

Monthly Survey of Real Estate Agents

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CHANNEL CHECK

Buyer Caution Far Outweighs Affordability

- **Economic uncertainty causes worries among buyers; traffic dropped off in August:** Our Monthly Survey of Real Estate Agents pointed to a decline in buyer traffic in August, with most agents highlighting economic concerns as the main hesitation for buyers. Buyers recognize the favorable affordability, but worries of further declines in home prices and job security led many to stay on the sidelines. We expect that the slower conditions are likely to continue into the Fall, adding risk of further declines in home prices, as sellers adjust to the reduced demand. Among those agents noting better traffic levels, much of the interest came from investors in the distress-heavy markets.
- **Buyer traffic drops in August, on renewed economic fears:** Our traffic index fell by 5.0 points to 26.9 in August from 31.9 in July. This is a low level of traffic (the lowest since Fall 2010), and is a significant decline for just one month. We expect the low mortgage rate environment to provide some modest support to demand. However, as many agents noted, the Fed's statement that economic conditions "warrant exceptionally low levels for the federal funds rate at least through mid-2013" did little to generate urgency to buy, given that the consumer interpreted this as meaning that the expected weak economic conditions would likely lead to even lower home prices, and the low fed funds rate will likely help to keep mortgage rates low. Even where there is demand, appraisals remain a challenge and have impeded many transactions.
- **Continued downward pressure on home prices:** Our home price index dropped down to 26.7 in August, a 2.7 point drop from July. In addition, with a lengthening time to sell in most markets (the exceptions being the foreclosure-heavy markets) likely means that home prices are likely to come under further pressure this Fall. We continued to see reasonably stable pricing trends in many markets with heavy foreclosure activity, as prices have reached levels at which investors are interested (Phoenix and many Florida markets). We also saw more stability in Dallas and Houston. Overall, though, July was a month of price pressure in most markets.
- **Weakness in Texas, a negative for overall construction activity.** Traffic was extremely weak in Houston, Dallas, and Austin in August (the largest, 2nd largest, and 5th largest markets for new construction so far in 2011). So, low levels of traffic in these markets likely points to a low level of overall housing starts in the months ahead.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S ANALYSTS. FOR OTHER IMPORTANT DISCLOSURES, visit www.credit-suisse.com/researchdisclosures or call +1 (877) 291-2683. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

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

Buyer Caution Far Outweighs Affordability

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.

Economic uncertainty causes worries among buyers; traffic dropped off in August:

Our Monthly Survey of Real Estate Agents pointed to a decline in buyer traffic in August, with most agents highlighting economic concerns as the main hesitation for buyers. Buyers recognize the favorable affordability, but worries of further declines in home prices and job security led many to stay on the sidelines. We expect that the slower conditions are likely to continue into the Fall, adding risk of further declines in home prices, as sellers adjust to the reduced demand. Among those agents noting better traffic levels, much of the interest came from investors in the distress-heavy markets.

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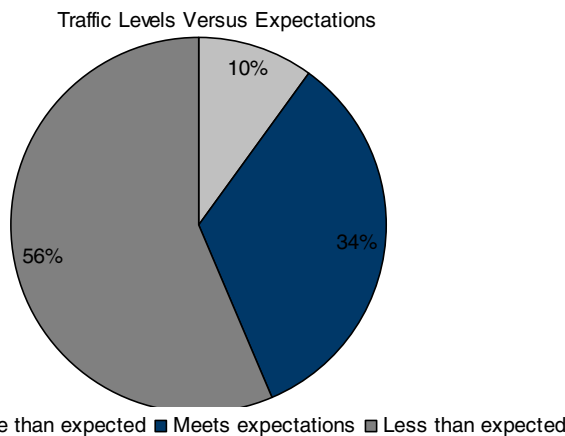
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Exhibit 1: Traffic declined in August, as Agents Noted Buyers' Increased Anxieties over the Economy, Unemployment

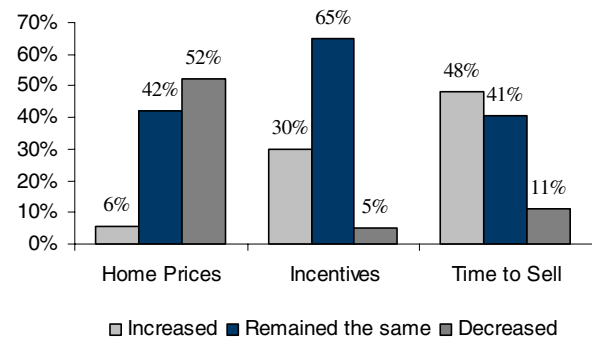
Month	Buyer Traffic Index	Home Price Index	Incentive Index	Home Listings Index	Time to Sell Index
Jan-2009	36.5	15.9	32.1	43.5	26.6
Feb-2009	36.0	17.1	31.1	40.5	28.2
Mar-2009	39.5	20.5	32.5	41.7	33.4
Apr-2009	48.4	24.8	35.3	45.3	42.6
May-2009	45.4	27.0	37.5	47.0	44.6
Jun-2009	43.1	30.9	41.2	52.4	43.7
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
Sep-2010	17.9	22.0	38.4	28.2	18.8
Oct-2010	16.3	20.5	36.6	35.5	20.0
Nov-2010	22.1	21.6	34.1	41.3	21.5
Dec-2010	29.1	23.0	39.5	51.2	23.1
Jan-2011	39.1	26.9	40.4	41.0	29.2
Feb-2011	42.0	29.6	38.3	35.1	32.7
Mar-2011	37.5	30.6	40.5	38.8	36.2
Apr-2011	36.8	32.6	43.5	38.3	40.1
May-2011	31.8	27.4	38.1	40.0	31.6
Jun-2011	28.8	29.7	38.7	45.8	34.5
Jul-2011	31.9	29.4	39.2	51.0	34.5
Aug-2011	26.9	26.7	37.6	52.8	31.4
Point change	(5.0)	(2.6)	(1.6)	1.8	(3.1)

Source: Credit Suisse estimates

Exhibit 2: Agents Stressed Buyers' Lack of Confidence in Housing and Economy; Highlighted a Lack of Urgency



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



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 over 90% of total sales, and trends in the existing home market often dictate trends in the new home market.

Each month, we survey agents about trends in buyer traffic levels, home prices, incentives, inventory levels, and the length of time needed to sell a home. In August, we received responses from 1,000 real estate agents across the country. We review responses and calculate an index for each of the questions with levels above 50 indicating positive trends, levels below 50 indicating worsening trends, and a level of 50 indicating a neutral trend.

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

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

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

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

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

Exposure to Key New Home Markets

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

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

Market	2010 1-Family Permits	Market Exposure (% of 2010 Closings)											
		BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	6,436	-	3%	-	-	-	-	-	-	3%	4%	-	-
Austin, TX	6,069	-	5%	-	7%	4%	-	8%	-	4%	3%	9%	-
Charlotte, NC	4,518	-	2%	-	2%	2%	-	-	5%	2%	5%	6%	-
Chicago, IL	4,249	-	2%	3%	-	1%	-	-	-	2%	6%	-	-
Dallas, TX	14,409	6%	14%	8%	-	4%	-	17%	-	5%	7%	-	4%
Denver, CO	3,704	-	2%	-	4%	1%	16%	4%	-	1%	-	-	-
Houston, TX	22,134	10%	6%	21%	10%	14%	-	19%	-	5%	11%	-	2%
Inland Empire, CA	5,248	2%	3%	5%	8%	3%	6%	6%	-	4%	-	13%	1%
Jacksonville, FL	3,381	-	3%	-	4%	2%	6%	-	-	1%	3%	-	2%
Las Vegas, NV	4,630	4%	3%	-	8%	3%	15%	-	-	2%	7%	-	4%
Los Angeles, CA	4,012	5%	-	-	6%	3%	-	-	-	-	-	7%	2%
Miami, FL	3,178	-	2%	-	-	5%	-	-	-	1%	-	-	-
Minneapolis, MN	3,794	-	1%	-	-	3%	-	-	-	2%	5%	-	-
NY - Northern NJ	7,092	-	1%	12%	-	2%	-	-	-	1%	-	-	14%
Orlando, FL	4,177	3%	3%	-	4%	4%	-	8%	-	2%	6%	-	2%
Phoenix, AZ	7,259	7%	4%	-	3%	2%	10%	12%	-	6%	-	-	5%
San Antonio, TX	5,122	3%	6%	-	9%	2%	-	7%	-	5%	7%	-	1%
Seattle, WA	6,097	-	2%	-	-	-	9%	-	-	1%	-	-	-
Tampa, FL	4,395	4%	2%	-	2%	6%	-	-	-	1%	8%	10%	1%
Washington, DC	9,362	13%	-	12%	-	4%	8%	-	19%	6%	6%	-	16%
Total Exposure to Top 20	129,266	56%	64%	62%	67%	66%	70%	81%	24%	55%	77%	45%	54%

Source: Company data, Builder Online, Credit Suisse estimates

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

Market	2010 1-Family Permits	Market Exposure (% of 2010 Closings)											
		BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Baltimore, MD	3,586	4%	-	2%	-	3%	3%	-	11%	-	5%	-	3%
Boston, MA	3,706	-	-	-	-	-	-	-	-	0%	-	-	1%
Charleston, SC	2,780	4%	1%	-	2%	2%	-	-	-	2%	5%	-	-
Cincinnati, OH	2,856	-	-	-	-	-	-	-	5%	-	-	-	-
Columbus, OH	2,902	-	-	-	-	-	-	-	1%	-	-	-	-
Detroit, MI	2,399	-	-	-	-	-	-	-	-	1%	-	-	2%
Fort Myers, FL	1,175	-	1%	-	-	2%	-	-	-	2%	-	-	2%
Kansas City, KS	2,113	-	-	-	-	-	-	-	-	-	-	-	-
Nashville, TN	3,945	5%	-	-	-	-	-	-	2%	2%	-	-	-
Phila.-Southern NJ	5,262	4%	1%	6%	-	-	-	-	7%	1%	-	-	11%
Portland, OR	3,368	-	1%	-	-	-	-	-	-	1%	-	-	-
Raleigh, NC	4,669	-	1%	2%	2%	3%	-	-	-	2%	-	8%	4%
Richmond, VA	2,536	-	-	-	-	-	-	-	5%	1%	-	-	-
Sacramento, CA	2,166	2%	-	-	-	2%	-	2%	-	2%	-	4%	-
San Diego, CA	2,270	-	0%	-	1%	1%	-	-	-	-	-	3%	1%
San Francisco, CA	2,138	-	-	-	4%	1%	-	-	-	2%	-	5%	4%
Sarasota, FL	1,704	-	1%	1%	1%	2%	-	-	-	1%	3%	-	-
St. Louis, MO	4,200	-	-	-	-	-	-	-	-	2%	-	-	-
Tucson, AZ	1,766	-	2%	1%	1%	4%	8%	5%	-	0%	-	2%	-
Virginia Beach, VA	3,147	-	-	-	-	1%	-	-	1%	0%	-	-	-
Total Exposure to Next 20	58,688	19%	7%	12%	11%	19%	11%	8%	33%	20%	12%	22%	27%

Source: Company data, Credit Suisse estimates

Atlanta, GA – Buyer Confidence Takes a Hit, Leading to Weaker Traffic and Pricing

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

Lower confidence leads to pullback in traffic. Our buyer traffic index fell to 27 in August from 33 in July, further below a neutral reading of 50, indicating lower levels of buyer traffic over the past month at levels well below agents' expectations for this time of year (readings below 50). While some agents blamed the heat during what is normally a slow sales period, most noted a change – deterioration in buyer confidence. The main reasons cited for the worsening sentiment were fears about the economy and direction of home prices, and difficulty qualifying for mortgages. On the flip side, agents cited low mortgage rates as an attraction given the favorable affordability trends. One agent noted, "Continued high (10.5%) unemployment and a large number of homeowners are underwater and unable to sell and move up in price." Another agent commented, "Ongoing negative press has spooked the home buyers/sellers to 'sit on the sidelines'. Sellers don't want to absorb the equity declines and buyers don't want to purchase because the news suggests that home prices will continue to fall." Another agent agreed, citing, "Bad news media on housing and economy; buyers unable to obtain mortgage loans."

Home prices fall further, despite lower inventory. Home prices continued to slip, as our home price index fell to 27 in August from 29 in July, with any reading below 50 pointing to lower home prices over the past 30 days. Despite a (likely) temporary pause in the worsening inventory trends as of late, the lower demand seemed to win out. Our home listings index improved to 59 in August from 35 in July, indicating lower inventory levels over the past month (any readings above 50). This would be a positive if continued. However, it still took longer to sell a home in August, as our time to sell index remained at 32 (any reading below 50 points to a longer time to sell).

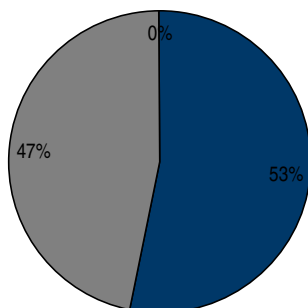
Comments from real estate agents:

- "Temperatures are very hot in Atlanta, only those who have to look are looking. The time before school starts is typically slow."
- "Lower confidence and harder mortgage acceptance."

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

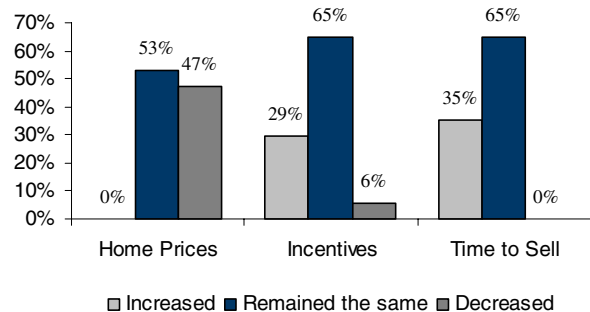
Exhibit 5: Low Confidence Continues to Trump Affordability

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

“Extreme hot weather and not as many transferees trying to get settled before school starts.”

Austin, TX – Traffic Remains at Low Levels Despite Relative Local Economic Health

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

The heat continues outside, but housing remains cool. Buyer traffic edged lower in August, as our buyer traffic index remained essentially constant at 24 in August from 25 in July, far short of a neutral reading of 50 (readings below 50 point to lower than expected traffic levels). Agents continued to place some of the blame on the extreme heat, with one noting “22 days in a row of 100 degree plus heat and the national economic uncertainty we hear in the news is causing buyers to be a little hesitant even though Austin's economic forecast is strong.” Other agents were even more somber in their assessments. One commented, “Buyer confidence is low because of the unsustainable debt issue looming over the country. The low mortgage rates are no match for the fear and hesitation. The congressional disconnect is a buzz-killer for buyers.” Another noted, “Prices still have not stabilized. Just when you think prices are low, a short sale just blows the comps.” Yet another agent cited, “Lack of qualified buyers, fear of ongoing home valuation loss, and fear of unstable or collapsing economy.”

Prices under pressure. Home prices fell again in August, as our home price index fell slightly to 32 from 33 in July, with any reading below 50 pointing to sequentially lower home prices. Inventory levels remained stable, as our home listings index was flat at 48 in August (consistent with a neutral reading of 50), but the lower demand pressured prices. In addition, the length of time needed to sell a home increased, as our time to sell index fell to 30 in August from 33 in July (readings below 50 indicate a longer time needed to sell). This is typically a negative indicator for near-term pricing.

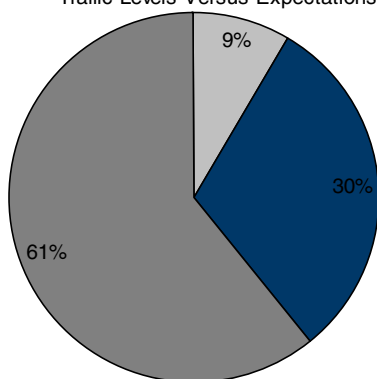
Comments from real estate agents:

- “Central Texas is a dust bowl. The heat is stifling.”
- “Started out stronger than usual this month, only to slow down towards the end of the month. This really is the most difficult time ever seen in real estate.”

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

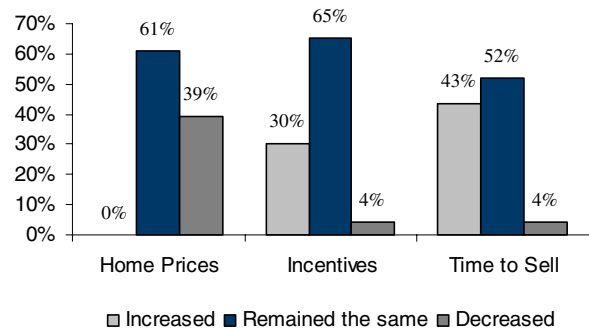
Exhibit 6: Buyers Pause due to the Uncertain Economic Outlook

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



Source: Credit Suisse estimates

August Market Trends	
Traffic	↓
Home Prices	↓
Incentives	↓

“Lenders seem a bit more willing to lend.”

Charlotte, NC – Renting Becomes More and More Popular

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

Buyers want to rent, not own. Buyer traffic remained well below agents’ expectations in August, as our traffic index inched up to 21 from 19 in July but remained far short of a neutral reading of 50 (readings below 50 point to traffic below agents’ expectations for this time of year). Agents were emphatic that buyers are acting only when absolutely necessary, and even then only when they are offered a deal they can’t refuse. There is a clear preference to rent rather than own for a good number of people, according to agents. “Almost all my prospects want to rent or rent-to-own rather than buy. They either have houses to sell elsewhere and can’t, or they’re uncertain about their job security,” one agent commented. Another noted, “I think the action in Washington and the stock market have folks skittish. Some sellers are choosing to rent even after they get their home sold.” On agent commented, “The weather was very hot. The prices were not! Everyone is ‘uncertain’. Only the most motivated buyers are buying.”

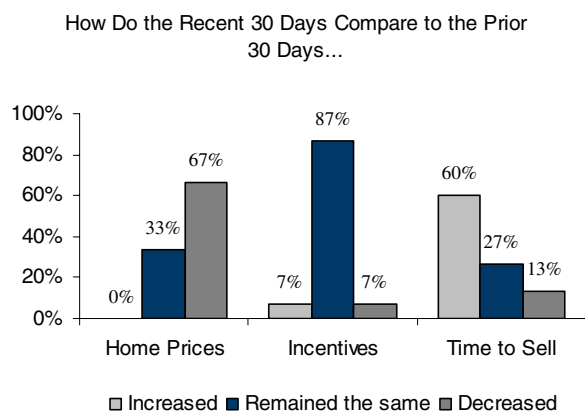
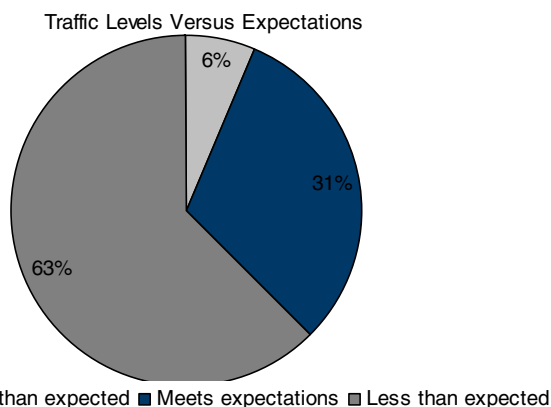
Price dropping further. Home prices fell further in August, as our home price index fell to 17 from 20 in July, with readings below 50 indicating lower home prices over the past 30 days. Buyers continue to hold out for better deals, expecting further declines. Inventory levels were stable, as our home listings index improved to a neutral reading of 50 in August (from 46 in July), though at least one agent noted the poor market conditions and new foreclosures are keeping would-be sellers from listing their homes (creating shadow supply). The lack of buyer urgency continued to lead to a longer time needed to sell a home in August – a negative indicator for pricing – as our time to sell index came in at 27 (from 23 in July), well below a neutral reading of 50.

Comments from real estate agents:

- “The only buyers we are seeing are the bargain hunters. They are looking for a GREAT DEAL, or they aren't buying!”
- “No one is in a hurry to do anything. Buyers express interest but know they don’t have to move quickly.”

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

Exhibit 7: Renting is Preferred, Given Economic Challenges



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔️

“The amount of new foreclosures on the market keeps many sellers away.”

Chicago, IL – Prices Take Another Hit as Nervous Buyers Put Plans on Hold

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

Buyers pull back as caution increases. Our buyer traffic index fell to 21 in August from 24 in July, indicating lower traffic levels over the past month and a pace well below agents' expectations for this time of year (readings below 50). Most agents' comments pointed to increased caution from buyers in the face of negative news on the economy, jobs, and housing. One agent said, "The only serious buyers were transferees who already bought to be in for the school year." Another agent noted, "Everyone is waiting for prices to drop even more. Most people want better deals." One agent commented, "Clients are more concerned about the future of the economy, their jobs and the continuing decline in housing values." Those who saw better activity cited stronger demand for rentals (not a positive for the for-sale market), with one agent noting, "Rentals have traffic, but re-sales are slow." Other agents also said lower prices and the recent decline in mortgage rates helped get some buyers off the fence.

Price declines appear to accelerate. Home prices fell further in August, with the declines appearing to become even more widespread, as our home price index dropped to 10 from 16 in July, the lowest level since last October. Readings below 50 indicate lower home prices over the past 30 days. 81% of agents surveyed this month said prices fell relative to last month, suggesting sellers are starting to scramble to find buyers amid the pullback in demand. In the meantime, inventory levels continued to rise, as our home listings index came in at 35 in August (from 29 in July), below a neutral reading of 50. Our time to sell index also worsened, falling to 20 in August from 23 in July, with readings below 50 pointing to a longer time needed to sell a home. Both the rising inventory and longer time to sell are negative indicators for near-term price trends.

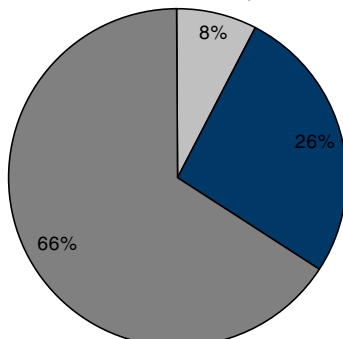
Comments from real estate agents:

- "First time home buyers have mostly left the market. The first time home buyers with large incomes and high credit scores are renting apartments in this area."
- "The buyers that are out there are nervous about the current financial situation."

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

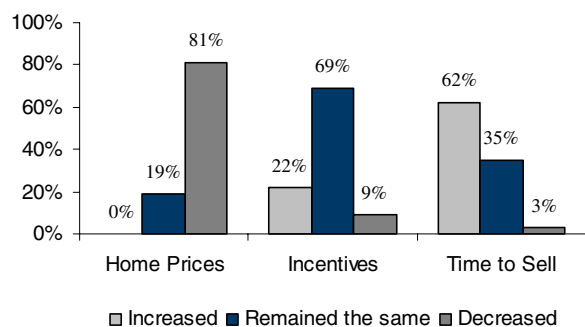
Exhibit 8: Sellers Trying to Find the Market on Price as Buyers Pull Back

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Buyers are actively looking but slow to pull the trigger."

Dallas, TX – Traffic Falls Back, Highlighting the Choppy Conditions in Recent Months

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

Traffic index down sharply as demand remains inconsistent. Our traffic index plunged to 23 in August from 45 in July, indicating lower buyer traffic over the past month and overall levels well below agents' expectations for this time of year (any reading below 50 points to lower than expected traffic). Our traffic index has seen big swings as of late, going from 40 in May to 22 in June to 45 in July and now falling back to 23, underscoring the choppiness in the market as buyers remain hesitant to commit. Comments this month certainly seemed to suggest that the spate of negative economic news is taking a toll on buyer confidence. One agent noted, "Fear! Even though rates are low, people are concerned about their jobs, inflation, and prices going down again. Who decided to tell us rates would remain low for at least 2 more years? This certainly did not create an urgency to buy." Another agent agreed, saying, "Fear of another recession seems to be lurking recently more than before. Appraisals are still an issue in selling." The few agents who noted traffic in-line with or better than expectations cited the lower interest rates as the primary driver.

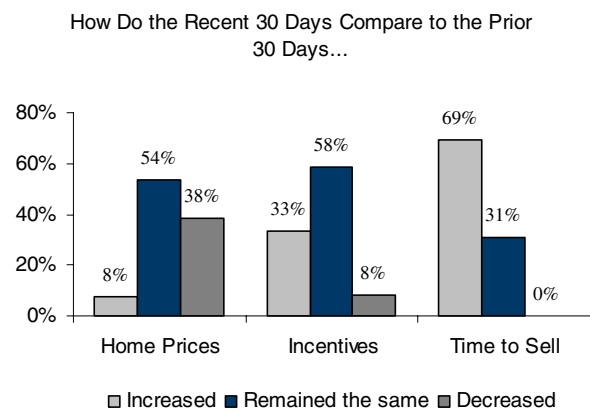
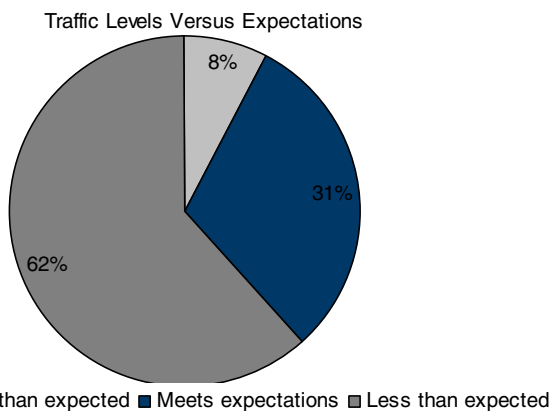
Prices fall modestly as inventory rises and time to sell lengthens. Home prices fell again in August after holding steady in July, as our home price index fell to 35 from 50, with readings below 50 indicating sequentially lower prices. In addition, inventory levels increased as our home listings index slipped to 39 in August from 40 in July (below a neutral reading of 50). The length of time needed to sell a home also increased, as our time to sell index dropped to 15 in August from 30 in July (readings below 50 point to a longer time needed to sell a home over the past 30 days). The higher inventory and longer time to sell suggest further price declines are likely in the coming months.

Comments from real estate agents:

- "Uncertainty with respect to economic outlook and job retention."
- "The additional short sales are bound to affect lending practices."

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

Exhibit 9: Prices Fall Alongside Weaker Demand



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Appraisers are running scared and being too conservative."

Denver, CO – Fear of Commitment Growing as Buyers See Nothing but Uncertainty

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

Traffic worsens as buyers become more gripped by fear and uncertainty. Traffic fell further in August, hurt by a growing sense of fear amid uncertainty about the economy, jobs and home prices. Our buyer traffic index fell to 22 from 27 in July, far below a neutral reading of 50 (any reading below 50 indicates traffic below agents' expectations). This was the lowest level seen in our survey since last November. Agents seemed caught off guard by the drop in activity. One commented, "Showing traffic fell off a cliff last month. Much lower traffic than normal for this time of year especially considering pricing and interest rates." Another also saw sharp slowing as the month progressed, nothing, "August started off good (better than expected) but died down the second half and has been extremely dead since." One agent said, "Buyers don't think housing has hit bottom. Appraisals remain extremely difficult." Another noted, "More bank-owned properties are dropping prices." Several agents who actually saw better traffic cited relocations and "more people looking to rent."

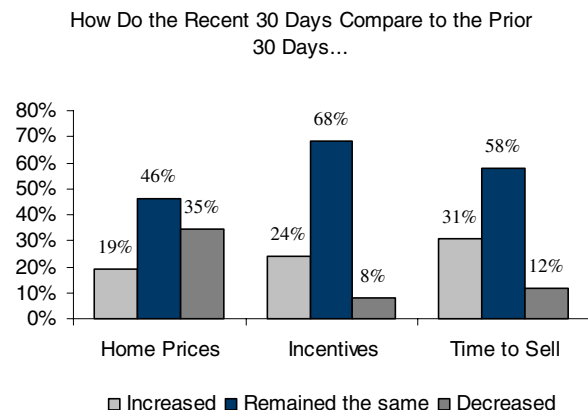
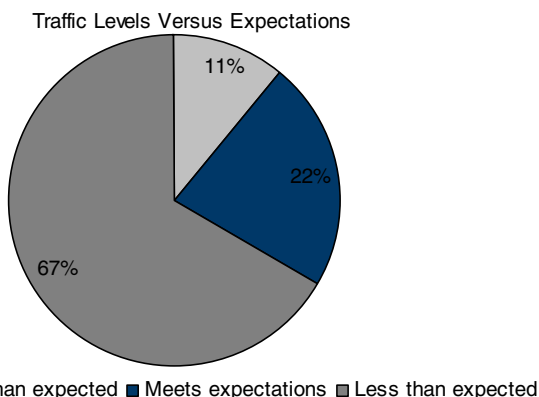
Prices down modestly, but inventory improving. Home prices trends were mixed in August, as our home price index continued to move closer to a neutral level, rising to 43 from 37 in July (a reading of 50 would indicate stable prices sequentially). Despite the weakness in demand, falling inventory levels are helping to ease pressure on home prices. Our home listings index increased to 79 in August from 64, (readings above 50 indicate falling inventory) and the best level seen since we began surveying the Denver market in 2005. Further declines in inventory would help to stabilize prices. The length of time needed to sell a home increased modestly, as our time to sell index remained at 40 in August (a reading of 50 would indicate no change in the length of time needed to sell).

Comments from real estate agents:

- "Traffic remains the same but in the last week buyers are hesitant to commit due to the stock market and credit rating downgrade."
- "Buyers don't know what to think anymore about the market; they are confused by the economy!"

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

Exhibit 10: Drop in Inventory Helping to Offset Weak Demand



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Economic turmoil in markets has created a lot of fence-sitting."

Houston, TX – “It’s the Economy, Stupid”

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

Traffic index drops to lowest level in nearly a year. Buyer traffic appeared to fall sharply in August from July, as our traffic index fell to 19 from 37, indicating activity well below agents’ expectations (any reading below 50 indicates traffic below expectations). This was the lowest reading in our survey since last October. Agents were clear that both worries over the economy/deficit and continued financing challenges have led buyers to hold off on looking for homes. One agent commented, “Clearly, the chaos in Washington and the crashing of the stock market is affecting consumer confidence. There was marginal confidence prior to the ‘debt ceiling’ issue, now there is almost none.” Another agent said buyers were, “uncertain about the economic outlook. People are staying put instead of moving up. It’s still hard to get financing.” A number of others also noted the lending difficulties, relating to both difficulty qualifying for loans and appraisals coming in low and killing deals. However, another said quality wasn’t the issue, commenting, “We do have quality buyers but we definitely lack the quantity that we have seen in past years. Fortunately, the reduction in buyers has been offset by reduction in inventory.”

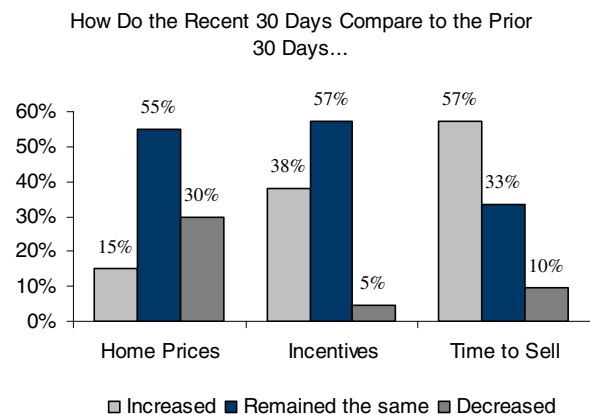
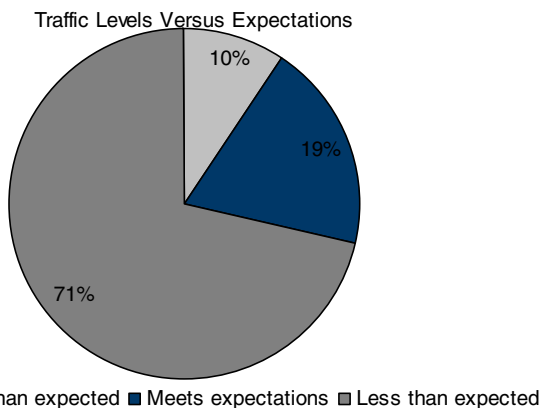
Pricing hasn’t cracked yet, but likely a growing gap between buyers and sellers. Home prices were down just modestly in August, as our home price index improved to 43 from 36 in July, moving closer to a neutral reading of 50 (readings below 50 point to sequentially lower prices). However, with the lack of volume due to fearful buyers, we think sellers likely need to adjust prices lower in order to draw out buyers. Inventory levels were stable in August, consistent with typical seasonal trends, as our home listings index improved to 50 from 42 in July, in-line with a neutral reading of 50. However, the length of time needed to sell a home increased, as our time to sell index fell to 26 in August from 32 in July (readings below 50 indicate a longer time to sell), typically a negative for pricing.

Comments from real estate agents:

- “Buyers with children bought or sold their properties and were waiting to close. Uncertainty in the job market, even in Houston, has caused buyers to hold back.”
- “Banks have become so difficult to deal with that people are unable to close on homes.”

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

Exhibit 11: Sellers Likely Need to Lower Prices to Entice Hesitant Buyers



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

“Appraisals have become the driver of deals not going through.”

Jacksonville, FL – Converting Traffic into Contracts is Taking Time, Patience, and Lower Prices

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

Traffic down modestly, but still at decent levels. Buyer traffic fell in August, as our traffic index dipped slightly to 39 from 42 in July, indicating traffic levels below agents' expectations (any reading below 50). However, this was still good enough to be tied for the highest reading in the 20 largest markets we survey. After a solid spring and early summer, sales seem to have moderated as of late, but agents say well-priced homes in good locations are still selling. One agent commented, "The under \$150,000 market is heating up and involves lots of work and showings." Another agent said, "I'm feeling more sincerity on the part of the buyers looking around." However, not all were as positive. One agent said that the traffic may have been ok, but, "Still just a bunch of lookers." Others also noted difficulty securing financing and getting appraisals high enough to support prices. "Many properties are not appraising, including short sales," according to one agent.

Sellers cutting prices in order to generate buyer interest. Home prices remained under pressure in August as sellers continued to adjust in response to buyer demands and competition from distress. Our home price index slipped to 23 from 25 in July, with readings below 50 indicating lower home prices over the past 30 days. We think the declines are likely to continue in the coming months. Inventory levels were stable in August, as our home listings index fell to 50 from 58 in July, in-line with a neutral reading of 50. However, our time to sell index still indicated a longer time needed to sell a home, as deals are taking longer to formalize given buyer hesitancy, coming in at 23 in August (from 21 in July) vs. a neutral reading of 50. The longer time needed to sell is typically a negative indicator for near-term pricing trends.

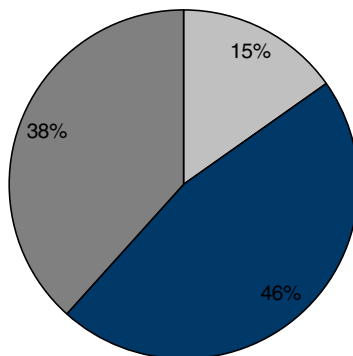
Comments from real estate agents:

- "Mortgage premiums do not matter, it is the home price that matters."
- "Sales slowed in August compared to otherwise great summer. Started summer with 25 listings and have only 5 overpriced ones left. Buyers still buying but inventories are VERY low."

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

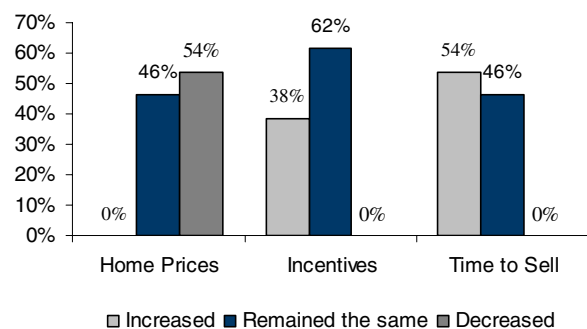
Exhibit 12: Relatively Healthy Traffic Driven by Attractive Deals

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Have had three appraisals come in low in the last three weeks."

Las Vegas, NV – Buyers are Waiting for Further Declines, Especially at Higher Price Points

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

Buyers are holding out, expecting lower prices. Buyer traffic remained at disappointing levels in August, as our traffic index was flat at 33 (readings below 50 indicate traffic below agents' expectations for this time of year). Agents cited a lack of urgency among buyers due to a growing sense that prices will fall further and there is no need to try and catch a falling knife. One agent noted, "Continuously declining values as each month passes. Limited number of qualified buyers and those are waiting to purchase at this time." Conditions seem much weaker the higher the price point, as low-end properties are still drawing interest from investors and "bottom-feeders." One agent commented, "In the price range above \$150,000 the market continues to cool; the lack of activity is mainly buyers' lack confidence in the housing prices." Agents are also seeing more interest from would-be buyers who now want to rent. "Inquiries on rentals are on the upswing, so are the rents," according to one agent.

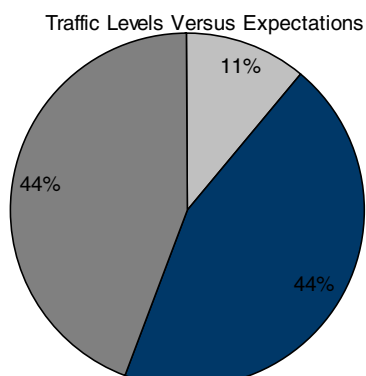
Prices index drops to lowest since April '09. Declines in home prices appeared more widespread (and potentially more severe) in August, as our home price index dropped to 19 from 28 in July (readings below 50 indicate sequentially lower home prices). This was the lowest reading in our price index for the area since April '09. This comes despite lower inventory levels (our home listings index improved to 56 in August from 50 in July, above a neutral reading of 50). However, the length of time needed to sell a home increased again, as our time to sell index fell to 39 in August from 48 in July, falling further below a neutral reading of 50.

Comments from real estate agents:

- "Buyers are waiting for prices to continue to slide due to lack of confidence in government and the economy."
- "Recently built new home communities are experiencing greater traffic and sales because they appeal to today's homebuyer."

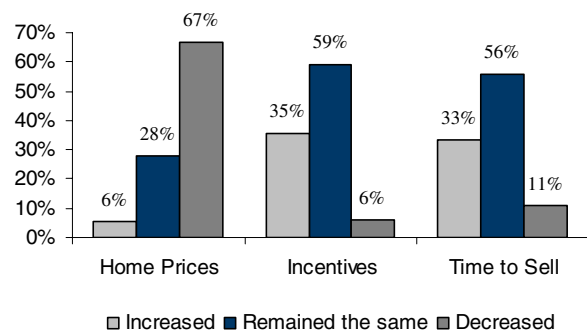
MDC Holdings and KB Home have most exposure to Vegas. MDC has the greatest exposure to Las Vegas, which generates 15% of its sales, followed by KB home with 8% and Ryland at 7%. Las Vegas represents 4% of sales for BZH and TOL each.

Exhibit 13: Buyers Watch Prices Fall and See Little Reason to Buy Now



□ More than expected ■ Meets expectations ▒ Less than expected

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



□ Increased ■ Remained the same ▒ Decreased

Source: Credit Suisse estimates

August Market Trends	
Traffic	▒
Home Prices	▒
Incentives	▒

"80 cash buyers now. Investors, not homeowners."

Los Angeles, CA – Low Rates and Prices Interest Buyers but Commitments are Hard to Secure

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

Traffic up sequentially as buyers are intrigued by lower prices and rates. Traffic remained below agents' expectations in August, but improved sequentially for the second straight month (one of only two markets in the top 20 to post a sequential increase in August). Our traffic index increased to 33 in August from 28 in July (readings below 50 point to traffic below expectations for this time of year). Similar to the responses we received last month, agents said that the combination of lower rates and prices is enticing buyers to at least tiptoe back into the market, but actually getting to the contract and closing stage is difficult given the lack of confidence. One agent commented, "People need homes and realize it is time to get in while the rates are low." However, plenty of agents cited "uncertainty" as a factor keeping buyers from committing. In addition, several noted a lack of quality inventory. According to one agent, there is a "lack of quickly available properties. The inventory is full of short sales or to some lesser degree REO's." Short sales still typically have a lengthy closing process. Another agreed, noting, "There is a limited selection of nice homes and plenty of buyers."

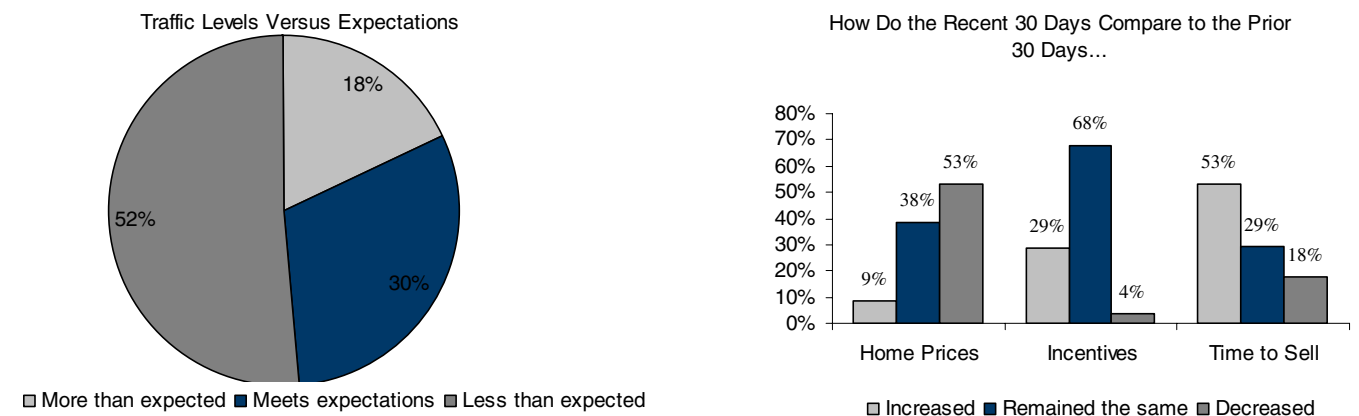
Prices remain under pressure. The subpar traffic led to a further decline in home prices in August, according to agents. Our home price index slipped to 28 from 30 in July, with any reading below 50 indicating lower prices over the past 30 days. Sellers continue to adjust in response to the lack of demand. However, inventory levels were essentially stable in August – a positive – as our home listings index improved to 45 from 42 in July (close to a neutral reading of 50). This positive was offset by the lengthening time needed to sell a home, though, as our time to sell index came in at 32 in August (from 23 in July), below a neutral reading of 50.

Comments from real estate agents:

- "Interest rates are still low and housing prices continue to adjust downward."
- "Buyers seem to be in escrow already or are very cautious about buying right now due to the economy/jobs."

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

Exhibit 14: Buyers are Still Hesitant Due to Uncertainty Over the Economy and Jobs



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"New buyers seem to be proceeding more cautiously"

Miami, FL – Market Still Soft, Demand Remains Predominately Driven by Investors

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

Investor demand still strong, but poor economy takes its toll. Buyer traffic remained weak in August, as our traffic index fell slightly to 37 from 38 in July, with readings below 50 pointing to traffic missing agents' expectations for this time of year (readings below 50). Agents noted that the weakness in the stock market and the economy both caused concern for buyers. These came along with a lack of confidence in the national government that added to existing problems. One agent mentioned, "Buyers want a stable job market before pledging so much money toward anything." Another agent highlighted, "Traffic almost stopped when congress was debating what to do with the debt ceiling." Short sale and REO processes also created some frustration for buyers, as one agent put it, "Getting a full priced offer accepted and closed on distress is very difficult." The availability of financing also continued to be a headwind to demand. However, agents highlighted that investor demand (primarily foreign) remained strong with one agent mentioning, "Foreign investors continue to bring all cash transactions to the closing table."

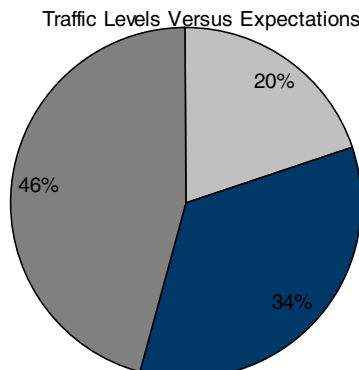
Prices stabilize in August, but sustainability is still a question. Agents indicated that home prices were stable in August, as our home price index came in at 50 (from 41 in July), with readings of 50 pointing to flat pricing. Meanwhile, inventory levels continued to trend lower, as our home listings index came in at 66 (from 76 in July), with readings above 50 pointing to lower inventory levels. We think the lower inventory trends observed over the past several months have contributed to the August price reading. However, we think temporary paperwork issues have caused the decline in inventories, which will likely rise once these matters are resolved. Our time to sell index came in at 54 (from 52 in July), in-line with a neutral reading, pointing to an unchanged time to sell (readings of 50). We view this as a positive for future pricing, but remain concerned over the potential level of shadow foreclosure inventory not currently held for sale.

Comments from real estate agents:

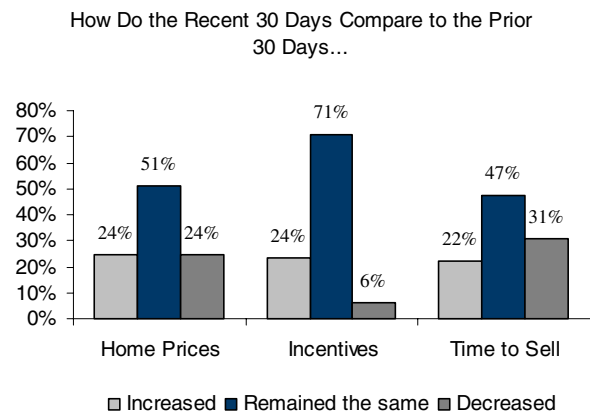
- "Buyers expect prices to keep falling."
- "Political and economic uncertainty have proven to be a very, very bad combination."

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

Exhibit 15: Demand Still Weak in August as Economic Headwinds Remain; Investors Continue to Search for Bargains



■ More than expected ■ Meets expectations ■ Less than expected



■ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

August Market Trends	
Traffic	↓
Home Prices	↔
Incentives	↓

"Foreign investor traffic is still healthy."

Minneapolis, MN – Buyers Pull Back on Activity with no Economic Improvement on the Horizon

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

Buyers need a better economy but aren't expecting one anytime soon. Traffic fell in August, as our buyer traffic index slipped to 24 from 33 in July, pointing to traffic below agents' expectations for this time of year (readings below 50). This marks the region's lowest reading since December 2010. Agents noted that weak economic activity was the key reason for the slower traffic in August. The nervous sentiment and buyers' hesitation observed in August is similar to the behavior agents' highlighted in our July survey, though agents indicated that a larger share of buyers were increasingly cautious on the market this month. One agent mentioned, "The stock market woes have not helped confidence." Another agent noted, "Negative national economic news has caused buyers to pull back even more than before." Agents suggested that the negative sentiment would likely not improve until the jobs picture improves, an opinion echoed by several other agents in different regions. Tight credit added to buyers' concerns' as one agent highlighted that there were fewer qualified buyers.

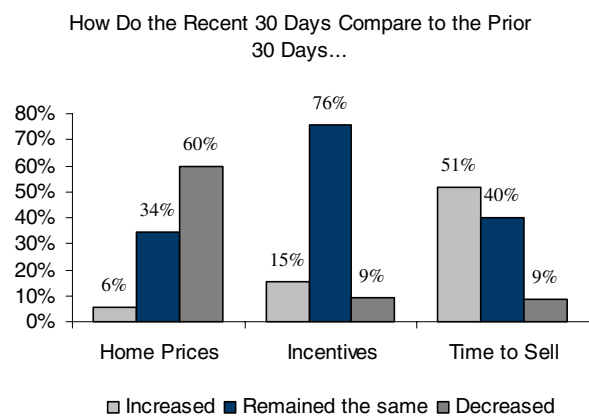
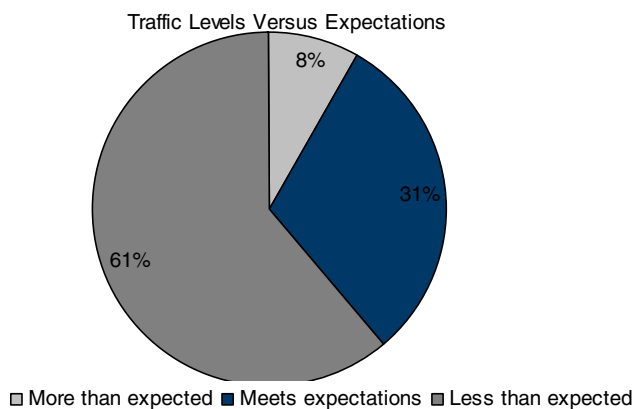
Prices fall despite lower inventory trends; higher time to sell also a concern. Agents pointed to another decline in home prices in August, as our home price index fell to 23 from 24 in July, still short of a neutral reading of 50 (readings below 50 point to lower home prices). Meanwhile, our home listings index came in at 73 (from 63 in July), above a neutral reading of 50, pointing to lower inventory levels over the past month (readings above 50 point to lower inventories). We view this as a positive for pricing, but remain concerned over potential shadow foreclosure inventory currently not held for sale. We are also concerned over the increased time to sell in August, as our time to sell index came in at 29 from 32 in July, short of a neutral reading of 50.

Comments from real estate agents:

- "The economy is to blame once again. Buyers simply have no confidence."
- "People see no reason to buy. There isn't any indication of better news on the horizon."

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

Exhibit 16: Market Lacks Urgency as Buyers Think Real Estate Investment is the Wrong Decision



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔️

"Some people are looking, but nobody is signing any papers."

New York-Northern NJ – Stock Market Declines Cause Anxiety for Buyers and Sellers

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

Market continues to struggle while stock market woes send another ripple. New York traffic continued to struggle in August, as our traffic index came in at 17 (from 15 in July), marking the fourth consecutive month of traffic readings below 20. This reading points to traffic missing agents' expectations for this time of year (readings below 50). Agents attributed the weaker traffic to themes common to the NY/NJ region over the past several months: economic concerns, fear over unemployment and falling prices, all of which also contributed to a lack of urgency among buyers. One agent noted, "Buyers know that prices are dropping and it seems like the whole economy is too." Another agent mentioned, "The economy is bad, there is high unemployment, and buyers are just waiting for prices to drop further." One additional layer to poor traffic in August has been the recent stock market moves, which have made buyers even more nervous than they were previously. One agent noted, "You have the stock market, the debt crisis, and the economy... take your pick." Lending also remains a drag, as one agent mentioned, "Buyers are unable to secure mortgages."

Prices remain under pressure. Home prices fell further in August, as our home price index fell to 17 from 25 in July, with readings below 50 pointing to sequentially lower prices. Meanwhile, inventories continue to trend higher, as our home listings index came in at 32 (from 26 in July), short of a reading of 50 (readings lower than 50 point to increased inventories). One agent mentioned, "I've seen more homes come onto the market because of the uncertainty in the stock market." Meanwhile, the time to sell continued to move higher, a negative indicator for future pricing. Our time to sell index came in at 13 from 18 in July, further below a neutral reading of 50, with readings below 50 pointing to an increased time to sell.

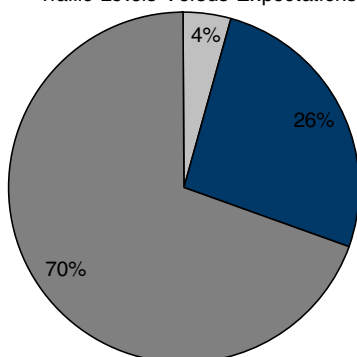
Comments from real estate agents:

- "Some buyers have decided to wait and see. Others say that sellers are pricing too high."
- "There is a lack of urgency. Buyers think a better deal is just around the corner."

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

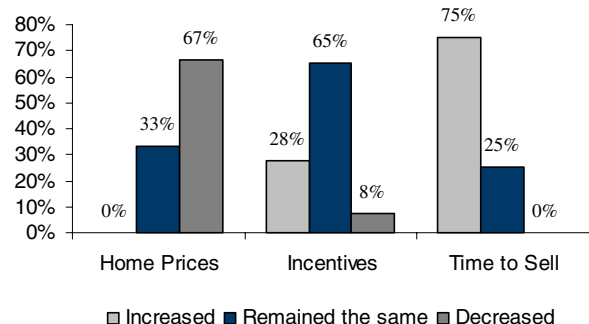
Exhibit 17: Unemployment, Lack of Economic Growth, Stock Market Volatility All Add to Lack of Urgency

Traffic Levels Versus Expectations



More than expected ■ Meets expectations ■ Less than expected

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



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Banks aren't willing to lend."

Orlando, FL – Buyers Looking for Signs of Better Economy, but Coming up Empty

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

Traffic slips in August on economic weakness and unemployment fears. Traffic fell slightly in August, as our buyer traffic index fell to 24 from 28 in July, pointing to traffic missing agents' expectations for this time of year (readings below 50). Agents noted that the weak economy continued to negatively impact traffic in August, as buyers remained concerned over the potential implications for their jobs and financial stability. One agent mentioned, "The economy has most people too scared to buy." The hesitation and nervousness buyers exhibited were similar to activity cited by agents in our July survey. Agents also credited the weak traffic to worries over the national debt, as one agent noted, "The credit downgrade was a big blow to our buyers' confidence." In addition, agents highlighted that buyers were nervous about the wild fluctuations in the stock market. One agent mentioned, "The stock market declines are slowing buyers down." However, agents still highlighted that there was some interest from buyers so long as the homes were priced appropriately.

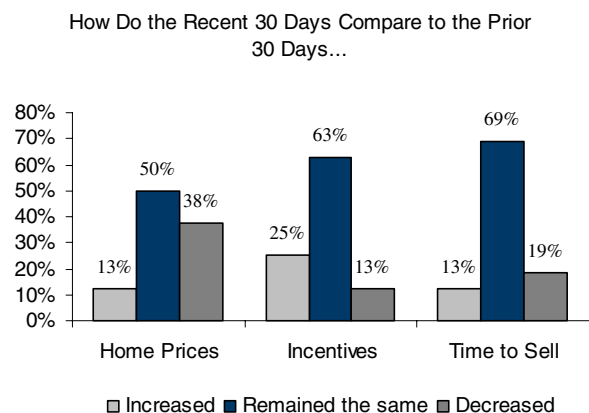
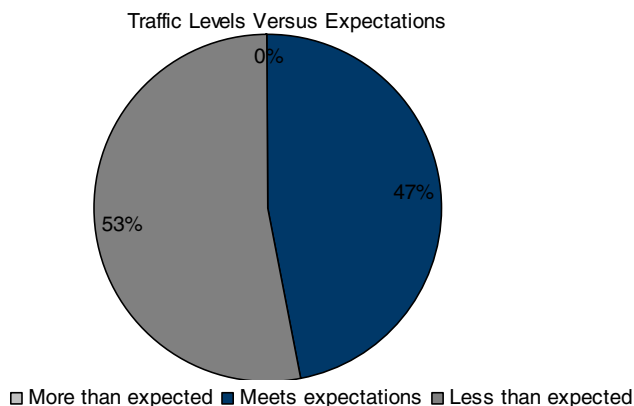
Prices fall in August despite the unchanged time needed to sell. Home prices took a step back in August, as our home price index fell to 38 from 42 in July, pointing to sequentially lower home prices (readings below 50). Meanwhile, inventory levels continued to trend lower, as our home listings index came in at 84 (from 83 in July), still well above a neutral reading of 50 (readings below 50 point to lower inventory levels). However, we expect inventory levels to rise once paperwork delays with distress inventory are resolved. Our time to sell index pointed to an unchanged time to sell in August, as our index came in at 53 from 56 in July, in-line with a neutral reading of 50.

Comments from real estate agents:

- "Buyers are still in a wait and see mode."
- "The weakness in the stock market has people concerned."

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

Exhibit 18: Buyers Don't see Economic Improvement on the Horizon



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Unemployment is still too high."

Phoenix, AZ – Economic Concerns Slowly Re-Enter the Picture, Traffic Falls in August

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

Traffic slips on economic fears, but demand for well priced homes remains. Buyer traffic fell in August, coming in below agents' expectations for the first time since March. Our buyer traffic index fell to 39 in August from 50 in July, with readings below 50 pointing to traffic missing agents' expectations. Agents indicated that a growing concern over the economy was the biggest driver of weaker traffic. Whereas in July agents were highlighting that a short supply of low-end inventory and well priced homes were keeping buyers interested, fewer agents were singing the same tune in August. Several had a new take on the market, noting that economic fears were becoming a larger concern for buyers. A lack of confidence was mostly to blame, as people were not sure that buying a home would be the best decision. One agent noted, "Financial concerns and confusion over the state of the housing market have people sitting tight." However, despite the weaker August traffic, agents pointed out that demand still exists for well priced, typically low-end homes. Investors and foreign buyers are still in the market, as one agent noted, "My only buyers are investors and Canadians."

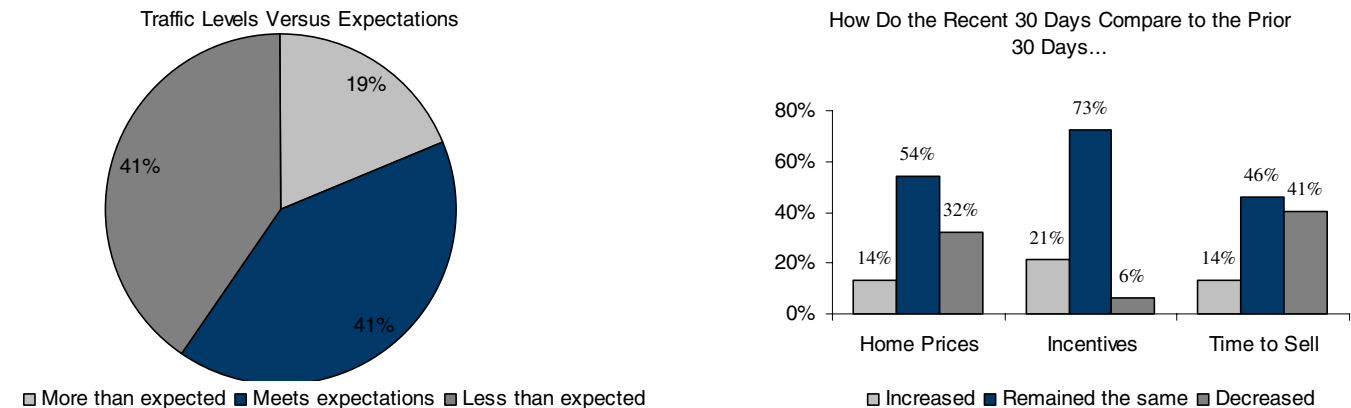
Prices fall while inventory continues to trend lower. Prices fell in August after agents pointed to stabilization in July, as our price index fell to 41 (from 51 in July), short of a neutral reading of 50 (readings below 50 point to sequentially lower prices). Meanwhile, inventory levels continued to trend lower, as our home listings index came in at 78 (from 82 in July), still well above a neutral reading of 50, pointing to lower inventories over the past month (readings above 50). One agent noted, "Inventory is getting ridiculously low." Furthermore, despite the weaker traffic, our time to sell index came in at 64 (from 66 in July), pointing to a reduced time to sell (readings below 50). We view this as a positive for pricing, though we remain concerned over the potential level of foreclosures in backlog.

Comments from real estate agents:

- "Buyers are still finding it extremely difficult to get loans."
- "Buyers know interest rates are amazing, but don't want to get stuck with a mortgage."

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

Exhibit 19: Economic Fears cause Traffic to Fall Slightly, but Activity Remains for Well-Price Homes



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"If the home is priced correctly, it will move."

Riverside-San Bernardino, CA (Inland Empire) – Buyers are Uninspired amid Economic Weakness

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

Buyers stay on sidelines, need a better outlook. Traffic took a step down in August, as our buyer traffic index fell to 21 from 33 in July, reaching the lowest levels since October 2010. This reading indicates that traffic failed to meet agents’ expectations (readings below 50). Agents attributed the lower traffic in August to a continued sense of anxiety over the direction of the economy. Buyers were more concerned about their job and financial security, preferring to stay put rather than using their savings on a house whose value may drop in the near future. The lack of visibility added to buyers’ hesitation, as confusion out of D.C. made it difficult for people to assess their personal situations. One agent mentioned, “The debt ceiling debates have buyers stalled because they don’t know what the national implications may be.” However, even after the debt ceiling was resolved, buyers were still nervous due to the credit downgrade. One agent highlighted, “The U.S. credit rating is definitely a cause for concern. Nobody knows what could happen from here.” Agents also noted that investors stepped back as they are now also waiting for better deals.

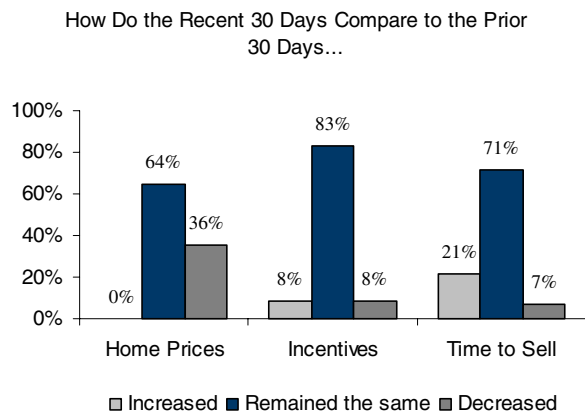
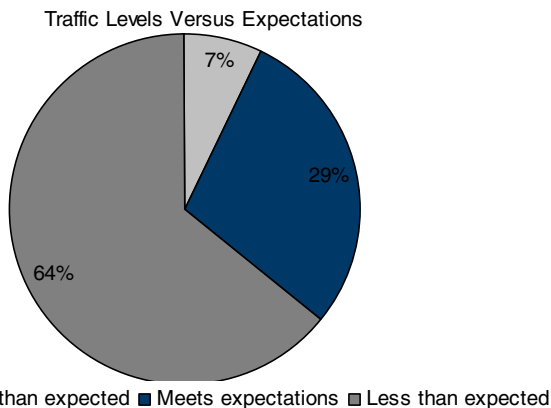
Prices remain under pressure in August. Home prices slid further in August, as our home price index came in at 32 (from 29 in July), still below a neutral reading of 50 (readings below 50 point to sequentially lower prices). Meanwhile, agents indicated that inventory levels were stable, with our home listings index coming in at 54 in August (unchanged from our reading in July), in-line with a neutral reading of 50. However, our time to sell index came in at 43, just shy of a neutral reading of 50, pointing to an increased time to sell over the past 30 days. View this as a negative indicator for future pricing. We also remained concerned over the potential level of shadow foreclosure inventory not currently for sale.

Comments from real estate agents:

- “The poor national outlook has buyers still sitting on the fences.”
- “Buyers are nervous and are constantly reminded by the media that home prices are going to fall further.”

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

Exhibit 20: Buyers Need a More Definitive Path; The Uncertainty is Dragging the Market



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔️

“It’s the economy! Buyers are scared.”

San Antonio, TX – Market Remains Soft as Buyers are Willing to Wait

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

Traffic levels still depressed as anxiety replaces confidence. Buyer traffic fell further in August, after dropping sharply in July, as our buyer traffic index fell to 13 from 17 in July (and from 41 in June), suggesting that levels were again below agents' expectations for this time of year. Agents highlighted that economic concerns were again the primary reason for weak traffic in August. The fear of higher interest rates, the driver of better demand earlier this summer, has done little to stimulate traffic since. Buyers are more worried about job security and the health of their finances. One agent mentioned, "Uncertainty about the economy and what that means for jobs have people thinking that buying a home is probably not the best investment decision to make right now." Another agent noted, "Lots of homes are sitting on the market for longer. Buyers are waiting for prices to come down even more." The debt deal in D.C. also had buyers on the sidelines, as they wanted to wait for the outcome before jumping into the market. Meanwhile, agents pointed out that strict lending standards added another layer to the weak demand.

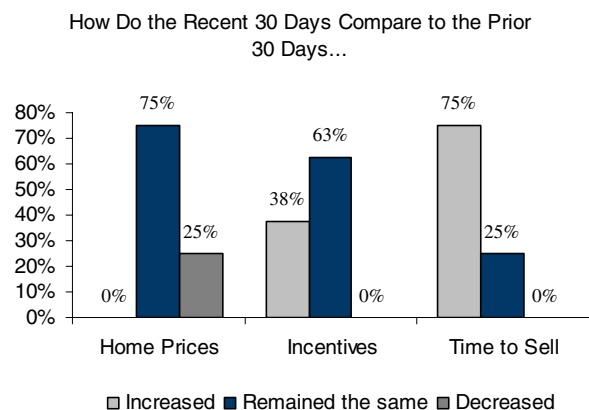
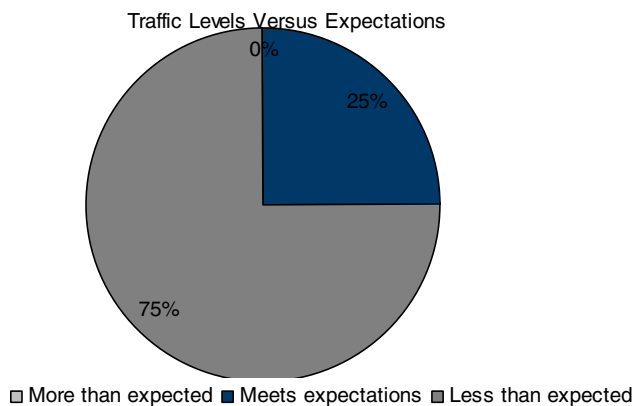
Pricing pressure likely to continue as the time to sell increases. Agents indicated that prices fell further in August, as our home price index came in at 38 (from 33 in July), with readings below 50 pointing to sequentially lower home prices. Meanwhile, inventories edged higher in August, as our home listings index came in at 44 (from 28 in July), closer toward a neutral reading, but just short of 50 (readings below 50 point to higher inventory levels). We think pricing pressure is likely to continue, as our time to sell index remained very weak, coming in at 13 (from 11 in July), still well below a neutral reading of 50, pointing to an increased time to sell (readings below 50).

Comments from real estate agents:

- "Buyers are now waiting for even lower interest rates. They need a very compelling reason to buy."
- "People are worried that D.C.'s inability to manage itself will cause more damage to the economy."

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

Exhibit 21: Agents Say Demand Will Remain Soft Without Economic Improvement



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Buyers keep talking about congress."

Seattle, WA – Lack of Urgency Grows Deeper as D.C. Politics Add to Existing Concerns about Economy

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

Political bickering weakens an already soft market. Buyer traffic remained soft in August, as our traffic index came in at 22 from 25 in July, still below a neutral reading of 50, indicating that traffic failed meet agents' expectations for this time of year. Agents highlighted that buyers felt uneasy in August given the weakness in the economy and the uncertainty surrounding potential outcomes from the debt deal in D.C. One agent mentioned, "The political posturing is really a cause for concern. Buyers lack faith in our national leaders and that is keeping them at bay." Another agent noted, "Gridlocked D.C. politics force people to wait. They need to know what to expect before putting money toward a house." Meanwhile, agents also stressed that the lingering issues concerning jobs and unemployment still plagued buyers' sentiment and the market. One agent said, "The lack of jobs and the fear created by the weak economy are the biggest issues my buyers are facing." Falling prices added to the lack of urgency, as buyers saw little reason to hurry and buy if the same house would be worth less in the not so distant future.

Homes spend more time on the market in August. Home prices fell further in August, as our home price index fell to 21 from 29 in July, with readings below 50 pointing to sequentially lower prices. One agent mentioned, "There are still too many foreclosures on the market keeping prices down." On a more positive note, agents pointed to stable inventories in August, as our home listings index came in at 47 (from 56 in July), in-line with a neutral reading (readings of 50 point to flat inventory levels). However, our time to sell index pointed to an increased time to sell, coming in at 41 from 47 in July (readings below 50 point to an increased time to sell). We view the increased time to sell as a negative indicator for future pricing.

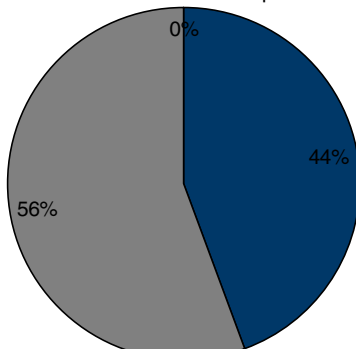
Comments from real estate agents:

- "Everyone is worried about the looming recession that is coming up."
- "Economic fears have buyers stalling, wondering what their next move should be; wondering if they should even do anything."

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

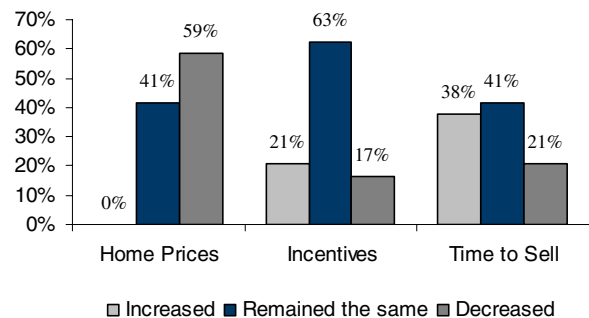
Exhibit 22: Buyers Want Better Visibility and Job Prospects

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔

"Stock market volatility has people concerned."

Tampa, FL – Anxiety Grows in August; Buyers Think the Worst is yet to Come

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

Traffic slips in August as economic concerns are heightened. Buyer traffic slipped in August, as our traffic index fell to 22 from 30 in July, coming in below agents' expectations (readings below 50). Agents stressed that buyers' hesitation in August was driven by a lack of confidence in the economy and the stability of the housing market. One agent mentioned, "Uncertainty over whether one will keep one's job has people headed for the exits." Another agent noted, "The perception that prices might fall have almost been self-fulfilling. Nobody wants to buy a home with prices going down." Agents also mentioned that buyers are worried about a double-dip. They are concerned that if they buy now they will likely end up with negative equity (and would have lost out on a better deal). One agent mentioned, "I think people would like to make a move, but they are not sure about their future prospects for income and/or employment." Meanwhile, lending standards have not become any easier according to those agents surveyed. Buyers looking for homes keep running into financing difficulties.

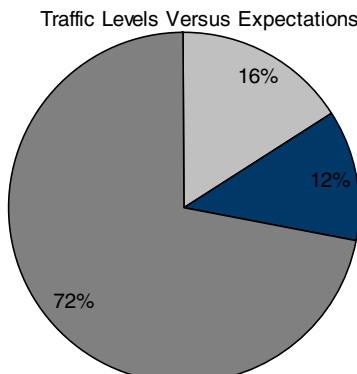
Prices head south even as inventory levels decline. Agents indicated that prices fell in August, as our home price index fell to 26 from 46 in July (the lowest reading since March), with readings lower than 50 pointing to lower prices over the last 30 days. Meanwhile, inventories continued to trend lower, as our home listings index came in at 65 (from 67 in July), with readings greater than 50 pointing to reduced inventory levels. However, we view these declines as temporary and expect higher inventory levels, primarily distress, as delays in the foreclosure process are resolved. Our time to sell index came in at 39 (from 48 in July), further from a neutral reading of 50, pointing to an increased time to sell, a negative indicator for future pricing.

Comments from real estate agents:

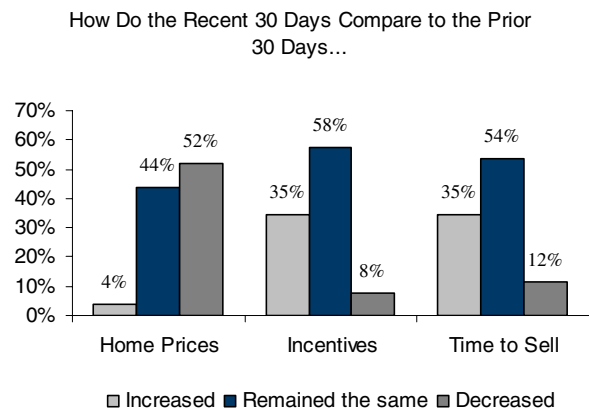
- "High unemployment, along with the higher cost of gas, food, and insurance are killing any thoughts of buying a home."
- "All the headlines mentioning a double-dip and another recession have people worried."

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

Exhibit 23: Traffic Can't Sustain Bounce from July, Levels Fall in August as the Weak Economy Drains Confidence



■ More than expected ■ Meets expectations ■ Less than expected



■ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"At least investors are looking."

Washington, D.C. – Volatility in Congress and Financial Markets Reduces Confidence

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

Uncertainty on Capitol Hill leads to weak traffic in August. Buyer traffic fell in August as our buyer traffic index came in at 27 from 35 in July, pointing to traffic missing agents' expectations for this time of year (readings below 50). Demand remains choppy in D.C. with four consecutive months of higher than weaker readings. According to agents, the decline observed in August was driven by economic and political uncertainty, primarily the instability in the financial markets and the U.S. debt discussions/downgrade. One agent mentioned, "The uncertainty in the economy is the most common reason for buyers pulling back on activity." Another agent mentioned, "People are worried that conditions are worsening." The concerns surrounding the economy led to a drop in buyers' confidence in August, with additional anxiety over a smaller government and its impact on the local D.C. economy. One agent highlighted, "Consumer confidence is at some of the lowest levels I've seen in almost 10 years." Another agent noted, "People aren't sure they'll have their jobs in a couple of months." Agents also mentioned that strict mortgage criteria continue to be a headwind to the market.

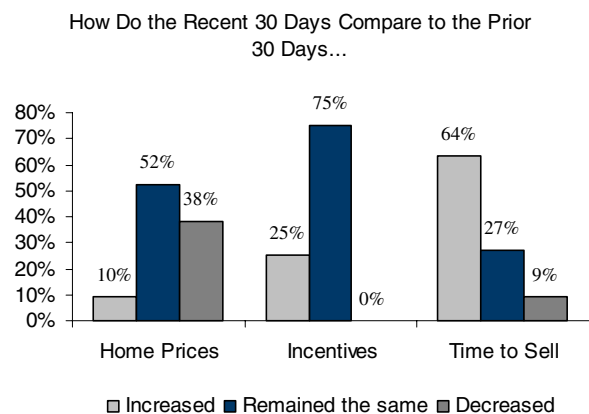
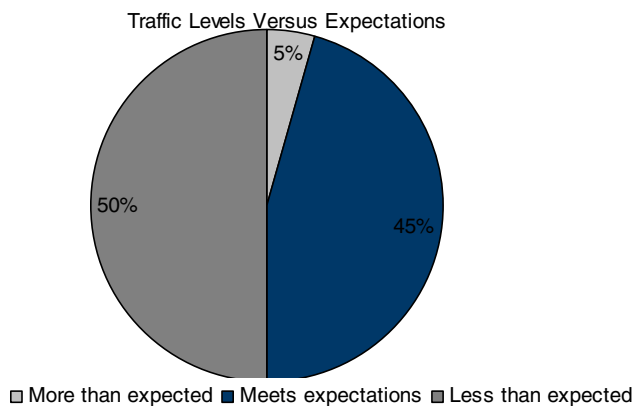
Prices fall while homes spend more time on the market. Prices continued to fall in August, as our home price index fell to 36 from 42 in July, further below a neutral reading of 50, pointing to sequentially lower home prices (readings below 50). Meanwhile, agents indicated that inventories were stable again in August, as our home listings index came in at 55 (from 52 in July), in-line with a neutral reading, pointing to flat inventory levels. We view this as a positive indicator for future pricing. However, our time to sell index came in at 23 (from 26 in July), pointing to an increased time to sell. Though inventories were stable, we think the increased time to sell is a negative indicator for pricing.

Comments from real estate agents:

- "People are concerned that if the government reduces the size of its contracts with local companies, unemployment could rise even higher."
- "People think the government is out of touch with reality."

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

Exhibit 24: Buyers Concerned about National and Local Economy Amid Government Budget Cuts



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Uncertainty is never good for home buying."

Additional Key Housing Markets

Baltimore, MD

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

Traffic below expectations. Traffic failed to meet expectations in August, as our traffic index fell to 38 from 45 in July, short of a neutral reading of 50 (readings lower than 50 indicate traffic did not meet agents' expectations). 75% of agents said traffic met expectations and 25% said it did not meet expectations.

Prices fall, incentives increase. Home prices fell further in August, as our home price index came in at 25 (from 22 in July), with readings below 50 indicating lower prices over the last 30 days. 50% of agents said prices were unchanged and 50% said prices were lower. Meanwhile, incentives moved higher in August, as our incentive index came in at 25 (from 38 in July), short of a neutral reading of 50 (readings below 50 suggest higher incentives). 50% of agents said incentives were higher and 50% said they were unchanged.

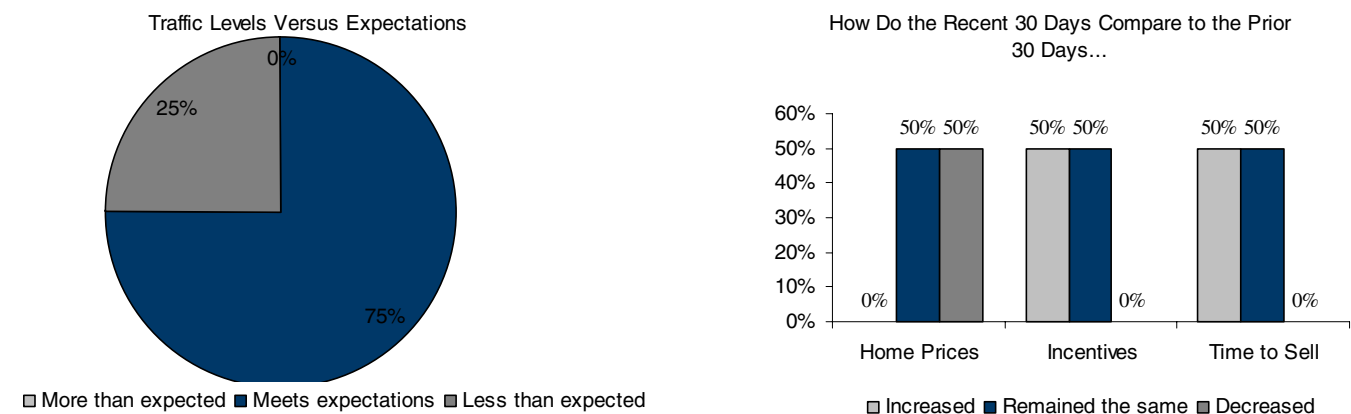
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 25 in August (from 28 in July), coming in below a neutral reading of 50, suggesting an increased time to sell (readings below 50 point to an increased time to sell). 50% of agents said the time to sell a home was unchanged and 50% said the time to sell increased. We view an increased time to sell as a negative step toward price stabilization.

Comments from real estate agents:

- "Buyers are worried about the economy and their job security."
- "The uncertainty from July has carried over into August. The fear of a national default was terrible for our market."

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

Exhibit 25: Traffic Below Expectations, Lower Prices, Higher Incentives, Time to Sell Increases in August



Source: Credit Suisse estimates

Boston, MA

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

Traffic misses expectations. Traffic did not meet agents' expectations in August, as our traffic index fell to 19 from 35 in July, short of a neutral reading of 50 (readings lower than 50 indicate traffic failed to meet agents' expectations). 69% of agents said traffic was below expectations, 25% said it was met expectations, and 6% said it exceeded expectations.

Lower prices, higher incentives. Home prices faced additional pressure in August, as our price index fell to 25 from 27 in July, short of neutral reading of 50 (readings below 50 indicate sequentially lower prices). 50% of agents said prices were lower and 50% said they were unchanged. Sellers increased incentives in August, as our incentive index came in at 37 (from 54 in July), short of a neutral reading (readings lower than 50 suggest higher incentives). 73% of agents said incentives were unchanged and 27% said they were lower.

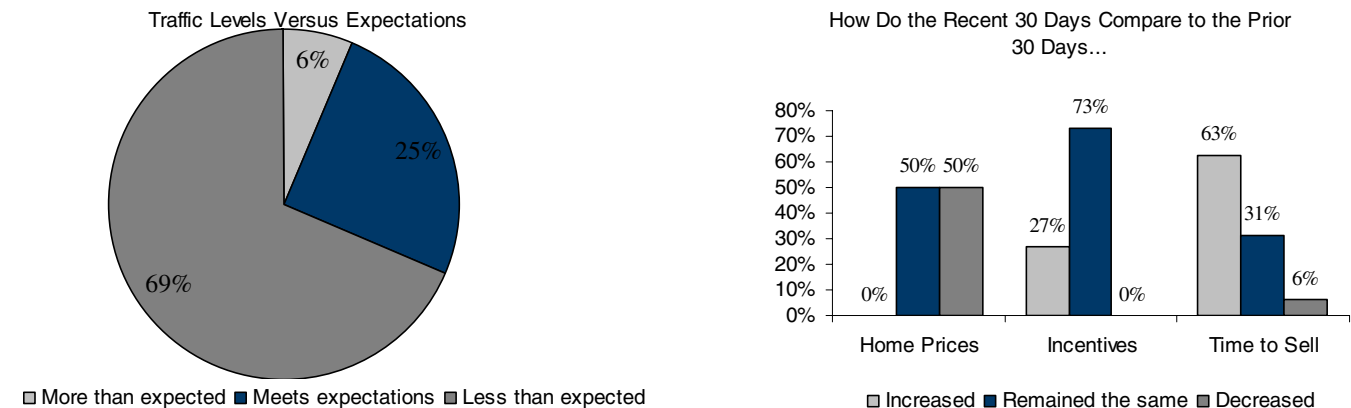
Increased time needed to sell a home in August. Our time to sell index came in at 22 in August (from 15 in July), further below a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings lower than 50 indicate an increased time to sell). 63% of agents said the time to sell increased, 31% said the time to sell was unchanged, and 6% said the time to sell decreased. We believe the increased time to sell is a negative indicator for future pricing trends.

Comments from real estate agents:

- "People were already worried about their jobs and then the stock market tanked."
- "We have a lack of mortgage availability coupled with a lack of qualified buyers."

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

Exhibit 26: Traffic Below Expectations, Lower Prices, Higher Incentives, Increased Time to Sell in August



Source: Credit Suisse estimates

Charleston, SC

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

Traffic below expectations. Buyer traffic failed to meet agents' expectations again in August, as our traffic index came in at 17 (from 30 in July), pointing to traffic below agents' expectations (readings lower than 50). 67% of agents said traffic was short of expectations and 33% said it met expectations.

Lower prices, flat incentives. Home prices fell further in August, as our home price index fell to 17 from 35 in July, pointing to sequentially lower prices (readings short of 50 indicate lower prices). 67% of agents said prices were lower and 33% said they were unchanged. Meanwhile, incentives were unchanged in August, as our incentive index came in at 50 (from 39 in July), in-line with a neutral reading of 50 (a reading of 50 indicates flat incentives over the last 30 days). 100% of agents said incentives were unchanged.

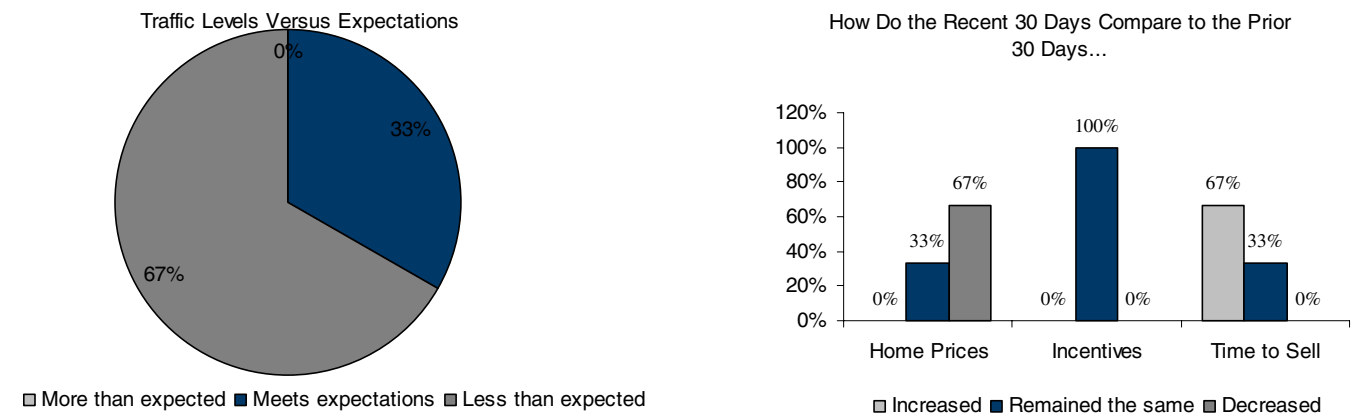
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 17 in August (from 33 in July), still below a neutral reading of 50, indicating an increased time to sell over the past month (readings lower than 50). 67% of agents said the time to sell increased over the last 30 days and 33% 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:

- "Economic uncertainty has buyers worried."
- "Some people are looking but they're waiting for prices to come down some more."

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

Exhibit 27: Traffic Below Expectations, Prices Decrease, Incentives Flat, Longer Time to Sell in August



Source: Credit Suisse estimates

Cincinnati, OH

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

Traffic remains short of expectations. Our buyer traffic index came in at 14 in August from 20 in July, remaining below a neutral reading of 50, pointing to traffic missing expectations (a reading short of 50 suggests lower than expected traffic). 71% of agents said traffic was below expectations and 29% said it met expectations.

Prices fall, incentives increase. Home prices remained under pressure in August, as our price index fell to 14 from 20 in July, remaining below a neutral reading of 50, indicating sequentially lower home prices (readings short of 50). 71% of agents said prices were lower and 29% said they were unchanged. Meanwhile, sellers increased incentives in August, as our incentive index came in at 14 (from 30 in July) short of a neutral reading of 50 (readings lower than 50 suggest higher incentives). 71% of agents said incentives were higher and 29% said they were unchanged.

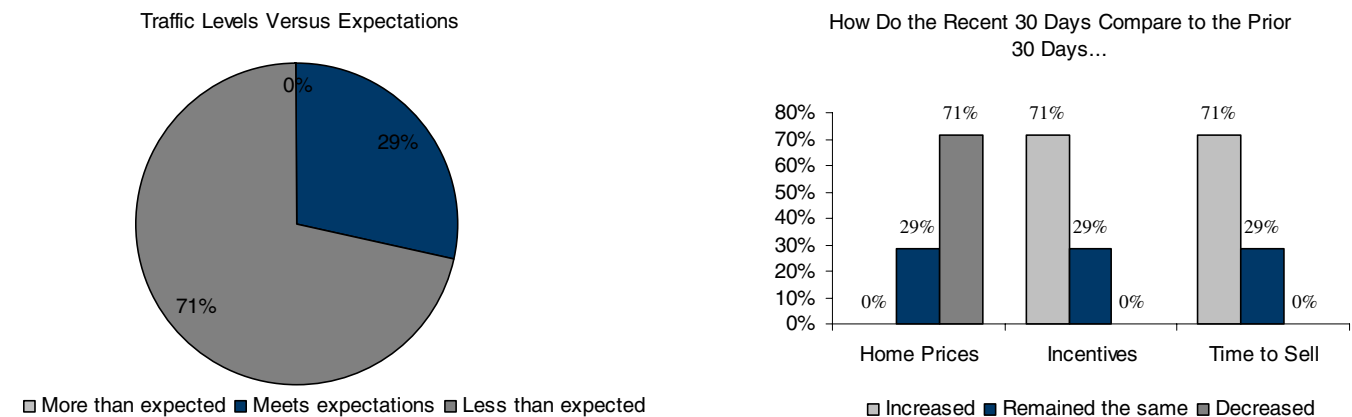
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 14 in August (from 0 in July), pointing to an increased time to sell over the past 30 days (readings short of 50 indicate a longer time to sell). 71% of agents said the time to sell increased and 29% 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:

- “Our main issues are the economy, unemployment, and the drop in the stock market.”
- “Would-be buyers are scared.”

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

Exhibit 28: Traffic Below Expectations, Prices Fall, Incentives Higher, Time to Sell Lengthens in August



Source: Credit Suisse estimates

Columbus, OH

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

Traffic still below expectations. Buyer traffic remained below agents' expectations in August, as our traffic index fell to 25 (unchanged from our reading in July), with readings lower than 50 pointing to traffic below agents' expectations. 63% of agents said traffic was lower than expectations, 25% said it met expectations, and 13% said it exceeded expectations.

Prices fall, incentives increase. Prices remained under pressure in August, as our price index came in at 25 (from 22 in July) with readings below 50 indicating sequentially lower home prices. 50% of agents said prices were lower and 50% said they were unchanged. Meanwhile, sellers increased incentives in August, as our incentive index came in at 31 (from 35 in July), short of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 62% of agents said incentives were unchanged and 38% said they were higher.

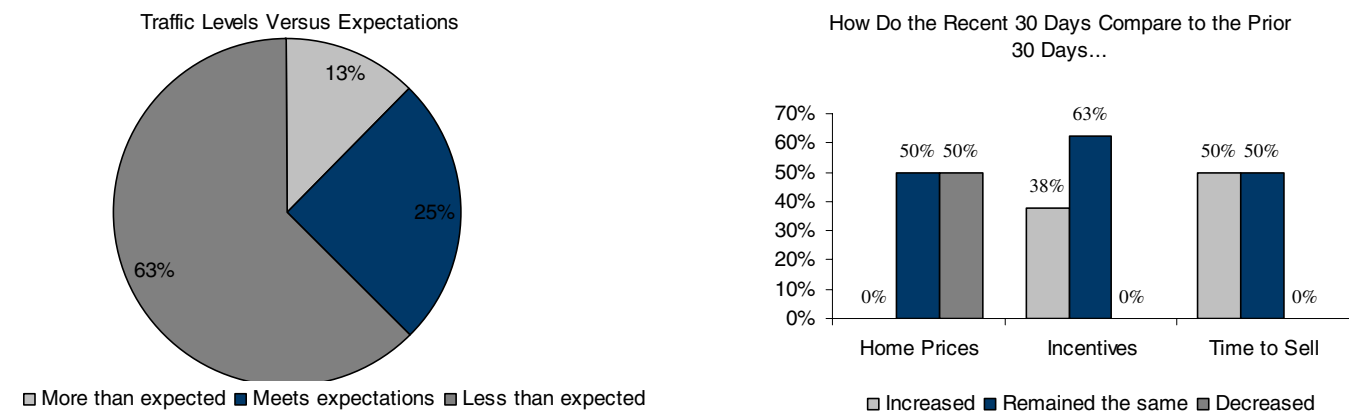
Increased time needed to sell a home in August. Our time to sell index came in at 25 in August (from 17 in July), pointing to a longer time to sell over the past 30 days (readings short of 50 suggest an increased time to sell). 50% of agents said the time to sell increased and 50% said the time to sell was unchanged. We believe the increased time to sell is a negative indicator for future pricing trends.

Comments from real estate agents:

- "There is huge uncertainty for buyers and sellers. The debt scare definitely did not help the situation."
- "A general feeling that home prices will come down persists. Until that perception changes most people won't enter the real estate market."

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

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



Source: Credit Suisse estimates

Detroit, MI

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

Traffic remains below agents' expectations. Buyer traffic remained below expectations in August, as our traffic index fell to 36 (from 40 in July), suggesting traffic fell short of agents' expectations (readings lower than 50 indicate traffic was below expectations). 50% of agents said traffic was below expectations, 29% said it met expectations, and 21% said it was greater than expectations.

Prices fall, incentives rise. Home prices were lower in August, as our price index came in at 35 (from 39 in July), below a neutral reading of 50 (readings short of 50 suggest sequentially lower prices). 69% of agents said prices were unchanged and 31% said they were lower. Meanwhile, incentives were higher, as our incentive index came in at 36 (from 38 in July), short of neutral reading of 50 (readings lower than 50 suggest higher incentives). 73% of agents said incentives were stable and 27% said they were higher.

Unchanged time needed to sell a home in August. Our time to sell index came in at 50 in August (from 54 in July), remaining in-line with a neutral reading of 50, indicating an unchanged time to sell over the past 30 days (readings of 50). 38% of agents said the time to sell was unchanged, 31% said the time to sell increased, and 31% said the time to sell decreased. We view the unchanged time needed to sell as a positive indicator for future pricing trends.

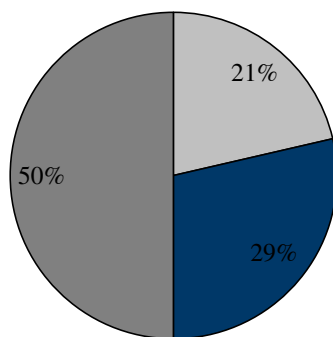
Comments from real estate agents:

- "Traffic took a hit because of the whole mess in Washington."
- "Economic difficulties continue to pressure the market."

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

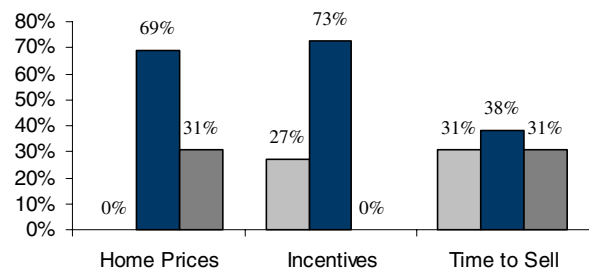
Exhibit 30: Traffic Lower than Expectations, Lower Prices, Higher Incentives, Unchanged Time to Sell in August

Traffic Levels Versus Expectations



□ More than expected ■ Meets expectations ■ Less than expected

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



□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

Ft. Myers, FL

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

Traffic below agents' expectations. Buyer traffic was below agents' expectations in August, as our traffic index came in at 40 (from 43 in July), short of a neutral reading of 50 (readings lower than 50 point to traffic missing agents' expectations). 80% of agents said traffic met expectations and 20% said it was lower than expectations.

Prices and incentives higher. Home prices were higher in August, as our home price index came in at 61 (from 46 in July), in-line with a neutral reading of 50, indicating sequentially higher home prices (readings greater than 50). 50% of agents said prices were unchanged, 36% said they were higher, and 14% said they were lower. Meanwhile, incentives increased in August, as our incentive index came in at 43 (from 50 in July), short of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 71% of agents said incentives were unchanged, 21% said they were higher, and 8% said they were lower.

Less time needed to sell a home in August. Our time to sell index came in at 57 in August (from 64 in July), remaining above a neutral reading of 50, suggesting a reduced time to sell over the past 30 days (readings above 50 point to a reduced time to sell). 43% of agents said the time to sell was unchanged over the past 30 days, 36% said the time to sell decreased, and 21% said the time to sell increased. We view the decreased time to sell as a positive indicator for future pricing trends.

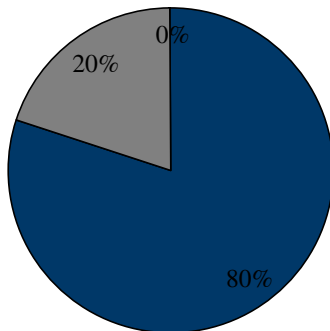
Comments from real estate agents:

- "Economic conditions are really dragging the market."
- "Issues in Washington aren't exactly inspiring confidence."

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

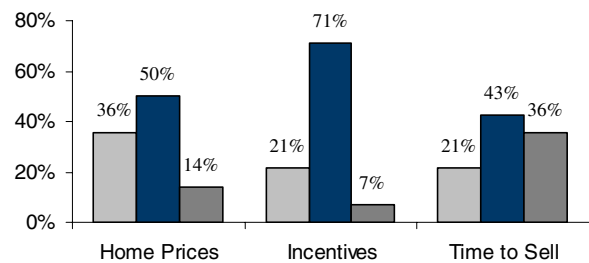
Exhibit 31: Traffic Below Expectations, Higher Prices and Incentives, Reduced Time to Sell in August

Traffic Levels Versus Expectations



□ More than expected ■ Meets expectations ■ Less than expected

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



□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

Nashville, TN

(3,945 single-family permits in 2010, 20th 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 17 from 8 in July, still short of a neutral reading of 50 (readings lower than 50 point to traffic missing agents' expectations). 67% of agents said traffic did not meet expectations and 33% said it met expectations.

Prices decline, incentives unchanged. Home prices remained under pressure in August, as our home price index came in at 21 (from 25 in July), remaining below a neutral reading of 50, indicating sequentially lower home prices (readings below 50). 58% of agents said prices were lower and 42% said they were unchanged. Meanwhile, incentives were flat in August, as our incentive index came in at 50 (from 42 in July) in-line with a neutral reading of 50 (readings of 50 indicate unchanged incentives). 82% of agents said incentives were unchanged, 9% said they were lower, and 9% said they were higher.

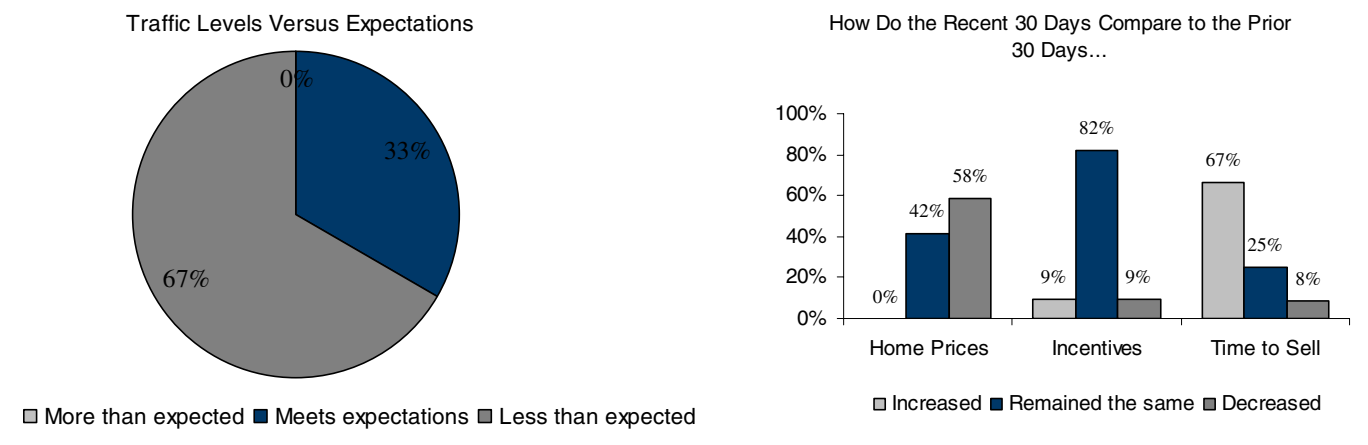
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 21 in August (from 33 in July), still below a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings short of 50). 67% of agents said the time to sell increased over the past 30 days, 25% 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:

- "The turmoil in Washington and the whole debt debacle had buyers stopping in their tracks."
- "Buyers are still concerned that prices are going to fall further."

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

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



Source: Credit Suisse estimates

Philadelphia, PA-Southern NJ

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

Traffic below expectations. Buyer traffic remained below agents' expectations in August, as our traffic index came in at 21 (from 18 in July), well short of a neutral reading of 50 (readings below 50 indicate traffic did not meet agents' expectations). 66% of agents said traffic was below expectations, 24% said it met expectations, and 10% said it was above expectations.

Prices decline, incentives unchanged. Home prices fell again in August, as our price index came in at 21 (from 18 in July), remaining short of a reading of 50 (readings short of 50 indicate sequentially lower home prices). 57% of agents said prices were lower over the past 30 days and 43% said they were unchanged. Meanwhile, incentives were unchanged in August, as our incentive index came in at 53 (from 44 in July), in-line with a neutral reading of 50 (readings of 50 point to unchanged incentives). 70% of agents said incentives were unchanged, 18% said they were lower, and 12% 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 26 in August (from 18 in July), remaining short of a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings lower than 50). 57% of agents said the time to sell increased, 33% said the time to sell was unchanged, and 10% 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:

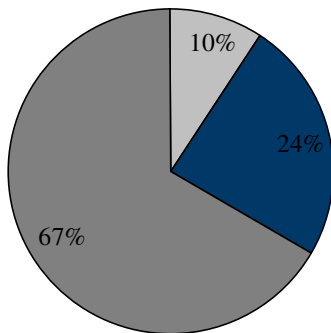
- "Sellers are pricing too high and financing is difficult to obtain. Homes just linger on the market."
- "The economy is a broad cloud over consumer confidence. It magnifies concerns over job security and even the survival of a company."

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

Exhibit 33: Traffic Below Expectations, Lower Prices, Flat Incentives , Increased Time to Sell in August

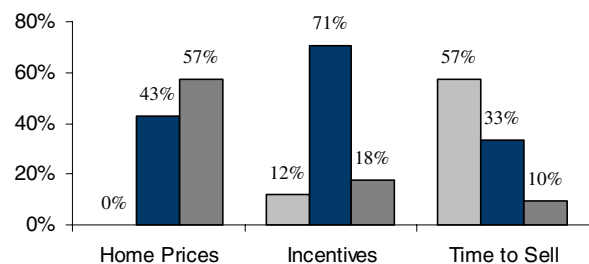
August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔

Traffic Levels Versus Expectations



□ More than expected ■ Meets expectations ■ Less than expected

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



□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

Portland, OR

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

Traffic remains below agents' expectations. Buyer traffic came in short of agents' expectations in August, as our traffic index came in at 21 (from 26 in July), remaining short of a neutral reading of 50 (readings below 50 suggest traffic did not meet agents' expectations). 63% of agents said traffic was lower than expectations, 32% said it met expectations, and 5% said it exceeded expectations.

Lower prices, flat incentives. Home prices remained under pressure in August, as our price index came in at 18 in August (from 21 in July), remaining below a neutral reading of 50 (readings short of 50 point to sequentially lower prices). 70% of agents said prices were lower, 25% said prices were unchanged, and 5% said they were higher. Sellers held incentives steady August, as our incentive index came in at 48 (from 38 in July), in-line with a neutral reading (readings of 50 suggest flat incentives). 95% of agents said incentives were unchanged and 5% said they were higher.

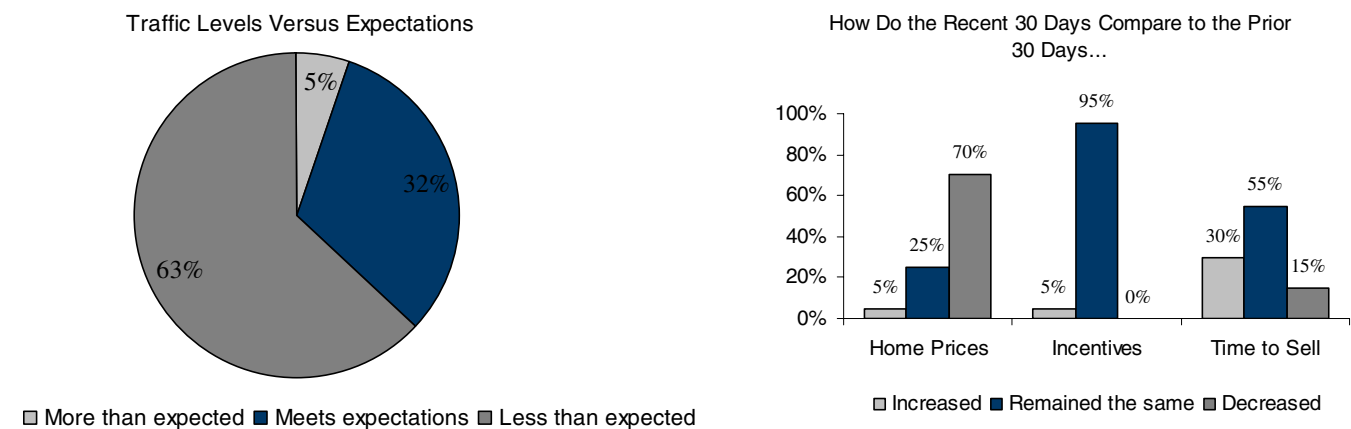
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 43 in August (unchanged from our reading in July), remaining short of a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings lower than 50 point to an increased time to sell). 55% of agents said the time to sell was unchanged, 30% said the time to sell increased, and 15% 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 are skeptical with the continuing decline in the economy and expect prices to continue to fall (which they have)."
- "Confusion and uncertainty over the economy caused by Washington have people on the sidelines."

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

Exhibit 34: Traffic short of Expectations, Prices Fall, Unchanged Incentives, Longer Time to Sell in August



Source: Credit Suisse estimates

Raleigh, NC

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

Traffic still below expectations. Buyer traffic remained short of agents' expectations in August, as our traffic index came in at 14 (from 22 in July), further below a reading of 50 (readings below 50 point to lower than expected traffic). 82% of agents said traffic was lower than expected, 9% said it met expectations, and 9% said it exceeded expectations.

Lower prices, higher incentives. Home prices faced additional pressure in August, as our price index came in at 23 (from 17 in July), pointing to sequentially lower prices over the last 30 days (readings below 50 suggest lower prices). 55% of agents said prices were lower and 45% said they were unchanged. Meanwhile, incentives were higher in August, as our incentive index came in at 27 (from 33 in July), with readings lower than 50 pointing to increased incentives. 55% of agents said incentives were unchanged and 45% said they were higher.

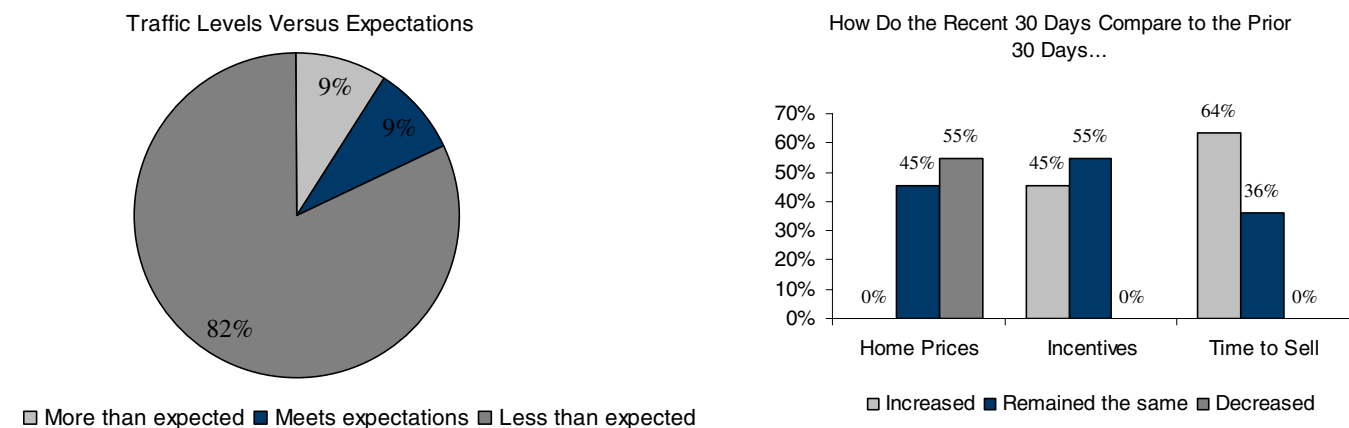
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 18 in August (from 11 in July), remaining below a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings short of 50 suggest a longer time to sell). 64% of agents said the time to sell increased and 36% 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 debt crisis and concerns over the stability of the market have buyers worried."
- "People need more job security."

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

Exhibit 35: Traffic Below Expectations, Prices Decrease, Incentives Increase, Time to Sell Lengthens in August



Source: Credit Suisse estimates

Richmond, VA

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

Traffic above expectations. Our buyer traffic index came in at 75 in August from 67 in July, above a neutral reading, suggesting traffic exceeded agents' expectations (readings above 50). 50% of agents said traffic exceeded expectations and 50% said it met expectations.

Prices lower, incentives higher. Home prices were lower in August, as our price index came in at 0 from 17 in July, remaining below a neutral reading of 50, indicating sequentially lower prices (readings short of 50 indicate lower prices over the last 30 days). 100% of agents said prices were lower. Meanwhile, sellers increased incentives in August, as our incentive index came in at 0 (from 33 in July), short of a neutral reading of 50 (readings lower than 50 suggest increased 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 came in at 25 in August (from 50 in July), below a neutral reading, suggesting an increased time to sell over the past 30 days (readings lower than 50 point to an increased time to sell). 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:

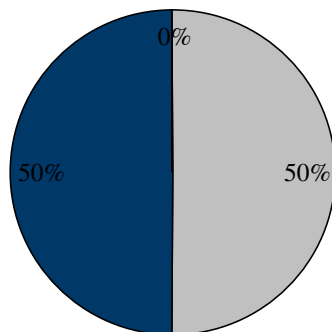
- "People are concerned that interest rates might rise soon."
- "Traffic is a little better, but this is off very low levels."

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

Exhibit 36: Traffic Above Expectations, Prices Lower, Incentives Higher, Longer Time to Sell in August

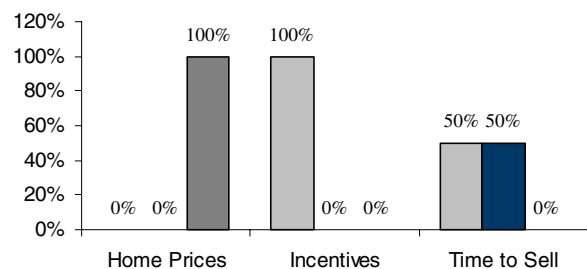
August Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

Traffic Levels Versus Expectations



□ More than expected ■ Meets expectations ■ Less than expected

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



□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

Sacramento, CA

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

Traffic remains below expectations. Our buyer traffic index came in at 25 from 28 in July, remaining below a neutral reading of 50, suggesting traffic levels failed to meet agents' expectations (readings lower than 50). 50% of agents said traffic was below expectations and 50% said it met expectations.

Prices fall, incentives unchanged. Home prices continued to fall in August, as our home price index came in at 23 (from 22 in July), with readings lower than 50 indicating sequentially lower prices. 54% of agents said prices were lower and 46% said they were unchanged. Meanwhile, sellers held incentives steady in August, as our incentive index came in at 54 (from 31 in July), in-line with a neutral reading, with readings of 50 pointing to flat incentives. 58% of agents said incentives were unchanged, 25% said they were lower, and 17% 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 27 from 28 in July, remaining 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 it decreased. We view the longer time to sell as a negative indicator for future pricing trends.

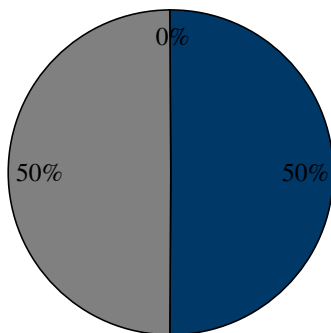
Comments from real estate agents:

- “Consumer confidence is very weak right now.”
- “People are concerned about overall market stability. Homes are also priced too high.”

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

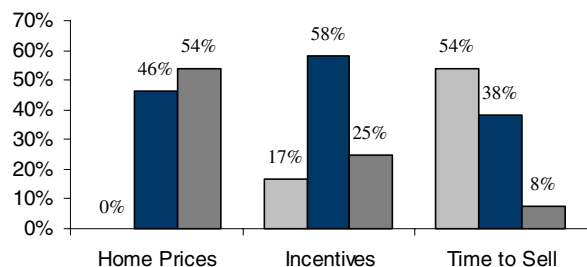
Exhibit 37: Traffic Below Expectations, Lower Prices, Flat Incentives, Time to Sell Increases in August

Traffic Levels Versus Expectations



□ More than expected ■ Meets expectations ■ Less than expected

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



□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

August Market Trends	
Traffic	⬇️
Home Prices	⬇️
Incentives	↔️

San Diego, CA

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

Traffic below expectations. Buyer traffic remained short of expectations in August, as our traffic index came in at 19 (from 12 in July), short of a neutral reading of 50 (readings lower than 50 point to traffic below agents' expectations). 74% of agents said traffic was below expectations, 13% said it exceeded expectations, and 13% said it was in-line with expectations.

Lower prices, higher incentives. Homes faced additional pressure in August. Our price index came in at 14 from 33 in July, short of a reading of 50 (readings below 50 point to sequentially lower prices). 71% of agents said prices were lower and 29% said they were unchanged. Meanwhile, incentives inched higher in August, as our incentive index came in at 41 (from 45 in July), below a neutral reading of 50 (readings short of 50 point to higher 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 18 in August (from 25 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). 64% of agents said the time to sell increased and 36% said the time to sell was unchanged. We view the longer time to sell as a negative indicator for future pricing trends.

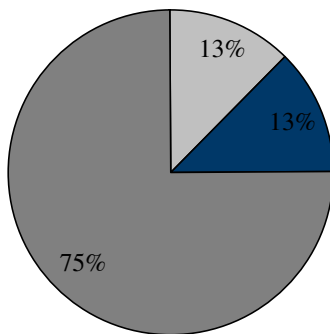
Comments from real estate agents:

- "Buyers are worried about the future of the economy and the jobs outlook."
- "Buyers understand how cheap interest rates are, but they also don't know if they will be employed down the road. So right now they aren't doing anything."

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

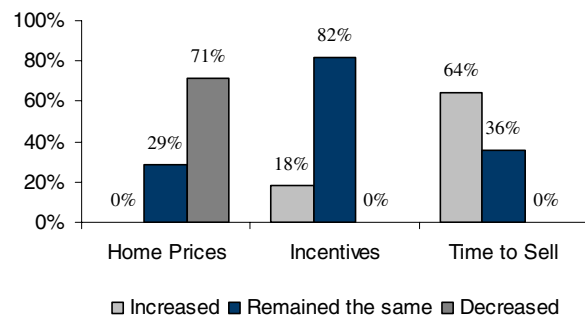
Exhibit 38: Traffic Below Expectations, Lower Prices, Higher Incentives, Longer Time to Sell in August

Traffic Levels Versus Expectations



□ More than expected ■ Meets expectations ■ Less than expected

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



Source: Credit Suisse estimates

August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

San Francisco, CA

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

Traffic below expectations. Buyer traffic remained below agents' expectations in August, as our traffic index came in at 39 from 42 in July, short of a neutral reading of 50 (readings lower than 50 point to traffic below expectations). 41% of agents said traffic was below expectations, 41% said it met expectations, and 18% said it exceeded expectations.

Prices decline, incentives higher. Home prices fell further in August, as our price index came in at 30 (from 32 in July), remaining below a neutral reading of 50 (readings below 50 suggest sequentially lower prices). 50% of agents said prices were unchanged over the past 30 days, 45% said they were lower, and 5% said they were higher. Meanwhile, incentives were up marginally in August, as our incentive index came in at 44 (from 50 in July), just shy of a neutral reading of 50, pointing to increased incentives. 64% of agents said incentives were unchanged, 24% said they were higher, and 12% said they were lower.

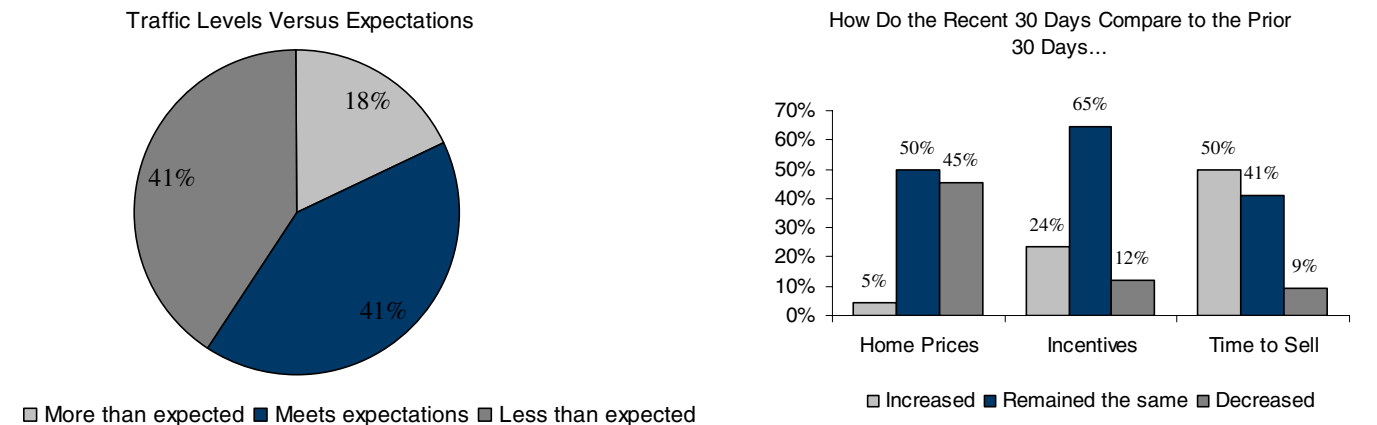
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 30 in August (from 38 in July), still below a neutral reading of 50, suggesting an increased time to sell over the last 30 days (readings below 50 indicate a longer time to sell). 50% of agents said the time to sell increased, 41% said the time to sell was unchanged, and 9% said the time to sell decreased. We view the longer time to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

- "Economic concerns and a volatile stock market aren't a good foundation for home sales."
- "Job losses are still a major headwind to housing demand."

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

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



Source: Credit Suisse estimates

Sarasota, FL

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

Traffic short of expectations. Buyer traffic fell short of agents' expectations in August as our traffic index fell to 28 from 33 in July, shy of a neutral reading of 50 (readings below 50 point to traffic missing agents' expectations). 56% of agents said traffic was lower than expectations, 33% said it met expectations, and 11% said it exceeded expectations.

Prices flat, incentives increase. Home prices were unchanged in August, as our price index came in at 50 (from 38 in July), in-line with a neutral reading, indicating sequentially unchanged prices (readings of 50). 78% of agents said prices were unchanged, 11% said they were higher, and 11% said they were lower. Meanwhile, incentives increased in August, as our incentive index came in at 25 (from 33 in July), still below a neutral reading of 50 (readings short of 50 indicate increased incentives). 50% of agents said incentives were higher and 50% said incentives were unchanged.

Less time needed to sell a home in August. Our time to sell index came in at 83 in August from 67 in July, above a neutral reading of 50, pointing to a reduced time to sell over the past 30 days (readings above 50). 67% of agents said the time to sell decreased and 33% said the time to sell was unchanged. We view the reduced time to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

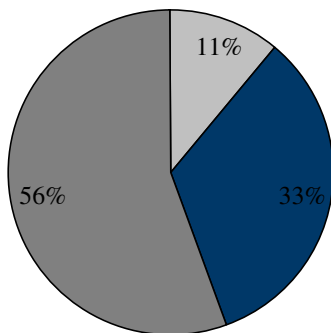
- "The chaos in Washington created a lot of caution of in the marketplace. Even after the resolution, people were still scared."
- "People are hearing that more foreclosures are coming soon."

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

Exhibit 40: Traffic Below Expectations, Flat Prices, Additional Incentives, Less Time to Sell in August

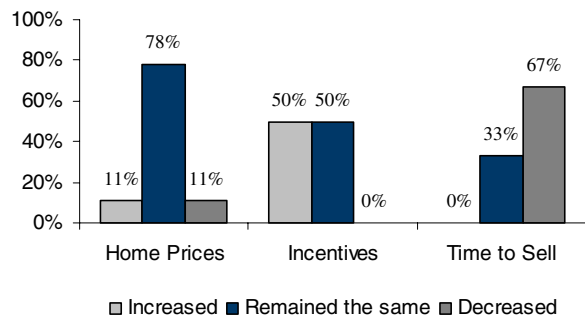
August Market Trends	
Traffic	👎
Home Prices	↔
Incentives	👍

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



Source: Credit Suisse estimates

St. Louis, MO

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

Traffic below expectations. Buyer traffic remained below agents' expectations in August, as our traffic index came in at 43 (from 30 in July), with readings below 50 pointing to traffic short of expectations. 42% of agents said traffic was below expectations, 29% said it met expectations, and 29% said it exceeded expectations.

Lower prices, higher incentives. Home prices fell further in August, as our price index came in at 29 (from 40 in July), further below a neutral reading of 50 (readings lower than 50 point to sequentially lower prices). 57% of agents said prices were lower, 29% said they were unchanged, and 14% said they were higher. Meanwhile, sellers increased incentives in August; as our incentive index came in at 25 (from 38 in July), below a reading of 50, suggesting increased incentives over the past month (readings lower than 50 point to higher incentives). 50% of agents said incentives were unchanged and 50% said they were higher.

Longer time needed to sell a home in August. Our time to sell index came in at 29 (from 50 in July), short of a neutral reading, pointing to an increased time to sell over the last 30 days (readings lower than 50). 57% of agents said the time to sell increased, 29% said the time to sell was unchanged, and 14% 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:

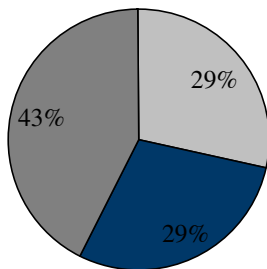
- "Prices keeping falling. Nobody wants to buy in this type environment."
- "Mortgages are still tough to come by. Meanwhile, owners unrealistically want top dollar and price too high."

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

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

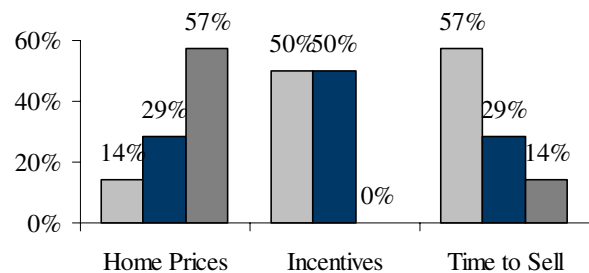
August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

Traffic Levels Versus Expectations



☐ More than expected ■ Meets expectations ■ Less than expected

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



☐ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

Tucson, AZ

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

Traffic below expectations. Buyer traffic fell below expectations in August, as our traffic index came in at 27 from 46 in July, short of a neutral reading of 50 (readings lower than 50 suggest traffic failed to meet agents' expectations). 54% of agents said traffic was below expectations, 38% said it met expectations, and 8% said it exceeded expectations.

Prices fall, incentives increase. Home prices remained under pressure in August, as our home price index came in at 23 (from 27 in July), short of a neutral reading of 50, suggesting lower prices over the last 30 days (readings lower than 50 point to decreasing prices). 54% of agents said prices were lower and 46% said they were unchanged. Meanwhile, incentives were higher in August, as our incentive index came in at 35 (from 41 in July), short of a neutral reading of 50, with readings lower than 50 pointing to increased incentives. 54% of agents said incentives were higher, 38% said they were unchanged, and 8% said they were lower.

Unchanged time needed to sell a home in August. Our time to sell index came in at 46 in August (from 50 in July), in-line with a neutral reading of 50, pointing to an unchanged time to sell (readings of 50). 46% of agents said the time to sell a home was unchanged, 31% said the time to sell increased, and 26% said the time to sell decreased. We view the unchanged time needed to sell as a positive indicator of future pricing trends.

Comments from real estate agents:

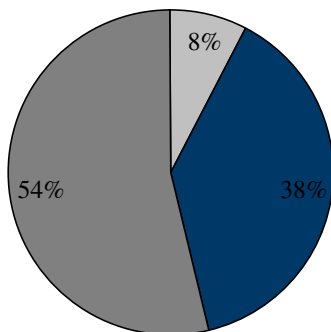
- "Buyers are nervous about the economy and potential future job losses."
- "Jobs, jobs, jobs."

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

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

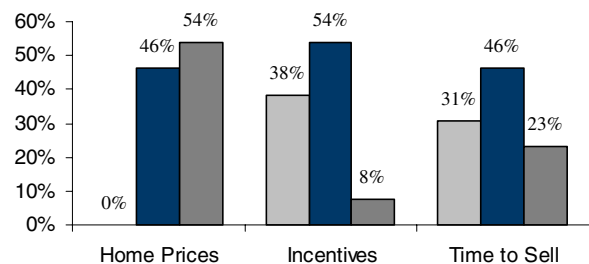
August Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

Traffic Levels Versus Expectations



□ More than expected ■ Meets expectations ■ Less than expected

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



□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

Virginia Beach, VA

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

Traffic meets expectations. Buyer traffic met agents' expectations again in August, as our traffic index came in at 50 (unchanged from our reading in July), in-line with a neutral reading of 50 (readings of 50 suggest traffic met expectations). 34% of agents said traffic met expectations, 33% said it exceeded expectations, and 33% said it was below expectations.

Prices fall, incentives increase. Home prices fell in August, as our price index came in at 25 (from 8 in July), still below a neutral reading of 50, suggesting lower prices over the last 30 days (readings below 50). 50% of agents said prices were lower and 50% said they were unchanged. Meanwhile, sellers increased incentives in August, as our incentive index came in at 38 (from 25 in July), coming in short of a neutral reading, suggesting unchanged incentives over the past month (readings lower than 50). 75% of agents said incentives were unchanged and 25% said they were higher.

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

Comments from real estate agents:

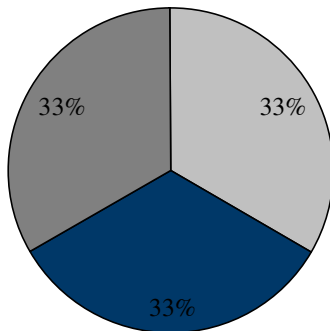
- "I thought fewer buyers would be out with confidence this low, but some people think it is a good time to buy."
- "Traffic a bit slow, it could be because of the economy, but traffic is usually slow around this time of year."

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

Exhibit 43: Traffic in-line with Expectations, Lower Prices, Higher Incentives, Increased Time to Sell in August

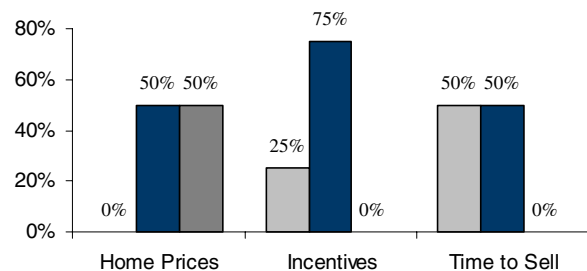
August Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

Traffic Levels Versus Expectations



□ More than expected ■ Meets expectations ■ Less than expected

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



□ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

Wilmington, NC

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

Traffic below expectations. Our buyer traffic index came in at 0 in August from 38 in July, pointing to traffic short of agents' expectations (readings short of 50 point to traffic missing agents' expectations). 100% of agents said traffic did not meet expectations.

Prices fall, incentives increase. Home prices faced additional pressure in August, as our price index came in at 0 (unchanged from our reading in July), well below a neutral reading of 50, suggesting lower prices over the last 30 days (readings below 50). 100% of agents said prices were lower. Meanwhile, incentives were higher, as our incentive index came in at 25 in August from 38 in July, shy of a neutral reading (readings lower than 50 suggest higher incentives over the past month). 50% of agents said incentives were higher and 50% said they were unchanged.

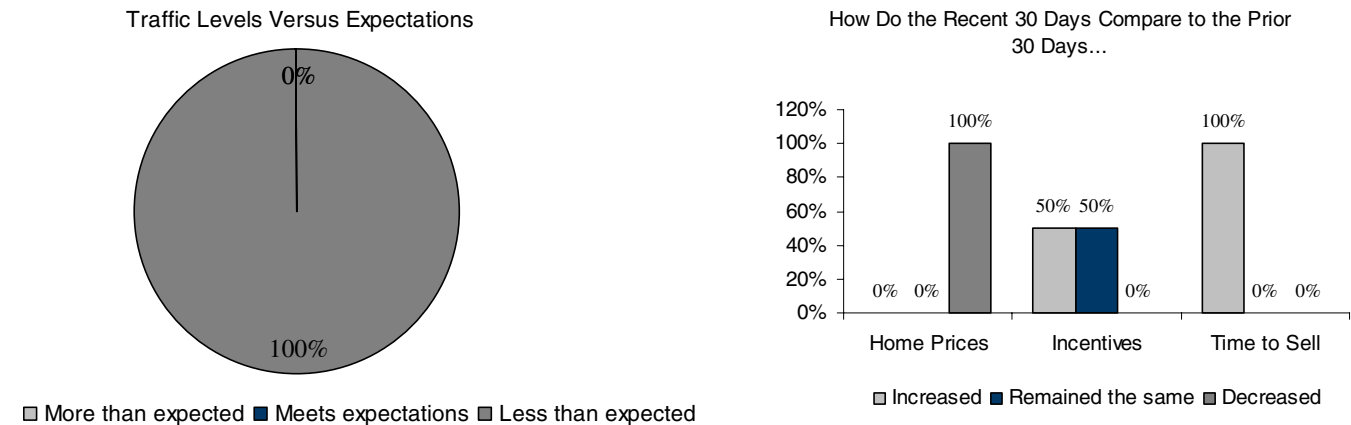
Longer time needed to sell a home in August. Our time to sell index came in at 0 in August from 13 in July, remaining below a neutral reading of 50, indicating an increased time to sell (readings below 50 suggest the time to sell increased over the last 30 days). 100% of agents said the time to sell increased. We view the longer time needed to sell as a negative indicator of future pricing trends.

Comments from real estate agents:

- "People didn't want to buy with the threat of less pay for social security and pensions."
- "Traffic is weak because of the economy. People need more security."

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

Exhibit 44: Traffic Below Expectations, Prices Fall, Incentives Increase, Time to Sell Lengthens in August



Source: Credit Suisse estimates

Historical Trends

Traffic Fell in August as buyers were increasingly cautious on the market. Economic and unemployment concerns, coupled with a lack of confidence and anxiety over congress were the main drivers. Historical traffic trends:

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

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11
Atlanta, GA	39.2	24.1	33.8	37.5	23.5	12.1	15.5	12.5	19.7	4.5	18.8	33.3	24.1	20.0	25.0	21.2	25.9	33.3	33.3	26.5
Austin, TX	37.5	55.0	39.3	60.0	29.5	25.0	2.6	13.2	13.2	42.1	22.7	39.3	38.1	42.5	39.6	46.4	41.3	27.3	25.0	23.9
Baltimore, MD	45.0	0.0	37.5	25.0	57.1	30.0	18.8	20.0	11.1	0.0	31.8	40.0	16.7	68.8	42.3	20.8	20.0	5.6	45.0	37.5
Boston, MA	54.5	64.7	78.6	50.0	45.5	21.4	33.3	18.2	22.2	7.7	31.8	13.6	30.0	31.3	44.4	50.0	28.6	46.9	34.6	18.8
Charleston, SC	50.0	50.0	50.0	50.0	25.0	30.0	43.8	0.0	15.4	25.0	37.5	25.0	50.0	50.0	16.7	16.7	10.0	30.0	30.0	16.7
Charlotte, NC	39.6	37.5	25.0	25.0	31.3	16.7	15.8	10.7	18.4	19.2	21.4	20.0	55.0	41.7	28.6	31.8	34.4	23.1	19.2	21.9
Chicago, IL	41.3	47.8	34.3	26.1	20.2	18.9	10.6	9.6	12.0	12.2	18.2	25.7	25.6	27.6	26.4	27.4	32.9	20.8	24.2	21.1
Cincinnati, OH	50.0	27.3	26.7	77.3	18.8	0.0	22.2	13.6	28.6	16.7	31.3	33.3	22.2	21.4	35.7	26.7	25.0	11.5	20.0	14.3
Columbus, OH	57.1	40.0	58.3	58.3	25.0	9.1	7.1	13.6	0.0	8.3	22.2	50.0	25.0	42.9	31.3	16.7	28.6	33.3	25.0	25.0
Dallas, TX	41.3	56.5	52.6	47.6	28.0	5.3	19.0	21.4	12.1	13.6	28.0	24.0	38.6	30.4	41.1	42.5	39.5	21.9	45.0	23.1
Denver, CO	38.9	52.6	48.5	48.5	29.0	12.5	12.5	10.3	13.0	16.0	12.1	35.4	31.3	40.7	38.6	43.8	31.0	28.6	26.9	22.2
Detroit, MI	34.0	39.6	40.0	44.7	36.1	34.2	31.6	29.5	25.0	13.2	13.2	13.9	20.0	36.8	60.0	56.3	38.6	38.9	40.0	35.7
Fort Myers, FL	48.1	57.9	57.9	56.7	45.0	39.5	22.0	28.1	36.4	20.6	43.8	32.1	63.6	52.6	66.7	53.3	52.8	52.8	42.9	40.0
Houston, TX	47.7	45.5	39.6	27.8	24.0	21.4	15.0	13.2	14.3	3.1	26.1	40.6	42.9	39.5	29.2	31.0	27.8	23.1	36.5	19.0
Inland Empire, CA	50.0	44.7	47.8	43.5	43.8	19.4	23.8	27.3	15.4	21.4	32.4	36.1	45.5	50.0	33.3	31.3	27.8	29.4	33.3	21.4
Jacksonville, FL	50.0	22.2	50.0	66.7	38.9	21.4	17.9	20.0	11.1	9.1	25.0	50.0	70.0	50.0	53.6	53.8	61.1	36.7	41.7	38.5
Las Vegas, NV	51.5	55.7	47.1	56.3	44.6	19.0	18.2	21.7	20.8	23.9	20.0	26.2	27.3	43.5	26.0	50.0	31.3	42.5	32.7	33.3
Los Angeles, CA	51.6	48.5	50.0	53.8	54.3	23.8	16.7	23.0	15.2	24.1	25.0	15.0	32.6	39.4	33.3	28.4	25.7	19.4	28.1	33.3
Miami, FL	51.4	47.2	47.8	48.6	35.9	28.1	21.6	25.0	29.2	19.4	28.6	18.8	46.2	51.5	52.4	48.8	52.5	42.4	37.5	37.1
Minneapolis, MN	31.1	48.8	45.5	57.0	24.3	8.0	6.8	8.3	14.3	10.0	14.6	19.1	31.4	39.1	34.7	38.5	30.7	35.5	33.3	23.6
Nashville, TN	38.9	20.6	19.2	50.0	15.0	20.8	31.3	18.2	15.8	16.7	15.0	46.7	0.0	50.0	30.8	43.8	15.0	26.9	8.3	16.7
New York-Northern NJ	32.1	32.0	40.7	32.1	22.9	16.7	15.4	18.1	21.6	16.1	17.5	33.0	28.7	34.0	23.1	23.5	18.3	11.1	15.3	17.4
Orlando, FL	50.0	56.7	50.0	60.0	34.6	6.3	27.3	16.7	16.0	9.4	16.7	37.5	50.0	50.0	39.5	44.1	39.6	13.9	27.8	23.5
Phila.-Southern NJ	32.0	24.2	42.9	34.4	15.2	10.5	10.0	12.5	13.2	14.7	17.4	13.9	53.6	43.2	36.0	11.4	7.7	7.5	17.6	21.4
Phoenix, AZ	34.0	39.0	40.3	51.0	37.0	18.5	13.8	10.5	19.4	16.7	31.6	28.2	39.7	47.1	44.2	54.8	54.2	45.7	50.0	39.2
Port St. Lucie, FL	50.0	50.0	60.0	66.7	0.0	33.3	16.7	33.3	33.3	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portland, OR	43.1	34.0	41.4	42.9	21.7	11.5	11.5	13.6	12.5	18.5	20.0	28.8	40.0	38.0	32.7	23.8	23.9	24.0	26.2	21.1
Raleigh, NC	36.8	23.3	37.5	26.5	5.3	16.7	10.7	11.1	12.5	7.7	4.2	0.0	39.3	35.0	37.5	16.7	16.7	30.0	22.2	13.6
Richmond, VA	33.3	33.3	30.0	0.0	20.0	25.0	10.0	37.5	37.5	25.0	10.0	16.7	66.7	60.0	50.0	25.0	18.8	33.3	66.7	75.0
Sacramento, CA	34.6	34.6	12.5	68.8	50.0	8.3	11.5	0.0	25.0	7.1	25.0	27.3	25.0	39.3	18.8	25.0	27.8	39.5	28.1	25.0
San Antonio, TX	46.2	25.0	34.6	45.0	29.4	28.1	5.6	17.9	5.0	23.5	41.7	27.8	37.5	18.2	32.1	40.9	27.8	40.9	16.7	12.5
San Diego, CA	45.2	31.3	41.7	51.9	20.0	13.2	14.7	6.9	4.8	4.3	14.7	15.8	33.3	34.1	23.9	30.0	21.7	15.4	11.5	18.8
San Francisco, CA	50.0	44.2	47.6	65.2	46.9	28.0	18.3	17.9	14.3	16.7	26.3	41.2	50.0	56.3	37.5	41.3	33.3	25.0	42.0	38.6
Sarasota, FL	55.6	54.5	50.0	58.3	50.0	18.8	12.5	29.2	6.3	22.7	20.0	43.8	50.0	45.5	62.5	75.0	64.7	43.8	33.3	27.8
Seattle, WA	47.9	57.4	44.8	66.1	28.3	17.3	19.2	16.7	25.0	30.0	22.7	41.1	55.0	61.1	36.5	26.3	41.3	33.3	25.0	22.2
St. Louis, MO	32.0	34.4	45.0	38.9	31.3	0.0	12.5	7.1	5.6	6.3	50.0	50.0	25.0	33.3	25.0	20.0	25.0	8.3	30.0	42.9
Tampa, FL	50.0	53.3	37.0	47.4	36.1	20.5	9.3	15.0	14.0	12.5	17.6	27.5	32.4	42.1	38.6	61.8	37.5	21.7	30.4	22.0
Tucson, AZ	39.5	52.8	31.6	44.7	37.5	13.6	14.3	6.3	16.7	19.2	30.8	38.9	50.0	41.2	57.7	40.9	43.8	34.4	45.5	26.9
Virginia Beach, VA	54.5	43.8	37.5	33.3	25.0	18.8	6.3	7.7	10.0	18.2	10.0	41.7	30.0	54.2	45.0	50.0	29.2	16.7	50.0	50.0
Washington, DC	39.7	32.4	63.0	62.5	35.2	27.1	25.0	18.5	35.0	17.6	30.8	30.6	47.1	50.0	45.3	32.0	37.0	28.0	35.4	27.3
Wilmington, NC	16.7	50.0	50.0	80.0	50.0	16.7	16.7	35.0	31.3	21.4	7.1	33.3	75.0	28.6	25.0	50.0	25.0	50.0	37.5	0.0
Total	43.5	41.4	43.1	48.7	31.5	19.1	16.9	17.0	17.9	16.3	22.1	29.1	38.2	41.0	36.6	35.9	31.1	28.1	31.1	26.2

Source: Credit Suisse estimates

Our price index slipped further below a neutral reading of 50, pointing to lower prices in August. We expect pricing pressure to remain driven by a lack of demand and higher levels of distress inventory. Historical price trends:

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

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11
Atlanta, GA	29.5	22.2	30.9	20.8	28.4	27.6	21.7	16.7	19.1	11.9	15.4	23.8	14.5	20.8	32.8	21.2	22.4	31.7	28.8	26.5
Austin, TX	28.8	40.0	32.1	50.0	36.4	27.5	28.9	15.8	23.7	13.9	26.1	25.0	35.7	28.6	50.0	40.0	45.7	43.5	32.5	30.4
Baltimore, MD	15.0	31.3	31.3	35.7	28.6	20.0	25.0	16.7	12.5	18.2	20.0	33.3	31.3	12.5	25.0	20.0	22.2	22.2	22.2	25.0
Boston, MA	50.0	47.1	57.1	58.3	54.5	42.3	35.7	40.9	27.8	34.6	36.4	36.4	40.0	43.8	41.7	32.4	17.9	43.3	26.9	25.0
Charleston, SC	30.0	12.5	38.9	20.0	25.0	20.0	25.0	25.0	27.3	21.4	25.0	25.0	50.0	8.3	25.0	0.0	20.0	35.0	16.7	16.7
Charlotte, NC	31.3	37.5	30.0	22.5	31.3	34.6	18.4	23.1	18.4	15.4	7.1	16.7	25.0	22.7	21.4	33.3	28.1	11.5	20.8	16.7
Chicago, IL	23.0	26.1	28.3	23.9	24.4	19.7	15.3	10.9	10.9	6.7	15.6	14.9	16.7	21.4	25.0	18.6	15.8	12.5	15.6	9.5
Cincinnati, OH	34.6	30.0	56.3	59.1	56.3	35.7	22.2	18.2	28.6	16.7	12.5	16.7	27.8	33.3	35.7	32.1	20.0	23.1	20.0	14.3
Columbus, OH	42.9	40.0	41.7	41.7	16.7	27.3	21.4	13.6	33.3	8.3	38.9	0.0	25.0	28.6	37.5	25.0	35.7	22.2	22.2	25.0
Dallas, TX	31.3	43.8	39.5	54.8	44.0	39.5	28.6	21.4	25.9	22.7	18.0	26.0	34.1	21.7	25.0	47.5	34.2	36.7	50.0	34.6
Denver, CO	34.7	48.7	53.1	53.1	51.6	34.6	35.9	24.1	22.2	18.0	21.2	16.7	33.9	38.9	34.3	39.1	32.3	28.6	36.5	42.3
Detroit, MI	18.0	22.9	30.4	45.2	33.3	38.9	26.3	33.3	28.9	31.6	15.8	27.8	26.7	35.0	32.5	46.7	43.2	38.2	39.3	34.6
Fort Myers, FL	59.6	50.0	57.9	50.0	70.0	60.5	46.0	20.6	31.8	23.5	43.8	39.3	40.9	44.7	58.3	60.0	47.2	71.9	46.4	60.7
Houston, TX	38.6	47.7	43.8	41.7	41.7	40.5	21.7	26.3	21.4	17.6	32.6	43.8	33.3	36.8	41.7	45.2	41.7	32.7	36.0	42.5
Inland Empire, CA	56.9	57.5	71.7	70.5	65.6	50.0	47.6	38.6	37.5	35.7	36.7	32.4	50.0	26.5	40.5	31.3	26.3	35.3	29.2	32.1
Jacksonville, FL	25.0	22.2	34.4	27.8	38.9	21.4	25.0	22.2	22.2	9.1	0.0	30.0	30.0	30.0	19.2	38.5	25.0	42.9	25.0	23.1
Las Vegas, NV	47.2	38.2	41.2	50.0	50.0	43.3	35.5	32.0	30.0	32.6	25.0	32.5	23.9	30.4	30.0	30.6	21.2	32.5	28.0	19.4
Los Angeles, CA	62.5	64.7	69.1	61.5	45.8	50.0	31.7	25.0	25.7	33.3	33.3	35.7	37.0	28.1	34.0	27.0	27.0	22.2	30.6	27.9
Miami, FL	35.1	26.4	37.5	38.2	29.5	37.1	28.2	28.6	27.7	27.8	21.7	22.7	34.6	30.0	36.9	38.5	37.2	32.6	40.6	50.0
Minneapolis, MN	26.7	37.5	34.8	52.0	29.2	18.2	19.3	28.0	14.6	12.8	11.3	16.3	22.7	21.2	27.8	20.0	16.3	22.6	23.6	22.9
Nashville, TN	26.5	26.5	26.9	31.3	35.0	20.8	31.3	31.8	23.7	20.0	33.3	30.0	25.0	31.3	30.8	25.0	35.0	26.9	25.0	20.8
New York-Northern NJ	27.0	28.0	38.8	33.6	33.3	28.7	14.7	21.4	22.7	23.6	20.2	17.4	23.1	22.8	34.6	32.8	22.6	18.3	25.0	16.7
Orlando, FL	32.4	23.3	34.8	40.0	36.5	25.0	34.1	24.0	16.0	28.1	25.0	25.0	25.0	11.5	21.1	38.2	35.4	18.4	41.7	37.5
Phila.-Southern NJ	30.0	40.0	42.9	39.3	41.7	27.5	30.0	20.0	13.2	11.8	15.2	26.5	40.0	25.0	32.0	20.5	23.1	19.0	17.6	21.4
Phoenix, AZ	35.4	39.0	35.0	40.8	38.9	42.7	26.6	17.9	12.5	14.3	15.8	21.8	20.6	20.6	28.7	40.5	37.5	38.6	51.4	40.5
Port St. Lucie, FL	37.5	35.7	40.0	50.0	50.0	50.0	16.7	16.7	33.3	31.3	0.0	0.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Portland, OR	21.4	20.0	17.2	35.7	23.9	19.2	17.3	14.1	17.9	9.6	3.3	9.6	23.3	17.3	19.6	15.9	21.7	18.0	21.4	17.5
Raleigh, NC	34.2	25.0	43.8	29.4	21.1	16.7	20.0	16.7	26.7	11.5	16.7	29.2	17.9	40.9	25.0	27.8	20.0	30.0	16.7	22.7
Richmond, VA	25.0	21.4	20.0	50.0	20.0	25.0	16.7	0.0	12.5	31.3	20.0	0.0	25.0	50.0	40.0	8.3	31.3	10.0	16.7	0.0
Sacramento, CA	54.2	53.8	53.8	62.5	50.0	37.5	38.5	25.0	17.9	21.4	15.0	13.6	15.0	26.9	9.4	25.0	19.4	23.7	21.9	23.1
San Antonio, TX	38.5	25.0	42.9	45.0	41.2	21.9	16.7	21.4	10.0	32.4	37.5	27.8	37.5	36.4	35.7	40.9	35.0	27.3	33.3	37.5
San Diego, CA	59.5	50.0	61.8	69.2	55.0	44.4	41.7	28.6	23.8	30.4	17.6	30.6	23.3	27.3	18.2	36.0	29.2	26.9	33.3	14.3
San Francisco, CA	44.0	53.8	51.2	54.3	48.4	39.1	33.3	25.0	25.9	26.7	10.5	23.5	26.5	34.8	33.3	36.0	29.6	22.9	32.0	29.5
Sarasota, FL	22.2	22.7	28.6	33.3	57.1	31.3	27.3	19.2	7.1	18.2	40.0	16.7	12.5	22.7	42.3	37.5	26.5	62.5	37.5	50.0
Seattle, WA	32.6	27.3	24.1	44.4	34.8	21.2	20.0	20.0	20.6	25.0	24.2	21.0	23.3	27.8	30.8	31.6	26.0	27.1	29.4	20.7
St. Louis, MO	23.9	32.4	25.0	25.0	35.7	33.3	25.0	14.3	27.8	31.3	28.6	20.0	12.5	33.3	20.8	35.0	0.0	20.0	40.0	28.6
Tampa, FL	38.5	42.9	36.0	42.1	41.7	28.6	21.2	23.3	16.7	22.5	29.4	15.0	16.7	28.9	22.7	47.1	36.8	34.8	45.5	26.0
Tucson, AZ	39.5	32.4	19.4	25.0	37.5	18.2	14.3	15.6	20.8	4.2	23.1	16.7	54.5	5.9	34.6	13.6	31.3	26.7	27.3	23.1
Virginia Beach, VA	31.8	37.5	25.0	20.8	25.0	31.3	25.0	23.1	25.0	13.6	20.0	58.3	30.0	25.0	30.0	33.3	25.0	41.7	8.3	25.0
Washington, DC	50.0	51.6	67.3	83.3	55.8	45.8	40.6	40.7	32.8	22.2	26.9	34.2	40.6	50.0	53.6	44.2	43.5	56.0	42.0	35.7
Wilmington, NC	0.0	25.0	25.0	30.0	10.0	22.2	27.8	22.2	6.3	14.3	14.3	0.0	21.4	16.7	37.5	8.3	12.5	0.0	0.0	0.0
Total	35.0	35.7	39.9	43.4	38.9	32.1	26.8	22.9	22.0	20.5	21.6	23.0	26.9	30.1	29.9	31.8	26.7	29.0	28.7	26.1

Source: Credit Suisse estimates

Sellers continued to increase incentives in August, as buyers looked for best deals.

Historical incentive trends:

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

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11
Atlanta, GA	45.8	32.0	37.9	37.0	42.4	31.5	34.6	32.7	34.5	42.9	29.2	30.0	37.5	27.3	41.1	34.0	28.8	32.8	32.7	38.2
Austin, TX	38.0	32.5	44.6	40.0	29.5	37.5	36.8	26.3	35.3	38.9	25.0	39.3	40.5	35.0	41.3	43.3	39.1	34.1	31.6	37.0
Baltimore, MD	43.8	42.9	50.0	35.7	50.0	50.0	35.7	30.0	37.5	28.6	44.4	40.0	16.7	43.8	30.0	40.0	20.0	27.8	37.5	25.0
Boston, MA	50.0	43.3	33.3	44.4	71.4	45.0	55.6	60.0	42.9	36.4	50.0	40.9	46.2	50.0	40.6	53.3	53.8	50.0	53.8	36.7
Charleston, SC	40.0	62.5	43.8	30.0	35.7	60.0	37.5	25.0	40.9	41.7	37.5	50.0	37.5	43.8	40.0	50.0	40.0	40.0	38.9	50.0
Charlotte, NC	35.4	42.1	37.5	32.5	31.8	40.0	41.2	42.3	39.5	41.7	32.1	36.7	45.0	27.3	42.9	54.5	43.3	45.8	45.8	50.0
Chicago, IL	38.0	48.7	40.4	51.2	38.5	44.3	48.8	40.5	45.2	38.4	38.5	37.5	45.3	57.7	46.9	54.2	45.6	47.0	45.0	43.8
Cincinnati, OH	34.6	30.0	43.8	45.5	56.3	57.1	44.4	45.0	28.6	25.0	31.3	41.7	38.9	41.7	42.9	43.3	50.0	29.2	30.0	14.3
Columbus, OH	21.4	40.0	33.3	50.0	50.0	36.4	28.6	27.3	50.0	41.7	33.3	50.0	37.5	41.7	37.5	50.0	50.0	50.0	35.0	31.3
Dallas, TX	47.9	30.6	44.7	50.0	38.0	42.1	50.0	30.8	26.8	42.1	21.7	37.5	39.5	26.1	44.4	42.1	38.9	50.0	66.7	37.5
Denver, CO	47.0	45.8	46.6	41.9	41.4	42.3	40.0	48.1	35.4	34.1	36.2	37.0	41.7	44.2	50.0	50.0	38.9	30.8	44.0	42.0
Detroit, MI	50.0	47.6	47.7	52.8	46.9	46.7	50.0	50.0	46.9	47.2	44.1	47.1	50.0	44.4	42.1	53.6	50.0	43.3	37.5	36.4
Fort Myers, FL	46.0	33.3	36.8	53.3	35.0	39.5	42.0	26.5	31.8	32.4	53.1	46.4	36.4	36.8	41.7	46.7	28.1	43.3	50.0	42.9
Houston, TX	33.3	52.4	47.9	33.3	39.6	45.0	29.3	28.9	40.0	35.3	25.0	21.4	38.1	34.2	43.5	38.9	34.4	32.0	34.0	33.3
Inland Empire, CA	46.9	35.0	37.5	35.7	50.0	50.0	50.0	43.2	47.8	50.0	36.7	32.4	37.5	38.2	42.5	53.3	38.9	44.1	50.0	50.0
Jacksonville, FL	30.0	33.3	36.7	50.0	27.8	42.9	50.0	27.8	50.0	20.0	10.0	50.0	30.0	40.0	35.7	42.3	35.3	30.8	27.3	30.8
Las Vegas, NV	41.7	44.1	39.1	39.7	37.5	34.5	41.7	42.0	41.3	39.1	19.2	37.5	41.3	37.0	31.3	36.1	31.3	28.9	34.0	35.3
Los Angeles, CA	39.1	38.7	50.0	50.0	50.0	42.1	42.0	38.7	43.3	47.9	28.6	47.1	47.5	39.3	46.3	50.0	37.1	38.3	29.6	37.5
Miami, FL	57.6	43.5	47.5	46.9	37.5	42.3	44.3	41.7	39.5	37.1	27.8	37.9	39.6	45.2	48.8	43.4	47.2	40.2	46.3	41.2
Minneapolis, MN	39.0	43.1	35.6	37.2	41.4	32.9	34.1	51.3	37.5	32.1	42.3	36.7	40.9	39.1	33.3	46.2	39.3	35.5	38.2	47.0
Nashville, TN	32.4	50.0	42.3	46.9	55.0	50.0	43.8	40.9	34.2	40.0	38.9	40.0	50.0	31.3	34.6	56.3	40.0	38.5	41.7	50.0
New York-Northern NJ	48.5	39.4	44.9	48.9	49.1	40.6	42.6	46.6	44.9	41.7	43.0	50.0	39.6	50.0	44.5	50.9	47.2	44.4	35.9	40.0
Orlando, FL	47.1	35.7	52.5	41.7	26.0	53.3	38.6	45.8	37.0	37.5	37.5	37.5	45.8	29.2	36.1	26.5	26.1	47.2	50.0	43.8
Phila.-Southern NJ	47.7	39.3	37.5	46.4	47.7	52.8	38.2	36.1	38.2	46.4	35.7	42.3	40.9	27.8	31.8	39.5	32.6	27.8	43.8	52.9
Phoenix, AZ	39.6	36.6	38.2	34.4	42.7	38.0	32.9	31.1	30.2	25.8	28.9	37.8	37.0	36.4	43.6	42.1	29.4	31.3	34.3	42.4
Port St. Lucie, FL	50.0	57.1	60.0	66.7	40.0	50.0	50.0	33.3	50.0	31.3	50.0	75.0	66.7	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Portland, OR	51.9	39.6	46.2	37.5	36.4	42.3	41.3	36.7	44.2	37.5	43.3	46.2	53.3	42.0	50.0	47.7	45.7	46.0	38.1	47.5
Raleigh, NC	28.9	40.0	40.6	34.4	34.2	33.3	35.7	29.4	30.0	30.8	25.0	29.2	28.6	35.0	50.0	30.0	25.0	30.0	33.3	27.3
Richmond, VA	41.7	50.0	37.5	50.0	20.0	75.0	33.3	0.0	25.0	43.8	20.0	25.0	33.3	50.0	40.0	41.7	35.7	35.0	33.3	0.0
Sacramento, CA	40.9	45.5	54.5	31.3	33.3	45.8	41.7	41.7	46.2	25.0	28.6	40.9	27.8	37.5	50.0	40.6	44.1	36.8	31.3	54.2
San Antonio, TX	42.3	50.0	46.4	55.0	34.4	43.8	33.3	25.0	29.4	33.3	27.8	62.5	27.3	42.9	31.8	35.0	27.3	37.5	31.3	31.3
San Diego, CA	38.9	38.6	42.3	38.6	50.0	44.1	34.4	41.7	39.5	35.7	46.7	38.2	40.9	35.0	42.1	50.0	40.0	36.4	45.0	40.9
San Francisco, CA	45.6	45.5	44.3	47.6	44.6	44.4	45.8	43.8	50.0	45.2	37.5	40.0	50.0	43.3	42.1	40.9	35.0	35.7	50.0	44.1
Sarasota, FL	37.5	40.9	45.5	37.5	40.0	28.6	30.0	27.3	33.3	30.0	30.0	37.5	37.5	25.0	25.0	35.7	37.5	21.4	33.3	25.0
Seattle, WA	50.0	37.1	35.2	37.0	45.2	43.5	38.6	48.3	37.5	41.4	40.3	39.3	46.2	43.8	47.9	36.1	37.0	40.5	36.7	47.9
St. Louis, MO	25.0	37.5	45.0	43.8	33.3	20.0	25.0	30.0	37.5	28.6	28.6	40.0	33.3	31.8	40.0	25.0	62.5	37.5	25.0	25.0
Tampa, FL	33.3	42.9	40.4	44.7	35.3	35.7	42.0	35.7	47.7	40.0	25.0	34.2	36.1	30.0	32.5	32.4	32.5	28.3	32.6	36.5
Tucson, AZ	42.1	36.7	33.3	35.0	35.7	31.8	32.1	34.4	33.3	26.9	41.7	27.8	22.7	37.5	30.8	40.9	34.4	46.7	40.9	34.6
Virginia Beach, VA	50.0	43.8	50.0	40.0	54.5	42.9	50.0	37.5	20.0	35.0	37.5	50.0	37.5	50.0	38.9	40.0	30.0	50.0	25.0	37.5
Washington, DC	52.9	36.7	39.6	54.3	42.3	45.0	42.6	34.8	30.4	25.0	25.0	29.4	28.6	39.1	33.3	40.0	34.2	38.6	43.2	37.5
Wilmington, NC	25.0	50.0	50.0	40.0	30.0	44.4	44.4	55.6	43.8	41.7	28.6	33.3	50.0	35.7	50.0	50.0	66.7	50.0	37.5	25.0
Total	41.8	41.9	42.9	43.1	41.2	43.7	40.7	37.1	38.4	36.6	34.1	39.5	40.4	38.6	39.5	42.4	37.1	37.8	38.3	36.7

Source: Credit Suisse estimates

Inventories were flat in August. However, we expect inventory levels to trend higher as foreclosure heavy states resolve paperwork issues. Historical inventory trends:

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

more home listings]

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11
Atlanta, GA	58.1	50.0	35.7	33.3	41.2	31.0	35.0	33.3	43.8	60.0	41.7	45.2	44.8	27.1	32.8	34.6	31.5	38.3	34.6	58.8
Austin, TX	63.5	42.5	27.8	24.0	22.7	30.0	18.4	13.2	5.3	33.3	30.4	50.0	50.0	42.9	47.8	36.7	41.3	37.0	47.5	47.8
Baltimore, MD	25.0	64.3	25.0	7.1	21.4	30.0	18.8	15.0	11.1	18.8	54.5	40.0	33.3	12.5	16.7	20.8	40.0	44.4	66.7	62.5
Boston, MA	59.1	52.9	21.4	29.2	44.4	30.8	39.3	40.9	5.6	23.1	54.5	59.1	63.3	64.3	22.2	20.6	25.0	16.7	30.8	25.0
Charleston, SC	60.0	25.0	55.6	20.0	43.8	60.0	37.5	12.5	37.5	57.1	75.0	70.0	37.5	50.0	25.0	25.0	20.0	50.0	61.1	50.0
Charlotte, NC	39.6	30.0	20.0	35.0	32.6	36.7	44.4	30.8	23.7	37.5	42.9	46.4	50.0	22.7	32.1	45.8	43.8	42.3	45.8	50.0
Chicago, IL	41.2	29.5	19.1	22.8	27.3	34.2	35.4	24.5	32.6	32.2	35.6	58.3	36.8	35.7	24.5	26.2	25.0	23.6	28.8	35.1
Cincinnati, OH	38.5	25.0	31.3	31.8	18.8	28.6	22.2	36.4	21.4	8.3	37.5	66.7	40.0	7.1	8.3	10.0	50.0	29.2	20.0	42.9
Columbus, OH	57.1	60.0	33.3	50.0	50.0	22.7	42.9	27.3	16.7	8.3	33.3	100.0	50.0	16.7	37.5	33.3	35.7	33.3	44.4	81.3
Dallas, TX	45.8	45.3	39.5	36.8	34.0	23.7	23.8	30.8	25.0	45.5	46.0	40.7	36.4	35.4	33.9	30.0	21.1	40.0	40.0	38.5
Denver, CO	61.4	48.7	33.3	32.8	37.1	42.3	30.6	24.1	24.1	30.0	39.4	47.9	45.3	33.3	38.6	34.8	37.1	42.6	63.5	78.8
Detroit, MI	44.0	60.4	60.9	42.9	36.1	47.2	44.7	45.2	42.1	55.3	50.0	52.8	66.7	52.5	58.3	46.7	65.9	56.3	50.0	57.7
Fort Myers, FL	52.0	50.0	65.8	66.7	60.0	57.9	48.0	41.2	40.9	55.9	71.9	57.1	45.5	78.9	64.6	70.0	63.9	86.7	78.6	67.9
Houston, TX	38.6	42.5	37.0	25.0	22.9	21.4	21.7	28.9	33.3	35.3	41.3	36.7	45.0	26.3	37.5	31.0	26.5	20.0	42.0	50.0
Inland Empire, CA	65.7	72.5	56.5	59.1	71.9	52.8	70.0	52.3	44.0	64.3	46.7	61.1	45.8	32.4	47.6	40.6	34.2	47.1	54.2	53.6
Jacksonville, FL	33.3	44.4	50.0	61.1	38.9	35.7	53.8	35.0	44.4	31.8	10.0	70.0	40.0	53.6	38.5	58.3	53.8	58.3	50.0	50.0
Las Vegas, NV	72.2	71.4	69.1	85.9	70.6	48.3	33.9	18.0	20.0	28.3	21.2	25.0	26.1	21.7	42.0	30.6	34.8	50.0	50.0	55.6
Los Angeles, CA	64.5	60.9	47.8	42.3	29.2	42.9	33.3	31.9	34.3	50.0	39.7	45.2	39.1	43.8	31.9	37.8	31.1	39.7	41.7	45.6
Miami, FL	55.3	60.0	56.0	63.9	56.4	51.6	47.4	46.4	22.3	50.0	33.3	37.9	44.2	60.3	62.2	70.5	64.1	68.5	75.8	66.2
Minneapolis, MN	64.1	61.5	38.4	28.6	34.7	50.0	40.9	31.7	26.3	25.6	36.3	51.1	40.0	34.8	40.3	48.1	51.1	56.5	62.9	72.9
Nashville, TN	29.4	32.4	34.6	18.8	50.0	20.8	37.5	22.7	31.6	36.7	44.4	46.7	37.5	50.0	26.9	31.3	20.0	31.8	33.3	33.3
New York-Northern NJ	52.0	36.7	31.6	17.3	26.2	22.2	25.0	32.9	15.2	23.2	37.7	54.3	37.5	32.6	24.6	21.9	15.9	21.7	25.5	31.8
Orlando, FL	44.1	63.3	56.8	56.0	57.7	43.8	54.5	31.3	46.0	37.5	41.7	54.2	58.3	61.5	71.1	67.6	71.7	78.9	83.3	84.4
Phila.-Southern NJ	47.9	35.0	32.1	36.7	27.1	20.0	25.0	23.8	34.2	19.4	41.3	35.3	30.0	34.1	32.0	25.0	21.4	20.6	40.5	40.5
Phoenix, AZ	40.3	32.2	32.8	39.8	35.6	39.1	36.2	29.1	24.5	21.4	27.6	32.1	45.6	35.3	57.8	67.9	76.4	75.7	81.6	78.4
Port St. Lucie, FL	62.5	57.1	60.0	100.0	70.0	75.0	33.3	41.7	33.3	31.3	50.0	100.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Portland, OR	51.7	24.0	27.6	35.7	41.3	51.9	50.0	27.4	23.2	42.3	53.3	69.2	40.0	44.2	50.0	52.3	45.7	60.0	73.8	65.0
Raleigh, NC	47.4	40.0	21.9	37.5	42.1	33.3	23.3	36.1	50.0	26.9	33.3	29.2	39.3	22.7	25.0	30.0	41.7	30.0	55.6	50.0
Richmond, VA	41.7	35.7	30.0	0.0	30.0	25.0	25.0	0.0	25.0	56.3	25.0	66.7	33.3	40.0	20.0	16.7	37.5	30.0	16.7	25.0
Sacramento, CA	57.7	61.5	46.2	37.5	65.0	38.5	53.8	31.3	32.1	39.3	50.0	36.4	50.0	26.9	59.4	61.1	36.1	63.2	50.0	75.0
San Antonio, TX	50.0	42.9	42.3	25.0	38.2	28.1	16.7	23.1	15.0	38.2	50.0	50.0	50.0	18.2	32.1	31.8	45.0	36.4	27.8	43.8
San Diego, CA	60.0	47.9	58.8	50.0	35.0	33.3	32.4	21.4	31.0	35.7	32.4	35.3	33.3	34.1	29.5	38.0	31.8	33.3	33.3	42.9
San Francisco, CA	70.0	36.0	38.1	30.4	41.9	41.3	33.9	33.9	17.3	32.8	44.4	58.8	25.0	30.4	43.8	54.0	27.8	34.8	54.0	50.0
Sarasota, FL	61.1	59.1	50.0	50.0	83.3	56.3	59.1	46.2	35.7	27.3	50.0	44.4	33.3	65.0	53.8	75.0	79.4	100.0	95.8	94.4
Seattle, WA	39.1	37.5	27.6	35.7	30.4	26.9	15.2	25.0	27.9	46.7	48.5	68.3	48.3	31.5	36.0	21.1	27.1	41.3	55.9	46.6
St. Louis, MO	43.5	21.9	20.0	33.3	25.0	41.7	43.8	50.0	33.3	31.3	28.6	40.0	25.0	0.0	33.3	25.0	12.5	30.0	50.0	42.9
Tampa, FL	48.1	53.6	38.9	44.7	50.0	38.1	25.0	33.3	27.1	47.5	32.4	45.0	41.7	26.3	52.3	67.6	57.5	58.7	67.4	65.4
Tucson, AZ	44.7	26.5	36.1	52.5	63.3	59.1	35.7	34.4	33.3	38.5	41.7	33.3	35.0	21.9	23.1	27.3	59.4	65.6	81.8	73.1
Virginia Beach, VA	45.5	25.0	12.5	8.3	12.5	37.5	31.3	11.5	15.0	4.5	20.0	41.7	30.0	13.6	30.0	25.0	27.3	50.0	58.3	25.0
Washington, DC	67.9	75.0	62.0	51.9	55.8	50.0	46.9	46.3	32.8	27.8	55.8	69.4	50.0	42.9	44.0	38.5	37.0	44.0	52.0	54.5
Wilmington, NC	50.0	25.0	16.7	0.0	30.0	38.9	50.0	27.8	25.0	35.7	33.3	16.7	25.0	35.7	50.0	25.0	25.0	50.0	25.0	0.0
Total	51.3	46.1	39.5	38.2	42.0	38.9	36.3	30.0	28.2	35.5	41.3	51.2	40.9	35.5	37.9	37.4	39.0	44.7	49.7	51.5

Source: Credit Suisse estimates

The length of time needed to sell a home continued to increase in August, a negative for near-term price trends. Historical time to sell trends:

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

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11
Atlanta, GA	31.1	38.9	40.0	43.8	35.3	25.9	23.3	13.0	17.2	22.5	20.8	28.6	19.0	27.1	32.8	25.0	18.5	33.3	32.0	32.4
Austin, TX	34.6	30.0	37.5	36.0	35.7	25.0	23.7	8.3	10.5	25.0	15.2	28.6	23.8	26.2	41.7	43.3	41.3	34.8	32.5	30.4
Baltimore, MD	25.0	35.7	50.0	42.9	50.0	10.0	0.0	15.0	0.0	12.5	20.0	10.0	8.3	14.3	29.2	37.5	30.0	16.7	27.8	25.0
Boston, MA	50.0	61.8	64.3	54.2	68.2	38.5	32.1	22.7	22.2	15.4	22.7	18.2	30.0	28.6	41.2	64.7	32.1	30.0	15.4	21.9
Charleston, SC	30.0	50.0	38.9	30.0	50.0	30.0	31.3	12.5	29.2	42.9	37.5	40.0	37.5	43.8	16.7	25.0	20.0	30.0	33.3	16.7
Charlotte, NC	22.9	37.5	40.0	25.0	35.4	33.3	13.2	11.5	21.1	11.5	10.7	17.9	10.0	22.7	32.1	33.3	25.0	23.1	23.1	26.7
Chicago, IL	27.5	37.8	30.0	39.1	22.2	12.5	21.4	7.4	18.5	17.8	21.1	16.2	24.4	25.0	17.9	25.0	23.0	25.0	22.7	20.3
Cincinnati, OH	34.6	20.0	56.3	77.3	31.3	21.4	11.1	22.7	14.3	8.3	12.5	33.3	16.7	28.6	25.0	26.7	40.0	19.2	0.0	14.3
Columbus, OH	71.4	62.5	41.7	58.3	33.3	22.7	28.6	25.0	16.7	16.7	27.8	0.0	62.5	8.3	25.0	41.7	35.7	27.8	16.7	25.0
Dallas, TX	29.2	42.2	36.1	57.1	35.4	34.2	11.9	14.3	17.2	11.4	14.0	25.0	20.5	16.7	32.1	47.5	31.6	34.4	30.0	15.4
Denver, CO	41.4	47.4	45.5	50.0	38.7	26.9	24.2	10.3	16.7	20.0	18.8	22.9	25.0	35.2	41.4	39.1	41.9	32.7	40.0	40.4
Detroit, MI	40.0	37.5	47.8	59.5	47.1	47.2	34.2	32.5	23.7	31.6	16.7	33.3	30.0	52.5	52.6	63.3	52.3	52.9	53.6	50.0
Fort Myers, FL	46.0	55.3	63.2	70.0	57.5	55.3	31.3	26.5	27.3	41.2	40.0	50.0	54.5	60.5	60.4	70.0	58.3	73.3	64.3	57.1
Houston, TX	28.6	22.7	29.2	27.8	29.2	19.0	5.0	10.5	14.3	17.6	13.0	21.9	31.0	34.2	33.3	28.6	26.5	14.0	32.0	26.2
Inland Empire, CA	52.9	47.5	58.7	50.0	56.3	38.9	35.7	29.5	20.0	23.8	26.7	33.3	29.2	26.5	45.2	34.4	28.9	29.4	33.3	42.9
Jacksonville, FL	33.3	44.4	43.8	61.1	38.9	28.6	39.3	25.0	22.2	18.2	10.0	40.0	40.0	45.0	39.3	50.0	41.7	35.7	20.8	23.1
Las Vegas, NV	48.6	62.9	58.8	67.7	59.7	41.4	27.4	20.0	20.0	15.2	9.6	17.5	22.7	37.0	37.5	44.4	37.9	40.0	47.9	38.9
Los Angeles, CA	51.6	63.6	58.7	78.0	47.9	22.7	20.0	10.0	22.9	15.4	21.7	15.0	26.1	28.8	31.5	29.2	24.3	26.5	23.3	32.4
Miami, FL	52.6	44.3	52.2	50.0	39.7	48.4	30.8	31.0	27.7	31.4	25.9	22.7	46.2	52.9	59.8	53.9	50.0	54.5	51.6	54.2
Minneapolis, MN	41.3	50.0	50.9	61.2	37.1	21.6	19.3	19.5	15.9	19.2	12.5	19.1	23.3	28.8	33.3	21.2	26.2	21.7	31.9	28.6
Nashville, TN	26.5	26.5	26.9	37.5	35.0	12.5	28.6	22.7	15.8	26.9	22.2	21.4	6.3	28.1	38.5	43.8	30.0	29.2	33.3	20.8
New York-Northern NJ	29.5	32.5	40.8	40.0	36.1	21.3	17.1	18.6	19.7	21.4	24.5	25.0	22.1	30.7	25.4	34.1	16.4	17.5	18.1	12.5
Orlando, FL	44.1	63.3	58.7	60.0	61.5	33.3	50.0	34.0	26.0	28.1	29.2	25.0	33.3	34.6	36.8	44.1	39.1	34.2	55.9	53.1
Phila.-Southern NJ	34.0	34.5	35.7	46.7	29.2	30.0	10.0	14.3	16.7	6.3	26.1	17.6	33.3	34.1	40.0	26.2	19.2	19.0	17.6	26.2
Phoenix, AZ	43.1	44.9	45.9	45.9	45.6	30.0	25.5	20.0	21.9	17.1	17.1	21.8	38.2	35.3	40.4	59.5	57.1	67.1	65.8	63.5
Port St. Lucie, FL	50.0	71.4	60.0	83.3	50.0	50.0	16.7	33.3	16.7	18.8	50.0	0.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portland, OR	34.5	30.0	36.2	57.1	50.0	30.8	24.0	18.8	16.1	15.4	23.3	23.1	26.7	34.6	39.3	31.8	40.9	32.0	42.9	42.5
Raleigh, NC	28.9	40.0	37.5	30.6	23.7	29.2	13.3	19.4	23.3	3.8	8.3	16.7	35.7	27.3	33.3	10.0	8.3	20.0	11.1	18.2
Richmond, VA	25.0	35.7	40.0	0.0	50.0	25.0	16.7	0.0	12.5	31.3	20.0	0.0	25.0	50.0	40.0	58.3	31.3	35.0	50.0	25.0
Sacramento, CA	42.3	38.5	46.2	50.0	55.0	15.4	26.9	6.3	14.3	17.9	25.0	18.2	25.0	38.5	31.3	44.4	33.3	52.6	28.1	26.9
San Antonio, TX	38.5	31.3	42.9	45.0	41.2	31.3	16.7	21.4	5.0	20.6	29.2	16.7	18.8	18.2	28.6	36.4	27.8	31.8	11.1	12.5
San Diego, CA	52.5	44.0	58.8	57.7	25.0	14.7	17.6	12.5	17.5	9.1	2.9	19.4	30.0	20.5	27.3	37.5	28.3	33.3	25.0	17.9
San Francisco, CA	44.0	44.2	45.1	45.7	33.9	23.9	25.8	21.4	7.4	27.6	19.4	38.2	28.1	28.3	33.3	40.0	17.3	26.1	38.0	29.5
Sarasota, FL	55.6	45.5	60.7	66.7	75.0	37.5	45.5	26.9	21.4	22.7	20.0	27.8	37.5	45.5	53.8	75.0	58.8	68.8	66.7	83.3
Seattle, WA	34.8	51.5	43.1	62.1	45.5	36.5	26.0	16.7	27.9	25.0	27.3	26.7	36.7	31.5	42.3	42.1	45.8	39.1	47.1	41.4
St. Louis, MO	30.4	37.5	20.0	31.3	25.0	33.3	18.8	7.1	16.7	12.5	21.4	20.0	37.5	50.0	33.3	30.0	0.0	40.0	50.0	28.6
Tampa, FL	46.2	46.4	38.9	44.7	33.3	42.9	15.4	28.3	20.8	17.5	20.6	22.5	33.3	32.5	40.5	46.9	42.5	41.3	47.8	38.5
Tucson, AZ	36.8	35.3	41.7	37.5	40.0	40.9	17.9	25.0	20.8	23.1	33.3	27.8	27.3	26.5	34.6	36.4	37.5	37.5	50.0	46.2
Virginia Beach, VA	27.3	25.0	25.0	16.7	33.3	31.3	31.3	15.4	15.0	9.1	30.0	16.7	40.0	16.7	35.0	33.3	18.2	30.0	50.0	25.0
Washington, DC	56.4	57.8	80.8	66.7	52.0	31.3	31.3	21.2	25.9	27.8	26.0	47.4	43.8	48.2	51.2	44.2	28.3	44.0	26.0	22.7
Wilmington, NC	33.3	25.0	25.0	30.0	40.0	11.1	22.2	22.2	31.3	14.3	8.3	16.7	12.5	35.7	16.7	25.0	0.0	25.0	12.5	0.0
Total	39.4	42.9	45.8	49.1	42.6	29.6	23.6	19.1	18.8	20.0	21.5	23.1	29.2	31.9	35.4	39.1	30.9	33.6	33.6	30.6

Source: Credit Suisse estimates

Agent Recommendations

Agents recommend Toll Brothers and Pulte. Toll Brothers and Pulte Group received the highest percentage of recommendations by agents across the markets we survey. 29% of agents (net of positive responses less negative responses) surveyed said they would recommend Toll, while 22% said they would recommend Pulte, followed by 20% for D.R. Horton and 18% for Meritage. We believe this is important since 35-40% of new home sales involve an agent. This is a positive for those companies, in addition to others below that received strong recommendations.

Exhibit 50: Toll and Pulte Most Highly Recommended by Agents

Rank	Ticker	Company Name	Net Recommendation
1	TOL	Toll Brothers	29%
2	PHM	Pulte Group	22%
3	DHI	D.R. Horton	20%
4	MTH	Meritage Homes	18%
5	LEN	Lennar Corp.	15%
6	SPF	Standard Pacific Corp.	13%
7	NVR	NVR, Inc.	7%
8	RYL	Ryland Group	5%
9	BZH	Beazer Homes	5%
10	MDC	MDC Holdings	3%
11	HOV	Hovnanian Enterprises	3%
12	KBH	KB Home	(9%)

Source: Credit Suisse estimates

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

Market	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	24%	29%	--	--	--	--	--	--	41%	47%	--	--
Austin, TX	--	74%	--	17%	48%	--	39%	--	61%	--	61%	39%
Baltimore, MD	0%	25%	25%	25%	25%	25%	--	50%	--	0%	--	--
Charleston, SC	0%	0%	--	0%	0%	--	--	0%	--	0%	--	--
Charlotte, NC	0%	35%	6%	6%	6%	--	--	24%	--	18%	24%	35%
Chicago, IL	--	16%	3%	--	13%	3%	--	--	34%	21%	--	24%
Cincinnati, OH	--	--	0%	--	--	--	--	0%	0%	14%	--	--
Columbus, OH	--	--	0%	--	--	--	--	0%	0%	--	--	--
Dallas, TX	23%	46%	23%	0%	15%	0%	15%	--	31%	--	15%	31%
Denver, CO	--	19%	--	26%	33%	30%	19%	--	37%	30%	19%	41%
Detroit, MI	--	--	0%	--	--	--	--	--	43%	--	--	43%
Fort Myers, FL	--	13%	0%	0%	40%	--	7%	--	40%	7%	--	--
Houston, TX	24%	33%	5%	10%	43%	0%	33%	--	24%	--	--	--
Jacksonville, FL	14%	29%	--	7%	21%	14%	--	--	36%	7%	21%	50%
Las Vegas, NV	17%	33%	--	28%	22%	17%	11%	--	28%	11%	--	33%
Los Angeles, CA	--	6%	3%	11%	8%	0%	0%	--	3%	--	11%	11%
Miami, FL	--	19%	--	--	30%	--	--	--	--	--	0%	--
Minneapolis, MN	--	39%	14%	--	50%	--	--	--	33%	28%	--	14%
Nashville, TN	25%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	6%	19%	--	6%	--	--	0%	17%	--	--	47%
Orlando, FL	41%	29%	24%	35%	24%	--	24%	--	24%	12%	6%	29%
Philadelphia-Southern NJ	--	14%	5%	--	10%	5%	--	14%	19%	--	--	43%
Phoenix, AZ	5%	21%	3%	8%	18%	8%	26%	--	34%	16%	26%	47%
Port St. Lucie, FL	--	38%	--	25%	--	--	--	--	--	--	--	--
Portland, OR	--	45%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	9%	27%	9%	27%	36%	--	--	0%	9%	--	18%	64%
Richmond, VA	0%	--	--	--	--	--	--	50%	--	--	--	--
Riverside-San Bernardino, CA	14%	21%	14%	36%	21%	0%	--	--	29%	0%	21%	--
Sacramento, CA	8%	15%	23%	8%	8%	0%	15%	--	31%	0%	8%	23%
San Antonio, TX	0%	100%	--	25%	13%	--	63%	--	75%	--	--	38%
San Diego, CA	0%	13%	44%	19%	25%	0%	--	--	19%	13%	25%	25%
San Francisco, CA	--	5%	--	--	14%	--	5%	--	23%	--	5%	18%
Sarasota, FL	--	--	--	0%	11%	--	--	--	33%	--	0%	--
Seattle, WA	--	45%	--	--	--	--	--	--	--	--	--	--
Tampa, FL	19%	22%	19%	15%	37%	0%	--	--	26%	26%	19%	--
Tucson, AZ	--	31%	0%	15%	38%	23%	31%	--	38%	--	0%	8%
Virginia Beach, VA	--	0%	0%	--	--	--	--	0%	--	--	--	--
Washington, DC	14%	18%	18%	--	5%	5%	--	14%	27%	9%	--	32%
Wilmington, NC	50%	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	14%	27%	11%	16%	22%	8%	22%	13%	29%	14%	16%	33%

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

Market	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	24%	18%	--	--	--	--	--	--	29%	6%	--	--
Austin, TX	--	4%	--	57%	4%	--	4%	--	9%	--	0%	13%
Baltimore, MD	0%	0%	25%	0%	0%	25%	--	25%	--	75%	--	--
Charleston, SC	0%	25%	--	0%	0%	--	--	0%	--	0%	--	--
Charlotte, NC	53%	18%	0%	35%	24%	--	--	6%	--	12%	12%	0%
Chicago, IL	--	3%	8%	--	8%	3%	--	--	3%	8%	--	0%
Cincinnati, OH	--	--	0%	--	--	--	--	14%	0%	0%	--	--
Columbus, OH	--	--	0%	--	--	--	--	0%	0%	--	--	--
Dallas, TX	15%	15%	0%	54%	8%	0%	8%	--	8%	--	8%	0%
Denver, CO	--	15%	--	33%	4%	7%	7%	--	11%	0%	0%	0%
Detroit, MI	--	--	0%	--	--	--	--	--	14%	--	--	0%
Fort Myers, FL	--	7%	27%	13%	7%	--	7%	--	0%	0%	--	--
Houston, TX	5%	10%	14%	48%	10%	0%	5%	--	14%	--	--	--
Jacksonville, FL	7%	7%	--	43%	0%	0%	--	--	0%	0%	0%	0%
Las Vegas, NV	6%	11%	--	22%	11%	11%	6%	--	11%	6%	--	11%
Los Angeles, CA	--	3%	0%	11%	0%	0%	3%	--	3%	--	0%	0%
Miami, FL	--	5%	--	--	8%	--	--	--	--	--	3%	--
Minneapolis, MN	--	6%	8%	--	14%	--	--	--	17%	17%	--	11%
Nashville, TN	8%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	2%	17%	--	2%	--	--	0%	2%	--	--	0%
Orlando, FL	6%	12%	6%	18%	6%	--	0%	--	6%	6%	0%	6%
Philadelphia-Southern NJ	--	0%	5%	--	0%	5%	--	10%	14%	--	--	14%
Phoenix, AZ	8%	5%	13%	37%	3%	3%	0%	--	5%	5%	8%	5%
Port St. Lucie, FL	--	13%	--	0%	--	--	--	--	--	--	--	--
Portland, OR	--	0%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	18%	9%	18%	27%	9%	--	--	0%	0%	--	0%	0%
Richmond, VA	0%	--	--	--	--	--	--	0%	--	--	--	--
Riverside-San Bernardino, CA	0%	14%	7%	14%	0%	0%	--	--	7%	0%	0%	--
Sacramento, CA	31%	8%	15%	8%	0%	8%	8%	--	8%	8%	23%	0%
San Antonio, TX	0%	0%	--	25%	0%	--	0%	--	0%	--	--	0%
San Diego, CA	6%	6%	6%	19%	6%	6%	--	--	6%	6%	6%	6%
San Francisco, CA	--	5%	--	--	5%	--	0%	--	5%	--	0%	5%
Sarasota, FL	--	--	--	22%	33%	--	--	--	11%	--	0%	--
Seattle, WA	--	10%	--	--	--	--	--	--	--	--	--	--
Tampa, FL	4%	4%	4%	11%	11%	0%	--	--	4%	4%	0%	--
Tucson, AZ	--	0%	8%	38%	0%	0%	8%	--	0%	--	0%	0%
Virginia Beach, VA	--	0%	0%	--	--	--	--	0%	--	--	--	--
Washington, DC	5%	5%	5%	--	18%	9%	--	18%	18%	23%	--	18%
Wilmington, NC	0%	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	10%	7%	8%	24%	7%	5%	4%	6%	7%	10%	3%	4%

Source: Credit Suisse estimates

Exhibit 53: Homebuilding Industry Comparative Valuations

9/6/2011	Beazer Homes BZH	D.R. Horton DHI	Hovnanian HOV	KB Home KBH	Lennar Corp. LEN	MDC Holdings MDC	Meritage MTH	NVR Inc NVR	PulteGroup PHM	Ryland RYL	Toll Brothers TOL	Average
RATINGS AND RETURN POTENTIAL												
Rating	Neutral	Neutral	Underperform	Neutral	Neutral	Outperform	Neutral	Neutral	Neutral	Neutral	Neutral	
Current Price	\$1.82	\$9.73	\$1.49	\$5.85	\$18.80	\$18.18	\$16.79	\$623.31	\$4.21	\$10.41	\$16.11	
Target Price	\$1.25	\$10.00	\$1.00	\$4.50	\$14.50	\$20.00	\$17.00	\$550.00	\$4.00	\$9.50	\$16.50	
Target BV Multiple	NM	1.2x	NM	1.0x	1.1x	1.3x	1.2x	2.4x	1.0x	1.0x	1.1x	1.1x
Dividend Yield	0.0%	1.5%	0.0%	4.3%	1.2%	5.5%	0.0%	0.0%	0.0%	1.2%	0.0%	0.9%
Total Return Potential	(31.2%)	4.3%	(32.9%)	(18.7%)	6.2%	15.5%	1.3%	(11.8%)	(5.0%)	(7.6%)	2.4%	(1.2%)
CAPITALIZATION												
Market Cap. (\$ mln)	\$138	\$3,074	\$141	\$450	\$2,580	\$863	\$544	\$3,477	\$1,612	\$462	\$2,689	\$1,457
Cash (\$ mln)	\$559	\$1,172	\$433	\$735	\$954	\$1,456	\$413	\$1,218	\$1,203	\$613	\$1,280	\$912
Debt (\$ mln)	\$1,489	\$1,764	\$1,651	\$1,692	\$3,104	\$1,243	\$606	\$0	\$3,332	\$853	\$1,650	\$1,580
Net Debt/Cap	79%	19%	140%	68%	45%	NM	28%	NM	51%	34%	13%	42%
VALUATION												
Book Value												
Tangible BV/Share	\$2.46	\$8.12	(\$4.58)	\$5.76	\$13.58	\$19.97	\$15.50	\$295.12	\$4.32	\$10.64	\$15.27	
P/BV	0.74x	1.20x	NM	1.02x	1.02x	0.91x	1.08x	2.11x	0.97x	0.98x	1.06x	1.07x
Adjusted BV/Share	NM	\$8.22	NM	\$4.50	\$13.58	\$15.71	\$13.93	\$233.15	\$4.11	\$9.48	\$14.92	
P/Adj. BV	NM	1.18x	NM	1.30x	1.05x	1.16x	1.21x	2.67x	1.02x	1.10x	1.08x	1.11x
EARNINGS												
CS Calendar Year Ests.												
2009	(\$1.71)	(\$0.96)	(\$7.36)	(\$1.33)	(\$2.45)	\$0.52	(\$2.12)	\$31.01	(\$4.23)	(\$3.77)	(\$4.38)	
2010	(\$1.79)	\$0.10	(\$3.78)	(\$0.90)	\$0.50	(\$1.39)	\$0.22	\$33.42	(\$2.90)	(\$1.93)	\$0.24	
2011E	(\$2.75)	\$0.20	(\$2.55)	(\$3.20)	\$0.20	(\$2.10)	(\$0.55)	\$23.40	(\$0.50)	(\$1.30)	(\$0.06)	
2012E	(\$2.05)	\$0.25	(\$1.70)	(\$1.20)	\$0.30	(\$1.60)	(\$0.25)	\$27.80	(\$0.40)	(\$0.65)	\$0.09	
Price/Earnings												
2009	NM	NM	NM	NM	NM	35.1x	NM	20.1x	NM	NM	NM	NM
2010	NM	96.2x	NM	NM	27.4x	NM	75.8x	18.7x	NM	NM	67.2x	NM
2011E	NM	47.9x	NM	NM	69.7x	NM	NM	26.6x	NM	NM	NM	46.0x
2012E	NM	38.2x	NM	NM	45.7x	NM	NM	22.4x	NM	NM	183.6x	73.1x
OPERATING METRICS												
CY Orders (Homes)	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	TOL	Total
2009	4,406	18,294	5,178	8,341	11,510	3,306	3,853	9,409	14,185	5,302	2,710	86,494
% Ch. Yr/Yr	(17.8%)	(7.5%)	(13.6%)	0.8%	0.8%	7.5%	(16.6%)	7.4%	(7.3%)	(12.2%)	5.1%	0.7%
2010	4,073	18,701	4,086	6,556	10,928	3,261	3,383	9,415	15,148	3,700	2,627	81,878
% Ch. Yr/Yr	(7.8%)	2.2%	(21.1%)	(21.4%)	(5.1%)	(1.4%)	(12.2%)	0.1%	6.8%	(30.2%)	(3.1%)	(5.3%)
2011E	3,872	16,786	3,690	5,503	10,503	3,224	3,040	9,505	14,731	3,552	2,622	76,414
% Ch. Yr/Yr	(4.9%)	(10.2%)	(9.7%)	(11.6%)	(3.9%)	(1.1%)	(10.1%)	(8.7%)	(2.8%)	(4.0%)	(0.2%)	(6.7%)
2012E	4,201	18,790	4,091	6,377	11,740	3,586	3,416	9,590	16,091	3,901	2,861	84,544
% Ch. Yr/Yr	8.5%	11.9%	10.9%	10.0%	11.8%	11.2%	12.4%	11.6%	9.2%	9.8%	9.1%	10.8%
CY Closings (Homes)												
2009	4,411	18,164	5,245	8,488	11,478	3,013	4,039	9,042	20,603	5,129	2,896	92,508
% Ch. Yr/Yr	(33.0%)	(24.0%)	(35.9%)	(31.8%)	(27.1%)	(32.9%)	(28.2%)	(15.8%)	(2.0%)	(30.2%)	(31.0%)	(18.6%)
2010	4,233	18,983	4,483	7,346	10,955	3,245	3,700	10,030	17,095	4,245	2,616	86,931
% Ch. Yr/Yr	(4.0%)	4.5%	(14.5%)	(13.5%)	(4.6%)	7.7%	(8.4%)	10.9%	(17.0%)	(17.2%)	(9.7%)	(6.0%)
2011E	3,742	16,842	3,655	5,917	10,392	3,197	3,185	8,683	14,941	3,614	2,579	76,749
% Ch. Yr/Yr	(11.6%)	(11.3%)	(18.5%)	(19.4%)	(5.1%)	(1.5%)	(13.9%)	(13.4%)	(12.6%)	(14.9%)	(1.4%)	(11.7%)
2012E	4,093	18,318	3,922	6,009	11,628	3,319	3,349	9,248	15,711	3,738	2,719	82,054
% Ch. Yr/Yr	9.4%	8.8%	7.3%	1.5%	11.9%	3.8%	5.1%	6.5%	5.2%	3.4%	5.4%	6.9%
Gross Margins, Ex-Charges												Average
2009	10.1%	15.3%	8.9%	13.4%	18.0%	12.8%	17.3%	16.7%	11.7%	13.4%	16.7%	14.0%
2010	10.4%	15.6%	9.4%	13.7%	18.0%	12.9%	17.3%	16.9%	11.7%	13.4%	17.0%	14.2%
2011E	11.0%	16.2%	9.6%	14.7%	20.0%	13.0%	18.0%	17.5%	12.2%	14.4%	17.6%	14.9%
2012E	10.5%	15.6%	9.3%	14.2%	18.3%	13.2%	17.6%	17.1%	11.9%	13.6%	16.9%	14.4%
SG&A % of Housing Revs												
2009	24.5%	14.8%	21.6%	24.7%	21.4%	25.9%	17.7%	13.6%	16.3%	17.4%	19.2%	19.7%
2010	20.2%	11.2%	15.9%	19.9%	19.5%	22.3%	14.6%	9.7%	14.7%	14.2%	15.9%	15.6%
2011E	24.3%	13.3%	19.9%	19.2%	17.8%	21.6%	15.5%	10.2%	14.1%	15.6%	17.9%	17.2%
2012E	18.7%	12.3%	18.7%	17.3%	16.3%	19.5%	15.0%	9.8%	11.9%	13.9%	17.4%	15.5%
LAND EXPOSURE												
Lots Controlled	30,918	115,000	32,671	37,000	108,439	11,993	15,800	52,900	142,378	23,298	35,900	
Years Supply	8.3	6.8	8.9	6.3	10.4	3.8	5.0	6.1	9.5	6.4	13.9	7.8
% Owned	80%	75%	58%	81%	84%	75%	83%	0%	90%	72%	85%	71%
% Optioned	20%	25%	42%	19%	16%	25%	17%	100%	10%	28%	15%	29%
Cumulative Impairments	\$1,603	\$5,064	\$2,547	\$2,927	\$4,930	\$1,245	\$1,012	\$607	\$13,211	\$1,268	\$2,338	\$36,753
% of Average '06 Inventory	44%	45%	56%	39%	49%	40%	56%	36%	62%	44%	37%	51%
Current Inventory	\$1,269	\$3,501	\$1,044	\$1,946	\$4,955	\$861	\$799	\$687	\$5,063	\$817	\$3,570	\$24,512
% of Assets	64%	64%	60%	68%	67%	36%	67%	32%	68%	51%	70%	60%
% of Book Value	345%	135%	NM	439%	187%	92%	160%	42%	247%	157%	140%	173%
SHORT INTEREST												
Short Interest, % of Float	18.4%	9.0%	24.6%	33.3%	19.4%	12.5%	11.4%	3.7%	10.4%	13.5%	8.2%	10.8%

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 06 Sep 11)

Beazer Homes USA (BZH, \$1.82, NEUTRAL [V], TP \$1.25)
 DR Horton (DHI, \$9.73, NEUTRAL, TP \$10.00)
 Hovnanian Enterprises (HOV, \$1.49, UNDERPERFORM [V], TP \$1.00)
 KB Home (KBH, \$5.85, NEUTRAL, TP \$4.50)
 Lennar (LEN, \$13.80, NEUTRAL [V], TP \$14.50)
 M.D.C. Holdings, Inc. (MDC, \$18.18, OUTPERFORM, TP \$20.00)
 Meritage Corp (MTH, \$16.79, NEUTRAL, TP \$17.00)
 NVR Inc. (NVR, \$623.31, NEUTRAL, TP \$550.00)
 Pulte (PHM, \$4.21, NEUTRAL, TP \$4.00)
 Ryland Group (RYL, \$10.41, NEUTRAL, TP \$9.50)
 Toll Brothers (TOL, \$16.11, NEUTRAL, TP \$16.50)

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