future price trends.

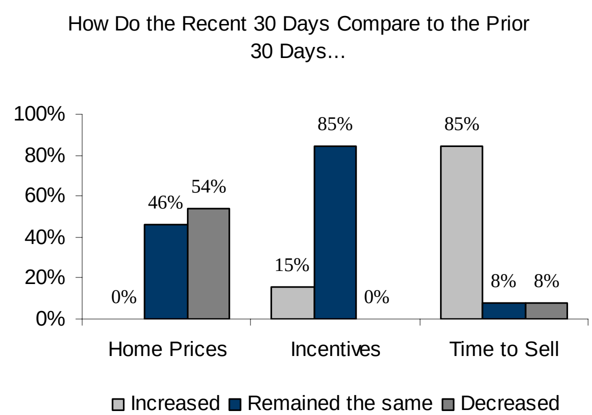
Comments from real estate agents:

- "Job worries; buyers are unsure if this is a good time to buy."
- "Low interest rates, lower prices are helping."

NVR and Standard Pacific have the most exposure. NVR has the greatest exposure to Charlotte with approximately 10% of sales, followed by Standard Pacific at 6%. Charlotte represents approximately 4% of sales for Pulte, Ryland, and KB Home.

Exhibit 6: Buyers Continue to Lack Confidence and Motivation





Source: Credit Suisse estimates

Chicago, IL – Buyers Remain Patient, Waiting for Further Price Declines

August Market Trends	
Traffic	
Home Prices	
Incentives	

(4,442 single-family permits in 2009, 12th largest market in the country)

Buyers are unwilling or unable to jump back into the market yet. Buyer traffic continued to weaken in August, as our buyer traffic index slipped to 10 from 11 in July, remaining at the lowest levels we've seen in our survey since fall 2007 (any reading below 50 indicates traffic below agents' expectations). 87% of agents surveyed responded that traffic levels fell short of their expectations. Agents said the problem boils down to buyers either not being able to buy now due to financial constraints or not wanting to buy now given their economic concerns and expectation that prices will fall further. One agent said, "Buyers are holding out and waiting for prices to drop." Another agent commented, "Too many people in my area are in financial trouble." Other agents responded, "There are few interested, qualified buyers in the market," and, "Ready and willing buyers are mostly investors."

"Banks are sitting on offers for months and months."

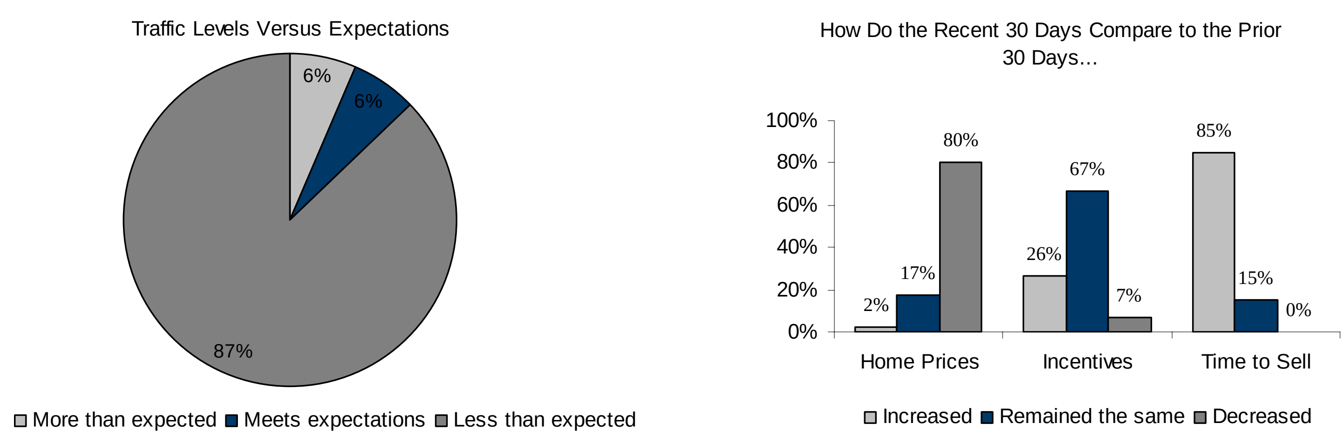
Home prices fall, but buyers remain patient and hold out for additional declines. Home prices continued to fall in August as demand weakened and inventories increased, as our home price index dropped to 11 from 15 in July, matching the lowest reading we've seen in our survey (last seen in November 2008). Readings below 50 indicate sequentially lower home prices. 80% of agents surveyed said prices were lower in August, but they also noted that buyers are still expecting further declines. Meanwhile, our home listings index also deteriorated, falling to 25 in August from 35 in July, with readings below 50 indicating higher inventory levels. Lower demand and higher inventory led to a longer time needed to sell a home in August – our time to sell index dropped to 7 from 21 in July, far below a neutral reading of 50 – suggesting buyers clearly have the upper hand.

Comments from real estate agents:

- "Illinois employment worsened, consumer confidence is way down, prices continue to decline, no buyer urgency."
- "Buyers expect the decline in prices to continue."

Ryland, Hovnanian, Pulte and D.R. Horton have the most exposure. Ryland has the greatest exposure to Chicago with approximately 4% of sales in the market, followed by Hovnanian, Pulte and D.R. Horton with approximately 3% of sales each.

Exhibit 7: Lower Prices Needed to Bring Buyers Back into the Market



Source: Credit Suisse estimates

Dallas, TX – Buyers Remain on the Sidelines; Expecting Lower Prices

August Market Trends
Traffic
Home Prices
Incentives

(14,130 single-family permits in 2009, 2nd largest market in the country)

Buyers continue to lack confidence and urgency. Buyer traffic was slightly higher in August, but remained at weak levels, as our traffic index increased to 21 from 19 in July (readings below 50 indicate traffic levels below agents' expectations). However, this is still a far cry from the index readings above 50 seen in our survey this past spring (peak of 57 in February). Agents were careful not to confuse the relative strength of the Texas economies with absolute strength, noting continued economic challenges. "Texas might be doing better than elsewhere, but people are just trying to keep their heads above water…" according to one agent. Another agent cited the start of school as a reason for weak traffic this month, but acknowledged that the market has been weak for several months so it's tough to tell. One agent who saw better than expected traffic levels noted, "Clients are ready to make a choice after sitting on the fence all summer." However, others countered that confidence remains very low due to the economic fears and fears that prices will fall further, keeping most potential buyers on the sidelines.

"Appraisers are afraid of their shadows and very, very conservative."

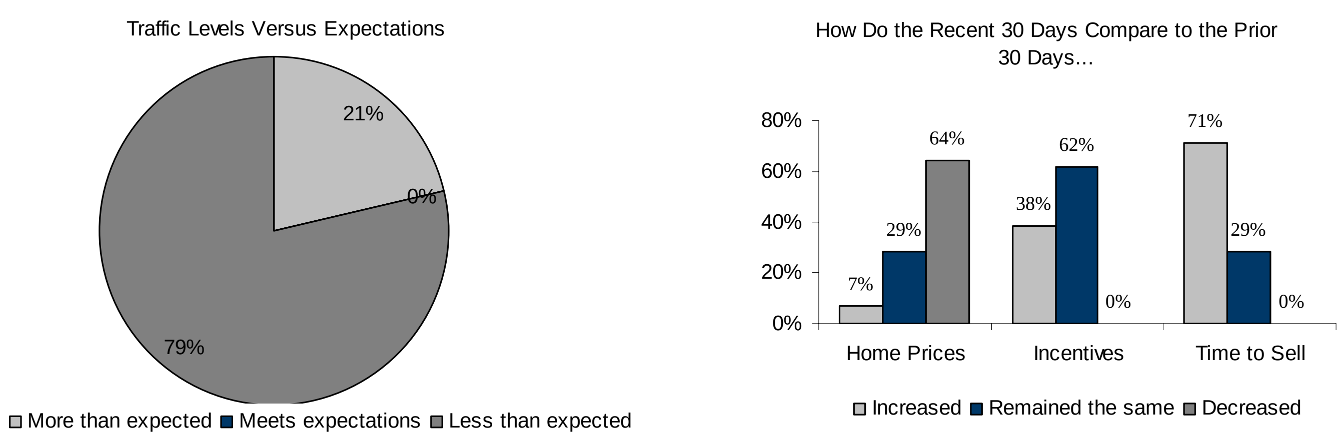
Home prices likely to fall further. Home prices remained under pressure in August and are likely to fall further in the coming months, as our home price index dropped to 21 in August from 29 in July (readings below 50 indicate lower prices over the last 30 days). This was the second-lowest reading seen in Dallas since our survey began. Rising inventory and a longer time needed to sell a home indicate further price declines are likely. Our home listings index increased to 31 in August from 24 in July, but any reading below 50 indicates higher inventory levels. Meanwhile, our time to sell index inched up to 14 in August from 12 in July, but readings below 50 indicate a longer time needed to sell a home.

Comments from real estate agents:

- "Deteriorating marketplace and buyers' fears that prices will continue to go down."
- "Basic uncertainty in the job market."

Meritage, Hovnanian, D.R. Horton and Ryland have greatest exposure. Meritage has the greatest exposure to Dallas, representing 20% of its sales, followed by Hovnanian at 8% and D.R. Horton and Ryland with 8% each.

Exhibit 8: **Buyers See Little Reason to Act Now**



Source: Credit Suisse estimates

Denver, CO – Buyers Exhibit Caution as Prices Come Under Pressure Once Again

August Market Trends	
Traffic	
Home Prices	
Incentives	

(2,709 single-family permits in 2009, 33rd largest market in the country)

Traffic index hits new record low. Buyer traffic deteriorated further, as our buyer traffic index fell to 10 in August from 13 in July, the weakest level recorded since we began surveying the market in 2005. This indicates demand levels well below agents' expectations (readings below 50 point to traffic below expectations). Agents said fear is the word du jour, noting fears about jobs, about the economy, about falling home prices, and about "what this government is going to do next." One agent commented, "It's pretty apparent the consumer funk has gripped my neck of the woods. Extreme caution is the entrée that is currently being served." Another agent cited, "consumer fears of the declining market and inability to obtain financing." Another agent echoed these comments, saying, "People are frightened by the economic outlook." Several agents also mentioned the continued tight lending environment, as buyers are having difficulty qualifying for mortgages.

"The lack of lending programs for tax return buyers is a big problem."

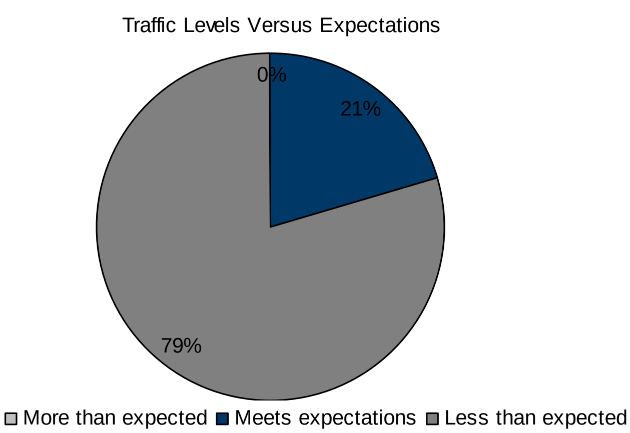
Prices head lower with few buyers and a multitude of sellers. Our home price index fell to 24 in August from 36 in July, indicating lower prices over the past 30 days (any reading below 50 indicates lower prices). This is also the lowest level seen in our price index in Denver since December 2008. Lower prices are being driven by the lack of demand and rising inventory levels. Inventory levels continued to increase in August, as our home listings index fell to 24 from 31 in July, with readings below 50 indicating higher inventory. Prices are likely to remain under pressure in the coming months, as the length of time needed to sell a home (typically a leading indicator of price trends) continued to increase. Our time to sell index, reflecting a combination of demand and inventory trends, fell to 10 in August from 24 in July, well below a neutral reading of 50 with lower numbers indicating a longer time needed to sell.

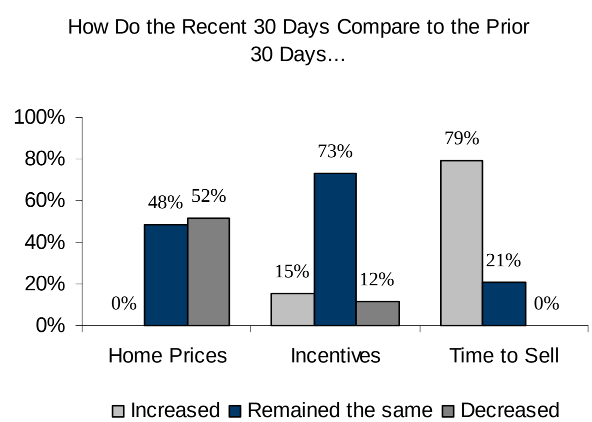
Comments from real estate agents:

- "Tax credit hangover. Buyers are worried about the economy."
- "Seems to be a continuing slowdown after the expiration of tax credits."

MDC Holdings, D.R. Horton and KB Home have the greatest exposure. MDC Holdings has the greatest exposure to Denver with approximately 8% of sales, followed by D.R. Horton and KB Home with approximately 2% of sales.

Exhibit 9: **Buyer Fears Remain a Significant Overhang**





Source: Credit Suisse estimates

Ft. Myers, FL – Weak Traffic Fails to Meet Lowered Expectations

(906 single-family permits in 2009, 93rd largest market in the country)

August Market Trends
Traffic
Home Prices
Incentives

"Appraisals are killing many deals."

Agents expected slow traffic, and saw even less. Our buyer traffic improved to 28 in August from 22 in July. However, we think the improvement in the index this month has more to do with lower expectations than an actual improvement in demand, as many of the agents who said traffic met their expectations responded that they expected weak demand since this is typically the slowest time of the year. In addition, this reading suggests traffic levels still fell short of most agents' expectations, as any reading below 50 indicates worse than expected traffic levels. Aside from the seasonal slowdown, agents most often cited concerns about the economy, home prices, and the potential impact of the Gulf oil spill. One agent said, "Lack of financing, lack of employment. Prices continue to drop." Another agent suggested the market remains in a standstill, commenting, "Few buyers feel prices have 'bottomed-out' and are still on the fence. Sellers are awaiting word of further government rules regarding mortgage assistance and are reluctant to list at lower prices in order to get the home sold. Everyone is in waiting mode."

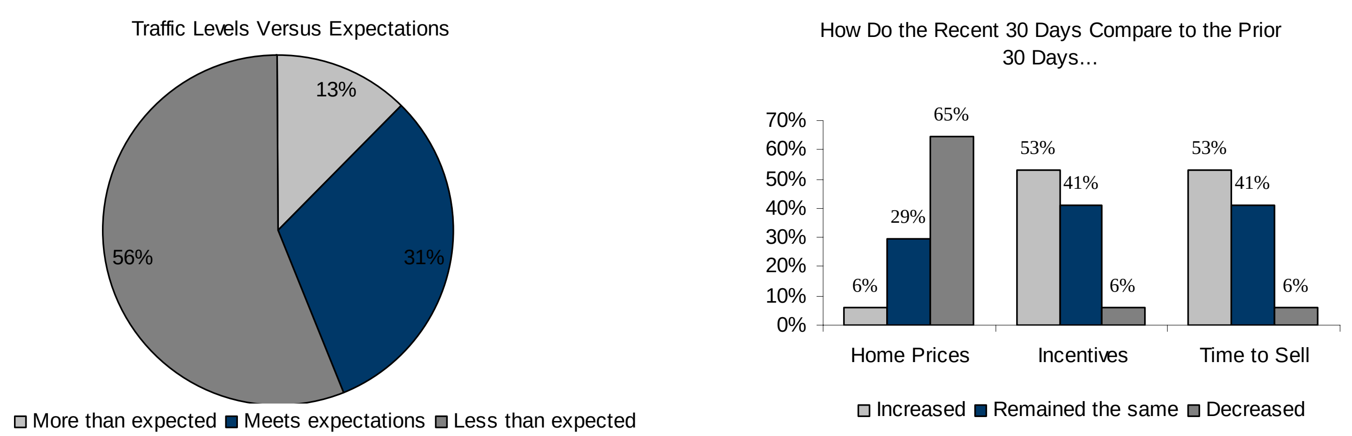
Home prices under renewed pressure due to weak demand, rising inventory. Home prices fell in August, as our home price index reached the lowest level since February 2009, dropping to 21 in August from 46 in July (readings below 50 indicate lower home prices over the past 30 days). Distress is likely continuing to have a significant impact, making up a greater percentage of transactions as traditional sales have slowed in recent months. In addition, inventory levels increased for the first time since March 2009, as our home listings index fell to 41 in August from 48 in July (readings below 50 indicate higher inventory). Our time to sell index also suggests price pressures are likely to continue, falling to 27 in August from 31 in July, with readings below 50 indicating a longer time needed to sell a home over the past month.

Comments from real estate agents:

- "Distressed transactions are getting much easier to complete."
- "Buyers are very concerned – feel prices will decrease due to oil spillage."

Lennar has the most exposure. Lennar has the greatest exposure to Ft. Myers with approximately 5% of net sales

Exhibit 10: **Prices Fall for First Time in 18 Months**



Source: Credit Suisse estimates

Houston, TX – Continued Tax Credit Hangover Still Blamed for Lack of Demand

August Market Trends
Traffic
Home Prices
Incentives

(22,360 single-family permits in 2009, largest market in the country)

Buyer traffic continues to deteriorate. Buyer traffic fell further in August, coming in far below agents' expectations, as our traffic index slipped to 13 from 15 in July (readings below 50 indicate traffic below agents' expectations). This is the lowest reading in our survey since November 2008. Similar to the past several months, agents said that buyers continue to lack confidence, fearful of the economic and employment picture. In addition, agents continued to blame the hangover from the end of the homebuyer tax credit for the weak traffic levels, even though this is now the fourth month without the credit. One agent commented, "I expected we would have a tax credit hangover and that is exactly what we have and will have through the end of the year." Job concerns are also clearly at the forefront. One agent noted, "No buyers. No one knows if they will have a job next month." Other agents also said that challenges getting buyers approved for mortgages continue to limit the pool of buyers.

"Buyer confidence is down."

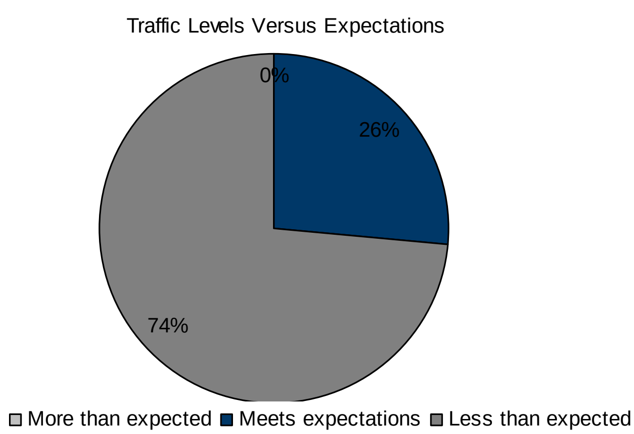
Lack of demand leads to lower prices. Home prices declined again in August, according to agents, as our home price index came in at 26, up from 22 in July but well below a neutral reading of 50 (any reading below 50 indicates lower home prices over the past 30 days). On top of the weak demand, inventories also appear to be rising, as our home listings index improved to 29 in August from 22 in July but fell short of a neutral reading (readings below 50 point to higher inventory levels over the past 30 days). In addition, our time to sell index, which reflects a combination of demand and inventory trends, came in at 11 in August (from 5 in July), indicating a longer time needed to sell a home. We view the longer time needed to sell as a negative indicator for future pricing trends.

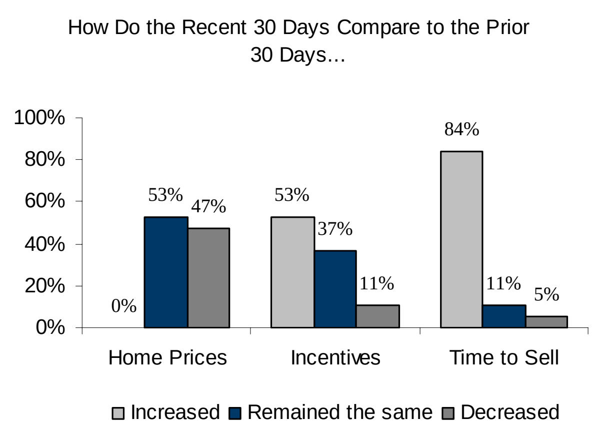
Comments from real estate agents:

- "The influx of appraisal management companies has resulted in low-fee appraisals, but the quality is poor."
- "Lenders are taking longer; we are even seeing this with larger down-payments."

Meritage, Lennar, and Hovnanian have the most exposure to Houston with approximately 21%, 17%, and 11%, respectively, of their net sales.

Exhibit 11: **Buyers Show Continued Lack of Confidence or Ability**





Source: Credit Suisse estimates

Jacksonville, FL – Job Worries and Tight Lending Limit Pool of Buyers

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

(3,320 single-family permits in 2009, 23rd largest market in the country)

Buyer traffic remains at depressed levels. Buyer traffic inched up in August, as our traffic index improved to 20 from 18 in July, but remains at depressed levels well below agents' expectations (any reading below 50 indicates traffic levels below expectations). Agents primarily cited the challenging jobs environment as well as difficulty getting buyers qualified for loans as the reasons for the weak traffic levels. One agent noted, "Lenders are too strict on financing still." Another agreed, saying buyers were worried about, "getting loan approvals and job security." A third agent also had similar comments, noting traffic was less than expected due to, "unemployment and job insecurity." One agent who saw healthier traffic trends said "low prices" were the driving force.

"Appraisals are low from a lack of comps."

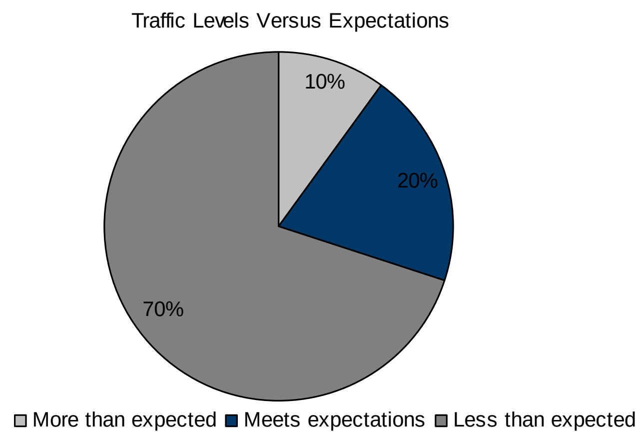
Home prices fall further as inventories increase. Home prices continued to decline in August, as our home price index fell to 22 from 25 in July, with readings below 50 indicating lower prices over the last 30 days. Weak demand and higher inventory levels contributed to the declines. Our home listings index dropped to 35 in August from 54 in July, indicating a further rise in inventories following temporary stabilization last month (readings below 50 point to higher inventory levels). In addition, our time to sell index (a leading indicator of home prices reflecting both demand and inventory trends) deteriorated further in August. Our index fell to 25 from 39 in July, with readings below 50 indicating a longer time needed to sell a home over the past 30 days. The rising inventory and longer time needed to sell a home point to further price declines in the coming months.

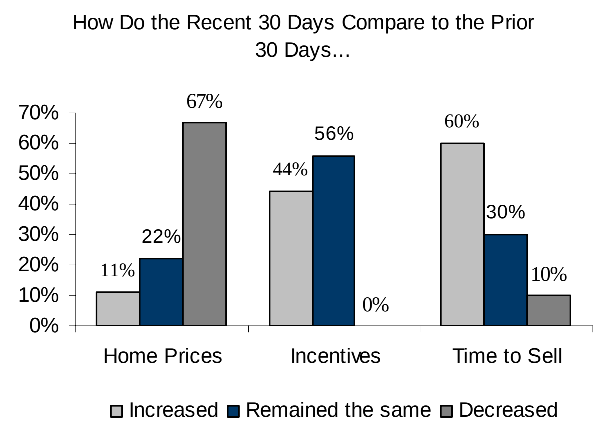
Comments from real estate agents:

- "Appraisals are coming in too low."
- "Seeing more qualified buyers with cash."

MDC Holdings, Ryland, and KB Home have the most exposure to Jacksonville with approximately 6%, 4%, and 4%, respectively, of their sales.

Exhibit 12: **Price Pressures Continue with Weak Demand and Rising Inventory**





Source: Credit Suisse estimates

Las Vegas, NV – Low Prices and Rates Tempt Some, but Overall Traffic Remains Low

August Market Trends
Traffic
Home Prices
Incentives

(3,791 single-family permits in 2009, 18th largest market in the country)

Slight uptick in traffic, from depressed levels. Our buyer traffic index rebounded slightly from a nearly two-year low in August, improving to 22 from 18 in July, although these levels still indicate weak overall traffic below agents' expectations (any reading below 50). Agents said that the slightly better traffic levels in August were due to the combination of lower prices and mortgage rates, which helped to draw some buyers back into the market. However, the majority of agents still cited weakness in traffic levels, noting a climate of uncertainty and fear. Additionally, some said that the market is still dealing with the hangover following a significant pull-forward in demand ahead of the tax credit expiration. One agent said, "There is uncertainty due to failed government programs," and, "Everybody already bought." Another commented, "Continued high unemployment, bad economic news keeps potential buyers away. They feel that prices will continue to decline." Another agent agreed, saying traffic was weaker than expected due to, "fear of job loss and lower prices."

"Foreclosures have become a difficult problem for appraisers. Include or exclude?"

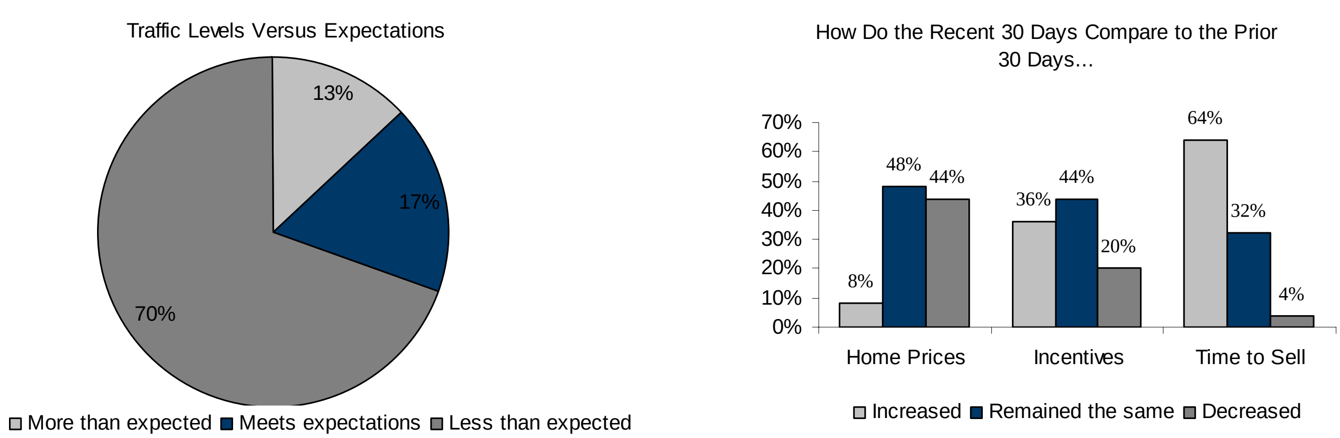
Prices fall again as inventory builds. Home prices continued to fall in August – the third straight month of declines – as our home price index fell to 32 from 36 in July (readings below 50 indicate sequentially lower prices). We think prices will likely fall further in the coming months as inventory is on the rise once again after shrinking consistently for more than a year. Our home listings index dropped to 18 in August from 34 in July, the lowest level for Vegas in our survey since fall 2007 (readings below 50 suggest higher inventory levels). This is a sharp reversal from the trends seen this spring, when our home listings index reached 86 in April (low numbers indicate rising inventory, high numbers indicate falling inventory). Our fear is that the increase in inventory is coming from the rising level of foreclosures, which will pressure prices even further without enough buyers to absorb these as they come to market, especially since foreclosure pricing often serves as the main comparison for traditional sales these days.

Comments from real estate agents:

- "Economic uncertainty and the possibility that prices may fall more."
- "Low interest rates and prices for the market."

MDC Holdings and KB Home have most exposure to Vegas. MDC has the greatest exposure to Las Vegas with 18% of net sales, followed by KB Home with 8%.

Exhibit 13: **Worrisome Inventory Trends Point to Further Pricing Pressures**



Source: Credit Suisse estimates

Los Angeles, CA – Some Buyers Dip Toes Back into the Water as Prices Fall, but Most Still on the Fence

(3,388 single-family permits in 2009, 22nd largest market in the country)

August Market Trends
Traffic
Home Prices
Incentives

"Banks are nightmares when it comes to loans, especially for 1099 individuals."

Traffic rebounds slightly on low rates and prices. Our buyer traffic index improved modestly in August, increasing to 23 from 17 in July, but suggests traffic remains below agents' expectations for this time of year (any reading below 50). Agents seeing better traffic levels pointed to the low mortgage rates and home prices as the primary factor. One agent said, "Low prices are driving investor traffic." However, other comments suggested a more mixed picture. Another agent said, "Most of my clients are investors and everyone is just sitting and waiting for the economy to turn around." Another agent seemed to suggest that investors may be back in the market, but are only looking for steals. "Investors are sending low-ball offers. Sales of REOs used to be all cash/investors, now flipped to mostly owner-occupants," according to this agent. Outside of the investor world, signals also appeared worse, with one agent noting continued demand from first-time buyers at low price points, but most others commenting that buyers remain fearful due to the uncertain economic and employment prospects.

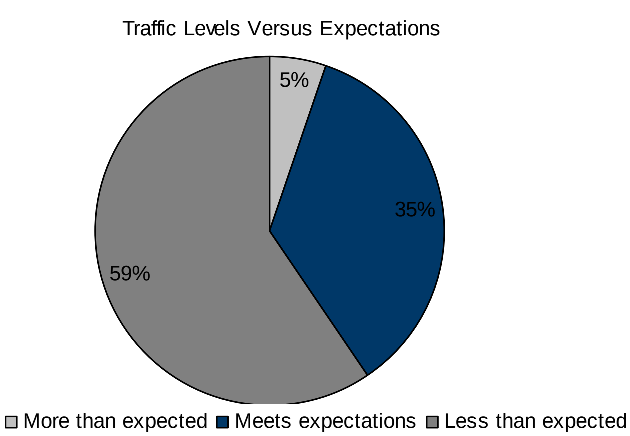
Home prices fall for second straight month; rising inventory points to further declines. Home prices fell for the second month in August, pressured by weak demand and rising inventory. Our home price index fell to 25 in August from 31 in July, the lowest reading in LA since March 2009, with any reading below 50 pointing to lower prices over the last 30 days. Meanwhile, inventory levels continued to climb, as our home listings index fell to 32 in August from 33 in July (readings below 50 indicate higher inventories). In addition, it took longer to sell a home in August, a negative indicator for price trends in the coming months, as our time to sell index fell to 10 from 20 in July (readings below 50 point to a longer time needed to sell a home).

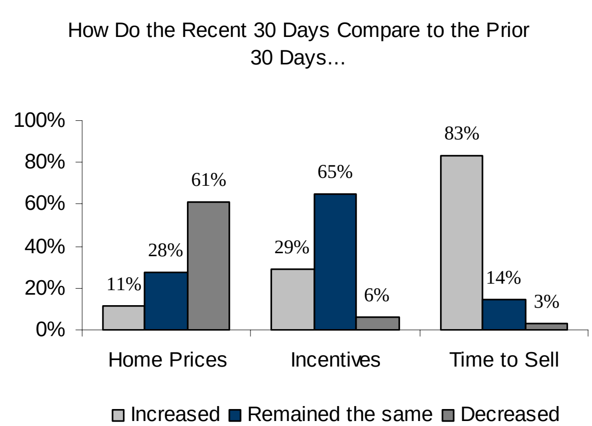
Comments from real estate agents:

- "First-time homebuyers are still active in the lower price ranges."
- "Appraisal problems are increasing in numbers."

KB Home, Standard Pacific and MDC have the most exposure. Approximately 3% of sales for Hovnanian, KB Home and Standard Pacific come from L.A., the most among the large builders.

Exhibit 14: **Few Buyers Still in the Market Remain Highly Price Sensitive, Looking for Steals**





Source: Credit Suisse estimates

Miami, FL – Weak Consumer Confidence Keeps Traffic at Low Levels

(2,272 single-family permits in 2009, 43rd largest market in the country)

August Market Trends
Traffic
Home Prices
Incentives

"Buyers are looking steals."

Traffic suffers as buyers expect economic and price weakness to persist. Traffic remained at low levels in August, as our buyer traffic index came in at 25, up slightly from 22 in July, but still well below a neutral reading of 50, pointing to lower than expected traffic over the past month (readings below 50). Agents mentioned very weak consumer confidence in our August survey, driven primarily by expectations for further price declines and lingering unemployment. According to one agent "the economy is causing people to stay away from the market." Another noted, "Buyers are unsure about how home prices will hold up. They do not want to buy now and possibly become 'underwater' in just several months." Agents also highlighted that banks were prolonging the short sale process, which discouraged potential buyers from entering the market. While another commented that foreclosures are increasingly accepting cash only, limiting the potential pool of interested buyers.

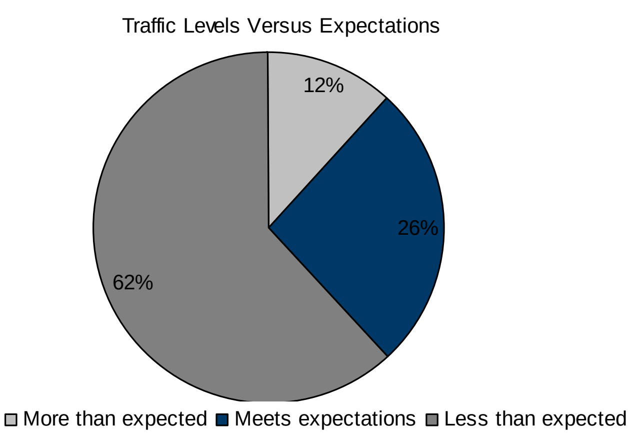
Home prices continue to slide with plenty of inventory, few buyers. Home prices fell further in August, as our home price index came in at 29 (from 28 in July), remaining below a neutral reading of 50, pointing to lower home prices sequentially (readings below 50). According to one agent, sellers "have started to become more negotiable on price," which we think may lead to further price declines. Meanwhile, inventory levels remained stable in August. Our home listings index came in at 46 (from 47 in July), in-line with a neutral reading of 50, pointing to unchanged inventory levels over the past month. However, our time to sell index came in at 31 in August indicating a lengthening time needed to sell a home, which we view as a negative indicator for future pricing.

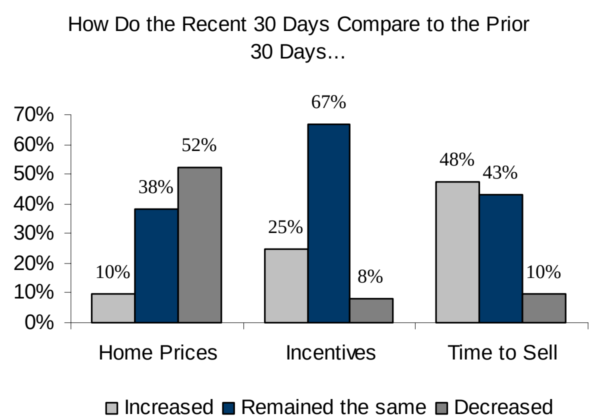
Comments from real estate agents:

- "Traffic has slowed as buyers have a general feeling the economic recovery may have stalled."
- "Unemployment is still high. That will remain the key issue for traffic."

D.R. Horton has the most exposure. D.R. Horton has the greatest exposure to Miami, but with only approximately 1% of sales.

Exhibit 15: **Buyers Wait for Further Price Weakness, Confidence Remains Low**





Source: Credit Suisse estimates

Minneapolis, MN – Buyers Expect More Attractive Pricing before Entering the Market

(3,631 single-family permits in 2009, 20th largest market in the country)

August Market Trends	
Traffic	
Home Prices	
Incentives	

"No jobs, no confidence, no sales."

Traffic suffers again in August and remains well below expectations. Our buyer traffic index remained at very low levels in August, coming in at 8 from 7 in July, pointing to traffic well below agents' expectations (readings below 50 point to lower than expected traffic). This marks the fourth consecutive month of lower than expected traffic readings for the twin cities. Agents stressed that buyers lacked confidence in the economy, their employment, and the decision to buy in the current environment. According to agents, buyers wanted to wait until prices reached more attractive levels. One agent mentioned, "Buyers are still looking for bargains. Only the best priced homes are moving." Another commented, "Buyers have no urgency and are willing to wait for prices to come down. There are also too many improperly priced properties." Uncertainty was also a major theme in our July survey, in which buyers exerted caution and wanted to wait for a better environment before seriously looking for a home. In addition, one agent buyers' frustration with short sales, as buyers have become worried the process will become too long and burdensome.

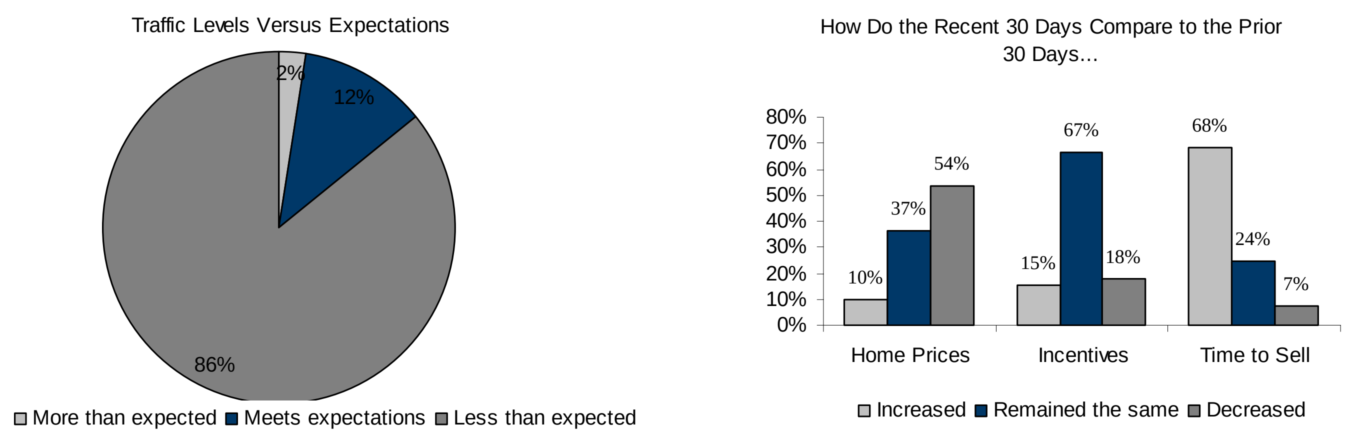
Higher inventories continue to pressure prices. Home prices continued to weaken in August, as our home price index came in at 28, better than 19 in July, but still below a reading of 50, pointing to sequentially lower home prices. Prices are likely to remain weak, as soft demand coupled with higher inventories will lead to additional pressure. Our home listings index came in at 32 in August (from 41 in July), pointing to increased incentives over the past month (readings below 50). In addition our time to sell index came in at 20 from 19 in July, still well below a neutral reading of 50, pointing to an increased time to sell (readings below 50), a negative indicator for future pricing.

Comments from real estate agents:

- "A lot of homes for sale are not priced properly. They will not move with the demand that's out there now."
- "Consumers will not buy until they are confident about their employment."

Ryland, Lennar, and Hovnanian have the greatest exposure. Ryland has the greatest exposure to Minneapolis with approximately 4% of net sales, followed by Lennar and Hovnanian with 3% each.

Exhibit 16: **Prices Likely to Fall as Inventories Trend Higher and Demand Continues at Low Levels**



Source: Credit Suisse estimates

New York-Northern NJ – Economic Outlook Remains Weak; Buyers Expect Price Declines

August Market Trends
Traffic
Home Prices
Incentives

(6,416 single-family permits in 2009, 6th largest market in the country)

Unemployment remains key headwind. Buyer traffic remained at low levels in August, as our traffic index came in at 18 (from 15 in July), pointing to traffic below agents' expectations (readings below 50 suggest traffic did not meet expectations). Agents cited buyers' concerns over employment security and further economic weakness. According to one agent, "Buyers are still hesitant because of the economy. They do not want to take any risks." According to another agent, "Affordability doesn't even matter. Buyers are still worried about their jobs." In addition, one agent mentioned, "Buyers are expecting further prices declines. Some of them are nearly 100% certain prices are going down." The expectation of pricing pressure has led buyers to wait for a better opportunity to enter the market. This is similar to our July survey, in which buyers' anxiety over employment kept them out of the market and agents stressed stalemates between buyers and sellers on price.

"There is no trust in the market."

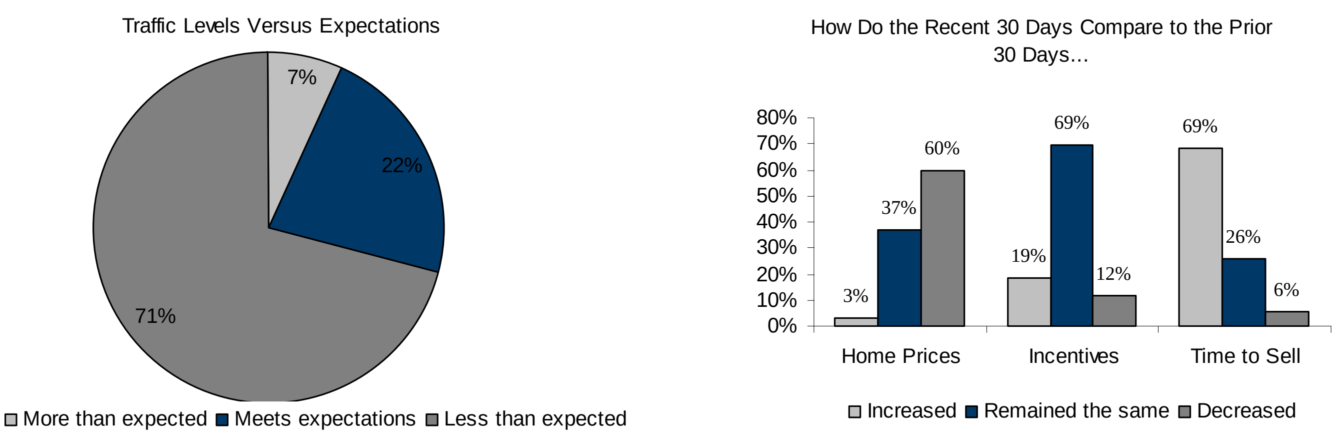
Inventories trend higher, adding risk to home prices. Home prices fell again in August, as our home price index came in at 21, a slightly better reading than 15 in July, but still well below a neutral reading of 50, pointing to sequentially lower prices (readings below 50 indicate lower home prices). Agents mentioned that some sellers have started to concede on price to meet the current demand environment. Meanwhile, our home listings index pointed to higher inventory levels, coming in at 33 in August (from 25 in July), still below a neutral reading of 50, indicating inventories increased over the past month. In addition, our time to sell lengthened in August, coming in at 19 (from 17 in July), pointing to an increased time to sell (readings below 50). We believe sellers may become more flexible on price as inventories rise and listings take longer to sell.

Comments from real estate agents:

- "The only sellers finding buyers are those cutting price ahead of the curve."
- "Buyers are worried about their employment status."

Toll Brothers and Hovnanian have the greatest exposure. Toll Brothers and Hovnanian have the most exposure to the New York-Northern NJ area market, generating the largest percentage of sales in the area with 12% and 8%, respectively.

Exhibit 17: Buyers Remain Concerned over Employment, Agents Note Sellers Start to Concede on Price



Source: Credit Suisse estimates

August Market Trends	
Traffic	
Home Prices	
Incentives	

Orlando, FL – Buyers Patiently Wait for Better Prices

(3,707 single-family permits in 2009, 19th largest market in the country)

Traffic remains weak as buyers expect price declines. Our buyer traffic index fell in August, following a slight improvement in July, as our traffic index fell to 17 from 27 in July, coming in further below a neutral reading of 50, suggesting lower than expected traffic. This marks the fourth consecutive month of lower than expected traffic. Agents stressed buyers' concerns over the state of the local economy and employment outlook, which continued to fuel buyers' hesitancy. Agents mentioned that buyers were uncertain over the direction of home prices, and as a result, wanted the best available deal before committing. According to one agent, "potential buyers are reluctant due to the state of the economy, which is too weak for them to warrant a purchase." According to another agent, "There are some buyers out there, but their attitude is 'what's the rush?'" The cautious approach is similar to themes from our July survey, in which high unemployment kept consumer confidence low, and led to expectations for additional weakness.

"There is a lack of confidence in the economy."

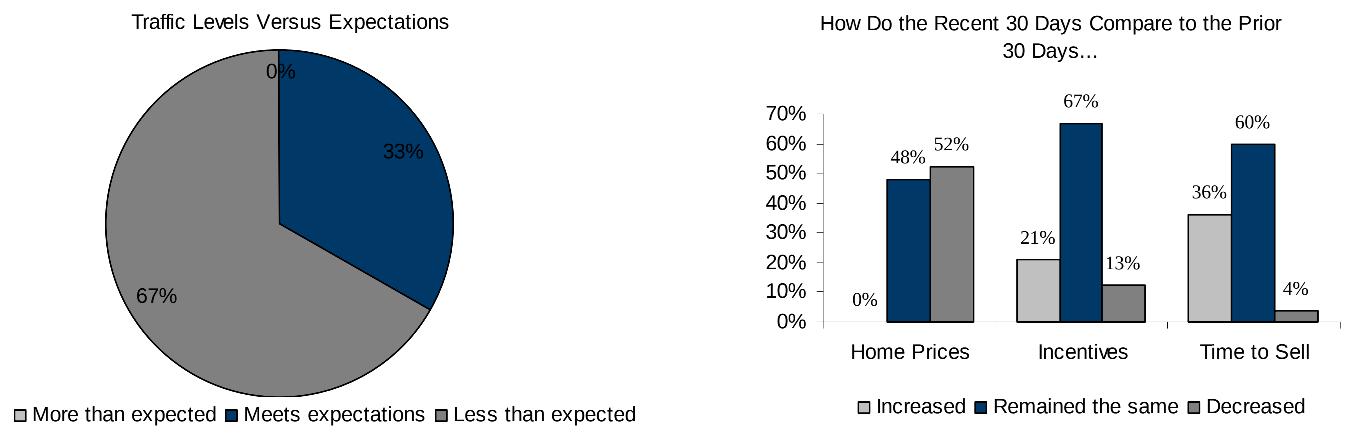
Prices fall further while inventory levels trend higher. Home prices remained under pressure in August, as our index fell to 24 from 34 in July, pointing to lower prices over the last 30 days (readings below 50 point to sequentially lower home prices). We would expect prices to remain weak, as our home listings index pointed to higher inventory levels over the past month; our home listings index came in at 31 (from 55 in July), with readings below 50 pointing to higher inventory levels. Our time to sell index also suggests increased pressure on prices. Our index came in at 34 (from 50 in July), suggesting an increased time to sell (readings below 50 point to a longer time to sell).

Comments from real estate agents:

- "There is hesitancy among buyers looking for future price declines."
- "Rising unemployment and a deteriorating economic picture is a common fear among buyers."

Ryland and KB Home have the greatest exposure. Ryland and KB Home have the largest percent of sales from Orlando at approximately 5% each.

Exhibit 18: **Expectations for Price Declines Have Buyers on the Sidelines**



Source: Credit Suisse estimates

Phoenix, AZ – Buyers Show no Motivation, Expecting Housing to Remain Weak

August Market Trends
Traffic
Home Prices
Incentives

(8,657 single-family permits in 2009, 4th largest market in the country)

Traffic remains weak and comes in well below expectations. Our buyer traffic index fell further in August, as our traffic index declined to 11 in August from 14 in July, remaining below agents' expectations for this time of year (readings short of 50 indicate traffic short of expectations). Agents stressed that buyers expressed a lack of motivation in our August survey. Fears over a double dip in the economy, employment security and the stability of home prices eliminated any urgency to purchase in the current environment. One agent mentioned, "People are afraid to spend money." Another stressed "that the lack of jobs and weak consumer confidence have been key roadblocks to any type of recovery in demand." Agents said the employment outlook has kept buyers on the sidelines, and has driven lenders to become stricter in their guidelines. In addition, one agent noted that clients are expecting pricing pressure from bank-owned REO inventory, as "buyers are waiting for increased bank inventory listings before getting in the market."

"People keep losing their jobs."

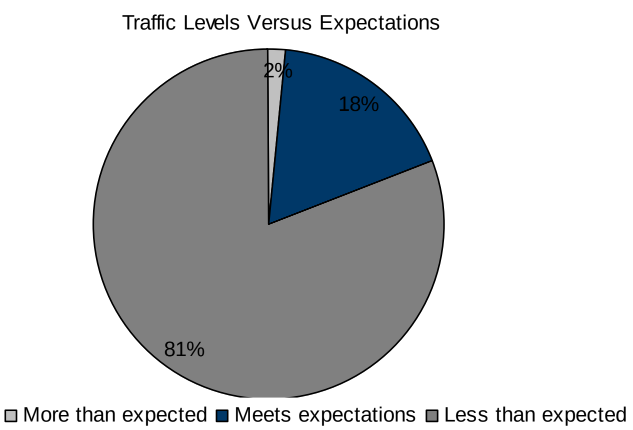
Prices under pressure as inventories trend higher. Home prices fell again in August, following a sharp drop in July, as our home price index fell to 18 from 27 in July (and 43 in June), with readings below 50 pointing to sequentially lower prices. Pricing will likely continue to face pressure, as our home listings index indicates higher inventory levels in August. Our home listings came in at 29 (from 36 in July), pointing to higher inventory levels (readings below 50 point to rising inventory). In addition, our time to sell index fell to 20 from 26 in July, suggesting an increased time to sell over the past month (readings below 50 point to an increased time to sell). We view the higher inventory levels, as well as the increased time to sell, as negative indicators for future pricing.

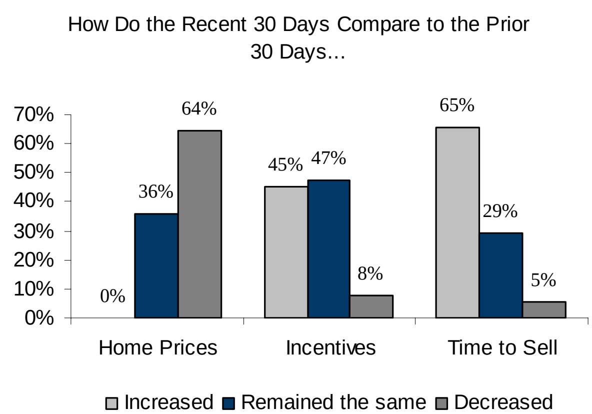
Comments from real estate agents:

- "There is no confidence and no urgency for those buyers interested in the market."
- "People don't know where the economy is going. They want more clarity before they make a commitment."

MDC Holdings, D.R. Horton, Standard Pacific, Pulte Homes, and Meritage have the greatest exposure. MDC has the largest exposure to Phoenix, contracting approximately 24% of total unit sales in the area, followed by D.R. Horton (13%), Standard Pacific (12%), Pulte (12%), and Meritage (11%).

Exhibit 19: Weak Economy and Lack of Employment Lead Buyers to Shy Away from the Market





Source: Credit Suisse estimates

Riverside-San Bernardino, CA (Inland Empire) – Buyers Expect Prices to Fall Further

August Market Trends	
Traffic	
Home Prices	
Incentives	

(4,557 single-family permits in 2009, 11th largest market in the country)

Buyers wait for lower prices and expect bargains. Buyer traffic came in below expectations for the third consecutive month in August, as our traffic index came in at 27, up slightly from 24 in July, but still below a neutral reading of 50 (readings below 50 point to traffic below agents' expectations). Agents stressed that buyers anticipate further weakness and want to postpone buying homes until they get a bargain. According to one agent, "Buyers are not very confident. My clients are not in a hurry…at all. They believe the market will only get worse before it gets better." Other agents mentioned that unemployment is likely the key driver for this sentiment, as "economic and employment expectations are weak, making for an unusually difficult market." Another agent mentioned that expectations of shadow foreclosures coming into the market have led buyers to another potential source of pricing pressure, further delaying their entry into the market.

"Consumer confidence is way down."

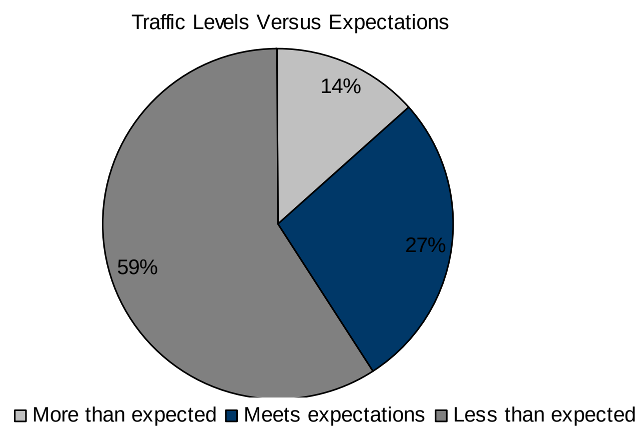
Prices fall as the time to sell increases. Home prices fell in August, as our home price index fell to 39 from 48 in July, with readings below 50 pointing to lower prices over the last 30 days. This marks the first month of sequentially lower pricing for the region since May '09. We believe pricing may remain under pressure as traffic remains at low levels. Meanwhile, our home listings index came in at 52, in-line with a neutral reading, pointing to stable inventory levels over the past month (readings of 50 suggest unchanged inventories). However, our time to sell index fell to 30 from 36 in July, pointing to an increased time to sell over the past month (readings lower than 50).

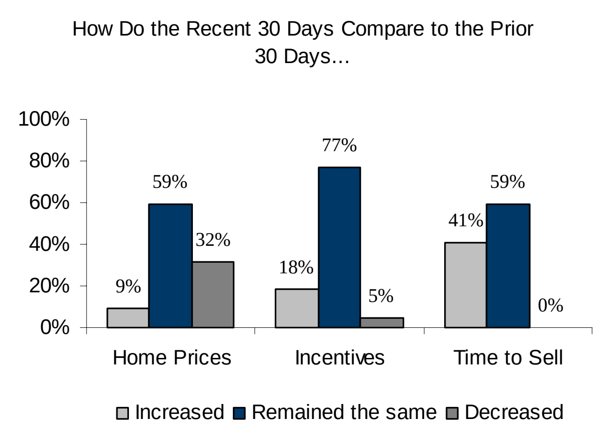
Comments from real estate agents:

- "The regions' unemployment is in the double-digits, people are just too uncertain of what the future may bring."
- "People think they can a better deal if they wait. They expect more weakness."

Standard Pacific, KB Home and Lennar have the greatest exposure. Standard Pacific has the largest percent of sales at approx. 13%, followed by KB Home (7%), and Lennar (5%).

Exhibit 20: **Expectations for Weak Pricing Drive Buyers to Hold Out for Better Deals**





Source: Credit Suisse estimates

Seattle, WA – Buyers Express Anxiety over Double-Dip in Home Prices

(5,019 single-family permits in 2009, 9th largest market in the country)

August Market Trends
Traffic
Home Prices
Incentives

"Very few buyers are actively looking."

Traffic slips, falls further below expectations. Our buyer traffic index declined further in August, falling to 17 from 19 in July, pointing to traffic below agents' expectations (readings below 50 suggest traffic did not meet agents' expectations). This marks the fourth consecutive month of lower than expected traffic. Agents credited the weak traffic in August to buyers' economic concerns, particularly apprehension over the stability of home prices. Several agents mentioned that buyers want to wait before purchasing as they expect prices to fall further in the near future. According to one agent, "The few buyers that I do get all expect prices to fall further. They are anticipating better deals to come through." Another highlighted, "since the credit expired, potential buyers think it's only a matter of time before we enter a double-dip." Employment concerns also continue to weigh on the market, as one agent said "job losses are scaring my buyers, they do not expect any economic improvement any time soon."

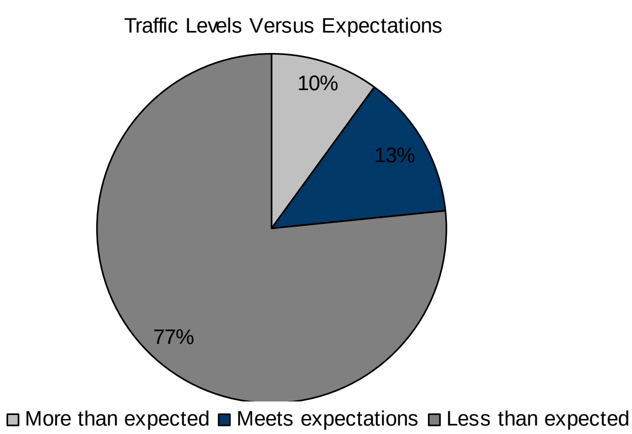
Prices remain weak as inventory pressures worsen. Home prices fell again in August, as our price index came in at 20, unchanged from our reading in July, pointing to lower prices over the past 30 days (readings below 50). We expect prices to remain under pressure as traffic remains weak and buyers have plenty of choices. Our home listings index came in at 25 (from 15 in July), still well below a neutral reading of 50, pointing to higher inventory levels over the past month (readings below 50). Meanwhile, our time to sell index fell to 17 from 26 in July, pointing to an increased time to sell over the past month (readings below 50). We view the higher inventory levels and the increased time to sell as negative indicators of future pricing.

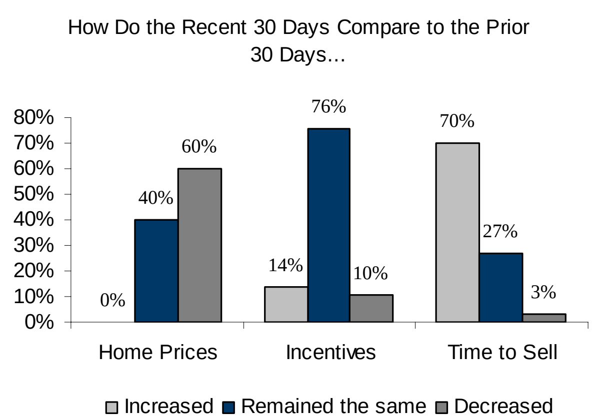
Comments from real estate agents:

- "People are scared to do anything. People are losing their jobs and are frightened."
- "Buyers expect prices will continue to soften."

D.R. Horton and Pulte have the most exposure to Seattle. D.R. Horton and Pulte generated approximately 1% of sales in Seattle. We expect larger, publicly traded homebuilders to further consolidate the market in the next several years.

Exhibit 21: Weak Employment Outlook, Expectations for a Double-Dip, and Higher Inventories to Pressure Prices





Source: Credit Suisse estimates

Tampa, FL – Buyers Cite Financial Concerns for Weak Traffic in August

August Market Trends	
Traffic	
Home Prices	
Incentives	

(3,933 single-family permits in 2009, 17th largest market in the country)

Economic concerns remain a dark cloud over traffic. Our buyer traffic index remained at low levels in August, coming in at 15 (from 9 in July) suggesting traffic was well below agents' expectations (readings below 50 indicate traffic below agents' expectations). This marks the fourth consecutive month of lower than expected traffic for the region. Agents attributed the weak traffic in August to buyers' lingering fear over the economy and their future employment security, continuing themes from our July survey. One agent mentioned, "A lack of better GDP growth has led to fewer and fewer buyers. People are afraid to look at anything!" Another agent stressed that the lack of employment opportunities has kept consumer confidence low, as buyers expect weakness in the market to persist until the labor market improves. As a result, buyers were said to see renting as a better alternative to buying, given the financial risk and responsibility associated with ownership. However, one agent mentioned that buyers who are in the market have continued difficulty obtaining a mortgage and are becoming frustrated with the short sale process.

"There is a lack of serious buyers."

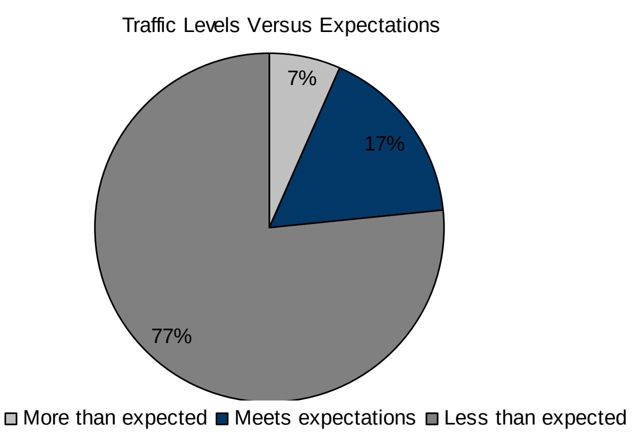
Prices remain under pressure; face additional risk from higher inventories. Home prices continued to decline in August, as our home price index came in at 23 (from 21 in July), pointing to lower prices over the past month (readings below 50 point to sequentially lower prices). Worse for pricing, inventory levels continued to creep higher. Our home listings index came in at 33 (from 25 in July), with readings below 50 pointing to higher inventory levels over the past 30 days. In addition, our time to sell index came in at 29 (from 15 in July), pointing to an increased time to sell (readings below 50). A longer time needed to sell a home is typically a negative indicator for price trends.

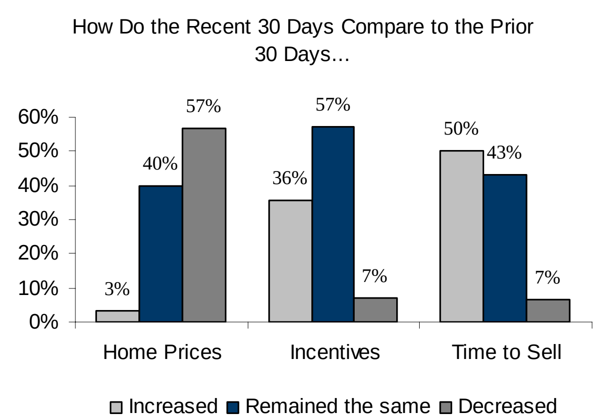
Comments from real estate agents:

- "High unemployment, worse consumer confidence, and a poor economy are all reasons why buyers are nowhere to be seen."
- "Clients are afraid of the future!"

Standard Pacific Homes, Ryland, and Lennar have the most exposure. Tampa contributes approximately 7% of Standard Pacific's net sales, followed by 5% each for Ryland and Lennar.

Exhibit 22: **Inventory Levels Add to Risk of Further Price Declines, Traffic Remains Weak**





Source: Credit Suisse estimates

Washington, D.C. – Market Apprehension Keeps Agents' Offices Slow in August

August Market Trends
Traffic
Home Prices
Incentives

(9,014 single-family permits in 2009, 3rd largest market in the country)

Buyers bring lack of urgency into August and traffic remains sluggish. Buyer traffic came in below agents' expectations for fourth consecutive month in August, falling to 19 from 25 in July (readings below 50 indicate traffic below agents' expectations). Agents noted that buyers were hesitant and nervous about the health of the housing market and the economy, similar to commentary from our July survey. According to one agent, "uncertainty about the economy and job security are spooking potential buyers." Another stressed a "lack of motivation" for the weak traffic in August. This has been a recurring theme in the D.C. metro area, as agents continue to mention that buyers do not see a near-term catalyst to lock themselves into a purchase and financial commitment. One agent said that "buyers continue to sit on the fence. They want to time the market and are not sure if they'd get the best deal right now."

"The national economic outlook keeps buyers anxious."

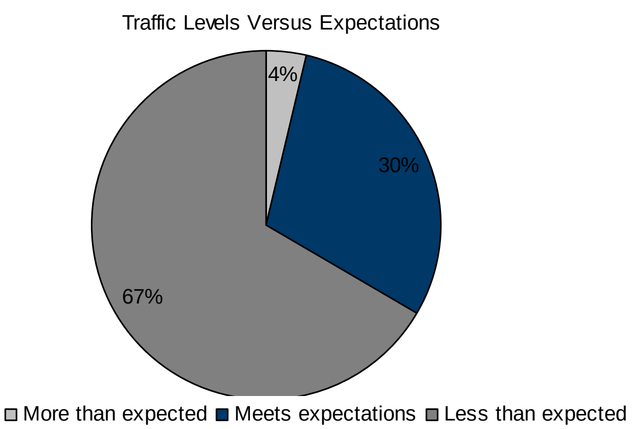
Home prices continue to fall while the time to sell increases. Home prices remained under pressure in August, as our home price index came in at 41, unchanged from our reading in July, with readings below 50 pointing to lower home prices over the past month. We believe this weakness may continue in the coming months as demand remains weak and the time needed to sell a home lengthens. Our time to sell index worsened in August, coming in at 21 (from 31 in July), remaining below a neutral reading of 50, pointing to an increased time to sell (readings below 50). We view the longer time to sell as a negative leading indicator for future pricing trends. Meanwhile inventories remained steady, as our home listings index came in at 46 (from 47 in July), in-line with a neutral reading of 50 (readings of 50 suggest unchanged inventory levels).

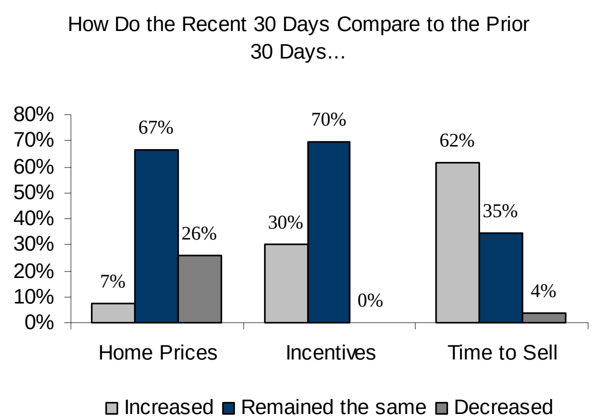
Comments from real estate agents:

- "Are there any buyers out there? Non-first timers have no urgency, first-timers already bought, and move-ups have no equity in their homes."
- "No employment improvement means no homes are going to get sold."

Toll Brothers, NVR and Hovnanian have the greatest exposure. Toll Brothers and NVR have the most exposure to the Washington, D.C. market, as it represented approximately 21% and 20% of sales, respectively. Washington represented 6% of Hovnanian's sales.

Exhibit 23: Traffic to Remain a Headwind for Prices, Homes Remain on the Market for Longer





Source: Credit Suisse estimates

Additional Key Housing Markets

Baltimore, MD

August Market Trends	
Traffic	
Home Prices	
Incentives	

(3,110 single-family permits in 2009, 26th largest market in the country)

Traffic short of expectations. Traffic fell short of agents' expectations in August, as our buyer traffic index came in at 20 (from 19 in July), with readings below 50 indicating lower than expected traffic. 70% of agents said traffic fell short of expectations, 20% said it met expectations, and 10% said it was above expectations.

Lower prices, higher incentives. Home prices fell again in August, as our home price index came in at 25, unchanged from our reading in July, with readings below 50 indicating lower prices over the last 30 days. 50% of agents said prices were lower and 50% said prices were unchanged. Sellers increased incentives in August, as our incentive index came in at 30 (from 36 in July), with readings below 50 suggesting increased incentives over the past month (readings short of 50 suggest higher incentives). 50% of agents said incentives were higher, 40% said they were unchanged, and 10% said they were lower.

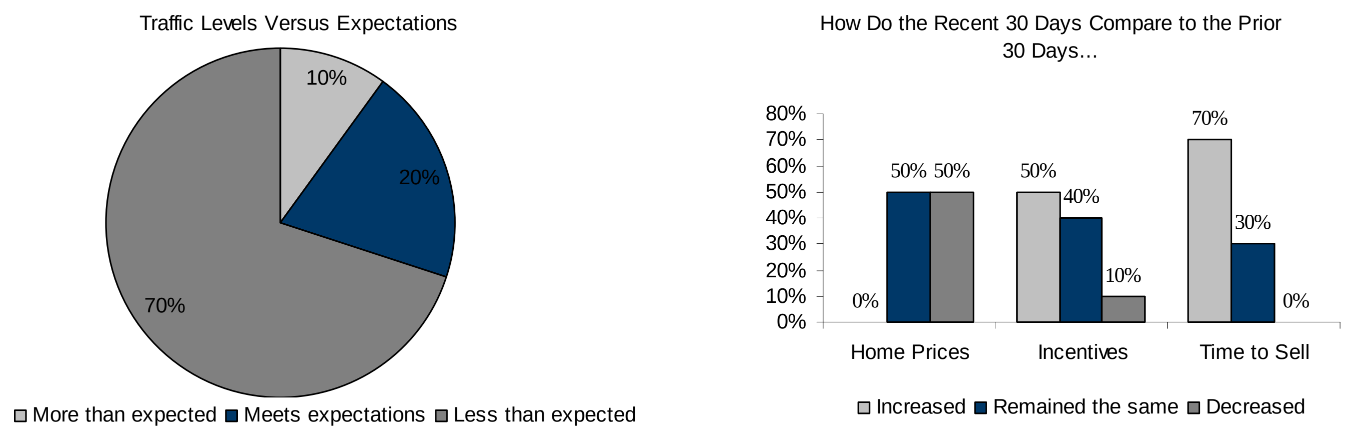
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 15 in August (from 0 in July), suggesting an increased time to sell (readings below 50 point to an increased time to sell). 70% of agents said the time to sell a home increased, and 30% said the time to sell was unchanged. We view an increased time to sell as a negative step toward price stabilization.

Comments from real estate agents:

- "There are fewer buyers out there because of the employment landscape."
- "Complete apathy. Buyers think rates and prices will continue to drop."

NVR and Ryland have the greatest exposure. NVR has the most exposure to Baltimore, as it represented approximately 9% of the company's sales. Baltimore represented 5% of Ryland's sales.

Exhibit 24: **Traffic Below Expectations, Lower Prices, Higher Incentives, Time to Sell Increased in August**



Source: Credit Suisse estimates

Boston, MA

August Market Trends	
Traffic	
Home Prices	
Incentives	

(3,054 single-family permits in 2009, 28th largest market in the country)

Traffic short of expectations. Traffic fell below agents' expectations in August, as our traffic index fell to 18 from 33 in July, remaining below a neutral reading of 50 (readings lower than 50 indicate traffic did not meet agents' expectations). 64% of agents said traffic fell short of expectations, and 36% said it met expectations.

Prices decline, but sellers decrease incentives. Home prices fell again in August, as our price index came in at 41 (from 36 in July), below a neutral reading of 50 (a reading below 50 indicates sequentially lower prices). 64% of agents said prices were unchanged, 27% said they were lower, and 9% said they were higher. Sellers offered fewer incentives in August, as our incentive index improved to 60 from 56 in July, with readings above 50 suggesting decreased incentives. 80% of agents said incentives were unchanged over the last 30 days, and 20% said they were lower.

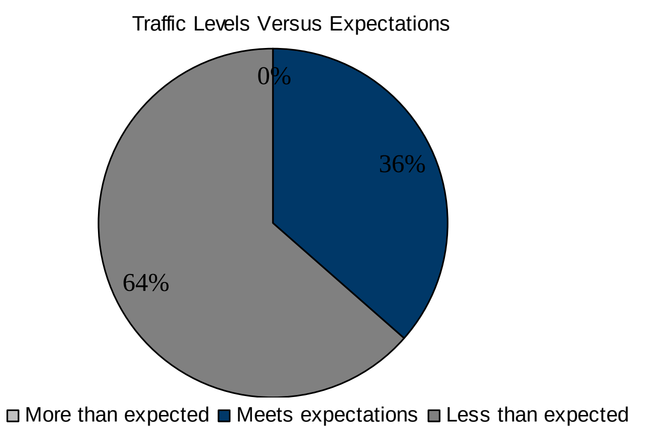
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 23 in August from 32 in July, remaining below a neutral reading of 50, indicating an increased time to sell over the past 30 days (readings short of 50 indicate an increased time to sell). 55% of agents said the time to sell increased, and 45% said the time to sell was unchanged. We believe the increased time to sell is a negative indicator for future pricing trends.

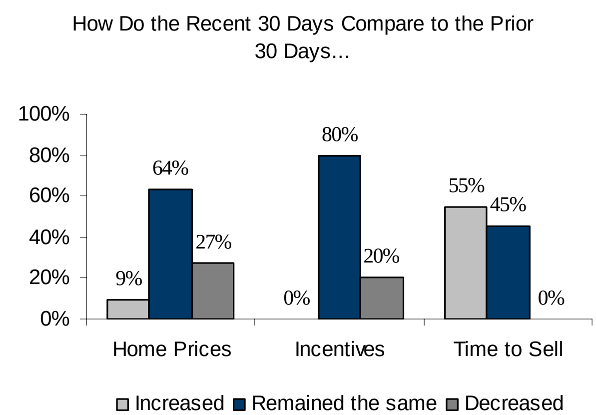
Comments from real estate agents:

- "Buyers are worried about their jobs."
- "Traffic is down because the economy is not looking good."

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

Exhibit 25: **Traffic Below Expectations, Lower Prices, Fewer Incentives, Increased Time to Sell in August**





Source: Credit Suisse estimates

Charleston, SC

August Market Trends
Traffic
Home Prices
Incentives

(2,902 single-family permits in 2009, 30th largest market in the country)

Traffic well below agents' expectations. Our buyer traffic index fell sharply in August, coming in at 0 from 44 in July, pointing to traffic well below agents' expectations (readings lower than 50 suggest traffic did not meet agents' expectations). 100% of agents said traffic was below expectations.

Lower prices, additional incentives. Home prices fell again in August; our home price index came in at 25, unchanged from our reading in July, pointing to sequentially lower prices (readings below 50 indicate lower prices over the last 30 days). 50% of agents said prices declined, and 50% said they were unchanged. Meanwhile, sellers offered additional incentives, as our incentive index came in at 25 (from 38 in July), coming in below a neutral reading of 50 (a reading lower than 50 indicates increased incentives over the last 30 days). 50% of agents said incentives were higher, and 50% said they were unchanged.

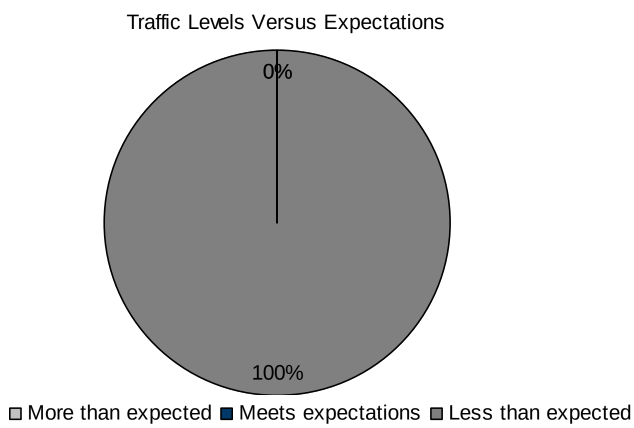
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 13 in August (from 31 in July), indicating an increased time to sell over the past month (readings lower than 50 suggest an increased time to sell). 75% of agents said the time to sell increased over the last 30 days, and 25% said the time to sell was unchanged. We view an increased time to sell as a negative step toward price stabilization.

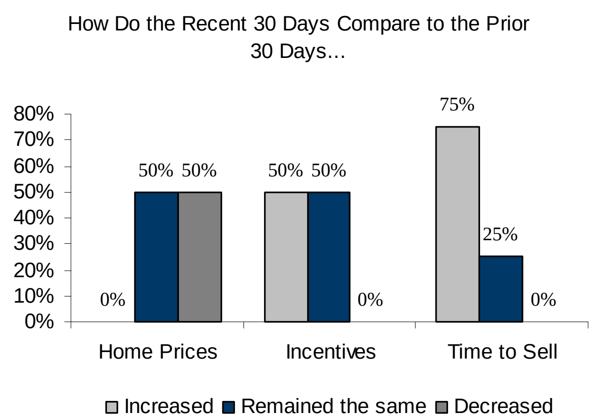
Comments from real estate agents:

- "People do not want to spend any money. They're scared of the economy."
- "Buyers think prices are still going to fall, they do not want to buy and then end up under-water."

Ryland and KB Home have the greatest exposure. Ryland has the most exposure to the Charleston market, at approximately 4% of the company's sales. Charleston represented 3% of KB Home's sales.

Exhibit 26: Traffic Fails to Meet Expectations, Prices Decline, Higher Incentives, Time to Sell Lengthens in August





Source: Credit Suisse estimates

Cincinnati, OH

August Market Trends	
Traffic	
Home Prices	
Incentives	

(3,155 single-family permits in 2009, 24th largest market in the country)

Traffic remains below expectations. Our buyer traffic index fell to 14 in August from 22 in July, staying below a neutral reading of 50 (a reading short of 50 suggests lower than expected traffic). 82% of agents said traffic was below expectations, 9% said it met expectations, and 9% said it exceeded expectations.

Prices decline, incentives unchanged. Home prices fell again in August, as our price index fell to 18 from 22 in July, staying below a neutral reading of 50, indicating sequentially lower home prices (readings short of 50 point to decreased prices). 64% of agents said prices were lower, and 36% said they were unchanged. Meanwhile, sellers held incentives flat, as our incentive index came in at 45, up slightly from 44 in July, and in-line with a neutral reading of 50 (readings of 50 suggest unchanged incentives). 70% of agents said incentives were unchanged, 20% said they were higher, and 10% said they were lower.

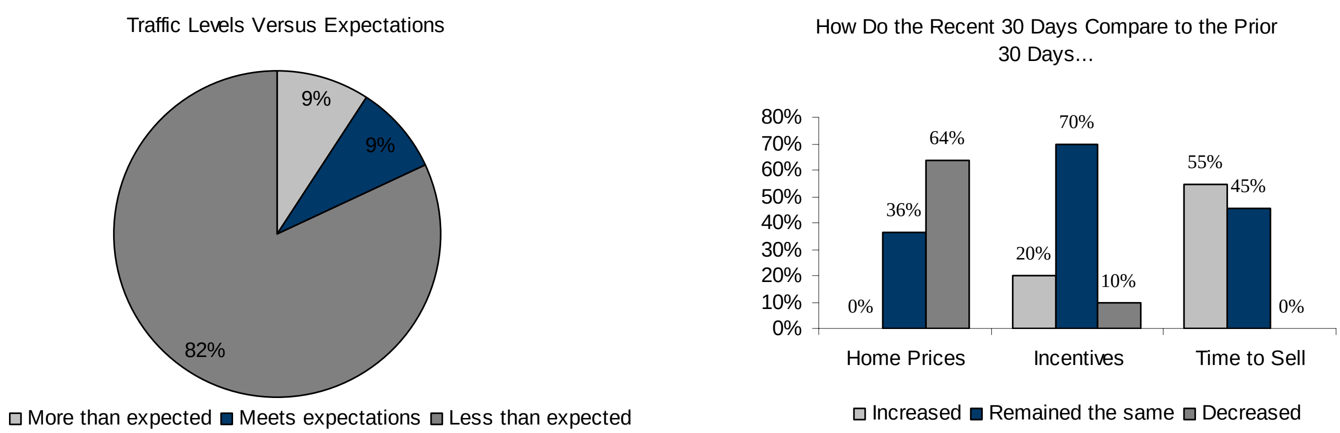
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 23 in August from 11 in July, suggesting an increased time to sell over the past 30 days (readings short of 50 indicate a longer time to sell). 55% of agents said the time to sell increased, and 45% said the time to sell was unchanged. We view the longer time to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

- "The weak traffic all ties back to the economy and the lack of job prospects."
- "With no jobs in the area, who would want to buy a house?"

NVR has the greatest exposure. NVR has the most exposure to the Cincinnati market, as it represented approximately 3% of the company's sales.

Exhibit 27: Traffic Below Expectations, Prices Decline, Incentives Unchanged, Time to Sell Lengthens in August



Source: Credit Suisse estimates

Columbus, OH

August Market Trends	
Traffic	
Home Prices	
Incentives	

(2,613 single-family permits in 2009, 36th largest market in the country)

Traffic remains below agents' expectations. Buyer traffic remained below agents' expectations in August, as our buyer traffic index came in at 14 from 7 in July, with readings lower than 50 pointing to traffic short of agents' expectations. 73% of agents said traffic was short of expectations, and 27% said it met expectations.

Prices and incentives worsen. Prices declined again in August, as our price index fell to 14 from 21 in July, with readings below 50 indicating sequentially lower home prices. 73% of agents said prices were lower over the past 30 days, and 27% said they were unchanged. Incentives increased in August, as our incentive index came in at 27 (from 28 in July), with readings lower than 50 indicating higher incentives. 55% of agents said incentives were higher, 36% said they were unchanged, and 9% said they were lower.

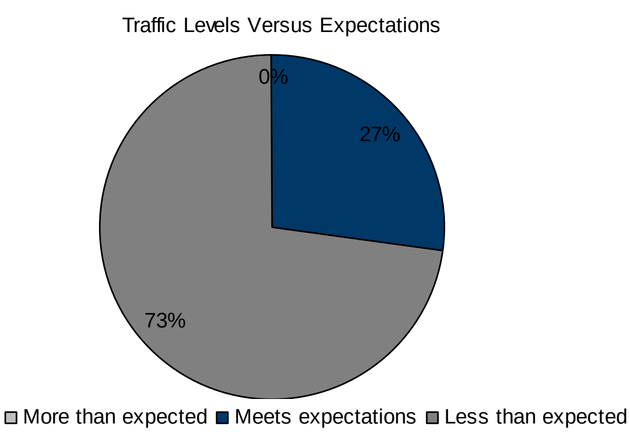
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 25 in August (from 29 in July), pointing to an increased time to sell over the past 30 days (readings short of 50 suggest an increased time to sell). 50% of agents said the time to sell increased, and 50% said the time to sell was unchanged. We view the longer time to sell as a negative indicator for future pricing trends.

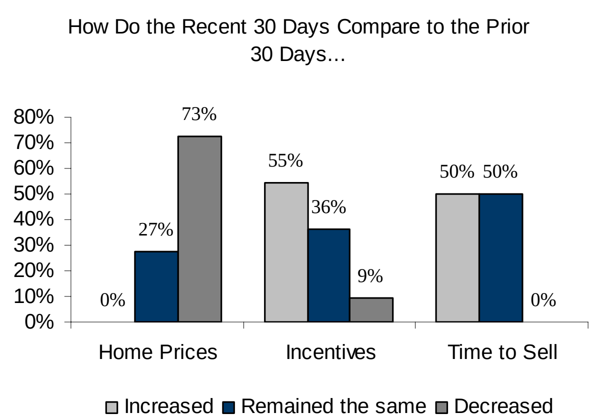
Comments from real estate agents:

- "People are worried about their future."
- "People are not convinced to pull the trigger and buy now, they expect more weakness."

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

Exhibit 28: **Traffic Below Expectations, Prices Fall, Incentives Increase, Longer Time to Sell in August**





Source: Credit Suisse estimates

August Market Trends	
Traffic	
Home Prices	
Incentives	

Detroit, MI

(1,269 single-family permits in 2009, 74th largest market in the country)

Traffic below expectations. Buyer traffic fell again in August, as our traffic index fell to 30 from 32 in July, remaining short of a neutral reading of 50, suggesting traffic failed to meet agents' expectations (readings below 50 indicate traffic was below agents' expectations). 55% of agents said traffic was below expectations, 32% said it met expectations, and 14% said it was above expectations.

Lower prices, unchanged incentives. Home prices continued fall in August, as our price index came in at 33 (from 26 in July), staying below a neutral reading of 50 (readings short of 50 suggest sequentially lower prices). 48% of agents said prices were unchanged over the past 30 days, 42% said they were lower, and 10% said they were higher. Meanwhile, incentives remained flat, as our incentive index came in at 50, unchanged from our reading in July, with readings of 50 suggesting flat incentives over the last 30 days. 80% of agents said incentives were flat, 10% said they were lower, and 10% said they were higher.

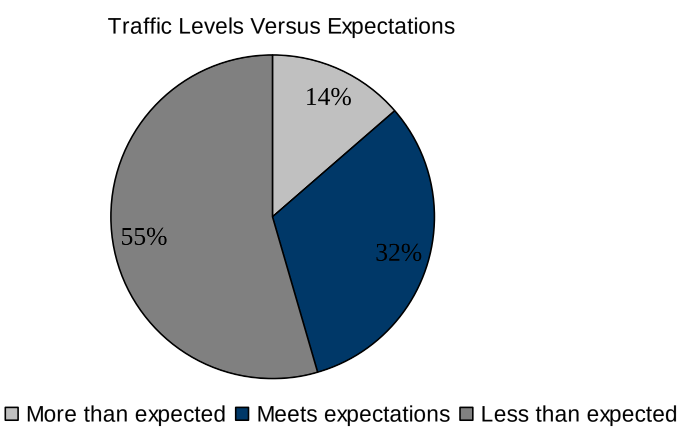
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 33 in August, slightly below our reading of 34 in July, remaining short of a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings lower than 50 point to an increased time to sell). 50% of agents said the time to sell increased, 35% said the time to sell was unchanged, and 15% said the time to sell declined. We view the longer time to sell as a negative indicator for future pricing trends.

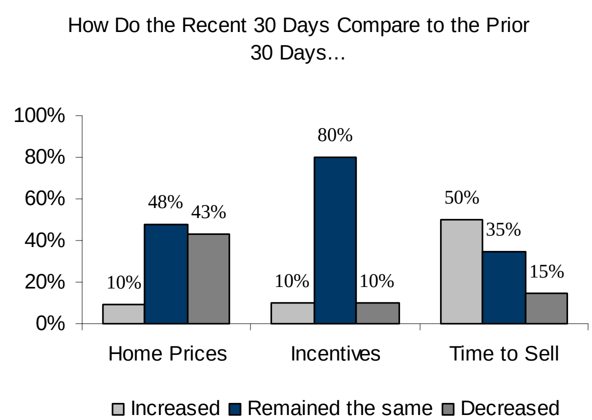
Comments from real estate agents:

- "Same old story here. Weak economy and no consumer confidence."
- "Jobs continue to be the greatest problem in our market."

Pulte, Toll Brothers, and Centex have the greatest exposure. Pulte has the most exposure to the Detroit market, as it represents approximately 5% of the company's sales. Detroit represents approximately 5% of Toll Brother's sales and 2% of Centex's sales.

Exhibit 29: **Traffic Below Expectations, Lower Prices, Flat Incentives, Increased Time to Sell in August**





Source: Credit Suisse estimates

Nashville, TN

August Market Trends	
Traffic	
Home Prices	
Incentives	

(4,045 single-family permits in 2009, 16th largest market in the country)

Traffic below agents' expectations. Buyer traffic fell below agents' expectations in August, as our traffic index fell to 19 from 31 in July, remaining below a neutral reading of 50, suggesting lower than expected traffic (readings short of 50). 73% of agents said traffic was below expectations, 18% said it was in-line with expectations, and 9% said it exceeded expectations.

Prices decline, incentives increase. Home prices fell again in August, as our home price index came in at 32 (from 31 in July), remaining short of a neutral reading of 50, indicating sequentially lower home prices (readings below 50). 64% of agents said prices were unchanged, and 36% said they were lower. Incentives increased in August, as our incentive index came in at 41 (from 44 in July), coming in shy of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 82% of agents said incentives were unchanged, and 18% said they were higher.

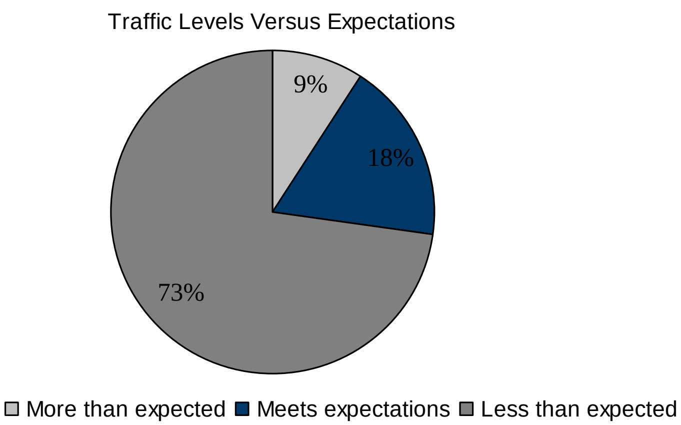
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 23 in August (from 29 in July), staying below a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings short of 50 point to an increased time to sell). 55% of agents said the time to sell increased over the past 30 days, and 45% said the time to sell was unchanged. We view the longer time to sell as a negative indicator for future pricing trends.

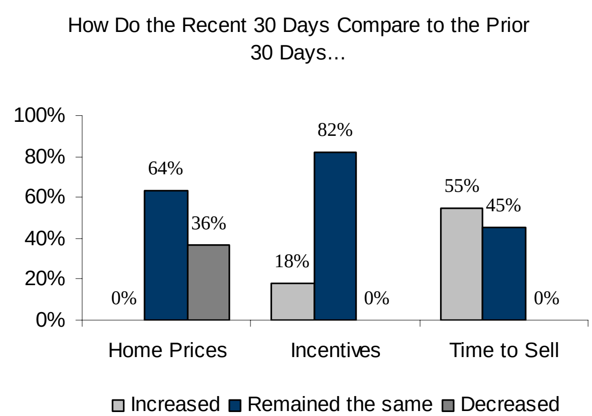
Comments from real estate agents:

- "Buyers think the longer they wait, they better deal they'll end up getting."
- "People are concerned about the economy and the chance of losing their jobs."

Pulte and NVR have the greatest exposure. Pulte and NVR have the most exposure to the Nashville market, with approximately 2% of the company sales.

Exhibit 30: **Traffic Below Expectations, Lower Prices, Higher Incentives, Longer Time to Sell in August**





Source: Credit Suisse estimates

Philadelphia, PA-Southern NJ

August Market Trends	
Traffic	
Home Prices	
Incentives	

(4,857 single-family permits in 2009, 10th largest market in the country)

Traffic remains below expectations. Buyer traffic stayed below agents' expectations in August, as our traffic index came in at 13 (from 10 in July), well below a neutral reading of 50 (readings below 50 indicate traffic did not meet agents' expectations). 75% of agents said traffic was below expectations, and 25% said it met expectations.

Prices decline, incentives increase. Home prices continued to fall in August, as our price index came in at 20 (from 30 in July), remaining below a neutral reading of 50 (readings short of 50 indicate sequentially lower home prices). 60% of agents said prices were lower over the past 30 days, and 40% said they were unchanged. Sellers offered additional incentives in August, as our incentive index came in at 36 (from 38 in July), staying below a neutral reading of 50 (readings short of 50 point to higher incentives). 44% of agents said incentives were higher, 39% said they were unchanged, and 17% said they were lower.

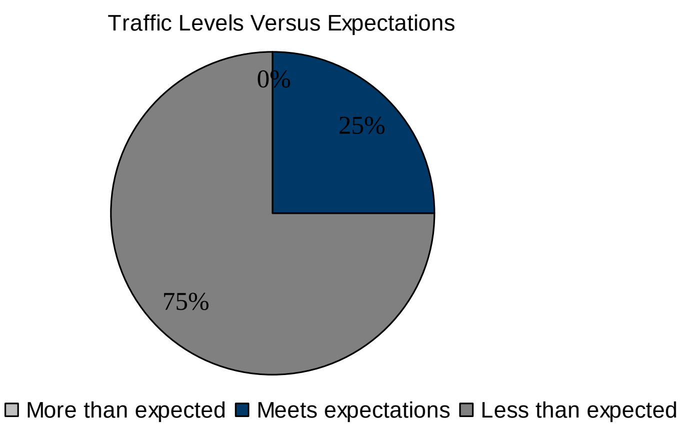
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 14 in August (from 10 in July), well below a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings short of 50 indicate an increased time to sell). 76% of agents said the time to sell increased, 19% said the time to sell was unchanged, and 5% said the time to sell decreased. We view an increased time to sell as a negative indicator for future pricing trends.

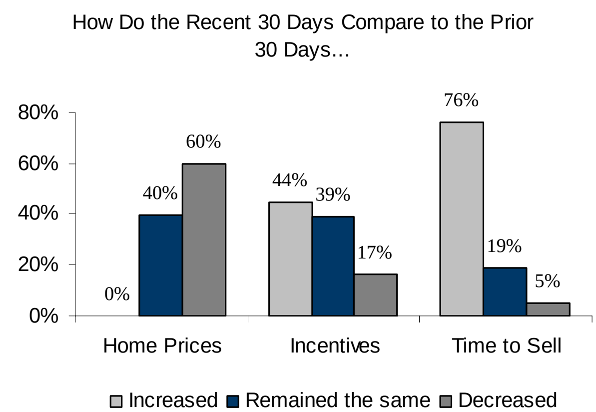
Comments from real estate agents:

- "People have no confidence and no urgency."
- "People have job worries and are uneasy about the security of their employment."

Toll Brothers and NVR have the greatest exposure. Toll Brothers has the most exposure to the Philadelphia-Southern NJ market, as it represented approximately 8% of the company's sales, followed by NVR at 3% of sales.

Exhibit 31: Traffic Falls Short of Expectations, Lower Prices, Higher Incentives , Increased Time to Sell in August





Source: Credit Suisse estimates

Port St. Lucie, FL

(383 single-family permits in 2009, 171st largest market in the country)

August Market Trends
Traffic
Home Prices
Incentives

Traffic remains below agents' expectations. Buyer traffic was below expectations in August, as our traffic index came in at 33 (from 17 in July), with readings below 50 indicating traffic short of agents' expectations. 50% of agents said traffic was below expectations, 33% said it met expectations, and 17% said it exceeded expectations.

Lower prices, higher incentives. Home prices fell again in August, as our price index came in at 17, unchanged from our reading in July, and below a neutral reading of 50 (readings lower than 50 point to sequentially lower prices). 67% of agents said prices were lower, and 33% said they were unchanged. Meanwhile, sellers increased incentives in August; as our incentive index came in at 33 (from 50 in July), with readings lower than 50 suggesting increased incentives. 50% of agents said incentives were higher, 33% said they were unchanged, and 17% said they were lower.

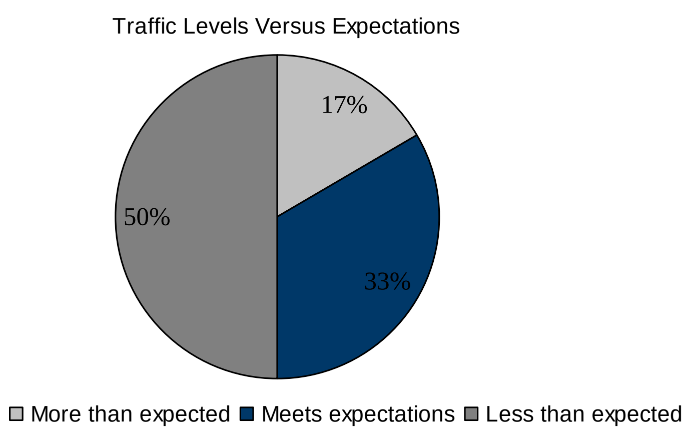
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 33 (from 17 in July), remaining short of a neutral reading of 50, pointing to an increased time to sell over the last 30 days (readings lower than 50). 50% of agents said the time to sell increased, 33% said the time to sell was unchanged, and 17% said the time to sell decreased. We view an increased time to sell as a negative step toward price stabilization.

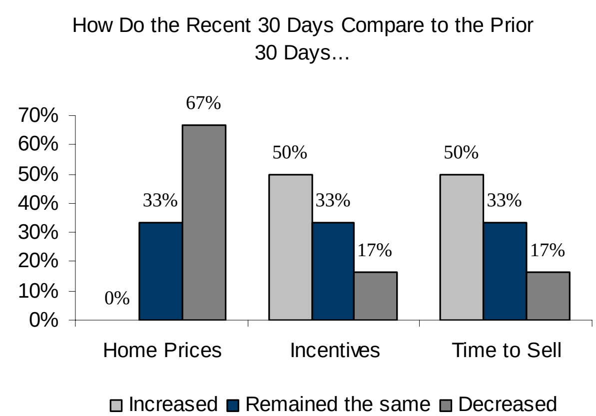
Comments from real estate agents:

- "Buyers have been exerting extra caution when looking at potential homes."
- "Traffic is exceptionally slow this year. There is a common fear of what the economy will look like."

The Port St. Lucie market represents less than 1% of sales for all homebuilders in our coverage universe.

Exhibit 32: **Traffic Below Expectations, Lower Prices, Increased Incentives, Time to Sell Increases in August**





Source: Credit Suisse estimates

Portland, OR

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

(3,028 single-family permits in 2009, 29th largest market in the country)

Traffic below agents' expectations. Buyer traffic fell again in August, as our traffic index came in at 14 (from 12 in July), remaining short of a neutral reading of 50 (readings below 50 suggest traffic did not meet agents' expectations). 79% of agents said traffic was below expectations, 15% said it met expectations, and 6% said it exceeded expectations.

Prices decline, incentives increase. Home prices fell further in August, as our price index fell to 14 from 17 in July, remaining below a neutral reading of 50 (readings short of 50 point to sequentially lower prices). 72% of agents said prices were lower, and 28% said prices were unchanged. Meanwhile, incentives increased in August, as our incentive index came in at 37 (from 41 in July), staying below a neutral reading of 50 (readings short of 50 suggest higher incentives). 60% of agents said incentives were unchanged, 33% said they were higher, and 7% said they were lower.

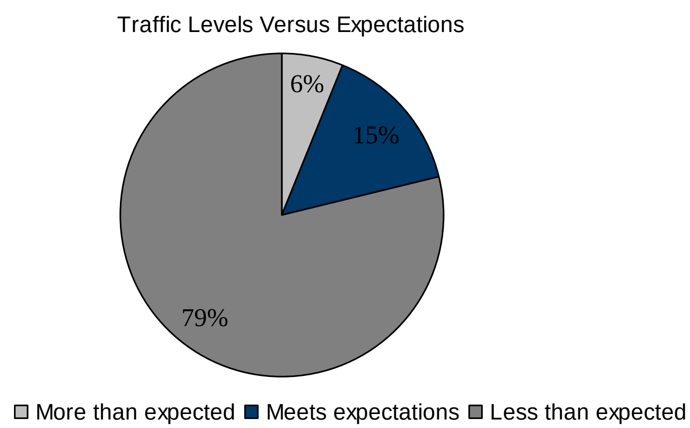
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 19 in August from 24 in July, staying below a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings lower than 50 point to an increased time to sell). 66% of agents said the time to sell lengthened, 31% said the time to sell was unchanged, and 3% said the time to sell decreased. We view an increased time to sell as a negative step toward price stabilization.

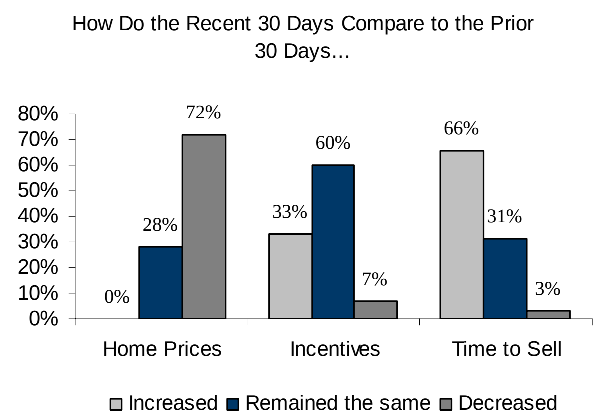
Comments from real estate agents:

- "People are expecting more price declines. There is no catalyst to make them change their minds."
- "My buyers lack faith in the economy, and have no expectation for improvement any time soon."

D.R. Horton has the greatest exposure. Portland represented approximately 1% of sales for D.R. Horton.

Exhibit 33: Traffic short of Expectations, Prices Fall, Incentives Increase, Longer Time to Sell in August





Source: Credit Suisse estimates

Raleigh, NC

(4,414 single-family permits in 2009, 14th largest market in the country)

August Market Trends	
Traffic	
Home Prices	
Incentives	

Traffic remains below expectations. Buyer traffic remained short of agents' expectations in August, as our index reading came in at 11, unchanged from our reading in July, staying below of a neutral reading of 50 (readings below 50 point to lower than expected traffic). 83% of agents said traffic was lower than expected, 11% said it met expectations, and 6% said it was above expectations.

Lower prices, additional incentives. Home prices continued to face pressure in August, as our price index fell to 17 from 20 in July, pointing to sequentially lower prices over the last 30 days (readings below 50 suggest lower prices). 67% of agents said prices were lower, and 33% said they were unchanged. Meanwhile, sellers continued to offer additional incentives in August, as our incentive index came in at 29 (from 36 in July), staying below a neutral reading of 50 (readings below 50 point to increased incentives over the last 30 days). 59% of agents said incentives were unchanged, and 41% said they were higher.

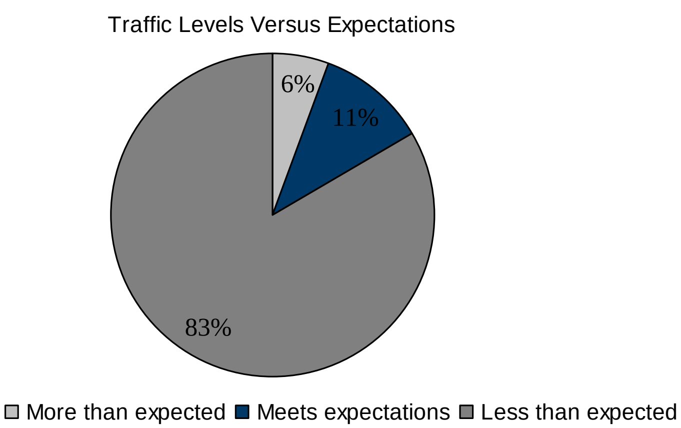
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 19 in August (from 13 in July), remaining below a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings short of 50 suggest a longer time to sell). 66% of agents said the time to sell increased, 28% said the time to sell was unchanged, and 6% said the time to sell decreased. We view the longer time to sell as a negative indicator for future pricing trends.

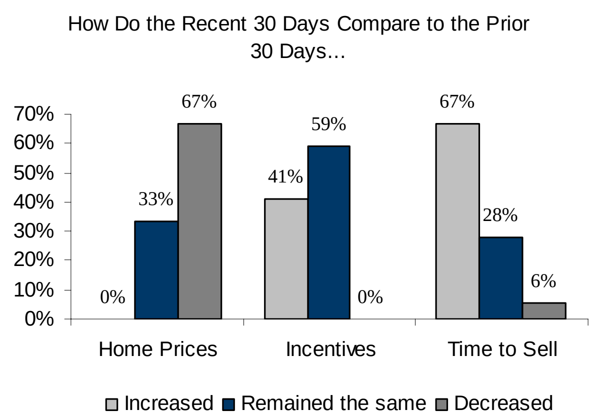
Comments from real estate agents:

- "Buyers are afraid prices have not hit the bottom yet."
- "People are watching the market and are looking for signs of a recovery, but are not doing anything until they actually see some evidence."

Standard Pacific, KB Home and Pulte have the greatest exposure. Standard Pacific has the most exposure to the Raleigh market, as it represents approximately 5% of the company's sales. Raleigh represents 4% and 3% of sales for KB Home and Pulte, respectively.

Exhibit 34: **Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in August**





Source: Credit Suisse estimates

Richmond, VA

August Market Trends
Traffic
Home Prices
Incentives

(2,650 single-family permits in 2009, 35th largest market in the country)

Traffic below expectations. Our buyer traffic index came in at 38 in August (from 10 in July), remaining below a neutral reading of 50, suggesting traffic was below agents' expectations over the last 30 days (readings below 50 point to traffic below expectations). 75% of agents said traffic was in-line with expectations, and 25% said it was below expectations.

Prices decline, incentives increase. Home prices fell further in August, as our price index fell to 0 from 17 in July, staying below a neutral reading of 50, indicating sequentially lower prices (readings short of 50 indicate lower prices over the last 30 days). 100% of agents said prices were lower. Meanwhile, sellers offered additional incentives in August, as our incentive index came in 0 (from 33 in July), below a neutral reading of 50 (readings lower than 50 suggest higher incentives). 100% of agents said incentives were higher.

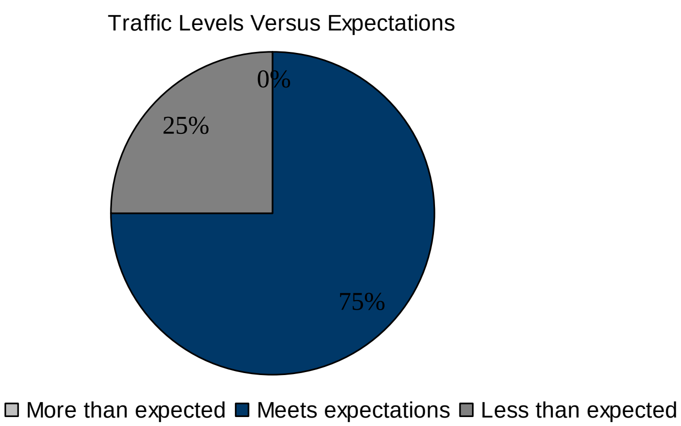
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 0 in August from 17 in July, coming in short of a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings lower than 50). 100% of agents said the time to sell increased. We view an increased time to sell as a negative step toward price stabilization.

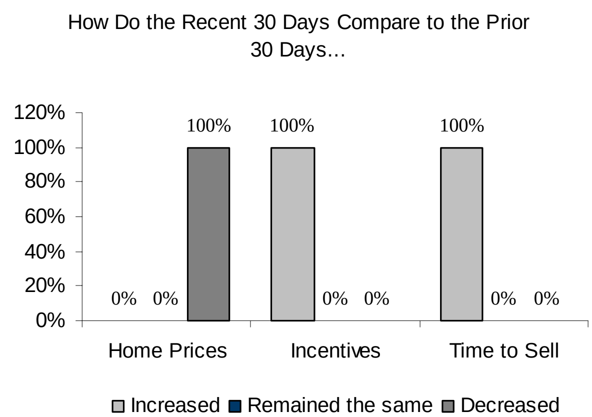
Comments from real estate agents:

- "People do not want to buy with economic uncertainty looming over their heads."
- "People are interested in buying, but no one is willing to make a commitment."

NVR and Pulte have the greatest exposure. NVR has the most exposure to the Richmond market, as it represented approximately 6% of the company's sales. Richmond represented 1% of sales for Pulte.

Exhibit 35: **Traffic Below Expectations, Prices Decline, Incentives Increase, Increased Time to Sell in August**





Source: Credit Suisse estimates

Sacramento, CA

August Market Trends	
Traffic	
Home Prices	
Incentives	

(2,445 single-family permits in 2009, 41st largest market in the country)

Traffic remains well below expectations. Our buyer traffic index came in at 0 in August from 17 in July, staying well below a neutral reading of 50, suggesting traffic levels failed to meet agents' expectations (readings lower than 50 indicate traffic was below agents' expectations). 100% of agents said traffic was lower than expected.

Prices and incentives worsen. Home prices fell again in August, as our home price index came in at 25 (from 39 in July), with readings lower than 50 indicating sequentially lower prices. 63% of agents said prices were lower, 25% said they were unchanged, and 12% said they were higher. Meanwhile, incentives increased in August, as our incentive index came in at 42, unchanged from our reading in July, and coming in below a neutral reading of 50 (readings lower than 50 point to increased incentives). 83% of agents said incentives increased, and 17% said they were unchanged.

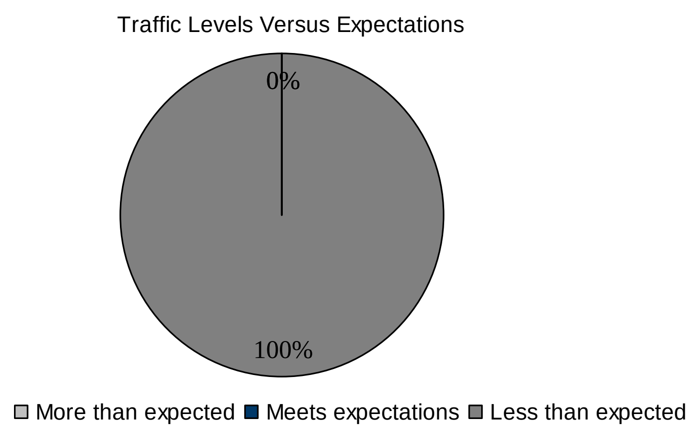
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 6 in August (from 27 in July), staying below a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings lower than 50 suggest a longer time to sell). 88% of agents said the time to sell increased, and 12% said it was unchanged. We view an increased time to sell as a negative step toward price stabilization.

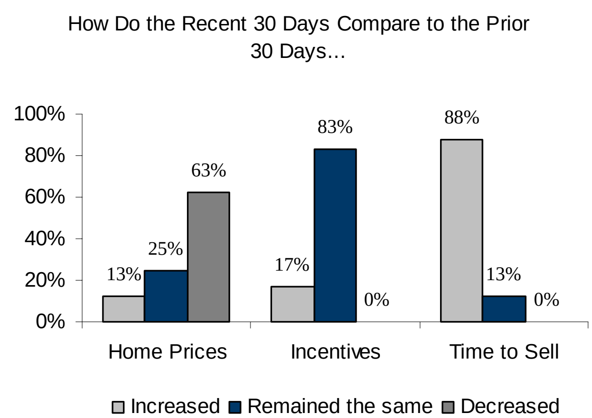
Comments from real estate agents:

- "There is a lot of fence sitting."
- "Economic worries have remained the norm this summer. People are holding back."

Pulte, Hovnanian, Lennar and KB Home have the greatest exposure. The Sacramento market represented approximately 2% of sales each for Pulte, Hovnanian, Lennar, and KB Home.

Exhibit 36: **Traffic Below Expectations, Lower Prices, Higher Incentives, Time to Sell Lengthens in August**





Source: Credit Suisse estimates

San Antonio, TX

August Market Trends
Traffic
Home Prices
Incentives

(5,443 single-family permits in 2009, 7th largest market in the country)

Traffic falls well below expectations. Our traffic index came in at 18 (from 6 in July), pointing to traffic well below agents' expectations (readings short of 50 indicate traffic did not meet agents' expectations). 89% of agents said traffic was lower than expectations, and 11% said it was in-line with expectations.

Lower prices, higher incentives. Home prices fell further in August, as our price index came in at 21 (from 17 July), well below a neutral reading of 50, (readings below 50 indicate sequentially lower prices). 57% of agents said prices were lower, and 43% said they were unchanged. Sellers increased incentives in August, as our incentive index came in at 25 (from 33 in July), falling short of a neutral reading of 50 (readings below 50 suggest increased incentives). 50% of agents said incentives were unchanged, and 50% said they were higher.

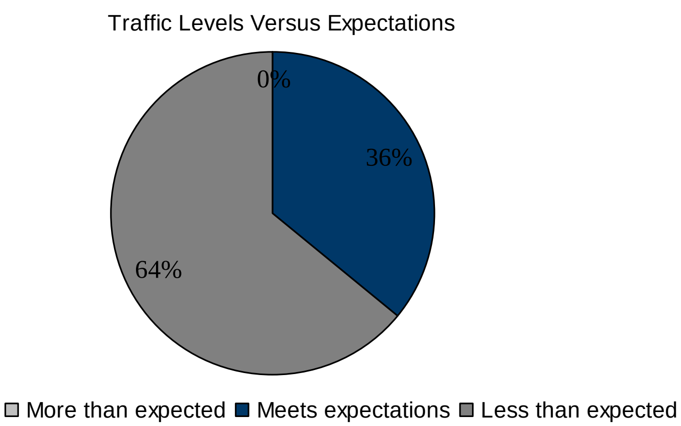
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 21 (from 17 in July), staying below a neutral reading of 50, suggesting an increased time to sell over the past month (readings lower than 50). 57% of agents said the time to sell increased, and 43% said the time to sell was unchanged. We view the longer time to sell as a negative indicator for future pricing trends.

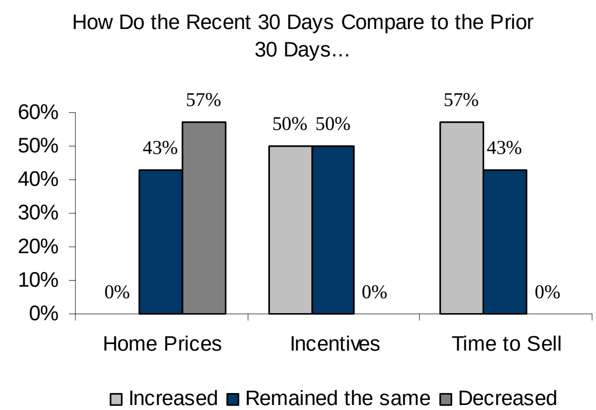
Comments from real estate agents:

- "The malaise continues… we have no idea when buyers are coming back."
- "Some of my clients are waiting to see if the government will implement another housing credit."

KB Home, D.R. Horton, and Ryland have the greatest exposure. KB Home has the most exposure to the San Antonio market, as it represents approximately 7% of the company's sales. San Antonio represents 6% of sales for D.R. Horton and Ryland, and 5% of sales for Pulte and Standard Pacific.

Exhibit 37: **Traffic Short of Expectations, Prices and Incentives Worsen, Increased Time to Sell in August**





Source: Credit Suisse estimates

San Diego, CA

August Market Trends	
Traffic	
Home Prices	
Incentives	

(1,777 single-family permits in 2009, 52nd largest market in the country)

Traffic fails to meet expectations. Buyer traffic came in short of agents' expectations again in August, as our traffic index fell to 7 from 14 in July, with readings lower than 50 pointing to traffic below agents' expectations. 86% of agents said traffic was below expectations, and 14% said it exceeded expectations.

Prices fall, incentives increase. Home prices fell again in August, as our price index fell to 29 from 42 in July, remaining below a neutral reading of 50 (readings below 50 point to sequentially lower prices). 54% of agents said prices were lower over the past 30 days, 36% said they were unchanged, and 11% said they increased. Meanwhile, sellers increased incentives in August, as our incentive index came in at 42 (from 34 in July), remaining short of a neutral reading of 50 (readings below 50 point to increased incentives). 67% of agents said incentives were unchanged, 25% said they were higher, and 8% said they were lower.

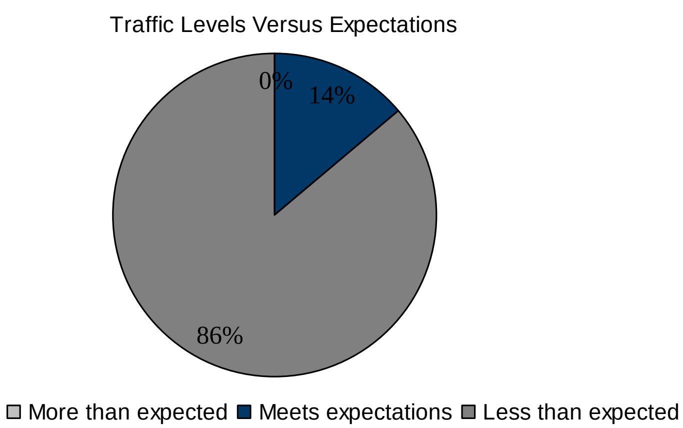
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 13 in August (from 17 in July), remaining below a neutral reading of 50, pointing to an increased time to sell over the last 30 days (readings short of 50). 75% of agents said the time to sell increased, and 25% said the time to sell was unchanged. We view the longer time to sell as a negative indicator for future pricing trends.

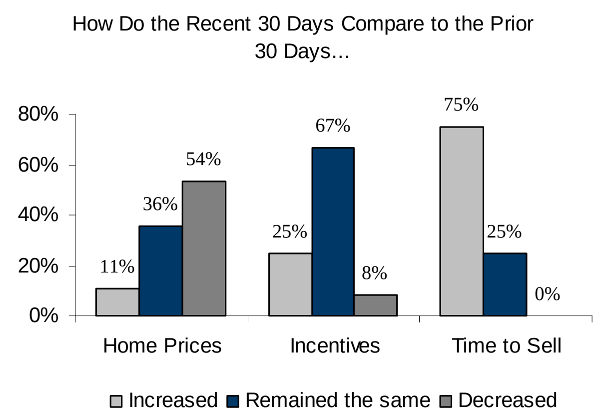
Comments from real estate agents:

- "Buyers are expecting a double-dip in housing. That's when they'll get in."
- "People have a wait and see attitude toward the market."

Standard Pacific and Lennar have the greatest exposure. Standard Pacific has the most exposure to the San Diego market, as it represents approximately 5% of the company's sales. San Diego represents 1% of Lennar's sales.

Exhibit 38: Traffic Below Expectations, Prices Fall, Incentives Increase, Longer Time to Sell in August





Source: Credit Suisse estimates

San Francisco, CA

August Market Trends
Traffic
Home Prices
Incentives

(2,277 single-family permits in 2009, 42nd largest market in the country)

Traffic remains below expectations. Buyer traffic failed to meet agents' expectations again in August, as our traffic index came in at 18, unchanged from our reading in July, staying below a neutral reading of 50 (readings lower than 50 point to traffic below expectations). 71% of agents said traffic was lower than expected, 22% said it was in-line with expectations, and 7% said it was above expectations.

Prices decline, incentives increase. Home prices fell again in August, as our price index fell to 25 from 33 in July, short of a neutral reading of 50 (readings below 50 suggest sequentially lower prices). 57% of agents said prices were lower over the past 30 days, 36% said they were unchanged, and 7% said they were higher. Meanwhile, sellers increased incentives in August; as our incentive index came in at 44 (from 45 in July), just shy of a neutral reading of 50 (readings below 50 point to increased incentives). 54% of agents said incentives were unchanged, 29% said they were higher, and 17% said they were lower.

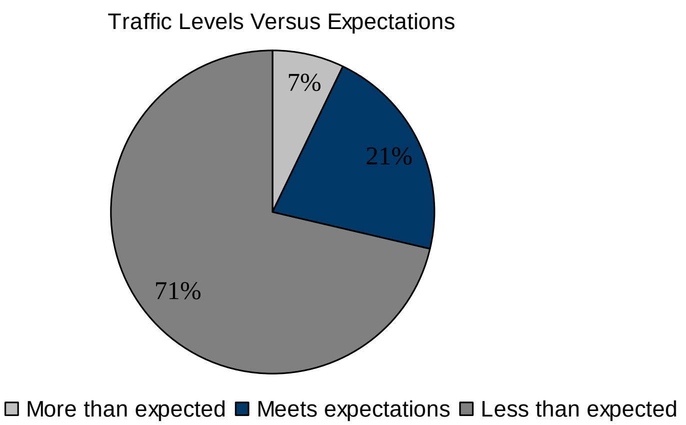
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 21 in August (from 26 in July), below a neutral reading of 50, suggesting an increased time to sell over the last 30 days (readings below 50 indicate a longer time to sell). 61% of agents said the time to sell increased, 36% said the time to sell was unchanged, and 4% said the time to sell declined. We view the longer time to sell as a negative indicator for future pricing trends.

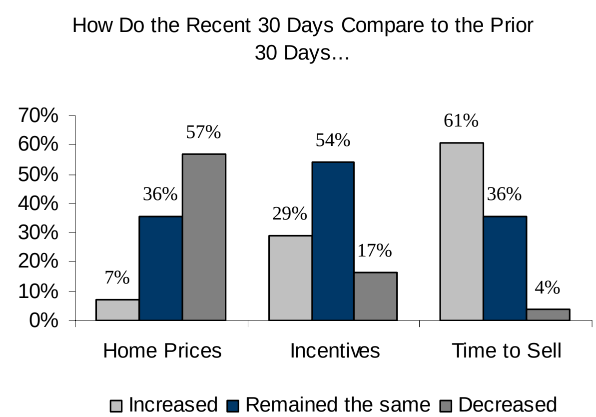
Comments from real estate agents:

- "It is a very tough environment for people to get loans."
- "Buyer confidence is much weaker because of the job uncertainty."

Standard Pacific, KB Home and Lennar have the greatest exposure. Standard Pacific has the most exposure to the San Francisco area, as it represented approximately 4% of the company's sales. San Francisco represented 3% of KB Home's sales and 2% of Lennar's sales.

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





Source: Credit Suisse estimates

August Market Trends	
Traffic	
Home Prices	
Incentives	

Sarasota, FL

(1,317 single-family permits in 2009, 71st largest market in the country)

Traffic below agents' expectations. Buyer traffic remained below agents' expectations in July, as our traffic index came in at 29 (from 13 in July), with readings below 50 pointing to traffic short of expectations. 58% of agents said traffic was lower than expected, 25% said it was in-line with expectations, and 17% said it was greater than expected.

Prices and incentives worsen. Home prices fell again in August, as our price index fell to 19 from 27 in July, staying below a neutral reading of 50, indicating sequentially lower prices (readings below 50). 62% of agents said prices were lower, and 38% said they were unchanged. Meanwhile, sellers offered additional incentives in August, as our incentive index came in at 27 (from 30 in July), remaining below a neutral reading of 50 (readings short of 50 indicate increased incentives). 55% of agents said incentives were unchanged, and 45% said they were higher.

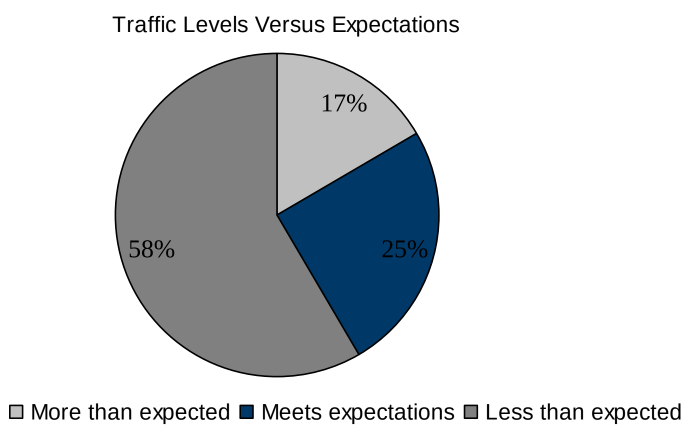
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index worsened, coming in at 27 (from 46 in July), below a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings lower than 50 suggest an increased time to sell). 54% of agents said the time to sell increased, 38% said the time to sell was unchanged, and 8% said the time to sell decreased. We view the longer time to sell as a negative indicator for future pricing trends.

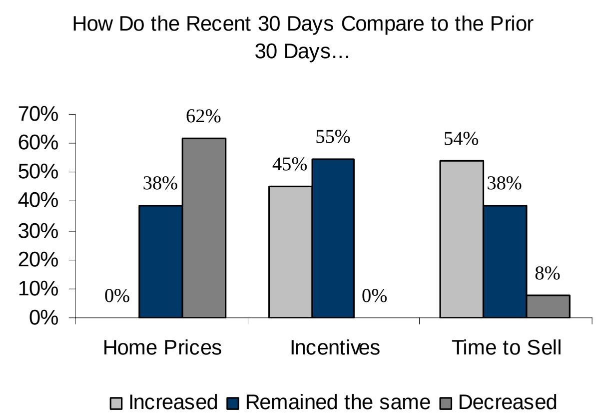
Comments from real estate agents:

- "Buyers' have a general unrest and fear about the economy."
- "All my buyers are cautious. They are nervous about locking themselves into a mortgage."

Standard Pacific and Lennar have the greatest exposure. Standard Pacific has the most exposure to the Sarasota market, as it represented approximately 3% of sales. Sarasota represented approximately 2% of Lennar's sales.

Exhibit 40: Traffic short of Expectations, Prices Decline, Additional Incentives, Unchanged Time to Sell in August





Source: Credit Suisse estimates

Tucson, AZ

August Market Trends	
Traffic	
Home Prices	
Incentives	

(2,028 single-family permits in 2009, 47th largest market in the country)

Traffic below agents' expectations. Buyer traffic failed to meet expectations again in August, as our traffic index fell to 6 from 14 in July, remaining below a neutral reading of 50 (readings short of 50 suggest traffic did not meet expectations). 88% of agents said traffic was below expectations, and 12% said it was in-line with expectations.

Prices and incentives worsen. Home prices remained under pressure in August; our home price index came in at 16 from 14 in July, indicating lower prices over the last 30 days (readings below 50 point to sequentially lower prices). 69% of agents said prices declined, and 31% said they were unchanged. Meanwhile, incentives increased in August, as our incentive index came in at 34 (from 32 in July), with readings below 50 indicating additional incentives. 56% of agents said incentives were unchanged, 38% said they were higher, and 6% said they were lower.

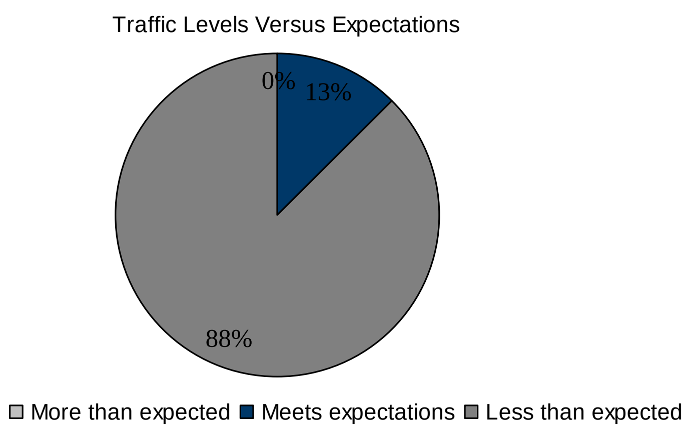
Longer time needed to sell a home in August. Our time to sell index worsened in August, coming in at 25 (from 18 in July), staying below a neutral reading of 50, pointing to an increased time to sell (readings below 50). 50% of agents said the time to sell a home increased, and 50% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator of future pricing trends.

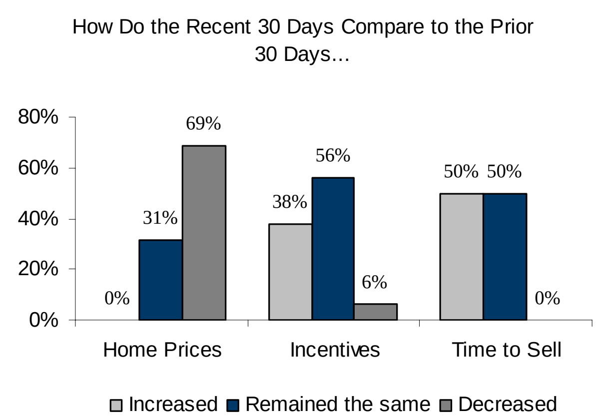
Comments from real estate agents:

- "Job uncertainty means there is no urgency."
- "Economic worries, fear of prices declines, job worries. You name it."

MDC, Meritage and Lennar have the greatest exposure. MDC has the most exposure to the Tucson market, as it represents approximately 14% of the company's sales. Tucson represents 10% of Meritage's sales and 7% of Lennar's sales.

Exhibit 41: **Traffic short of Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in August**





Source: Credit Suisse estimates

Virginia Beach, VA

August Market Trends	
Traffic	
Home Prices	
Incentives	

(2,887 single-family permits in 2009, 31st largest market in the country)

Traffic remains below expectations. Buyer traffic came in below agents' expectations in August, as our traffic index came in at 8 (from 6 in July), with readings below 50 indicating lower than expected traffic. 85% of agents said traffic was below expectations, and 15% said it was in-line with expectations.

Lower prices, higher incentives. Home prices fell in August, as our price index decreased to 23 from 25 in July, staying below a neutral reading of 50, pointing to lower prices over the last 30 days (readings below 50 indicate sequentially lower prices). 54% of agents said prices were lower, and 46% said they were unchanged. Meanwhile, sellers increased incentives, as our incentive index came in at 38 (from in 50 July), coming in below a neutral reading of 50, suggesting increased incentives over the past month. 58% of agents said incentives were unchanged, 33% said they were higher, and 8% said they were higher.

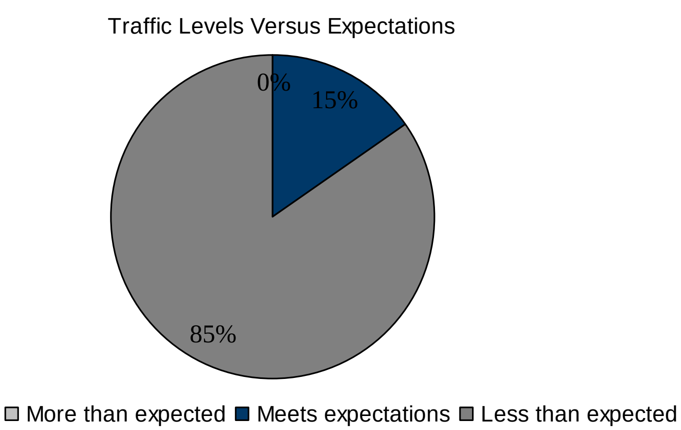
Longer time needed to sell a home in August. Our time to sell index came in at 15 in August (from 31 in July), remaining below a neutral reading of 50, pointing to a longer time to sell over the past 30 days (readings below 50). 69% of agents said the time to sell increased, and 31% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator of future pricing trends.

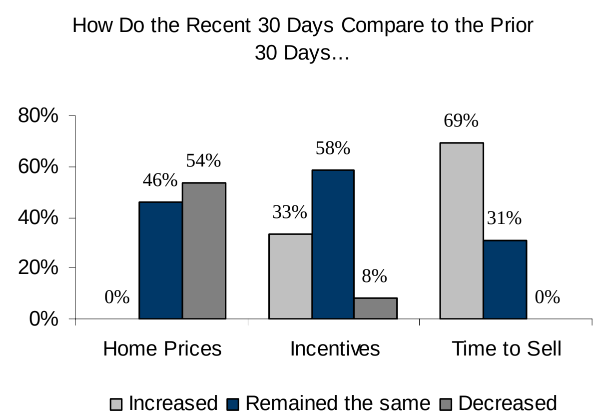
Comments from real estate agents:

- "The public and business do not have any faith in the economy."
- "People are very cautious about spending money because they are worried about their jobs."

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

Exhibit 42: Traffic Falls Below Expectations, Lower Prices, Higher Incentives, Longer Time to Sell in August





Source: Credit Suisse estimates

Wilmington, NC

August Market Trends	
Traffic	
Home Prices	
Incentives	

(1,534 single-family permits in 2009, 63rd largest market in the country)

Traffic remains below agents' expectations. Our buyer traffic index came in at 35 in August (from 17 in July), pointing to traffic below agents' expectations (readings lower than 50 suggest traffic did not meet agents' expectations). 50% of agents said traffic was lower than expectations, 30% said it met expectations, and 20% said it was above expectations.

Prices fall, fewer incentives. Home prices faced continued pressure in August, as our price index came in at 22 (from 28 in July), remaining below a neutral reading of 50, suggesting lower prices over the last 30 days (readings below 50). 67% of agents said prices were lower, 22% said prices were unchanged, and 11% said they were higher. Meanwhile, incentives decreased, as our incentive index improved to 56 from 44 in July, above a neutral reading of 50 (readings above 50 suggest fewer incentives over the past month). 89% of agents said incentives were unchanged, and 11% said they were higher.

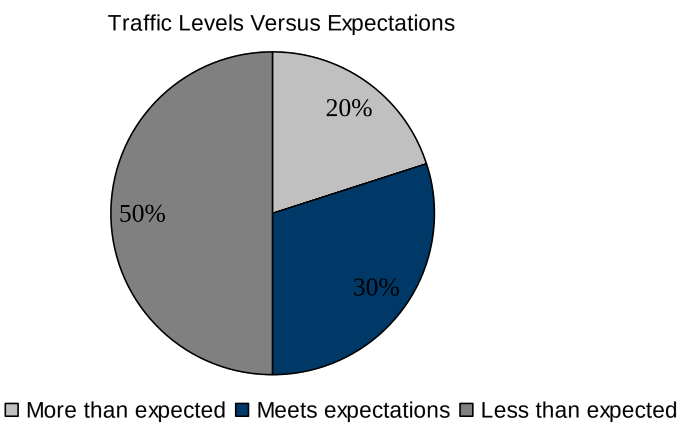
Longer time needed to sell a home in August. Our time to sell index came in at 22 in August, unchanged from our reading in July, remaining well below a neutral reading of 50, indicating an increased time to sell (readings below 50 suggest the time to sell increased over the last 30 days). 67% of agents said the time to sell increased, 22% said the time to sell was unchanged, and 11% said the time to sell decreased. We view the longer time needed to sell as a negative indicator of future pricing trends.

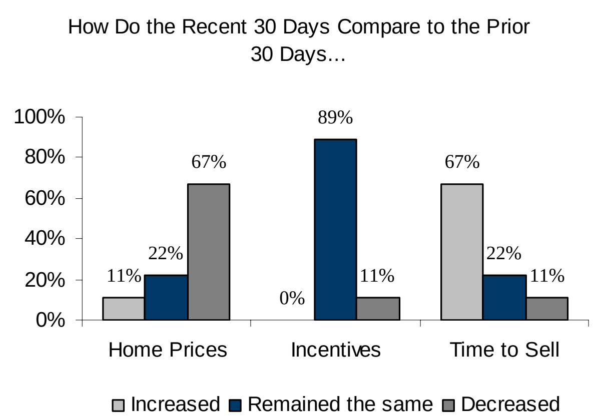
Comments from real estate agents:

- "Buyers have been ghosts all summer, the economy is on their minds."
- "Consumer confidence is very weak."

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

Exhibit 43: **Traffic Below Expectations, Prices Fall, Incentives Decrease, Time to Sell Lengthens in August**





Source: Credit Suisse estimates

Historical Trends

Traffic was stable, at depressed levels, as buyers continue to lack confidence, urgency and motivation. Historical traffic trends:

Exhibit 44: Traffic Levels [> 50.0: above seasonal expectations/ = 50.0: in-line with expectations/ <50.0: below expectations]

	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10
Atlanta, GA	39.1	37.5	33.8	29.2	30.2	39.2	24.1	33.8	37.5	23.5	12.1	15.5	12.5
Austin, TX	27.4	39.5	33.3	43.8	40.9	37.5	55.0	39.3	60.0	29.5	25.0	2.6	13.2
Baltimore, MD	38.2	57.1	27.8	50.0	45.8	45.0	0.0	37.5	25.0	57.1	30.0	18.8	20.0
Boston, MA	50.0	50.0	61.1	50.0	53.8	54.5	64.7	78.6	50.0	45.5	21.4	33.3	18.2
Charleston, SC	31.3	40.0	87.5	50.0	30.0	50.0	50.0	50.0	50.0	25.0	30.0	43.8	0.0
Charlotte, NC	35.4	40.9	31.0	25.0	37.5	39.6	37.5	25.0	25.0	31.3	16.7	15.8	10.7
Chicago, IL	45.6	42.6	35.6	33.6	39.5	41.3	47.8	34.3	26.1	20.2	18.9	10.6	9.6
Cincinnati, OH	37.5	45.0	50.0	35.7	31.3	50.0	27.3	26.7	77.3	18.8	0.0	22.2	13.6
Columbus, OH	20.0	50.0	16.7	45.0	25.0	57.1	40.0	58.3	58.3	25.0	9.1	7.1	13.6
Dallas, TX	36.0	31.1	34.6	37.5	43.2	41.3	56.5	52.6	47.6	28.0	5.3	19.0	21.4
Denver, CO	43.3	41.7	37.1	32.9	33.3	38.9	52.6	48.5	48.5	29.0	12.5	12.5	10.3
Detroit, MI	39.7	39.1	38.1	33.3	32.0	34.0	39.6	40.0	44.7	36.1	34.2	31.6	29.5
Fort Myers, FL	81.5	72.0	70.0	73.5	56.5	48.1	57.9	57.9	56.7	45.0	39.5	22.0	28.1
Houston, TX	24.1	33.9	30.4	34.6	20.5	47.7	45.5	39.6	27.8	24.0	21.4	15.0	13.2
Inland Empire, CA	57.7	53.0	56.9	48.1	58.3	50.0	44.7	47.8	43.5	43.8	19.4	23.8	27.3
Jacksonville, FL	30.0	27.3	35.7	45.5	35.0	50.0	22.2	50.0	66.7	38.9	21.4	17.9	20.0
Las Vegas, NV	68.6	55.9	64.8	58.1	50.0	51.5	55.7	47.1	56.3	44.6	19.0	18.2	21.7
Los Angeles, CA	63.3	62.5	57.0	59.0	56.7	51.6	48.5	50.0	53.8	54.3	23.8	16.7	23.0
Miami, FL	51.0	53.1	53.1	43.5	54.9	51.4	47.2	47.8	48.6	35.9	28.1	21.6	25.0
Minneapolis, MN	45.0	56.8	39.0	35.1	38.7	31.1	48.8	45.5	57.0	24.3	8.0	6.8	8.3
Nashville, TN	31.6	22.7	27.3	9.1	43.8	38.9	20.6	19.2	50.0	15.0	20.8	31.3	18.2
New York-Northern NJ	53.2	41.5	42.4	39.1	41.7	32.1	32.0	40.7	32.1	22.9	16.7	15.4	18.1
Orlando, FL	58.0	57.7	61.5	38.0	47.1	50.0	56.7	50.0	60.0	34.6	6.3	27.3	16.7
Phila.-Southern NJ	41.1	29.2	30.0	44.1	14.3	32.0	24.2	42.9	34.4	15.2	10.5	10.0	12.5
Phoenix, AZ	54.8	52.7	50.0	43.8	36.7	34.0	39.0	40.3	51.0	37.0	18.5	13.8	10.5
Port St. Lucie, FL	61.1	50.0	50.0	50.0	41.7	50.0	50.0	60.0	66.7	0.0	33.3	16.7	33.3
Portland, OR	28.6	44.6	24.0	40.4	25.0	43.1	34.0	41.4	42.9	21.7	11.5	11.5	13.6
Raleigh, NC	41.7	26.9	26.3	22.5	22.5	36.8	23.3	37.5	26.5	5.3	16.7	10.7	11.1
Richmond, VA	50.0	33.3	50.0	16.7	50.0	33.3	33.3	30.0	0.0	20.0	25.0	10.0	37.5
Sacramento, CA	47.4	55.6	33.3	53.8	38.5	34.6	34.6	12.5	68.8	50.0	8.3	11.5	0.0
San Antonio, TX	10.0	25.0	42.9	62.5	44.4	46.2	25.0	34.6	45.0	29.4	28.1	5.6	17.9
San Diego, CA	68.8	60.3	40.9	47.2	40.0	45.2	31.3	41.7	51.9	20.0	13.2	14.7	6.9
San Francisco, CA	62.1	55.0	55.0	51.3	59.7	50.0	44.2	47.6	65.2	46.9	28.0	18.3	17.9
Sarasota, FL	50.0	35.7	70.0	72.7	56.3	55.6	54.5	50.0	58.3	50.0	18.8	12.5	29.2
Seattle, WA	43.3	64.1	48.6	57.4	31.3	47.9	57.4	44.8	66.1	28.3	17.3	19.2	16.7
Tampa, FL	40.3	41.7	43.2	40.0	43.2	50.0	53.3	37.0	47.4	36.1	20.5	9.3	15.0
Tucson, AZ	45.8	43.5	34.8	41.3	38.9	39.5	52.8	31.6	44.7	37.5	13.6	14.3	6.3
Virginia Beach, VA	38.9	40.0	42.9	46.2	66.7	54.5	43.8	37.5	33.3	25.0	18.8	6.3	7.7
Washington, DC	60.4	56.9	53.9	50.0	55.7	39.7	32.4	63.0	62.5	35.2	27.1	25.0	18.5
Wilmington, NC	33.3	25.0	19.2	31.8	33.3	16.7	50.0	50.0	80.0	50.0	16.7	16.7	35.0
Total	44.6	44.8	43.5	43.0	41.1	43.5	41.4	43.1	48.7	31.5	19.1	16.9	17.0

Source: Credit Suisse estimates

Our home price index fell to its lowest level since March ’09, as the combination of weak demand and rising inventory pressured prices; further declines likely. Historical price trends:

Exhibit 45: Home Prices [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]

	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10
Atlanta, GA	22.6	29.5	25.7	17.9	25.0	29.5	22.2	30.9	20.8	28.4	27.6	21.7	16.7
Austin, TX	25.0	26.3	26.2	25.0	43.2	28.8	40.0	32.1	50.0	36.4	27.5	28.9	15.8
Baltimore, MD	25.0	50.0	16.7	25.0	20.8	15.0	31.3	31.3	35.7	28.6	20.0	25.0	25.0
Boston, MA	40.0	50.0	50.0	54.2	38.5	50.0	47.1	57.1	58.3	54.5	42.3	35.7	40.9
Charleston, SC	18.8	30.0	37.5	22.2	30.0	30.0	12.5	38.9	20.0	25.0	20.0	25.0	25.0
Charlotte, NC	27.1	33.3	21.7	37.5	32.5	31.3	37.5	30.0	22.5	31.3	34.6	18.4	23.1
Chicago, IL	30.4	25.5	23.3	22.8	20.2	23.0	26.1	28.3	23.9	24.4	19.7	15.3	10.9
Cincinnati, OH	14.3	42.5	55.6	28.6	43.8	34.6	30.0	56.3	59.1	56.3	35.7	22.2	18.2
Columbus, OH	20.0	33.3	25.0	35.0	25.0	42.9	40.0	41.7	41.7	16.7	27.3	21.4	13.6
Dallas, TX	50.0	34.2	38.5	42.9	36.4	31.3	43.8	39.5	54.8	44.0	39.5	28.6	21.4
Denver, CO	43.1	42.9	34.3	42.7	35.1	34.7	48.7	53.1	53.1	51.6	34.6	35.9	24.1
Detroit, MI	28.3	15.2	38.1	31.3	26.9	18.0	22.9	30.4	45.2	33.3	38.9	26.3	33.3
Fort Myers, FL	50.0	54.3	60.0	50.0	68.2	59.6	50.0	57.9	50.0	70.0	60.5	46.0	20.6
Houston, TX	37.9	37.5	47.7	40.4	38.6	38.6	47.7	43.8	41.7	41.7	40.5	21.7	26.3
Inland Empire, CA	53.6	57.6	60.3	60.0	55.6	56.9	57.5	71.7	70.5	65.6	50.0	47.6	38.6
Jacksonville, FL	20.0	36.4	28.6	13.6	35.0	25.0	22.2	34.4	27.8	38.9	21.4	25.0	22.2
Las Vegas, NV	41.4	38.6	42.9	50.0	41.2	47.2	38.2	41.2	50.0	50.0	43.3	35.5	32.0
Los Angeles, CA	55.0	66.7	52.3	61.2	68.3	62.5	64.7	69.1	61.5	45.8	50.0	31.7	25.0
Miami, FL	30.6	44.7	42.9	28.8	30.8	35.1	26.4	37.5	38.2	29.5	37.1	28.2	28.6
Minneapolis, MN	32.5	41.1	33.1	30.4	34.6	26.7	37.5	34.8	52.0	29.2	18.2	19.3	28.0
Nashville, TN	28.9	31.8	30.0	27.3	43.8	26.5	26.5	26.9	31.3	35.0	20.8	31.3	31.8
New York-Northern NJ	26.6	31.2	25.9	26.4	28.2	27.0	28.0	38.8	33.6	33.3	28.7	14.7	21.4
Orlando, FL	36.0	25.0	42.3	24.0	26.5	32.4	23.3	34.8	40.0	36.5	25.0	34.1	24.0
Phila.-Southern NJ	32.7	27.1	26.0	29.4	28.6	30.0	40.0	42.9	39.3	41.7	27.5	30.0	20.0
Phoenix, AZ	47.9	56.8	51.5	43.8	33.7	35.4	39.0	35.0	40.8	38.9	42.7	26.6	17.9
Port St. Lucie, FL	22.2	28.6	28.6	28.6	33.3	37.5	35.7	40.0	50.0	50.0	50.0	16.7	16.7
Portland, OR	31.1	28.6	24.0	21.2	25.0	21.4	20.0	17.2	35.7	23.9	19.2	17.3	14.1
Raleigh, NC	38.9	30.8	27.8	27.5	27.5	34.2	25.0	43.8	29.4	21.1	16.7	20.0	16.7
Richmond, VA	18.8	0.0	30.0	16.7	16.7	25.0	21.4	20.0	50.0	20.0	25.0	16.7	0.0
Sacramento, CA	42.1	41.7	53.3	54.2	46.2	54.2	53.8	53.8	62.5	50.0	37.5	38.5	25.0
San Antonio, TX	45.0	40.0	39.3	40.6	33.3	38.5	25.0	42.9	45.0	41.2	21.9	16.7	21.4
San Diego, CA	66.7	65.5	63.6	61.1	65.6	59.5	50.0	61.8	69.2	55.0	44.4	41.7	28.6
San Francisco, CA	46.6	54.9	60.3	48.7	58.3	44.0	53.8	51.2	54.3	48.4	39.1	33.3	25.0
Sarasota, FL	25.0	18.8	30.0	31.8	37.5	22.2	22.7	28.6	33.3	57.1	31.3	27.3	19.2
Seattle, WA	21.7	30.3	31.4	20.6	22.9	32.6	27.3	24.1	44.4	34.8	21.2	20.0	20.0
Tampa, FL	31.7	29.2	31.8	35.0	29.5	38.5	42.9	36.0	42.1	41.7	28.6	21.2	23.3
Tucson, AZ	43.5	28.3	31.0	23.9	16.7	39.5	32.4	19.4	25.0	37.5	18.2	14.3	15.6
Virginia Beach, VA	25.0	22.7	28.6	20.8	33.3	31.8	37.5	25.0	20.8	25.0	31.3	25.0	23.1
Washington, DC	57.4	62.5	65.8	54.3	50.0	50.0	51.6	67.3	83.3	55.8	45.8	40.6	40.7
Wilmington, NC	25.0	8.3	20.8	10.0	16.7	0.0	25.0	25.0	30.0	10.0	22.2	27.8	22.2
Total	34.5	36.3	37.6	34.1	35.6	35.0	35.7	39.9	43.4	38.9	32.1	26.8	22.9

Source: Credit Suisse estimates

Incentives continued to creep higher, as our incentive index reached its lowest point since April '09. Historical incentive trends:

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

	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10
Atlanta, GA	40.3	50.0	41.7	47.9	47.5	45.8	32.0	37.9	37.0	42.4	31.5	34.6	32.7
Austin, TX	45.0	36.8	45.2	36.7	31.8	38.0	32.5	44.6	40.0	29.5	37.5	36.8	26.3
Baltimore, MD	36.7	57.1	38.9	33.3	37.5	43.8	42.9	50.0	35.7	50.0	50.0	35.7	30.0
Boston, MA	40.0	50.0	50.0	50.0	45.5	50.0	43.3	33.3	44.4	71.4	45.0	55.6	60.0
Charleston, SC	31.3	40.0	25.0	50.0	37.5	40.0	62.5	43.8	30.0	35.7	60.0	37.5	25.0
Charlotte, NC	33.3	45.2	43.1	45.0	40.0	35.4	42.1	37.5	32.5	31.8	40.0	41.2	42.3
Chicago, IL	39.2	39.6	41.7	41.2	43.4	38.0	48.7	40.4	51.2	38.5	44.3	48.8	40.5
Cincinnati, OH	35.7	43.3	55.6	32.1	43.8	34.6	30.0	43.8	45.5	56.3	57.1	44.4	45.0
Columbus, OH	30.0	0.0	41.7	22.2	50.0	21.4	40.0	33.3	50.0	50.0	36.4	28.6	27.3
Dallas, TX	46.2	44.1	44.0	47.6	45.5	47.9	30.6	44.7	50.0	38.0	42.1	50.0	30.8
Denver, CO	42.0	46.2	50.0	33.8	50.0	47.0	45.8	46.6	41.9	41.4	42.3	40.0	48.1
Detroit, MI	43.5	40.5	39.5	50.0	45.5	50.0	47.6	47.7	52.8	46.9	46.7	50.0	50.0
Fort Myers, FL	40.4	47.8	52.6	41.2	45.0	46.0	33.3	36.8	53.3	35.0	39.5	42.0	26.5
Houston, TX	36.2	33.3	37.5	38.0	43.2	33.3	52.4	47.9	33.3	39.6	45.0	29.3	28.9
Inland Empire, CA	38.5	48.3	51.9	47.7	41.2	46.9	35.0	37.5	35.7	50.0	50.0	50.0	43.2
Jacksonville, FL	50.0	45.0	35.7	27.3	60.0	30.0	33.3	36.7	50.0	27.8	42.9	50.0	27.8
Las Vegas, NV	42.4	36.8	46.3	44.8	35.3	41.7	44.1	39.1	39.7	37.5	34.5	41.7	42.0
Los Angeles, CA	44.2	36.6	40.5	46.7	50.0	39.1	38.7	50.0	50.0	50.0	42.1	42.0	38.7
Miami, FL	46.3	45.2	48.8	46.1	51.4	57.6	43.5	47.5	46.9	37.5	42.3	44.3	41.7
Minneapolis, MN	37.8	39.4	44.4	37.2	39.2	39.0	43.1	35.6	37.2	41.4	32.9	34.1	51.3
Nashville, TN	38.2	50.0	45.0	50.0	31.3	32.4	50.0	42.3	46.9	55.0	50.0	43.8	40.9
New York-Northern NJ	37.0	46.7	38.3	41.0	49.2	48.5	39.4	44.9	48.9	49.1	40.6	42.6	46.6
Orlando, FL	37.0	38.5	50.0	40.0	50.0	47.1	35.7	52.5	41.7	26.0	53.3	38.6	45.8
Phila.-Southern NJ	36.0	40.9	43.5	36.7	42.9	47.7	39.3	37.5	46.4	47.7	52.8	38.2	36.1
Phoenix, AZ	47.0	39.1	41.5	37.5	35.4	39.6	36.6	38.2	34.4	42.7	38.0	32.9	31.1
Port St. Lucie, FL	43.8	50.0	64.3	50.0	50.0	50.0	57.1	60.0	66.7	40.0	50.0	50.0	33.3
Portland, OR	41.4	44.2	39.6	38.0	50.0	51.9	39.6	46.2	37.5	36.4	42.3	41.3	36.7
Raleigh, NC	41.7	34.6	39.5	28.9	23.7	28.9	40.0	40.6	34.4	34.2	33.3	35.7	29.4
Richmond, VA	25.0	0.0	37.5	41.7	33.3	41.7	50.0	37.5	50.0	20.0	75.0	33.3	0.0
Sacramento, CA	53.1	53.1	50.0	45.8	45.5	40.9	45.5	54.5	31.3	33.3	45.8	41.7	41.7
San Antonio, TX	50.0	40.0	35.7	28.1	22.2	42.3	50.0	46.4	55.0	34.4	43.8	33.3	25.0
San Diego, CA	33.3	44.4	50.0	46.9	46.7	38.9	38.6	42.3	38.6	50.0	44.1	34.4	41.7
San Francisco, CA	44.0	46.2	48.4	43.1	41.4	45.6	45.5	44.3	47.6	44.6	44.4	45.8	43.8
Sarasota, FL	39.3	30.0	38.5	36.4	35.7	37.5	40.9	45.5	37.5	40.0	28.6	30.0	27.3
Seattle, WA	35.2	43.5	40.6	26.8	28.3	50.0	37.1	35.2	37.0	45.2	43.5	38.6	48.3
Tampa, FL	39.7	35.4	52.3	39.5	42.5	33.3	42.9	40.4	44.7	35.3	35.7	42.0	35.7
Tucson, AZ	39.1	33.3	37.5	38.6	36.1	42.1	36.7	33.3	35.0	35.7	31.8	32.1	34.4
Virginia Beach, VA	50.0	45.5	42.3	37.5	33.3	50.0	43.8	50.0	40.0	54.5	42.9	50.0	37.5
Washington, DC	42.7	48.5	39.4	51.8	40.6	52.9	36.7	39.6	54.3	42.3	45.0	42.6	34.8
Wilmington, NC	41.7	50.0	45.5	30.0	41.7	25.0	50.0	50.0	40.0	30.0	44.4	44.4	55.6
Total	40.4	41.0	43.8	40.2	41.6	41.8	41.9	42.9	43.1	41.2	43.7	40.7	37.1

Source: Credit Suisse estimates

Inventory increased in almost every market surveys, with our home listings index reaching its lowest point since April '08; rising inventory likely to pressure prices in coming months. Historical inventory trends:

Exhibit 47: **Homes listed for sale [> 50.0: Fewer homes listed versus prior month/ = 50.0: listings unchanged / <50.0: more home listings]**

	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10
Atlanta, GA	61.3	62.5	58.1	68.8	68.6	58.1	50.0	35.7	33.3	41.2	31.0	35.0	33.3
Austin, TX	46.7	63.2	47.6	53.1	61.4	63.5	42.5	27.8	24.0	22.7	30.0	18.4	13.2
Baltimore, MD	40.6	64.3	16.7	33.3	37.5	25.0	64.3	25.0	7.1	21.4	30.0	18.8	15.0
Boston, MA	40.0	46.2	61.1	45.8	73.1	59.1	52.9	21.4	29.2	44.4	30.8	39.3	40.9
Charleston, SC	56.3	40.0	75.0	72.2	70.0	60.0	25.0	55.6	20.0	43.8	60.0	37.5	12.5
Charlotte, NC	41.7	59.5	46.6	52.5	57.5	39.6	30.0	20.0	35.0	32.6	36.7	44.4	30.8
Chicago, IL	47.3	47.2	47.4	48.2	52.5	41.2	29.5	19.1	22.8	27.3	34.2	35.4	24.5
Cincinnati, OH	35.7	57.5	50.0	67.9	68.8	38.5	25.0	31.3	31.8	18.8	28.6	22.2	36.4
Columbus, OH	50.0	66.7	50.0	83.3	62.5	57.1	60.0	33.3	50.0	50.0	22.7	42.9	27.3
Dallas, TX	36.5	39.5	59.6	57.5	54.5	45.8	45.3	39.5	36.8	34.0	23.7	23.8	30.8
Denver, CO	55.4	69.0	64.3	68.3	64.7	61.4	48.7	33.3	32.8	37.1	42.3	30.6	24.1
Detroit, MI	53.3	54.3	40.5	56.3	61.5	44.0	60.4	60.9	42.9	36.1	47.2	44.7	45.2
Fort Myers, FL	77.8	71.7	52.5	67.6	61.4	52.0	50.0	65.8	66.7	60.0	57.9	48.0	41.2
Houston, TX	55.2	51.8	68.2	50.0	59.1	38.6	42.5	37.0	25.0	22.9	21.4	21.7	28.9
Inland Empire, CA	82.1	74.2	70.7	80.0	76.5	65.7	72.5	56.5	59.1	71.9	52.8	70.0	52.3
Jacksonville, FL	60.0	36.4	57.1	63.6	55.0	33.3	44.4	50.0	61.1	38.9	35.7	53.8	35.0
Las Vegas, NV	80.9	60.0	89.3	81.7	70.6	72.2	71.4	69.1	85.9	70.6	48.3	33.9	18.0
Los Angeles, CA	81.0	72.9	70.9	83.7	76.7	64.5	60.9	47.8	42.3	29.2	42.9	33.3	31.9
Miami, FL	63.3	60.6	69.1	59.3	62.8	55.3	60.0	56.0	63.9	56.4	51.6	47.4	46.4
Minneapolis, MN	72.5	71.8	81.0	79.8	80.8	64.1	61.5	38.4	28.6	34.7	50.0	40.9	31.7
Nashville, TN	41.7	45.5	40.0	45.5	68.8	29.4	32.4	34.6	18.8	50.0	20.8	37.5	22.7
New York-Northern NJ	41.6	45.6	42.4	43.6	63.2	52.0	36.7	31.6	17.3	26.2	22.2	25.0	32.9
Orlando, FL	72.0	73.1	76.9	62.5	64.7	44.1	63.3	56.8	56.0	57.7	43.8	54.5	31.3
Phila.-Southern NJ	42.3	39.6	42.0	52.9	57.1	47.9	35.0	32.1	36.7	27.1	20.0	25.0	23.8
Phoenix, AZ	62.1	70.8	53.8	53.1	43.5	40.3	32.2	32.8	39.8	35.6	39.1	36.2	29.1
Port St. Lucie, FL	50.0	35.7	50.0	42.9	58.3	62.5	57.1	60.0	100.0	70.0	75.0	33.3	41.7
Portland, OR	65.8	58.9	64.0	76.0	62.5	51.7	24.0	27.6	35.7	41.3	51.9	50.0	27.4
Raleigh, NC	55.6	65.4	55.3	45.0	47.5	47.4	40.0	21.9	37.5	42.1	33.3	23.3	36.1
Richmond, VA	12.5	33.3	50.0	33.3	50.0	41.7	35.7	30.0	0.0	30.0	25.0	25.0	0.0
Sacramento, CA	68.4	80.6	73.3	76.9	69.2	57.7	61.5	46.2	37.5	65.0	38.5	53.8	31.3
San Antonio, TX	50.0	50.0	39.3	50.0	61.1	50.0	42.9	42.3	25.0	38.2	28.1	16.7	23.1
San Diego, CA	73.3	60.3	72.7	77.8	68.8	60.0	47.9	58.8	50.0	35.0	33.3	32.4	21.4
San Francisco, CA	63.8	64.7	66.7	73.1	72.2	70.0	36.0	38.1	30.4	41.9	41.3	33.9	33.9
Sarasota, FL	87.5	68.8	63.3	59.1	56.3	61.1	59.1	50.0	50.0	83.3	56.3	59.1	46.2
Seattle, WA	48.3	56.3	58.6	72.7	62.5	39.1	37.5	27.6	35.7	30.4	26.9	15.2	25.0
Tampa, FL	56.7	54.2	50.0	62.5	59.1	48.1	53.6	38.9	44.7	50.0	38.1	25.0	33.3
Tucson, AZ	78.3	76.1	66.7	43.2	52.8	44.7	26.5	36.1	52.5	63.3	59.1	35.7	34.4
Virginia Beach, VA	33.3	36.4	50.0	46.2	61.1	45.5	25.0	12.5	8.3	12.5	37.5	31.3	11.5
Washington, DC	71.7	69.4	71.1	70.0	75.0	67.9	75.0	62.0	51.9	55.8	50.0	46.9	46.3
Wilmington, NC	25.0	33.3	27.3	50.0	33.3	50.0	25.0	16.7	0.0	30.0	38.9	50.0	27.8
Total	55.9	57.2	57.2	60.2	61.6	51.3	46.1	39.5	38.2	42.0	38.9	36.3	30.0

Source: Credit Suisse estimates

Length of time needed to sell a home increased in August, a negative leading indicator for prices. Historical time to sell trends:

Exhibit 48: 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]

	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10
Atlanta, GA	32.8	30.0	38.9	31.3	26.7	31.1	38.9	40.0	43.8	35.3	25.9	23.3	13.0
Austin, TX	26.7	21.1	19.0	28.1	29.5	34.6	30.0	37.5	36.0	35.7	25.0	23.7	8.3
Baltimore, MD	34.4	42.9	33.3	16.7	8.3	25.0	35.7	50.0	42.9	50.0	10.0	0.0	15.0
Boston, MA	50.0	53.8	55.6	41.7	50.0	50.0	61.8	64.3	54.2	68.2	38.5	32.1	22.7
Charleston, SC	31.3	30.0	37.5	37.5	40.0	30.0	50.0	38.9	30.0	50.0	30.0	31.3	12.5
Charlotte, NC	35.4	35.0	16.7	37.5	32.5	22.9	37.5	40.0	25.0	35.4	33.3	13.2	11.5
Chicago, IL	30.0	34.5	30.7	29.3	26.7	27.5	37.8	30.0	39.1	22.2	12.5	21.4	7.4
Cincinnati, OH	14.3	30.0	44.4	32.1	50.0	34.6	20.0	56.3	77.3	31.3	21.4	11.1	22.7
Columbus, OH	30.0	50.0	50.0	45.0	37.5	71.4	62.5	41.7	58.3	33.3	22.7	28.6	25.0
Dallas, TX	36.5	31.6	32.7	42.9	29.5	29.2	42.2	36.1	57.1	35.4	34.2	11.9	14.3
Denver, CO	44.8	36.2	45.6	45.1	40.9	41.4	47.4	45.5	50.0	38.7	26.9	24.2	10.3
Detroit, MI	33.3	50.0	26.2	43.8	40.4	40.0	37.5	47.8	59.5	47.1	47.2	34.2	32.5
Fort Myers, FL	72.2	71.7	57.5	64.7	59.1	46.0	55.3	63.2	70.0	57.5	55.3	31.3	26.5
Houston, TX	22.4	35.2	43.2	28.8	22.7	28.6	22.7	29.2	27.8	29.2	19.0	5.0	10.5
Inland Empire, CA	64.3	54.7	63.8	52.0	61.1	52.9	47.5	58.7	50.0	56.3	38.9	35.7	29.5
Jacksonville, FL	30.0	36.4	42.9	36.4	45.0	33.3	44.4	43.8	61.1	38.9	28.6	39.3	25.0
Las Vegas, NV	70.6	51.5	66.1	70.7	47.1	48.6	62.9	58.8	67.7	59.7	41.4	27.4	20.0
Los Angeles, CA	58.3	57.3	54.7	63.3	68.3	51.6	63.6	58.7	78.0	47.9	22.7	20.0	10.0
Miami, FL	52.0	54.3	58.2	44.1	47.4	52.6	44.3	52.2	50.0	39.7	48.4	30.8	31.0
Minneapolis, MN	60.0	60.2	48.3	53.3	42.3	41.3	50.0	50.9	61.2	37.1	21.6	19.3	19.5
Nashville, TN	28.9	22.7	45.0	18.2	37.5	26.5	26.5	26.9	37.5	35.0	12.5	28.6	22.7
New York-Northern NJ	35.9	34.8	39.4	38.0	29.9	29.5	32.5	40.8	40.0	36.1	21.3	17.1	18.6
Orlando, FL	72.0	61.5	80.8	46.0	55.9	44.1	63.3	58.7	60.0	61.5	33.3	50.0	34.0
Phila.-Southern NJ	48.1	37.5	36.0	41.2	28.6	34.0	34.5	35.7	46.7	29.2	30.0	10.0	14.3
Phoenix, AZ	59.4	66.2	56.2	54.7	41.3	43.1	44.9	45.9	45.9	45.6	30.0	25.5	20.0
Port St. Lucie, FL	61.1	50.0	35.7	64.3	58.3	50.0	71.4	60.0	83.3	50.0	50.0	16.7	33.3
Portland, OR	50.0	50.0	34.0	44.2	34.2	34.5	30.0	36.2	57.1	50.0	30.8	24.0	18.8
Raleigh, NC	47.2	46.2	21.1	27.5	27.5	28.9	40.0	37.5	30.6	23.7	29.2	13.3	19.4
Richmond, VA	37.5	0.0	40.0	33.3	33.3	25.0	35.7	40.0	0.0	50.0	25.0	16.7	0.0
Sacramento, CA	60.5	50.0	60.0	50.0	57.7	42.3	38.5	46.2	50.0	55.0	15.4	26.9	6.3
San Antonio, TX	25.0	35.0	32.1	31.3	22.2	38.5	31.3	42.9	45.0	41.2	31.3	16.7	21.4
San Diego, CA	57.1	56.9	54.5	58.3	50.0	52.5	44.0	58.8	57.7	25.0	14.7	17.6	12.5
San Francisco, CA	58.9	57.8	50.0	38.5	43.1	44.0	44.2	45.1	45.7	33.9	23.9	25.8	21.4
Sarasota, FL	66.7	35.7	60.0	68.2	37.5	55.6	45.5	60.7	66.7	75.0	37.5	45.5	26.9
Seattle, WA	46.7	56.1	48.6	45.6	41.7	34.8	51.5	43.1	62.1	45.5	36.5	26.0	16.7
Tampa, FL	41.9	37.5	47.7	55.3	38.6	46.2	46.4	38.9	44.7	33.3	42.9	15.4	28.3
Tucson, AZ	50.0	54.3	42.9	39.1	47.2	36.8	35.3	41.7	37.5	40.0	40.9	17.9	25.0
Virginia Beach, VA	38.9	36.4	28.6	30.8	44.4	27.3	25.0	25.0	16.7	33.3	31.3	31.3	15.4
Washington, DC	72.9	68.1	67.9	60.3	61.4	56.4	57.8	80.8	66.7	52.0	31.3	31.3	21.2
Wilmington, NC	29.2	25.0	18.2	27.3	16.7	33.3	25.0	25.0	30.0	40.0	11.1	22.2	22.2
Total	45.4	43.7	44.1	42.9	40.3	39.4	42.9	45.8	49.1	42.6	29.6	23.6	19.1

Source: Credit Suisse estimates

Agent Recommendations

Agents recommend Toll Brothers and Pulte. Toll Brothers received the highest percentage of recommendations by agents nationwide. 27% of agents (net of positive responses less negative responses) surveyed said they would recommend Toll, while 24% said they would recommend Pulte Group. 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, but also represents an opportunity for companies such as KB Home, which has seen its share of positive responses increase in recent months as its Open Series has gained traction.

Exhibit 49: **Toll and Pulte Most Highly Recommended by Agents**

Rank	Ticker	Company Name	Net Recommendation
1	TOL	Toll Brothers	27%
2	PHM	Pulte Group	24%
3	DHI	D.R. Horton	20%
4	MTH	Meritage Homes	19%
5	LEN	Lennar Corp.	15%
6	RYL	Ryland Group	13%
7	SPF	Standard Pacific Corp.	13%
8	NVR	NVR, Inc.	7%
9	HOV	Hovnanian Enterprises	5%
10	MDC	MDC Holdings	4%
11	KBH	KB Home	(11%)

Source: Credit Suisse estimates

Exhibit 50: Which of the following homebuilders would you most highly recommend to clients?

Market	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	46%	--	--	--	--	--	--	36%	36%	--	--
Austin, TX	57%	--	10%	24%	--	43%	--	33%	--	62%	29%
Baltimore, MD	10%	30%	0%	20%	20%	--	40%	--	10%	--	--
Charleston, SC	25%	--	25%	0%	--	--	0%	--	25%	--	--
Charlotte, NC	21%	7%	7%	14%	--	--	21%	--	14%	21%	57%
Chicago, IL	13%	4%	--	17%	0%	--	--	40%	23%	--	30%
Cincinnati, OH	--	0%	--	--	--	--	18%	9%	18%	--	--
Columbus, OH	--	0%	--	--	--	--	9%	9%	--	--	--
Dallas, TX	50%	21%	0%	14%	0%	14%	--	14%	--	14%	7%
Denver, CO	24%	--	14%	10%	21%	10%	--	17%	24%	14%	31%
Detroit, MI	--	0%	--	--	--	--	--	68%	--	--	86%
Fort Myers, FL	24%	0%	0%	6%	--	12%	--	41%	18%	--	--
Houston, TX	32%	11%	5%	26%	0%	21%	--	16%	--	--	--
Jacksonville, FL	40%	--	40%	30%	0%	--	--	30%	30%	10%	30%
Las Vegas, NV	48%	--	28%	36%	16%	12%	--	60%	16%	--	56%
Los Angeles, CA	8%	16%	27%	19%	0%	3%	--	8%	--	8%	8%
Miami, FL	14%	--	--	44%	--	--	--	--	--	2%	--
Minneapolis, MN	36%	17%	--	33%	--	--	--	33%	26%	--	5%
Nashville, TN	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	3%	11%	--	8%	--	--	1%	19%	--	--	33%
Orlando, FL	28%	12%	28%	28%	--	28%	--	28%	12%	4%	32%
Philadelphia-Southern NJ	5%	24%	--	5%	0%	--	19%	38%	--	--	33%
Phoenix, AZ	39%	14%	11%	26%	18%	37%	--	40%	9%	25%	44%
Port St. Lucie, FL	17%	--	33%	--	--	--	--	--	--	--	--
Portland, OR	24%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	28%	28%	17%	28%	--	--	6%	28%	--	6%	50%
Richmond, VA	--	--	--	--	--	--	25%	--	--	--	--
Riverside-San Bernardino, CA	18%	18%	32%	36%	5%	--	--	27%	23%	27%	--
Sacramento, CA	38%	0%	0%	25%	0%	13%	--	13%	0%	13%	13%
San Antonio, TX	71%	--	29%	36%	--	29%	--	64%	--	--	36%
San Diego, CA	38%	24%	31%	28%	3%	--	--	17%	3%	21%	10%
San Francisco, CA	4%	--	--	7%	--	4%	--	39%	--	4%	14%
Sarasota, FL	--	--	15%	38%	--	--	--	15%	--	15%	--
Seattle, WA	27%	--	--	--	--	--	--	--	--	--	--
Tampa, FL	29%	6%	19%	32%	0%	--	--	19%	32%	19%	--
Tucson, AZ	31%	0%	0%	44%	25%	56%	--	50%	--	6%	6%
Virginia Beach, VA	0%	8%	--	--	--	--	0%	--	--	--	--
Washington, DC	11%	22%	--	7%	11%	--	37%	30%	4%	--	33%
Wilmington, NC	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	**27%**	**12%**	**17%**	**23%**	**7%**	**22%**	**15%**	**30%**	**18%**	**16%**	**31%**

Source: Credit Suisse estimates

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

Market	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	7%	--	--	--	--	--	--	21%	7%	--	--
Austin, TX	0%	--	62%	10%	--	14%	--	14%	--	0%	14%
Baltimore, MD	0%	10%	0%	0%	10%	--	30%	--	20%	--	--
Charleston, SC	25%	--	25%	25%	--	--	0%	--	0%	--	--
Charlotte, NC	43%	7%	50%	29%	--	--	0%	--	14%	7%	0%
Chicago, IL	6%	4%	--	4%	6%	--	--	2%	4%	--	6%
Cincinnati, OH	--	0%	--	--	--	--	9%	0%	0%	--	--
Columbus, OH	--	0%	--	--	--	--	0%	0%	--	--	--
Dallas, TX	0%	0%	36%	14%	0%	0%	--	14%	--	7%	0%
Denver, CO	14%	--	34%	7%	10%	0%	--	10%	3%	3%	0%
Detroit, MI	--	0%	--	--	--	--	--	14%	--	--	0%
Fort Myers, FL	12%	29%	18%	12%	--	6%	--	0%	0%	--	--
Houston, TX	5%	0%	58%	5%	0%	0%	--	5%	--	--	--
Jacksonville, FL	0%	--	10%	20%	0%	--	--	10%	10%	0%	0%
Las Vegas, NV	4%	--	24%	12%	12%	8%	--	8%	8%	--	8%
Los Angeles, CA	5%	5%	8%	5%	0%	0%	--	3%	--	5%	3%
Miami, FL	5%	--	--	2%	--	--	--	--	--	2%	--
Minneapolis, MN	10%	5%	--	10%	--	--	--	7%	7%	--	7%
Nashville, TN	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	0%	15%	--	1%	--	--	4%	1%	--	--	3%
Orlando, FL	8%	0%	12%	8%	--	4%	--	0%	0%	4%	0%
Philadelphia-Southern NJ	5%	14%	--	0%	0%	--	5%	0%	--	--	19%
Phoenix, AZ	7%	16%	32%	7%	2%	2%	--	9%	2%	4%	5%
Port St. Lucie, FL	0%	--	17%	--	--	--	--	--	--	--	--
Portland, OR	0%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	6%	28%	39%	11%	--	--	6%	11%	--	0%	0%
Richmond, VA	--	--	--	--	--	--	25%	--	--	--	--
Riverside-San Bernardino, CA	0%	5%	18%	0%	0%	--	--	0%	9%	18%	--
Sacramento, CA	13%	0%	38%	0%	0%	0%	--	0%	0%	0%	0%
San Antonio, TX	0%	--	36%	0%	--	0%	--	7%	--	--	0%
San Diego, CA	0%	0%	7%	0%	0%	--	--	3%	3%	3%	3%
San Francisco, CA	7%	--	--	4%	--	0%	--	0%	--	4%	4%
Sarasota, FL	--	--	23%	0%	--	--	--	8%	--	0%	--
Seattle, WA	7%	--	--	--	--	--	--	--	--	--	--
Tampa, FL	6%	3%	16%	13%	0%	--	--	10%	0%	0%	--
Tucson, AZ	0%	6%	56%	6%	6%	6%	--	0%	--	0%	0%
Virginia Beach, VA	8%	0%	--	--	--	--	8%	--	--	--	--
Washington, DC	4%	4%	--	26%	15%	--	11%	11%	4%	--	11%
Wilmington, NC	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	**6%**	**7%**	**28%**	**8%**	**4%**	**3%**	**8%**	**6%**	**5%**	**3%**	**4%**

Source: Credit Suisse estimates

Exhibit 52: Homebuilding Industry Comparative Valuations

9/7/2010	Beazer Homes BZH	D.R. Horton DHI	Hovnanian HOV	KB Home KBH	Lennar Corp. LEN	MDC Holdings MDC	Meritage MTH	NVR Inc NVR	PulteGroup PHM	Ryland RYL	Toll Brothers TOL	Average
RATINGS AND RETURN POTENTIAL												
Rating	**Neutral**	**Neutral**	**Underperform**	**Neutral**	**Outperform**	**Neutral**	**Neutral**	**Neutral**	**Underperform**	**Neutral**	**Neutral**	
Current Price	$4.25	$10.95	$3.86	$11.55	$14.14	$27.68	$18.96	$615.75	$8.56	$17.06	$17.96	
Target Price	**$4.00**	**$11.50**	**$2.00**	**$14.00**	**$18.00**	**$31.00**	**$20.00**	**$630.00**	**$9.00**	**$18.00**	**$19.00**	
Target BV Multiple	1.2x	1.2x	NM	1.12x	1.2x	1.3x	1.2x	2.2x	1.1x	1.2x	1.2x	**1.2x**
Dividend Yield	0.0%	1.4%	0.0%	2.2%	1.1%	3.6%	0.0%	0.0%	0.0%	0.7%	0.0%	**0.7%**
Total Return Potential	**(5.9%)**	**6.4%**	**(48.2%)**	**23.4%**	**28.4%**	**15.6%**	**5.5%**	**2.3%**	**5.1%**	**6.2%**	**5.8%**	**8.5%**
CAPITALIZATION												
Market Cap. ($ mln)	$322	$3,485	$300	$888	$2,615	$1,305	$608	$3,648	$3,276	$752	$2,971	**$1,834**
Cash ($ mln)	$568	$1,862	$575	$1,094	$1,223	$1,634	$442	$1,264	$2,776	$878	$1,548	**$1,260**
Debt ($ mln)	$1,359	$2,552	$1,665	$1,755	$2,890	$1,242	$605	$0	$4,360	$874	$2,022	**$1,757**
Net Debt/Cap	69%	21%	114%	52%	40%	(61%)	25%	(229%)	33%	(1%)	16%	**32%**
EARNINGS												
CS Calendar Year Ests.												
2009	($1.71)	($0.96)	($7.36)	($1.33)	($2.45)	$0.52	($2.12)	$31.01	($4.23)	($3.78)	($4.38)	
2010E	($1.94)	($0.05)	($3.20)	($2.30)	($0.89)	($1.23)	($0.20)	$29.10	($0.01)	($1.60)	($1.22)	
2011E	($1.18)	$0.75	($1.68)	$0.30	$0.25	($0.30)	$0.95	$41.00	$0.65	$0.80	$0.24	
2012E	$0.03	$1.60	($0.35)	$2.20	$1.50	$1.50	$2.50	$67.90	$1.35	$1.95	$1.25	
VALUATION												
Price/Earnings												
2009	NM	NM	NM	NM	NM	53.5x	NM	19.9x	NM	NM	NM	**NM**
2010E	NM	NM	NM	NM	NM	NM	NM	21.2x	NM	NM	NM	**NM**
2011E	NM	14.6x	NM	38.8x	57.3x	NM	20.1x	15.0x	13.2x	21.4x	73.8x	**29.2x**
2012E	135.2x	6.8x	NM	5.2x	9.4x	18.4x	7.6x	9.1x	6.3x	8.7x	14.4x	**11.3x**
Book Value												
Tangible BV/Share	$4.66	$8.10	($3.47)	$8.00	$13.33	$22.30	$15.13	$285.54	$5.60	$12.97	$14.78	
P/TBV	**0.91x**	**1.35x**	**NM**	**1.44x**	**1.06x**	**1.24x**	**1.25x**	**2.16x**	**1.53x**	**1.32x**	**1.21x**	**1.24x**
Adjusted BV/Share	$3.32	$9.30	NM	$12.45	$14.75	$24.75	$16.70	$285.54	$8.00	$15.00	$15.60	
P/Adj. BV	**1.28x**	**1.18x**	**NM**	**0.93x**	**0.96x**	**1.12x**	**1.14x**	**2.16x**	**1.07x**	**1.14x**	**1.15x**	**1.10x**
OPERATING METRICS												
CY Orders (Homes)												**Total**
2009	4,406	18,294	5,178	8,341	11,510	3,306	3,853	9,409	14,185	5,302	2,710	**86,494**
% Ch. Yr/Yr	*(17.8%)*	*(7.5%)*	*(13.6%)*	*0.8%*	*0.8%*	*7.5%*	*(16.6%)*	*7.4%*	*(7.3%)*	*(12.2%)*	*5.1%*	***0.7%***
2010E	4,392	20,171	4,573	7,542	10,940	3,524	3,408	9,633	15,198	3,891	2,646	**85,918**
% Ch. Yr/Yr	*(0.3%)*	*10.3%*	*(11.7%)*	*(9.6%)*	*(5.0%)*	*6.6%*	*(11.5%)*	*2.4%*	*7.1%*	*(26.6%)*	*(2.3%)*	***(0.7%)***
2011E	4,750	24,376	5,482	9,705	13,244	4,372	4,139	11,609	18,694	4,825	3,239	**104,435**
% Ch. Yr/Yr	*8.2%*	*20.8%*	*19.9%*	*28.7%*	*21.1%*	*24.1%*	*21.4%*	*20.5%*	*23.0%*	*24.0%*	*22.4%*	***21.6%***
2012E	5,938	30,470	6,578	12,617	16,556	5,685	5,169	14,931	23,367	6,031	4,211	**131,553**
% Ch. Yr/Yr	*25.0%*	*25.0%*	*20.0%*	*30.0%*	*25.0%*	*30.0%*	*24.9%*	*28.6%*	*25.0%*	*25.0%*	*30.0%*	***26.0%***
CY Closings (Homes)												
2009	4,411	18,164	5,245	8,488	11,478	3,013	4,039	9,042	20,603	5,129	2,896	**92,508**
% Ch. Yr/Yr	*(33.0%)*	*(24.0%)*	*(35.9%)*	*(31.8%)*	*(27.1%)*	*(32.9%)*	*(28.2%)*	*(15.8%)*	*(2.0%)*	*(30.2%)*	*(31.0%)*	***(18.6%)***
2010E	4,269	19,022	4,460	7,192	10,306	3,408	3,398	9,535	15,176	4,085	2,566	**83,418**
% Ch. Yr/Yr	*(3.2%)*	*4.7%*	*(15.0%)*	*(15.3%)*	*(10.2%)*	*13.1%*	*(15.9%)*	*5.4%*	*(26.3%)*	*(20.4%)*	*(11.4%)*	***(9.8%)***
2011E	4,538	23,067	5,208	8,955	12,597	4,227	3,827	10,627	17,385	4,483	2,906	**97,821**
% Ch. Yr/Yr	*6.3%*	*21.3%*	*16.8%*	*24.5%*	*22.2%*	*24.0%*	*12.6%*	*11.5%*	*14.6%*	*9.7%*	*13.3%*	***17.3%***
2012E	5,614	28,821	6,198	11,649	15,537	5,365	4,809	13,611	21,781	5,567	3,665	**122,618**
% Ch. Yr/Yr	*23.7%*	*24.9%*	*19.0%*	*30.1%*	*23.3%*	*26.9%*	*25.6%*	*28.1%*	*25.3%*	*24.2%*	*26.1%*	***25.3%***
Gross Margins, Ex-Charges												**Average**
2009	11.5%	13.1%	2.8%	18.3%	15.6%	17.9%	15.4%	18.4%	9.8%	10.3%	16.2%	**14.6%**
2010E	15.3%	17.2%	10.7%	17.5%	20.3%	18.3%	18.3%	18.0%	14.3%	16.2%	14.8%	**16.9%**
2011E	16.4%	17.2%	11.7%	19.5%	20.0%	18.9%	18.7%	18.5%	16.9%	16.2%	16.8%	**17.8%**
2012E	18.5%	19.5%	16.1%	21.1%	21.2%	20.4%	19.9%	21.3%	18.8%	18.3%	21.4%	**20.3%**
SG&A % of Housing Revs												
2009	22.7%	14.7%	21.1%	17.2%	20.5%	23.9%	14.7%	8.7%	19.0%	14.7%	18.3%	**16.5%**
2010E	18.9%	12.5%	18.3%	21.5%	18.7%	23.3%	15.1%	8.8%	14.3%	15.3%	18.5%	**15.3%**
2011E	17.0%	11.8%	17.7%	17.2%	17.5%	20.0%	13.9%	7.7%	12.4%	13.2%	17.5%	**13.8%**
2012E	15.4%	10.7%	15.5%	14.9%	16.3%	16.5%	12.3%	7.0%	11.1%	12.2%	14.8%	**12.2%**
LAND EXPOSURE												
Lots Controlled	29,768	116,500	31,689	40,000	104,261	10,932	14,461	46,300	149,631	22,721	33,644	
Years Supply	7.0	6.1	7.1	5.6	10.1	3.2	4.3	4.9	9.9	5.6	13.1	**7.0**
% Owned	80%	77%	55%	81%	79%	67%	71%	0%	90%	69%	84%	**68%**
% Optioned	20%	23%	45%	19%	21%	33%	29%	100%	10%	31%	16%	**32%**
Cumulative Impairments	$1,541	$5,001	$2,246	$2,898	$4,866	$1,214	$1,005	$607	$5,646	$1,216	$2,199	**$28,437**
% of Average '06 Inventory	43%	44%	50%	38%	48%	39%	56%	36%	52%	42%	35%	**46%**
Current Inventory	$1,318	$3,557	$1,166	$1,790	$4,772	$753	$738	$515	$5,001	$730	$3,491	**$23,833**
% of Assets	63%	57%	57%	56%	58%	28%	59%	22%	50%	42%	64%	**52%**
% of Book Value	359%	135%	NM	291%	193%	73%	149%	28%	152%	133%	143%	**148%**
SHORT INTEREST												
Short Interest, % of Float	25.9%	9.4%	37.6%	18.8%	9.7%	11.4%	10.6%	6.4%	11.3%	16.5%	9.5%	**10.7%**

Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 07 Sep 10)*
Beazer Homes USA (BZH, $4.25, NEUTRAL [V], TP $4.00)
DR Horton (DHI, $10.95, NEUTRAL [V], TP $11.50)
Hovnanian Enterprises (HOV, $3.86, UNDERPERFORM [V], TP $2.00)
KB Home (KBH, $11.55, NEUTRAL [V], TP $14.00)
Lennar (LEN, $14.14, OUTPERFORM [V], TP $18.00)
M.D.C. Holdings, Inc. (MDC, $27.68, NEUTRAL [V], TP $31.00)
Meritage Corp (MTH, $18.96, NEUTRAL [V], TP $20.00)
NVR Inc. (NVR, $615.75, NEUTRAL, TP $630.00)
Pulte (PHM, $8.56, UNDERPERFORM [V], TP $9.00)
Ryland Group (RYL, $17.06, NEUTRAL [V], TP $18.00)
Standard Pacific (SPF, $3.81)
Toll Brothers (TOL, $17.96, NEUTRAL [V], TP $19.00)

Disclosure Appendix

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