

Monthly Survey of Real Estate Agents

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CHANNEL CHECK

Slow Activity as Spring Ends

- **Weak ending to the Spring season:** Our Monthly Survey of Real Estate Agents pointed to decline in buyer traffic in May, as the Spring season came to an end. A lack of urgency continues as does a fear and hesitation of buying if prices still have further to fall. Most worrisome was the lengthening time needed to sell a home, as there are few qualified buyers and those qualified buyers are waiting for the right price.
- **More challenges at low-end due to financing, energy costs, and competition with foreclosures:** Agents cited additional challenges among first-time buyers, due to difficulties gathering the required down payment (even the 3.5% needed for FHA-insured loans is frequently an issue), worries about the personal budget due to higher energy costs (a concern cited in many markets in May), and a focus on finding the best opportunity, often among the foreclosed homes. The financing issues are a key part of keeping many potential buyers in the rental market. The buyer hesitancy came through, as agents highlighted that there was often sufficient traffic, but then a scarcity of offers. Our traffic index fell by 4.9 points to 31.9 in May from 36.8 in April.
- **Weak traffic in late Spring = pricing pressure:** Our price index dropped by over 5 points, to 27.4 in May from 32.6 in April, a significant drop and the largest one-month change since Summer 2010, when the market struggled after the end of the homebuyer tax credit. We think that the sharp drop in the price index reflects a realization among sellers that they must lower the price if they want to find a buyer before the season ends. The price index of 27.4 is worrisome, as readings below 50 indicate declining prices sequentially so that we were already seeing pricing pressure, but it was more widespread in May. Not surprisingly, the difficult market came through in our “time to sell index”, which worsened to 31.6 in May from 40.1 in April, indicating a lengthening time needed to sell a home (and typically a good indicator of future pricing trends).
- **Distress markets show best traffic activity, challenges in other markets:** Areas with significant foreclosure volumes saw strong traffic from investors (Miami and Phoenix, for example), but markets such as Houston saw limited traffic (likely due to challenges with low-end financing). We also saw sharp declines in traffic in markets such as Denver, San Antonio, and Tampa.

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*

Slow Activity as Spring Ends

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

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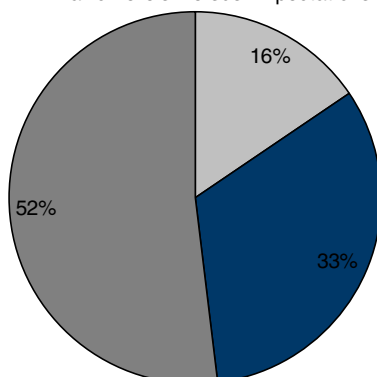
Exhibit 1: Traffic Fell in May as Buyers' Concerns over the Economy and Price Led to Hesitation

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
Point change	(4.9)	(5.2)	(5.4)	1.7	(8.4)

Source: Credit Suisse estimates

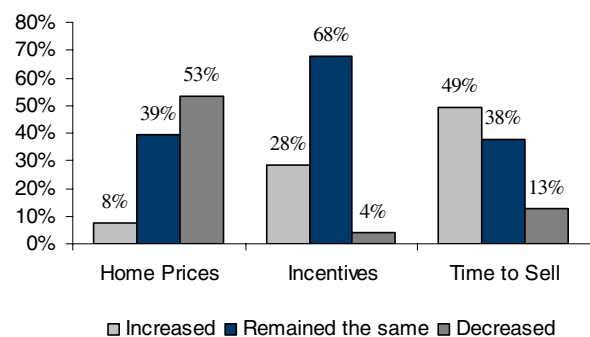
Exhibit 2: Our Price Index Took a Step Back in May as Weak Demand Pressured Pricing

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

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 May, we received responses from 1,100 real estate agents across the country. We review responses and calculate an index for each of the questions with levels above 50 indicating positive trends, levels below 50 indicating worsening trends, and a level of 50 indicating a neutral trend.

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

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

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

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

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

Exposure to Key New Home Markets

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

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

Market	2010 1-Family Permits	Market Exposure (% of 2009 Closings)											
		BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	6,436	-	3%	-	-	-	-	-	-	2%	4%	-	-
Austin, TX	6,069	-	5%	-	7%	4%	-	9%	-	4%	-	6%	-
Charlotte, NC	4,518	-	2%	-	3%	2%	-	-	5%	2%	-	5%	-
Chicago, IL	4,249	-	3%	-	-	2%	-	-	-	2%	5%	-	-
Dallas, TX	14,409	-	10%	11%	-	4%	-	23%	-	3%	-	-	-
Denver, CO	3,704	-	2%	-	2%	1%	14%	4%	-	1%	-	-	-
Houston, TX	22,134	-	5%	18%	12%	18%	-	25%	-	3%	-	-	-
Inland Empire, CA	5,248	6%	3%	6%	11%	4%	-	-	-	2%	5%	12%	-
Jacksonville, FL	3,381	-	3%	-	5%	2%	7%	-	-	1%	3%	4%	-
Las Vegas, NV	4,630	-	5%	-	6%	3%	18%	3%	-	2%	5%	-	-
Los Angeles, CA	4,012	-	-	-	6%	2%	-	-	-	1%	-	8%	-
Miami, FL	3,178	-	2%	-	-	4%	-	-	-	1%	-	-	-
Minneapolis, MN	3,794	-	1%	3%	-	3%	-	-	-	1%	5%	-	-
NY - Northern NJ	7,092	-	-	11%	-	2%	-	-	1%	1%	-	-	16%
Orlando, FL	4,177	-	2%	-	5%	3%	-	5%	-	3%	5%	-	-
Phoenix, AZ	7,259	-	6%	-	4%	3%	18%	12%	-	7%	-	9%	-
San Antonio, TX	5,122	-	7%	-	6%	2%	-	5%	-	4%	7%	-	-
Seattle, WA	6,097	-	2%	-	-	-	-	-	-	1%	-	-	-
Tampa, FL	4,395	4%	1%	2%	3%	6%	-	-	-	1%	3%	10%	-
Washington, DC	9,362	-	1%	10%	-	4%	-	-	20%	4%	7%	-	15%
Total Exposure to Top 20	129,266	10%	64%	61%	70%	68%	57%	86%	25%	44%	49%	54%	31%

Source: Company data, Builder Online, Credit Suisse estimates

Atlanta, GA – Weak Confidence and Economic Outlook Lead to Poor Traffic in May

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

Traffic remains soft in May. Our buyer traffic index came in at 26 in May, up marginally from 21 in April, but still well short of a reading of 50, indicating traffic fell short of agents' expectations for this time of year (readings below 50 point to buyer traffic below agents' expectations). Agents mentioned that while some corporate relocations helped spur slightly better traffic in May, buyers were largely nervous about the direction of the market. Jobs uncertainty and apprehension over additional price declines were key contributors to the weak traffic reading in our survey. One agent mentioned, "Buyers are still afraid to step up. They think prices are continuing to drop." High gas prices, which came across buyers' radars in our April survey, continued to act as a deterrent to traffic in May. One agent noted, "Higher gas costs are hurting some of our lower-end buyers." Another agent noted pressure on the low-end market, mentioning that, "Some buyers are having trouble coming up with the FHA's 3.5% down payment." Strict underwriting further weakened the pool of buyers, as one agent noted, "Buyers are having a hard time qualifying for mortgages."

Price pressures to remain with higher inventories. Home prices continued to decrease in May, as our home price index came in at 22, relatively unchanged from our reading of 21 in April, remaining well short of a neutral reading of 50 (readings below 50 point to sequentially lower home prices). Inventories increased further in May, as our home listings index came in at 32 (from 35 in April), with readings below 50 suggesting increased inventory levels. We think this is likely to add to pricing pressure. Meanwhile, our time to sell index fell to 19 from 25 in April, further from a neutral reading of 50, indicating an increased time to sell in May (readings below 50). We view the increased time to sell as a negative indicator for future pricing.

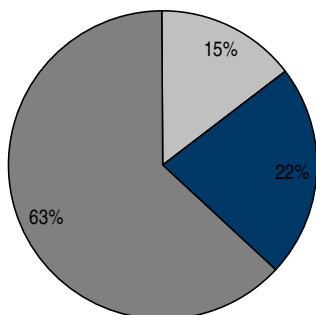
Comments from real estate agents:

- "Consumer confidence is dragging its feet with the economy."
- "Without jobs, there won't be any home purchases."

Ryland 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 D.R. Horton with 3%, and Pulte Group with 2%.

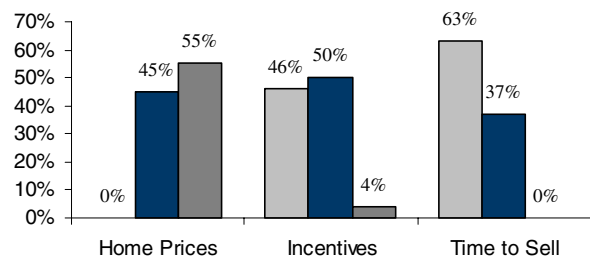
Exhibit 4: Traffic Still Depressed in May, Prices Remain under Pressure

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Folks are facing a tough time getting approved for loans."

Austin, TX – Buyers Ready to Test Waters, but Pricing Concerns Persist

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

Traffic still solid on better economic confidence, but worries remain. Our buyer traffic index fell slightly to 41 in May from 46 in April, indicating traffic levels modestly below agents' expectations for activity in May (any reading below 50 points to traffic below agents' expectations). Agents again noted that an improving local jobs outlook has pulled some buyers off the fence and into the market, similar to commentary from our April survey. Attractive rates have also helped, while cheaper prices have motivated previously reluctant buyers. However, one agent highlighted that traffic remains choppy, noting that "One month traffic is good, but the next month buyers start to worry about the economy again." Another agent mentioned that lending continues to be a struggle, "as lenders want larger down payments and higher credit scores." One agent mentioned that some buyers still do not know what to expect, and are unsure "if they should be buying now or waiting for prices to fall further."

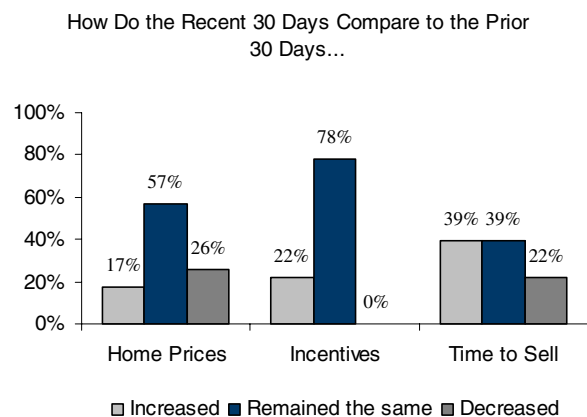
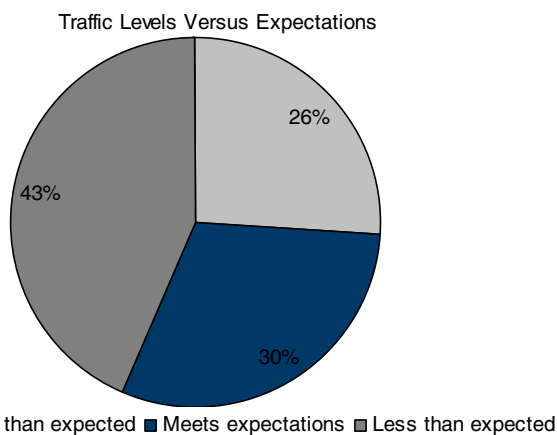
Prices stable in May, but higher inventories pose risk. Home prices were stable in May after dipping slightly in April, as our home price index improved to 46 from 40 in April, in-line with a neutral reading of 50 (readings of 50 point to stable pricing). Meanwhile, agents noted that inventory levels edged slightly higher in May, as our home listings index came in at 41 (from 37 in April), with readings short of 50 pointing to higher inventories. In addition, our time to sell index came in at 41 (from 43 in April), falling further from a neutral reading of 50, pointing to an increased time to sell over the past month (readings below 50). We think the increased inventories and time to sell could pose risks to pricing in the coming months.

Comments from real estate agents:

- "Competitive pricing has brought some buyers out of the wilderness."
- "People don't want to buy if they think prices will fall another 10% next year."

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

Exhibit 5: Buyers Feel Better about the Economy, Agents Indicate that Prices are Stable



Source: Credit Suisse estimates

May Market Trends	
Traffic	👍
Home Prices	↔
Incentives	👍

"There is no urgency."

Charlotte, NC – Lack of Confidence and Financing Issues Keep Buyers Renting

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

Traffic remains weak on lack of confidence. Buyer traffic increased slightly in May, but levels remained below agents' expectations, as our traffic index came in at 34 from 32 in April (readings below 50 indicate traffic short of agents' expectations). Agents stressed that buyers were looking for signs of stability in the market before they would buy any homes. One agent mentioned a "lack of confidence in the economy and future prospects." Another agent noted, "I've seen a healthy amount of traffic, but nothing is translating into actual sales." A lack of available financing has also kept traffic subdued. According to one agent, "Most people lack the financing to get anything aside from a dirt cheap REO." The tight lending has forced some buyers to go to the rental market, though their preference might have been to purchase homes, as one agent commented, "The rental market is strong because there are more unqualified buyers than ever." Agents also mentioned that even when there is a good turnout for traffic that "the number of offers still remains low." Although low interest rates with low prices seem to be enough for some buyers, as one agent commented, "Buyers on the sidelines are starting to recognize that rates and prices aren't going to be this low forever."

Agents point to further price declines in May. Home prices fell further in May, as our home price index fell to 28 from 33 in April, with readings below 50 pointing to sequentially lower prices. Meanwhile, inventory levels inched higher as our home listings index came in at 44 (from 46 in April), with readings below 50 pointing to higher inventories. We see the potential for additional pricing pressure from an increased length of time needed to sell. Our time to sell index came in at 25 (from 33 in April), further from a neutral reading of 50, indicating a longer time to sell over the past 30 days (readings below 50).

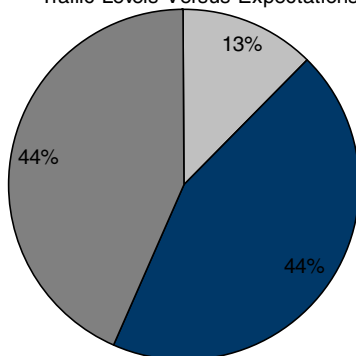
Comments from real estate agents:

- "Investor demand is strong, but only for the aggressively priced properties."
- "People still feel that the economy is unstable."

NVR and Standard Pacific have the most exposure. NVR and Standard Pacific each have the greatest exposure to Charlotte with approximately 5% of sales. Charlotte represents approximately 2% of sales for D.R. Horton, Lennar, and Pulte.

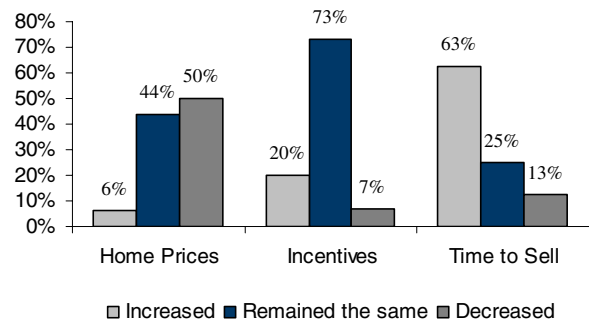
Exhibit 6: Spring Season Came and Went without Notice, Lower Prices Reflect a Lack of Demand

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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Even with the low interest rates, buyers don't seem to care."

Chicago, IL – Traffic Remains Weak as Buyers Patiently Seek Bargains

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

Buyers wait patiently for better opportunities. Buyer traffic edged higher in May, though levels still came in below agents' expectations, as our traffic index came in at 33 from 27 in April (readings below 50 point to traffic missing agents' expectations). Agents indicated that buyers are actively and patiently seeking out "deals." They mentioned that buyers are willing to wait for prices to stop falling before they put any money at risk. One agent commented, "Buyers think the inventory is either old, but more importantly, overpriced. They are waiting for the next round of foreclosures." Another agent noted, "There are fears of a serious double-dip. People are not mentally ready to pull the trigger." Agents also attributed tight credit to the lack of demand, as one agent put it, "The paperwork and requirements involved to get a loan approved is a turn off to some buyers." Tight lending has also "taken some first-time buyers out of the running." However, several agents did note that there was solid interest from investors, as one agent said, "Most of my sales are being driven by investors."

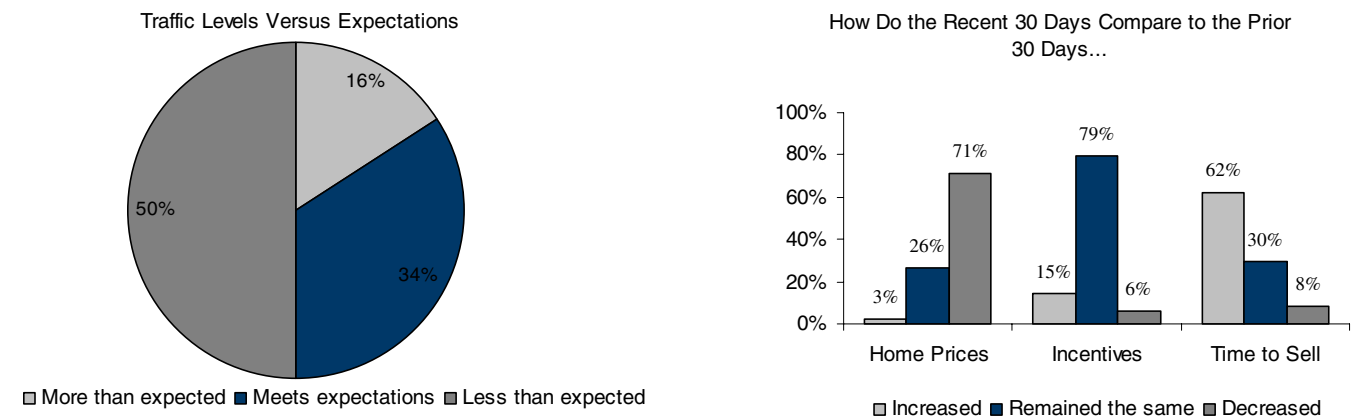
Prices remain under pressure as distress drives market. Home prices fell again in May as our price index fell to 16 from 19 in April, further below a neutral reading and well short of 50, pointing to sequentially lower prices over the past 30 days (readings below 50). Meanwhile, higher inventories are likely to add to pricing pressure, as our home listings index came in at 25 (from 26 in April), pointing to increased inventory levels over the past month (readings below 50). Our time to sell index also suggested prices may need to adjust lower to clear inventory. Our time to sell index came in at 23 (from 25 in April), further from a neutral reading, pointing to a longer time to sell over the past 30 days (readings below 50). We view the longer time needed to sell as a negative indicator for future pricing.

Comments from real estate agents:

- "Buyers are waiting for the bottom, while some sellers are still in the 2006/07 mode. They can't agree on price."
- "Distressed units dominate sales."

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

Exhibit 7: Pricing Remains Weak As Demand Remains Primarily for Distress



Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔️

"Buyers won't have the urgency to buy until prices stop falling."

Dallas, TX – Traffic Falls on Lending and Price Concerns, but Pockets of Optimism Remain

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

Traffic weakens, but commentary isn't all doom and gloom. Our buyer traffic index fell slightly to 40 in May from 43 in April, coming in below agents' expectations for this time of year (readings below 50), and ending two consecutive months of improvement for the region. Agents attributed the weaker traffic in May to a lack of consumer confidence and worries over whether buyers would be able to meet the necessary mortgage lending criteria. According to one agent, "My traffic has slowed down because people don't think they can qualify for a mortgage under the stricter lending standards." Another agent mentioned, "More money is needed to close and people don't have the confidence to put that forward." However, the commentary in May wasn't all bad, as several agents did point out that there was some optimism driven by lower interest rates. One agent mentioned, "People see the opportunity to buy with attractive rates and prices. They are willing to step forward and take that risk." Another mentioned, "People are tired of waiting and want to buy now - just so long as they can get financing."

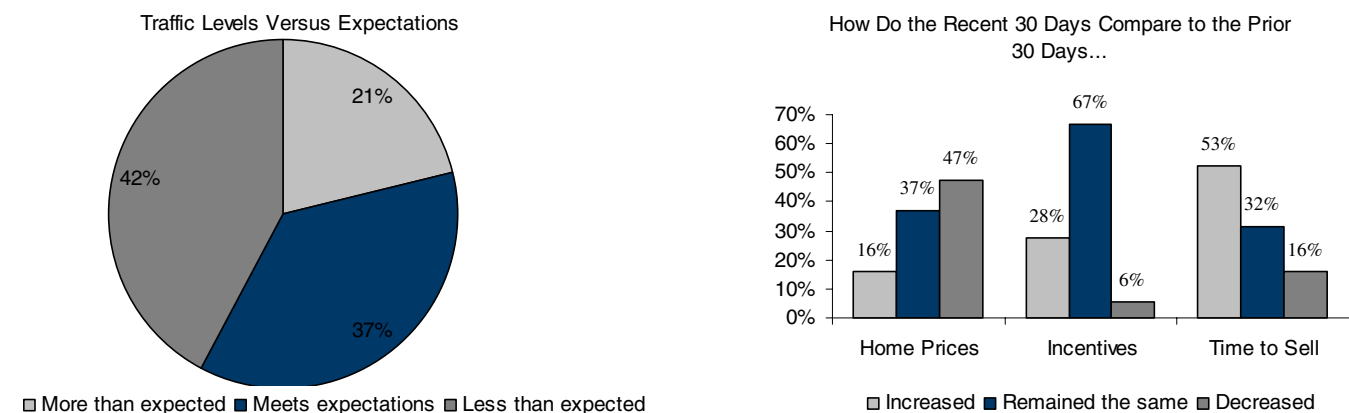
Prices fall on weak demand, increased time to sell. Home prices fell in May after briefly stabilizing in April, as our home price index fell to 34 from 48 in April, with readings below 50 pointing to lower prices over the last 30 days. Our inventory reading suggests there may be further pressure ahead, as our home listings index came in at 21 (from 30 in April), pointing to higher inventory levels over the past month (readings below 50). In addition, our time to sell index came in at 32, a sharp decline from the reading of 48 in April and further from a neutral reading of 50, pointing to an increased length of time needed to sell (readings below 50). We view the longer time to sell as a negative for future pricing trends.

Comments from real estate agents:

- "Fears of the economy have definitely led to a downtick in traffic."
- "The low rates have helped keep buyers interested."

Meritage, Hovnanian and D.R. Horton have the greatest exposure. Meritage has the greatest exposure to Dallas, which represents 23% of its sales, followed by Hovnanian at 11% and D.R. Horton with 10%. Dallas represents 4% of sales for Lennar and 3% for Pulte.

Exhibit 8: Prices Fall as Buyers do not Respond to Current Levels; Time to Sell Increases in May



Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"No job growth means no urgency."

Denver, CO – Buyers’ Concerns over the Economy and Home Prices Lead Traffic Lower in May

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

Traffic falls, reverses course as buyers expect more price declines. Traffic took a hit in May, as our buyer traffic index fell to 31 from 44 in April, well below agents’ expectations for this time of year (readings below 50). This marks the region’s lowest reading since January. Several agents mentioned that buyers exerted greater caution in May than in April, as buyers were “worried they might be paying too much for a home that might lose its value.” Another agent mentioned “Buyers are waiting for prices to drop further despite such low interest rates.” The expectation for lower prices has also led to a disconnect with sellers on what the appropriate price level should be. One agent commented, “Sellers think the market owes them more than buyers are willing to pay.” Another commented, “Sellers are not meeting their expectations on asking prices.” Agents also noted that tight lending contributed to the lower traffic reading. However, some agents did mention that buyers were ready to take the plunge at these levels, motivated partly by attractive interest rates.

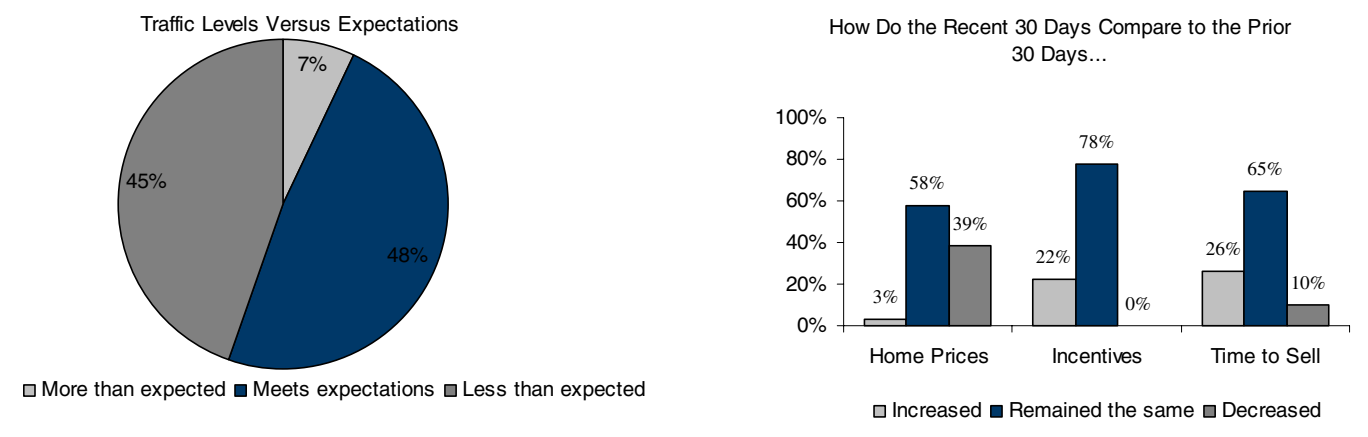
Prices fall in May. Home prices fell further in May, as our home price index decreased to 32 from 39 in April, with readings below 50 pointing to sequentially lower home prices. The decline in prices comes off the heels of weaker demand with higher inventories, as our home listings index came in at 38 (from 35 in April), pointing to increased inventory levels (readings below 50 suggest inventory levels increased). These factors led to a longer time to sell in May, as our time to sell index came in at 42 (from 39 in April), with readings below 50 suggesting an increased length of time needed to sell. We view this and the higher inventory levels as negatives for future pricing.

Comments from real estate agents:

- “Buyers are having difficulties coming up with higher down payments.”
- “Weak credit scores and the lack of job opportunities are still impacting the market.”

MDC Holdings and Meritage have the greatest exposure. MDC Holdings has the greatest exposure to Denver, which generates approximately 14% of its sales, followed by Meritage at 4%, and D.R. Horton and KB Home each with 2%.

Exhibit 9: Buyers Losing Confidence in the Market, while Strict Lending Further Weakens Prospects



Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

“Sellers need to lower prices if they want to sell their homes.”

Houston, TX – Buyers Remain Hesitant, Financing Continues to be a Headwind

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

Traffic dips in May as buyers remain uncertain. Buyer traffic fell slightly in May, as our traffic index slipped to 28 from 31 in April, remaining below agents' expectations for this time of year (readings below 50 point to traffic below agents' seasonal expectations). Agents mentioned that strict lending standards have forced buyers out of the market, either keeping them as renters or making them stay put in their current homes. One agent mentioned that the lack of available financing has "made the rental market hot." Another mentioned that there are now fewer qualified buyers, and combined with economic uncertainty, there is a serious "barrier to home sales." Agents also noted that buyers have lost confidence in the market, with one noting, "Buyers are unable to commit." Gas prices have crept up as a deterrent to home seekers as well. The higher fuel costs make it particularly difficult for low-end buyers to travel to open houses and to meet monthly payment obligations if they do find interest in a property. However, one agent did note that fear of higher rates pushed some buyers to take advantage of lower rates now.

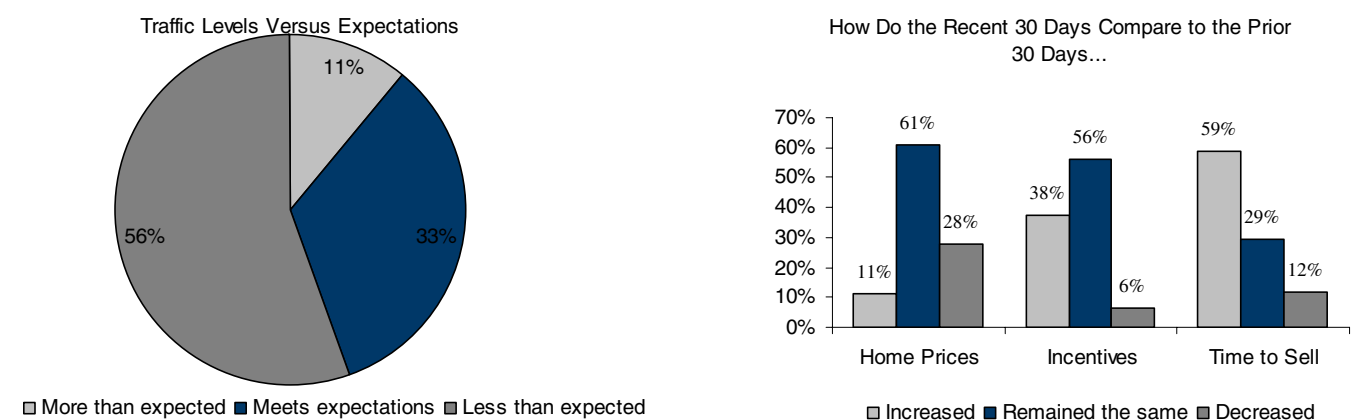
Home prices fall modestly in May. Agents indicated that prices fell (likely only modestly) in May, as our home price index fell to 42 from 45 in April, pointing to sequentially lower prices over the past month (readings below 50). Meanwhile, inventory levels increased, as our home listings index fell to 27 from 31 in April, coming in further below a neutral reading (readings below 50 point to higher inventory). Our time to sell index points to additional pricing pressure, as it came in at 27 (from 29 in April), well below a neutral reading of 50, pointing to an increased length of time needed to sell (readings below 50 point to a lengthened time to sell). We view this and the higher inventory levels as negative indicators for future pricing.

Comments from real estate agents:

- "There is a continued inability to get loans. Buyers have lost faith in the market."
- "Buyers are still unsure of the economy."

Meritage, Hovnanian and Lennar have the greatest exposure. Houston represents approximately 25% of sales for Meritage, 18% of sales for Hovnanian and Lennar, and 12% of sales for KB Home. DHI has 5% exposure and RYL has 3%.

Exhibit 10: Strict Lending Keeps Demand Weak, Prices Fall Slightly in May



Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Nobody wants to finalize a decision."

Jacksonville, FL – Distress Drives Better Volume as Buyers Continue to Look for Deals

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

Demand continues to improve on demand for distress opportunities. Buyer traffic improved further in May, as our traffic index increased to 61 from 54 in April, coming in above agents' expectations for this time of year (readings greater than 50). Agents continued to stress the crucial role of lower prices in contributing to the better traffic readings as of late. Agents noted that buyers remain drawn to distress properties that "present a good buying opportunity." One agent mentioned, "I've been slammed. My buyers are a combination of investors, relocations and first-time buyers." Agents also noted that the level of quality inventory has been low, leading buyers to actively seek out the best properties. Low interest rates seem to be sweetening the deal, as several agents noted that a combination of the lower prices with the low interest rates have helped traffic and sales. Agents mentioned that foreclosures and short sales are the primary drivers of the region's demand.

Home prices fall as distress drives volume. Prices fell in May despite the improvement in demand, as distress-driven sales volume has kept a lid on any price stabilization. Our home price index fell to 35 from 42 in April, pointing to sequentially lower home prices (readings below 50 point to falling home prices). Meanwhile, our home listings index pointed to a drop in inventory levels, as it came in at 58 (from 39 in April), with readings above 50 pointing to reduced inventory levels. However, we see this as a result of the prolonged foreclosure processes (as a result of the foreclosure moratoria of 2010), and expect distress to lead an increase in inventory levels in coming months. Our time to sell index came in at 42 (from 50 in April), pointing to a slight increase in the length of time needed to sell a home (readings below 50 point to a longer time to sell).

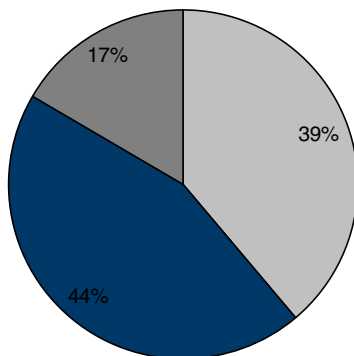
Comments from real estate agents:

- "Great prices on foreclosed homes seem to be getting people to move on properties."
- "Financing is still tough, but buyers are out looking for deals."

MDC Holdings and KB Home have the most exposure. Jacksonville represents approximately 7% of sales for MDC and 5% for KB Home, with Standard Pacific at 4%, and DHI and RYL each at 3%.

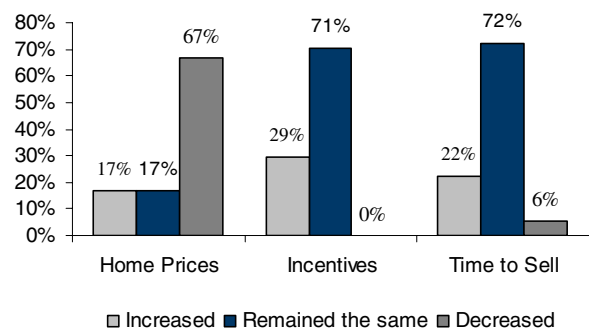
Exhibit 11: Demand Remains Strong, but Only for the Appropriately Priced Distress

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

May Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

"The cash buyers are out."

Las Vegas, NV – Buyers Move Back to Sidelines and Wait for Signs of Market Stability

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

Traffic falls as anxiety returns. Buyer traffic took a sharp step back in May, as our traffic index fell to 31 from 50 in April, indicating that traffic failed to meet agents' expectations for this time of year (readings below 50 point to traffic missing agents' expectations). Agents attributed the drop in May traffic to concerns over the state of the housing market and the economy. Agents voiced buyers' anxieties over price declines, job stability, and their overall confidence. One agent mentioned, "Buyers are not so sure about where pricing is headed in Vegas. They want to wait it out." Another agent commented, "The fact that we haven't hit bottom yet scares buyers. They think they aren't making the right decision if they buy now." On job concerns one agent noted, "Buyers are worried they are going to lose their jobs; that the economy doesn't seem to be going in the right direction." Some agents did highlight that there is still "an influx of investors," with "less competition from the homebuyer level." While that may be good news for investors, it is not a good sign for overall traffic and sales volume.

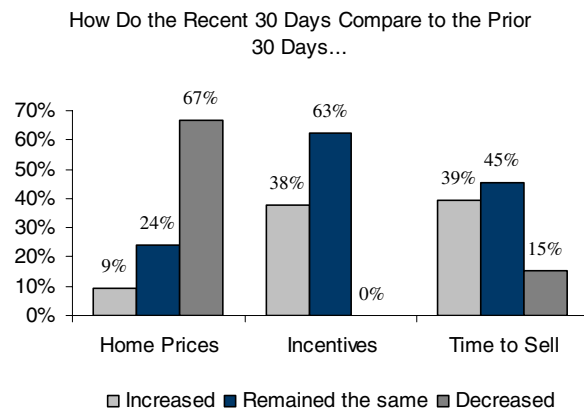
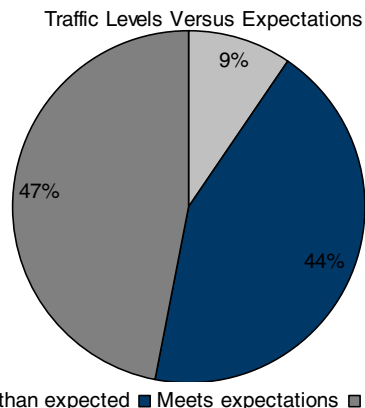
Home prices remain under pressure. Prices remained under pressure in May, as our home price index fell to 21 from 31 in April, with readings below 50 pointing to sequentially lower home prices. We think the heavy level of distress is likely to continue to pressure prices. Inventories moved higher in May, as our home listings index came in at 35 (from 31 in April), with readings below 50 pointing to higher inventories. In addition, our time to sell index fell in May, coming in at 38 from 44 in April, further from a neutral reading of 50, pointing to an increased length of time needed to sell. We think the sharply lower demand in May, in combination with the increased time to sell indicates that prices may need to decline to spur additional sales.

Comments from real estate agents:

- "People hear more foreclosures are coming to market and that will lead to another 10% drop in prices. They don't want to buy with that looming over their heads."
- "It seems like buying a home is like buying a new car. The price drops every month!"

MDC Holdings and KB Home have most exposure to Vegas. MDC has the greatest exposure to Las Vegas, which generates 18% of its sales, followed by KB home with 6%. Las Vegas represents 5% of sales for DHI and RYL. .

Exhibit 12: Demand Falls as Economic and Price Concerns Fuel Lower Confidence



Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"There is a lack of jobs and prices continue to decline."

Los Angeles, CA – Traffic Falls as Buyers Remain Concerned about the Economy and Prices

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

Traffic falls as buyers wait for better market conditions. Traffic slipped further in May as our buyer traffic index fell to 26 from 28 in April, coming in below agents' expectations (readings below 50 indicate traffic missed agents' expectations). Agents stressed that economic and financing difficulties continued to strain the market in May, similar to commentary from our April survey. One agent mentioned, "Lending and financing hurdles are still issues. The lending environment is also hurting buyers' confidence." Another agent noted, "The high unemployment makes people think twice before they buy. People who are able to meet financing requirements second guess their decisions when they think about the economy." Price concerns also fueled this hesitancy, as one agent noted, "People don't want to buy if their homes are going to be underwater within a few months." First-time buyers were also said to have trouble meeting down payment thresholds, and one agent noted, "The market seems to rotating to the higher-end."

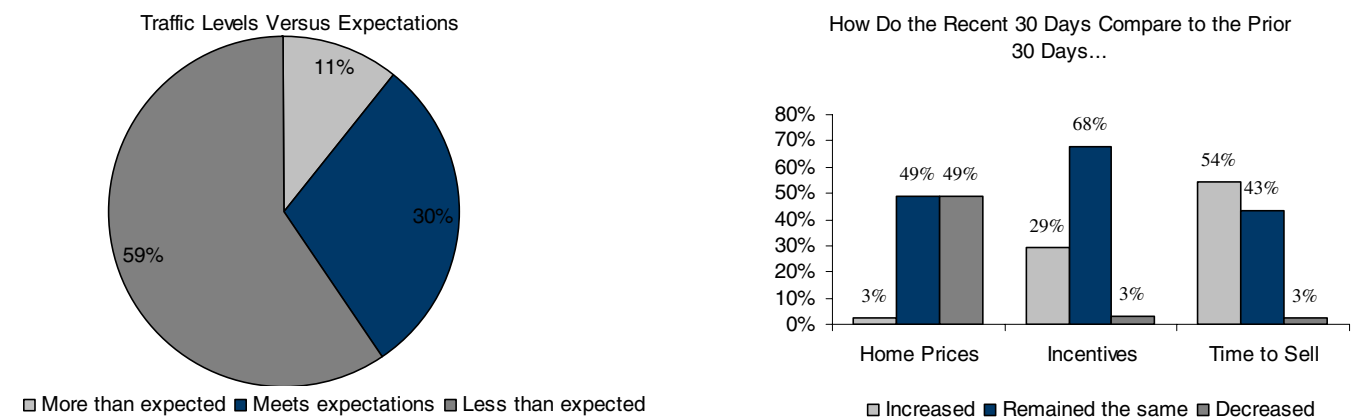
Prices fall as demand remains soft and inventory sits on the market. Home prices fell again in May, as our home price index came in at 27 (unchanged from our reading in April), with readings below 50 pointing to sequentially lower prices. Meanwhile, inventory levels moved higher in April, as our home listings index came in at 21 (from 30 in April), with readings below 50 pointing to higher inventory levels. The length of time needed to sell a home increased in May, as our time to sell index fell to 24 from 29 in April, further from a neutral reading of 50 (readings below 50 point to a longer time to sell). We view a longer time to sell as a negative indicator for future pricing.

Comments from real estate agents:

- "Clients are having problems obtaining loans. They are also holding out for cheaper prices while looking for more job security."
- "Sellers are reluctant to accept low prices. Their homes just sit on the market"

Standard Pacific and KB Home have the most exposure. Approximately 8% of sales for Standard Pacific come from L.A., and 6% for KB Home. L.A. represents 2% of sales for Lennar.

Exhibit 13: Buyers Stay on Sidelines Amid Economic and Price Concerns



Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Confidence is very weak right now."

Miami, FL – Distress Continues to Offer Value for Investors and End Buyers

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

Traffic remains solid as buyers hunt down deals. Traffic remained at healthy levels, in-line with agents' expectations for the fifth consecutive month, as our traffic index improved to 53 in May from 49 in April, consistent with a neutral reading of 50. Consistent with the past several months, agents sounded a note of optimism as buyer interest remains strong, particularly from investors and foreign buyers, although traditional buyers are also actively hunting for bargains. "Buyers are interested in the distressed assets," according to one agent. Another took it a step further, saying traffic is, "Strictly limited to distressed property buyers." One agent noted, "Homebuyers are looking for bargains. Most of my buyers want short sales or foreclosures." Another cited, "Low prices for investors and low interest rates for end users." Some agents talked about the declining inventory levels as both a positive and negative for the market; a positive in that the inventory overhang is slowly being cleared, but a negative in that the foreclosure delays have slowed down the flow of distress back to the market, leaving deal-hungry buyers without much to choose from.

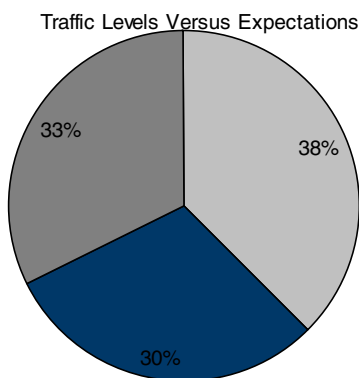
Prices hurt by continued focus on distress. Home prices remained under pressure in May, mainly due to competition from distress, as our home price index slipped to 37 from 39 in April (readings below 50 indicate sequentially lower prices). However, inventory levels continued to decline and the length of time needed to sell a home was unchanged, both of which could help prices to stabilize near term (although we do continue to worry about the large backlog of distress still to come to market). Our home listings index came in at 64 (from 71 in April), with readings above 50 indicating lower inventory, and our time to sell index came in at a neutral reading of 50 (from 54 in April).

Comments from real estate agents:

- "REO's make sales more difficult to close. Why are banks dragging their feet? To sell their portfolios REO's it is necessary to have mortgage companies approve buyers in a more expeditious way."
- "Although buyers are still a little hesitant and very picky, sellers are smarter and willing to compromise on reasonable requests."

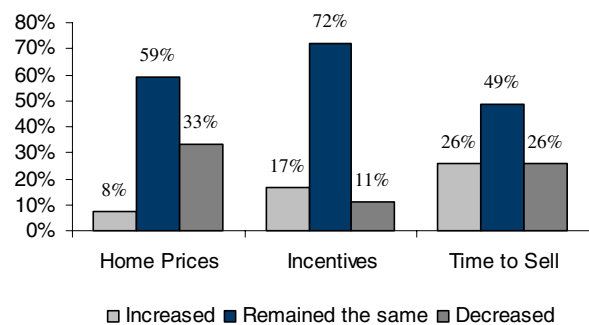
Lennar has the most exposure. Lennar has the greatest exposure to Miami, representing 4% of its sales, followed by D.R. Horton at 2%.

Exhibit 14: Distressed Purchases Remain En Vogue



■ 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

May Market Trends	
Traffic	↔
Home Prices	👎
Incentives	↔

"The deals are getting sold."

Minneapolis, MN – Buyers Reluctant to Commit, Expecting Further Price Declines

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

Traffic declines as buyers continue to fear further price declines. Traffic fell in May, coming in below agents' expectations, as our traffic index fell to 31 from 39 in April (readings below 50 suggest lower than expected traffic levels). Some agents mentioned a modest improvement in confidence and a reemergence of first-time buyers, but most were disappointed by the lack of follow-through from buyers. Many agents commented that even when they saw healthy traffic, buyers were hesitant to make any offers (or would make offers well below list price) as they expect further price declines. "Buyers are still hesitant on writing offers but showings have picked up," according to one agent. Another said, "Buyers are reluctant to offer. They don't believe in the prices even with historically low interest rates." Homes priced right are moving better. One agent who saw better results commented, "I think seller's willingness and ability to lower price has helped."

Prices remain under pressure. Home prices fell further in May, as our home price index fell to 16 from 20 in April, with any reading below 50 pointing to sequentially lower home prices. Inventories remained unchanged, as our home listings index improved to 51 in May from 48 in April, in-line with a neutral reading of 50. However, the weak demand contributed to a longer time needed to sell a home, a negative indicator for pricing. Our time to sell index came in at 26 (from 21 in April), below a neutral reading of 50.

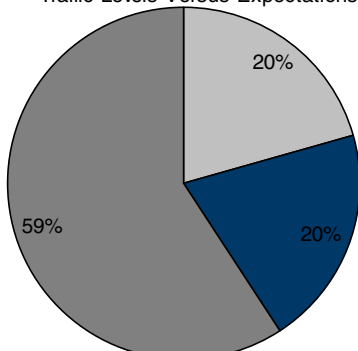
Comments from real estate agents:

- "Everyone has been blaming the lack of a spring market on the weather. Face it...There are very few buyers out there willing to pay the over inflated prices that sellers want to charge. I had a listing receive 3 offers on day number 2 on the market. Everyone knew it was a multiple offer situation. The best offer came in 20% under list. The home was already priced aggressively and not a single one of the offers would negotiate up. This was on a \$250k house! That sums up this market. There are a few shoppers, and even fewer good buyers!"

Ryland, Hovnanian, and Lennar have the greatest exposure. Ryland has the greatest exposure to Minneapolis, which generates approximately 5% of its sales, followed by Lennar and Hovnanian with 3% each.

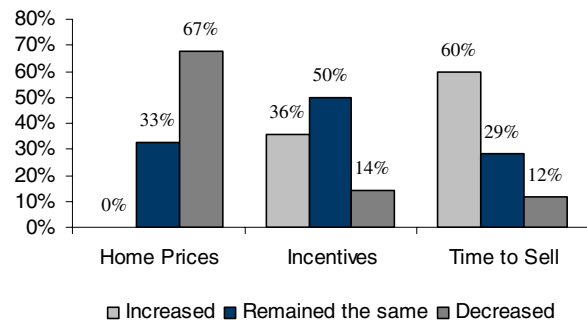
Exhibit 15: Buyers Remain Cautious as Prices Continue to Decline

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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"We saw a sharp decline in the traffic for new construction homes since the end of the Parade of Homes."

New York-Northern NJ – Buyers Claim Upper Hand, but Sellers Won't Play Ball

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

Traffic worsens as buyers view sellers as unrealistic. Buyer traffic fell in May, remaining below agents' expectations, as our traffic index fell to 18 from 24 in April (readings below 50 point to traffic below expectations). Confidence still isn't at great levels, but numerous agents also blamed the weak traffic levels on a growing gap between buyer and seller expectations. According to one agent, "Buyers hear the drumbeat of lower prices and have responded. Sellers who do not respond to market conditions watch as their listings gather dust on the island of unwanted homes." Other agents agreed, with one noting, "Buyers still feel that sellers are not realistic in their asking prices," and another saying, "The traffic is there, but buyers are not pulling the trigger. On desired homes, sellers are not accepting the value buyers are placing on their homes." This is leading to "little sense of urgency among buyers." Another agent commented, "Buyers are on the fence; still don't believe the bottom is here, yet. Even the investors are on the sidelines. Short sales and foreclosures are increasing and dragging home values down."

Prices fall despite seller resistance as inventories rise. Home prices continued to fall in May, as our home price index dropped to 23 from 33 in April, with readings below 50 pointing to lower home prices over the past 30 days. Inventory levels continued to rise, as our home listings index fell to 16 in May from 22 in April, below a neutral reading of 50. It also took longer to sell a home – a negative for pricing – as our time to sell index fell to 16 in May from 34 in April, with readings below 50 pointing to an increase in the length of time needed to sell.

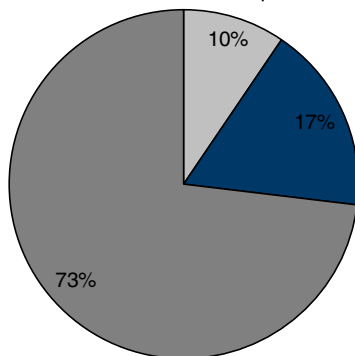
Comments from real estate agents:

- "Prices continue to move downward and buyers continue to come in with wildly low (at least 10% off list price) offers."
- "Buyers are giving up, sellers who do not HAVE to sell will NOT lower their prices to compete with short sales, foreclosures and all the rest of the junk that's out there."

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 16% of its sales, followed by Hovnanian with 11%.

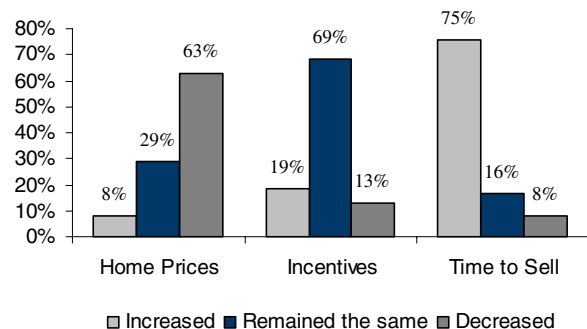
Exhibit 16: Buyers Lack Urgency, Anticipating Further Price Declines

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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔

"Buyers are still shopping around. Homes are taking longer to market. There's a lot for them to look at."

Orlando, FL – Buyers Waiting for REO’s to Come Back to the Market; Sellers Try to Hold Line

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

Traffic slips as buyers expect better deals in the near future. Buyer traffic regressed in May, as our traffic index fell back to 40 from 44 in April, modestly below agents’ expectations (readings below 50 indicate traffic levels below expectations). The primary reason cited was a perception among buyers that even better deals are just around the corner, while non-distressed sellers are reluctant to meet buyer demands. According to one agent, disappointing traffic was a result of, “Lower inventory levels due to less REO listings on the market and buyers still attracted to best values in market, so many are waiting for the coming release of foreclosed properties currently bottlenecked.” Another also cited, “The decline in REO’s from the moratorium.” One agent commented, “Sellers who do not have to sell have little motivation to sell against distressed transaction prices of foreclosures. Very few homes for sale in the better neighborhoods (Eastwood/E Orlando). Few foreclosures. It is quite nice to see, but prices are at 53% from the peak value.” The overall level of demand was not so bad, but buyers remain very focused on distress.

Foreclosure delays lead to lower inventory, but prices still under pressure. Home prices declined again in May, as our home price index fell to 35 from 38 in April, with readings below 50 pointing to sequentially lower prices. The delayed foreclosure process led to lower inventory levels, but sellers are still under pressure to match distressed prices. Our home listings index improved to 72 in May from 68 in April, pointing to lower inventory levels (readings below 50), though this is likely temporary. The length of time needed to sell a home increased, reflecting the weaker demand, falling to 39 in May from 44 in April (readings below 50 point to a longer time to sell).

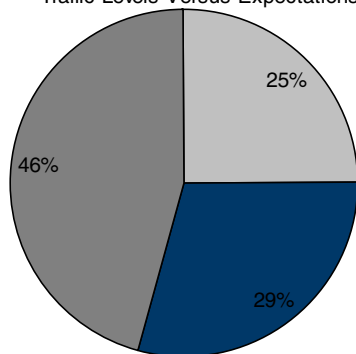
Comments from real estate agents:

- “Short sales are being avoided by buyers when possible, they are looking for faster closings.”
- “Sellers are refusing to list property at a price that will sell and buyers are refusing to buy at the sellers’ list price.”

KB Home, Meritage and Ryland have the greatest exposure. KB Home, Meritage, and Ryland each generate approximately 5% of their sales in Orlando. The market represents approximately 3% of sales for Lennar and Pulte Group.

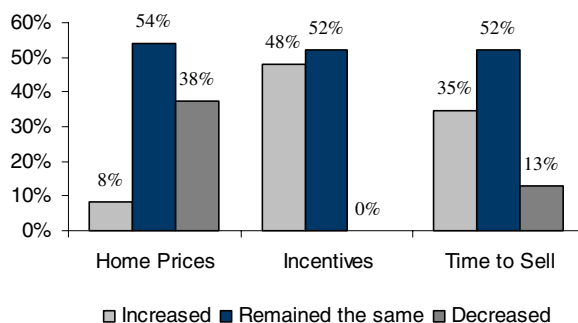
Exhibit 17: Buyers See Better Deals Coming Down the Pipe and Choose to Wait

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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

“This year we are severely affected by the lack of released foreclosures.”

Phoenix, AZ – Buyers Gaining Confidence; Leading Indicators Point to Near-term Price Support

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

Traffic remains above expectations as buyers see deals and gain confidence. Buyer traffic remained above agents' expectations in May, as our traffic index came in at 54 (down slightly from 55 in April but any reading above 50 points to better than expected traffic). Building on the momentum from last month, agents said that buyer confidence is growing as they perceive deals in the market and want to get back in while they last. One agent commented, "Reduced inventory and continued low rates are bringing a lot of buyers to the table." Another noted, "More investor and second/vacation homebuyers are coming to our market." Another agent said, "Seems like buyers are more confident. I'm seeing more 'traditional' (not short sale or foreclosure) listings coming on the market and those typically are more appealing to buyers who can't wait." "Most are first-time buyers," according to another agent.

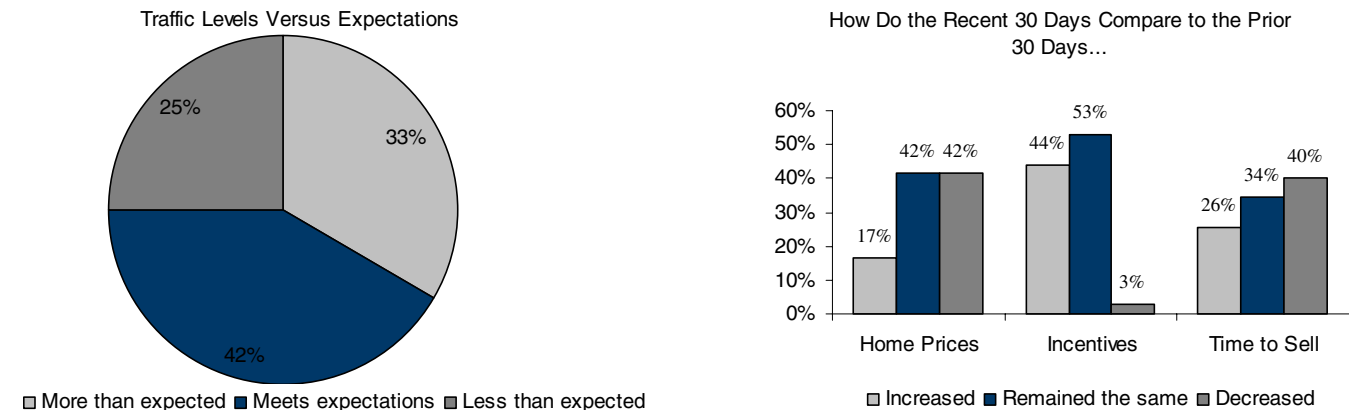
Prices down modestly, but lower inventory and time to sell a positive sign. Home prices remained under pressure in May, as our home price index slipped to 38 from 41 in April, below a neutral reading of 50. However, inventory levels improved for the third consecutive month, as our home listings index rose to 76 in May from 68 in April (above a neutral reading of 50). In addition, our time to sell index pointed to a shorter length of time needed to sell for the second straight month, coming in at 57 in May (from 60 in April), above a neutral reading of 50. The combination of lower inventory, less time needed to sell, and solid demand bode well for price stabilization, although the lengthy backlog of distress yet to work its way back to the market presents continued risk.

Comments from real estate agents:

- "Some buyers are still hesitant, waiting for the REO inventory to come on the market...However, some are tired of waiting, prepared to remain in their next home for 10+ years and are looking, especially those with access to cash. Lower price ranges continue to sell and while the median price is low, it is holding."
- "Inventory is dropping and there are lots of buyers but finding a property to buy is a big challenge..."

MDC Holdings, Meritage, and Standard Pacific have the greatest exposure. MDC has the largest exposure to Phoenix, which represents approximately 18% of its total company sales, followed by MTH (12%), SPF (9%), PHM (7%), DHI (6%) and KBH (4%).

Exhibit 18: Improving Inventory and Time to Sell Should Help to Stabilize Prices



Source: Credit Suisse estimates

May Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

"Taking advantage of low pricing."

Riverside-San Bernardino, CA (Inland Empire) – Discouraged Buyers Remain on the Sidelines

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

Traffic weakens as buyers grow more cautious, discouraged. Buyer traffic worsened again in May, as our traffic index fell to 28 from 31 in April, with readings below 50 indicating traffic levels below agents’ expectations. Agents said that competition remains for low-priced homes, but that end is being dominated by investors and traditional buyers are growing more wary. One agent noted, “Buyers are getting discouraged because they are always beat out in offers by cash buyers.” Another commented, “There is a lack of inventory; short sale problems are worse than four months ago.” Another agent said, “It’s all over the map. The luxury end and the entry level are strong, while the middle segment remains weak.” General concerns are also present, as one agent noted, “Buyers are still expressing concern about high gas prices and uncertainty with the country’s economic outlook. Several buyers seem frozen regarding moving forward, in spite of professed desire to do so.”

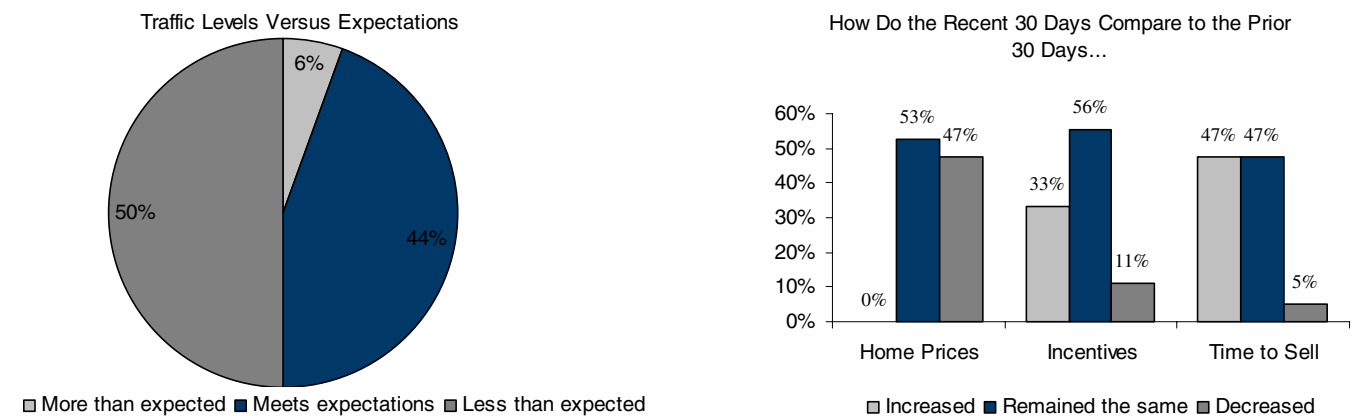
Rising inventory, weak demand pressure home prices. Home prices fell further in May, as our home price index declined to 26 from 31 in April, with any reading below 50 indicating sequentially lower prices. This matches the low from February, which was the lowest reading seen in our survey since March 2009. We think sellers will likely continue to adjust in response to the increased competition and weakness in demand, especially as the prime selling season winds down. Inventories moved higher in May, as our home listings index fell to 34 from 41 in April (readings below 50 indicate higher inventory levels). The combination of weak demand and rising inventory led to a longer time to sell in May, as our time to sell index fell to 29 from 34 in April (below a neutral 50). This is typically a negative leading indicator for home prices.

Comments from real estate agents:

- “For this time of the year...it’s what it normally is...many buyers out and still much competition. Even if your buyer is all cash...still a lot of competition.”
- “Sales have been stable over the last few months. But no spring increase yet.”

Standard Pacific, KB Home, Beazer and Hovnanian have the greatest exposure. Standard Pacific generates approximately 12% of its sales in the region, followed by KB Home (11%), Beazer and Hovnanian (6%), and Ryland (5%).

Exhibit 19: Sellers Cut Price in Response to Weak Demand, Increased Competition



Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

“Buyers are shopping for bargains yet cautious about future market conditions.”

San Antonio, TX – Affordability Takes a Back Seat to Buyers’ Inability to Qualify for Mortgages

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

Traffic drops as financing troubles continue to weigh on demand. Buyer traffic worsened in May, as our buyer traffic index fell to 28 from 41 in April, well below a neutral reading of 50. Agents continued to cite financing as a primary reason for the weak demand, as buyers are still struggling to qualify for loans despite the lower home prices and mortgage rates. One agent noted, “Difficulty in getting approved. Buyers are worried that the process is exhaustive and difficult.” Another commented, “Financing is too hard to obtain for most people.” In addition, one agent dealing with foreclosures said, “Sales have dropped dramatically over the past 30-60 days,” due to a lack of inventory. One way to avoid the financing issues is to pay cash, and one agent noted, “More cash buyers and investors willing to enter the market.” Other agents who saw better demand credited the local jobs picture. One agent said, “Eagle-Ford Sale gas/oil field production is generating lots of wealth,” while another said, “Military relocation is driving the demand. However, another agent commented, “It seems like incomings are choosing to rent rather than buy.”

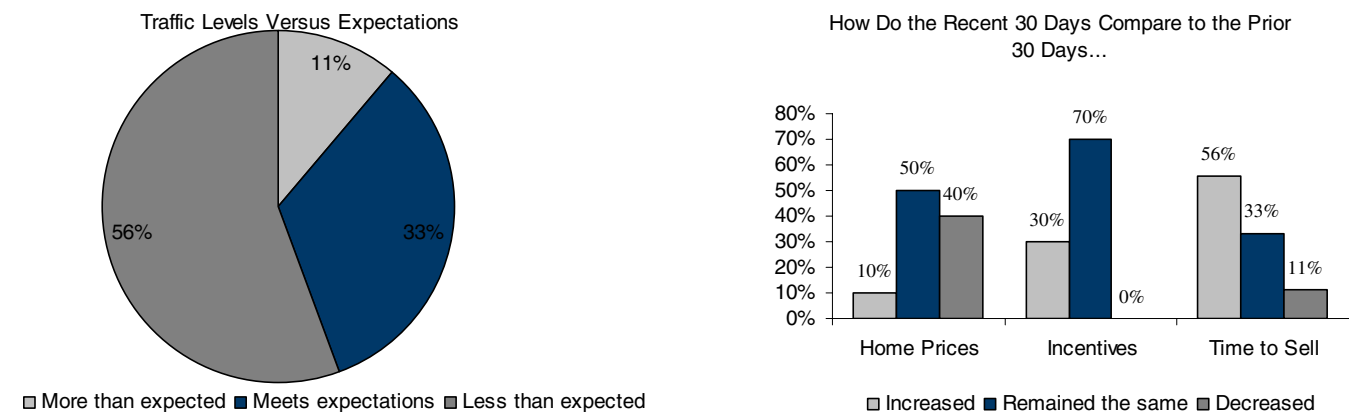
Prices fall on weak demand. Home prices declined again in May, pressured by the weakness in demand, as our home price index slipped to 35 from 41 in April, with readings below 50 pointing to sequentially lower prices. Inventory was essentially unchanged, as our home listings index improved to 45 in May from 32 in April, only slightly below a neutral reading of 50. Lower inventory levels would help to firm up pricing. However, the decrease in demand offset the stable inventories as the length of time needed to sell a home increased again in May, a negative for pricing. Our time to sell index fell to 28 from 36 in April, with readings below 50 indicating a longer time needed to sell a home over the past 30 days.

Comments from real estate agents:

- “Nothing seems different, but buyers/sellers are not there all of a sudden.”
- “Pent up demand is finally breaking through, fear is finally submitting to need.”

D.R. Horton, Ryland, and KB Home have the greatest exposure. D.R. Horton and Ryland have the most exposure to the San Antonio market, as it represents approximately 7% of each company’s sales. San Antonio represents 6% of sales for KB home, 5% of sales for Meritage, and 4% of sales for Pulte.

Exhibit 20: Prices Fall as Buyers Continue to Struggle to Qualify for Loans



Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

“It is taking a lot longer to close loans, approx. 45-60 days. Lenders requiring a lot more.”

Seattle, WA – Affordability Attracts Some, but Others Continue to Fear Falling Prices

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

Traffic improves but remains below agents’ expectations. Buyer traffic improved in May, as our buyer traffic index increased to 41 from 26 in April, but remained below agents’ expectations for this time of year (any reading below 50). Interestingly, there was a considerable difference of opinion among agents regarding the health of the market. One agent commented, “This year will be the spring selling season that never came. High gas prices, continuing declines in pricing due to foreclosures and short sales, and concern over the employment numbers have worked to destroy the anticipation we shared for a renewed housing demand this year.” Another agreed, noting, “A true recovery is hampered by numerous factors such as price suppression due to short-sales, REO's, etc. Lack of equity in homes and fear of the market cause a lack of confidence. Also, the proposition that a home is a worthwhile investment has been eradicated.” However, in the positive camp, one agent countered, “Buyers are willing to get off the fence and make an offer, whereas before they were too scared to do so.” Another observed, “LOTS of first-time buyer interest - mostly in the lower price ranges. Some investors as well.”

Prices fall, buyers focus on value and wait for further declines. Our home price index fell to 26 in May from 32 in April, indicating lower prices over the past 30 days (any reading below 50). However, cautious buyers are waiting for further declines, leading to rising inventory levels. Our home listings index came in at 27 in May (up from 21 in April), still well below a neutral reading of 50 (readings below 50 point to higher inventory). On a more positive note, however, the length of time needed to sell a home was essentially unchanged, as our time to sell index improved to a near-neutral 46 in May from 42 in April. A shorter time to sell would be a positive for pricing.

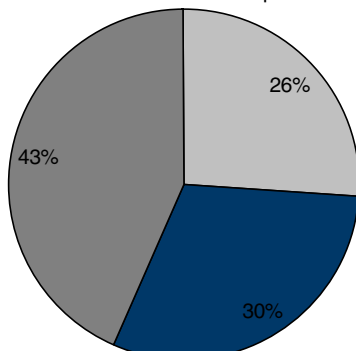
Comments from real estate agents:

- “Buyers are coming to life. Warmer weather and continued low prices are starting to get people off the fence.”
- “Spring has sprung and no real buyers to be seen anywhere. Last three open houses have resulted in no one showing up.”

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

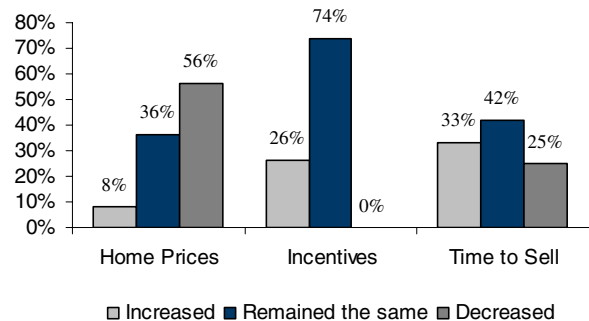
Exhibit 21: Buyers Continue to Focus on Value

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

May Market Trends	
Traffic	👉
Home Prices	👎
Incentives	👎

“Buyers aren't in any hurry because they think prices are going to continue to drop.”

Tampa, FL – Buyers Wary of Falling Prices, Lengthy Process to Purchase Short Sales and Foreclosures

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

Bounce in April traffic proves short-lived as May disappoints agents again. Buyer worsened in May, as our traffic index fell to 38 from 62 in April (consistent with the reading of 39 seen in March), indicating traffic levels fell back below agents' expectations (any reading below 50 points to traffic below expectations). Compared to the improvement last month, buyers seemed to have less urgency and less confidence. Among the major issues, one big one is that, "Prices are continuing to go down slowly." The slow spiral erodes buyer confidence. In addition, one agent noted that lengthy processes associated with closing on foreclosures and short sales are wearing thin on buyers, saying, "After tax time as we approach summer, business usually starts to intensify. This year, many buyers who can play are sitting on the sideline because they don't want to participate in what has become the horror story of dealing with REO and more specifically third party approval on short sales. The banks continue to be their own worst enemy." Some agents were more upbeat, saying that if there is value associated with a property, it is moving. One agent talked about having success on a unique, niche waterfront property that has attracted both primary and second home buyers.

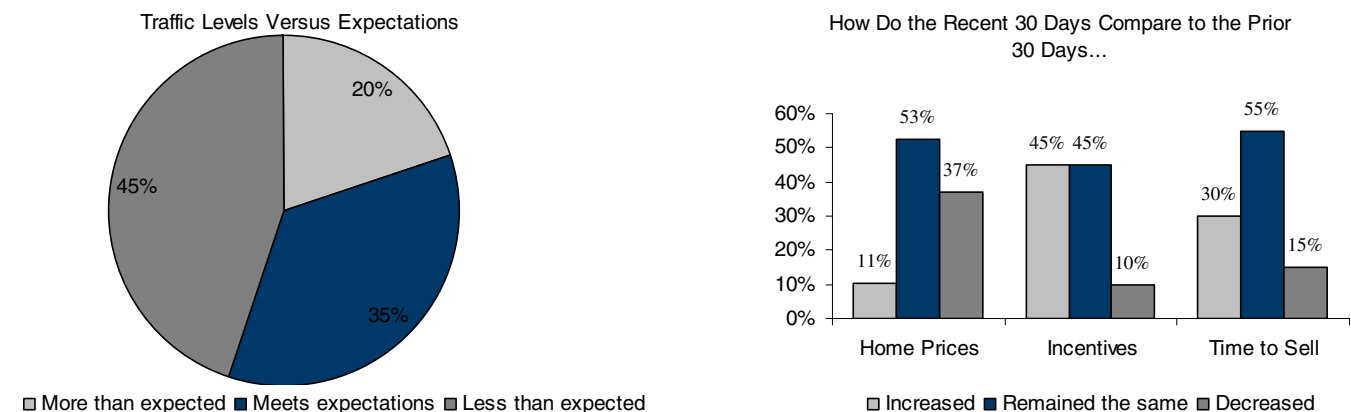
Home prices fall again as distress remains a drag. Prices fell in May after briefly stabilizing in April, according to agents, as our home price index declined to 37 from 47, with readings below 50 indicating lower home prices over the past 30 days. Inventory continued to trend lower, although we think this is largely due to the delayed foreclosure process; our home listings index fell to 58 in May from 68 in April, but remained above a neutral reading of 50. The length of time needed to sell a home increased modestly, as our time to sell index slipped to 43 in May from 47 in April, just shy of a neutral reading of 50.

Comments from real estate agents:

- "People are waiting/looking for the bottom pricewise. They do not think that has happened."
- "Super-low prices and a large inventory to choose from."

Standard Pacific and Lennar have the most exposure. Tampa contributes to approximately 10% of Standard Pacific's net sales, followed by 6% for Lennar, and 3% each for Hovnanian and Ryland.

Exhibit 22: Traffic and Pricing Saw a Setback in May



Source: Credit Suisse estimates

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"Lack of qualified buyers in the marketplace."

Washington, D.C. – Buyer Traffic Improved as Month Progressed, but Still Below Expectations

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

May ended on a brighter note, but buyers remain cautious. Buyer traffic improved in May relative to levels seen in April, as our buyer traffic index rebounded to 37 from 32 in April; however, this still indicates traffic levels below agents' expectations for this time of year (readings below 50 point to traffic below expectations). Traffic levels actually started off on an even weaker note, with agents pointing to continued caution in the region amid government budget fears (and the potential impact on local jobs from any potential budget cuts) and higher gas prices. However, traffic appeared to strengthen as the month progressed, even while agents remained somewhat downbeat about seeing just "normal late spring traffic" considering the attractive home prices and mortgage rates. Agents who saw traffic in-line with expectations generally commented that they were just seeing the normal seasonal pattern in demand. Affordability is helping first-time buyers, but buyers remain hesitant to commit. One agent also noted some additional demand higher up the chain, commenting, "Spring market brings out more move-up buyers."

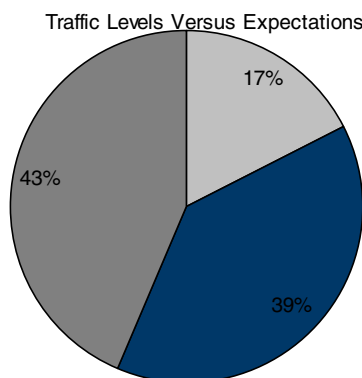
Prices slightly lower; longer time needed to sell. Home prices appeared to fall slightly again in May, as our home price index was unchanged at 44, modestly below a neutral reading of 50. Inventory levels trended higher, as our home listings index fell to 37 in May from 39 in April (below a neutral reading of 50). In addition, our time to sell index dropped to 28 in May from 44 in April, despite the better traffic levels (underscoring hesitation among buyers), below a neutral reading of 50. This points to an increased length of time needed to sell and is typically a negative leading indicator for pricing.

Comments from real estate agents:

- "Investors and first-time buyers are competing for lower-priced inventory that's becoming more scarce."
- "Affordability is at all-time highs in our area and inventory is decreasing and the local economy is healthy, creating good consumer confidence."

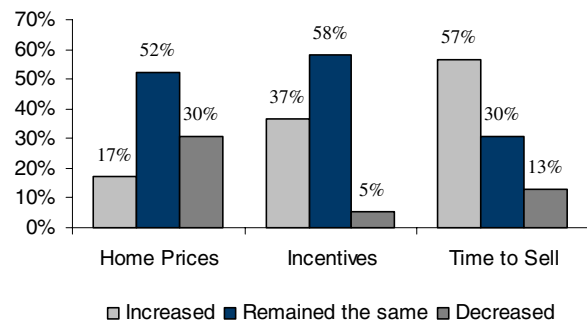
NVR, Toll Brothers, and Hovnanian have the greatest exposure. NVR and Toll Brothers have the most exposure to the Washington, D.C. market, as it represents approximately 20% and 15% of sales, respectively. Washington, D.C. accounted for 10% of Hovnanian's sales.

Exhibit 23: Seasonal Bounce in Traffic Fails to Impress Agents; Buyers Remain Hesitant



■ 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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

"More inventory, sellers willing to cooperate."

Additional Key Housing Markets

Baltimore, MD

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

Traffic below expectations. Traffic was below expectations in May, as our traffic index fell to 20 from 21 in April, short of a neutral reading of 50 (readings lower than 50 indicate traffic did not meet agents' expectations). 60% of agents said traffic was below expectations and 40% said it met expectations.

Prices fall, incentives increase. Home prices fell further in May, as our home price index fell to 20 from 25 in April, with readings below 50 indicating lower prices over the last 30 days. 60% of agents said prices were lower and 40% said prices were unchanged. Meanwhile, incentives moved higher in May, as our incentive index came in at 20 (from 40 in April), shy of a neutral reading of 50 (readings below 50 suggest higher incentives). 60% of agents said incentives were higher and 40% said they were unchanged.

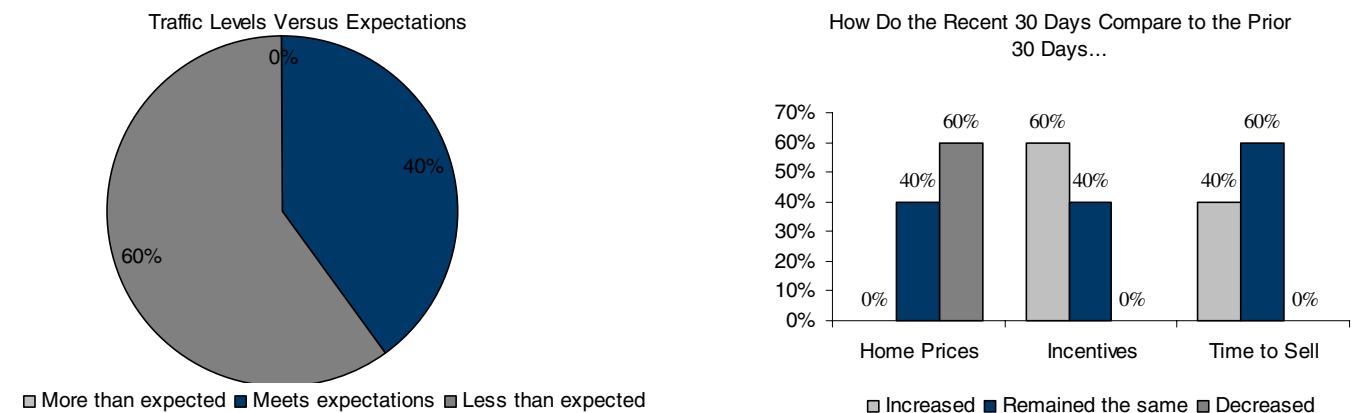
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 30 in May from 38 in April, coming in below a neutral reading of 50, suggesting an increased time to sell (readings below 50 point to an increased time to sell). 60% of agents said the time to sell a home was unchanged and 40% said the time to sell increased. We view an increased time to sell as a negative step toward price stabilization.

Comments from real estate agents:

- "Buyers are still not sure about the economy. Higher gas prices are also eating away at traffic."
- "People think prices will keep going down."

NVR and Ryland have the greatest exposure. NVR has the most exposure to Baltimore, as it represents approximately 12% of the company's sales. Baltimore represented 5% of Ryland's sales.

Exhibit 24: Traffic Below Expectations, Lower Prices, Higher Incentives, Time to Sell Increases in May



Source: Credit Suisse estimates

Boston, MA

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

Traffic falls below expectations. Traffic fell short of agents' expectations in May, as our traffic index dropped to 29 from 50 April, below a neutral reading of 50 (readings lower than 50 indicate traffic did not meet agents' expectations). 57% of agents said traffic exceeded expectations, 29% said it met expectations, and 14% said it was below expectations.

Lower prices, stable incentives. Home prices faced additional pressure in May, as our price index fell to 18 from 32 in April, short of a neutral reading of 50 (readings below 50 indicate sequentially lower prices). 64% of agents said prices were lower and 36% said they were unchanged. Sellers held incentives steady again in May, as our incentive index came in at 54 (from 53 in April), in-line with a neutral reading of 50 (readings of 50 suggest unchanged incentives). 92% of agents said incentives were unchanged and 8% said they were lower.

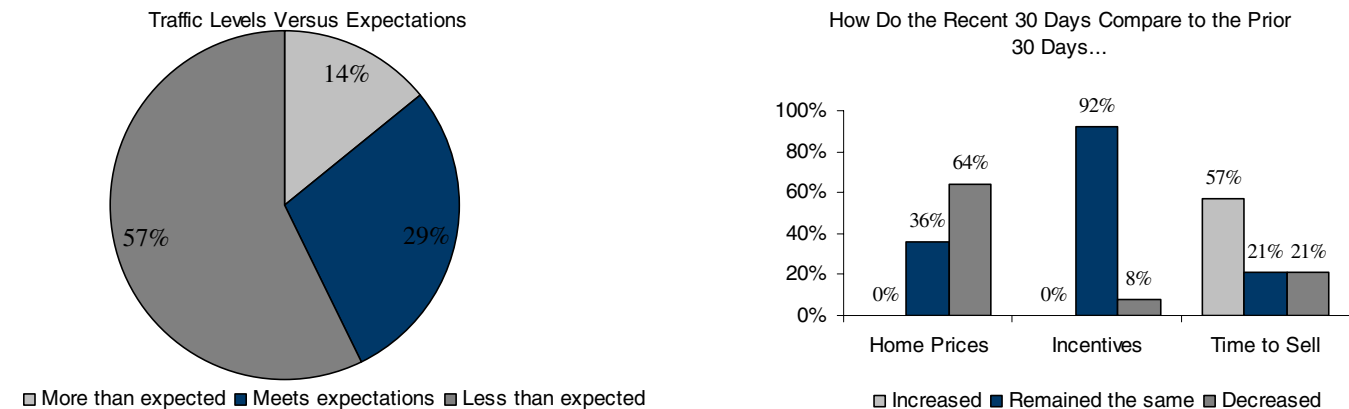
Increased time needed to sell a home in May. Our time to sell index came in at 32 in May (from 65 in April), below a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings lower than 50 indicate an increased time to sell). 58% of agents said the time to sell increased, 21% said the time to sell was unchanged, and 21% 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:

- "Job security is a key concern."
- "Living costs are getting too expensive, especially because of gas prices."

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

Exhibit 25: Traffic Below Expectations, Lower Prices, Stable Incentives, Increased Time to Sell in May



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 May, as our traffic index fell to 10 from 17 in April, pointing to traffic below agents' expectations (readings lower than 50 suggest traffic did not meet agents' expectations). 80% of agents said traffic was short of expectations and 20% said it met expectations.

Lower prices, higher incentives. Home prices fell in May, as our home price index came in at 0 (from 25 in April), pointing to sequentially lower prices (readings short of 50 indicate lower prices). 100% of agents said prices were lower. Meanwhile, incentives were higher in May, as our incentive index came in at 40 (from 50 in April), short of a neutral reading of 50 (a reading lower than 50 indicates increased incentives over the last 30 days). 80% of agents said incentives were unchanged and 20% said they were higher.

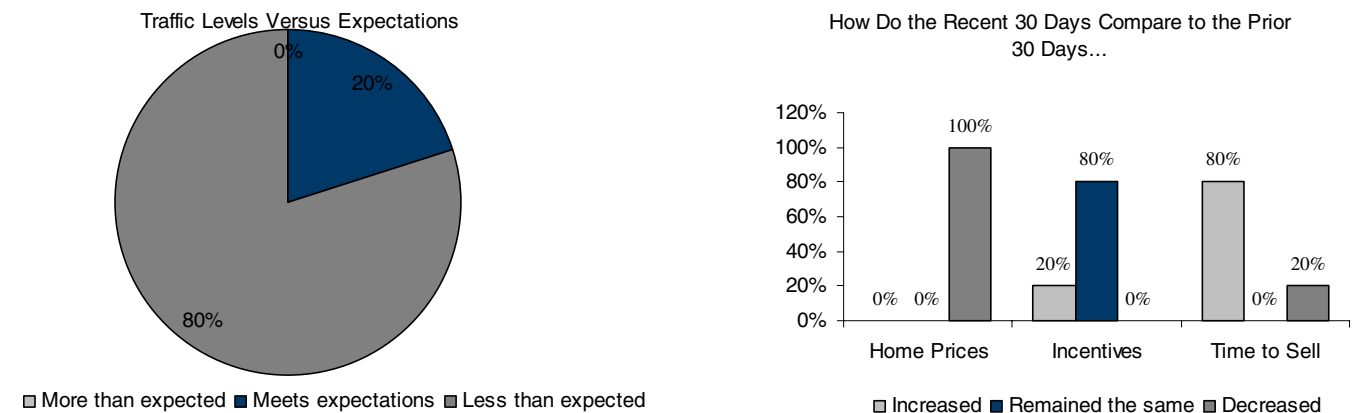
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 20 in May from 25 in April, still below a neutral reading of 50, indicating an increased time to sell over the past month (readings lower than 50 suggest an increased time to sell). 80% of agents said the time to sell increased over the last 30 days and 20% said the time to sell declined. We view an increased time to sell as a negative step toward price stabilization.

Comments from real estate agents:

- "People are struggling to make ends meet. They'd rather rent than buy"
- "Buyers are worried about the economy and are having trouble getting financing."

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

Exhibit 26: Traffic Below Expectations, Prices Decrease, Incentives Increase, Longer Time to Sell in May



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 fell to 25 in May from 27 in April, remaining below a neutral reading of 50, pointing to traffic missing expectations (a reading short of 50 suggests lower than expected traffic). 50% of agents said traffic was below expectations and 50% said it met expectations.

Prices fall, incentives flat. Home prices remained under pressure in May, as our price index fell to 20 from 32 in April, below a neutral reading of 50, indicating sequentially lower home prices (readings short of 50 point to decreased prices). 60% of agents said prices were lower and 40% said they were unchanged. Meanwhile, sellers held incentives steady in May, as our incentive index came in at 50 (from 43 in April) in-line with a neutral reading of 50 (readings of 50 suggest unchanged incentives). 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 40 in May (from 27 in April), closer toward a neutral reading, but still suggesting an increased time to sell over the past 30 days (readings short of 50 indicate a longer time to sell). 40% of agents said the time to sell increased, 40% said the time to sell was unchanged, and 20% said the time to sell decreased. We view the longer time to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

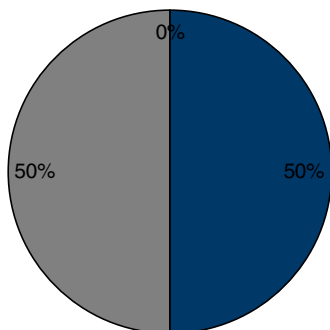
- “The economy is showing no signs of recovering.”
- “The economic hurt is still lingering. Most people are finding it difficult to meet payments.”

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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔️

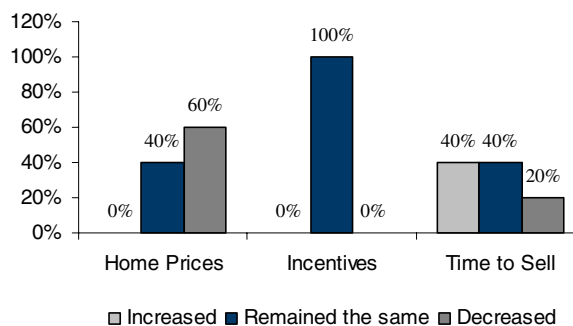
Exhibit 27: Traffic Below Expectations, Prices Fall, Incentives Flat, Time to Sell Lengthens in May

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

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 May, as our traffic index came in at 29 from 17 in April, with readings lower than 50 pointing to traffic below agents' expectations. 57% of agents said traffic was in-line with expectations and 43% said it was below expectations.

Prices fall, incentives stable. Prices remained under pressure in May, as our price index came in at 36 from 25 in April, with readings below 50 indicating sequentially lower home prices. 43% of agents said prices were unchanged, 43% said they were lower, and 14% said they were higher. Meanwhile, sellers held incentives steady in May, as our incentive index came in at 50 (unchanged from our reading in April), in-line with a neutral reading of 50 (readings of 50 indicate flat incentives). 100% of agents said incentives were unchanged.

Increased time needed to sell a home in May. Our time to sell index came in at 36 in May (from 42 in April), pointing to a longer time to sell over the past 30 days (readings short of 50 suggest an increased time to sell). 71% of agents said the time to sell was unchanged and 29% said it longer to sell a home. We believe the increased time to sell is a negative indicator for future pricing trends.

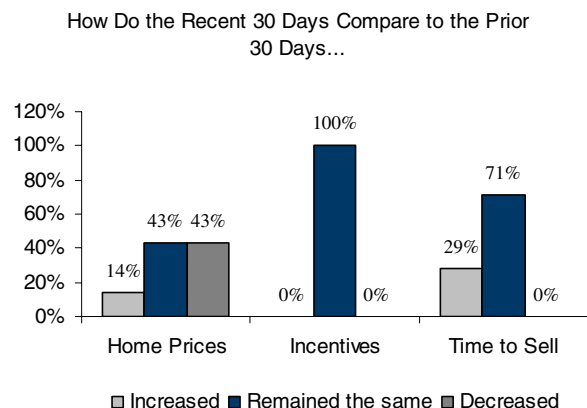
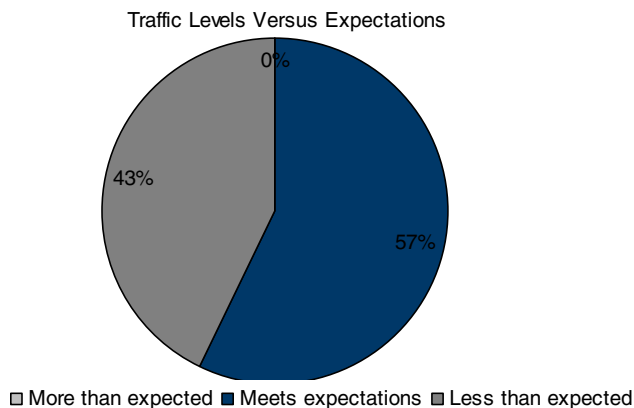
Comments from real estate agents:

- "More expensive gas prices are like the straw that broke the camel's back."
- "Buyers don't think the bottom has been reached. Prices continue to fall."

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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔

Exhibit 28: Traffic Below Expectations, Lower Prices, Unchanged Incentives, Increased Time to Sell in May



Source: Credit Suisse estimates

Detroit, MI

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

Traffic falls below agents' expectations. Buyer traffic fell below expectations in May, as our traffic index slipped to 39 from 56 in April, falling short of a neutral reading of 50, suggesting traffic came in below agents' expectations (readings lower than 50 indicate traffic was below expectations). 41% of agents said traffic was lower than expectations, 41% said it was in-line with expectations, and 18% said it was greater than expectations.

Prices fall, incentives flat. Home prices were lower in May, as our price index came in at 43 (from 47 in April), below a neutral reading of 50 (readings short of 50 suggest sequentially lower prices). 68% of agents said prices were unchanged, 23% said they were lower, and 9% said they were higher. Meanwhile, incentives were stable, as our incentive index came in at 50 (from 54 in April) in-line with a neutral reading of 50 (readings of 50 suggest flat incentives). 80% of agents said incentives were stable, 10% said they were higher, and 10% said they were lower.

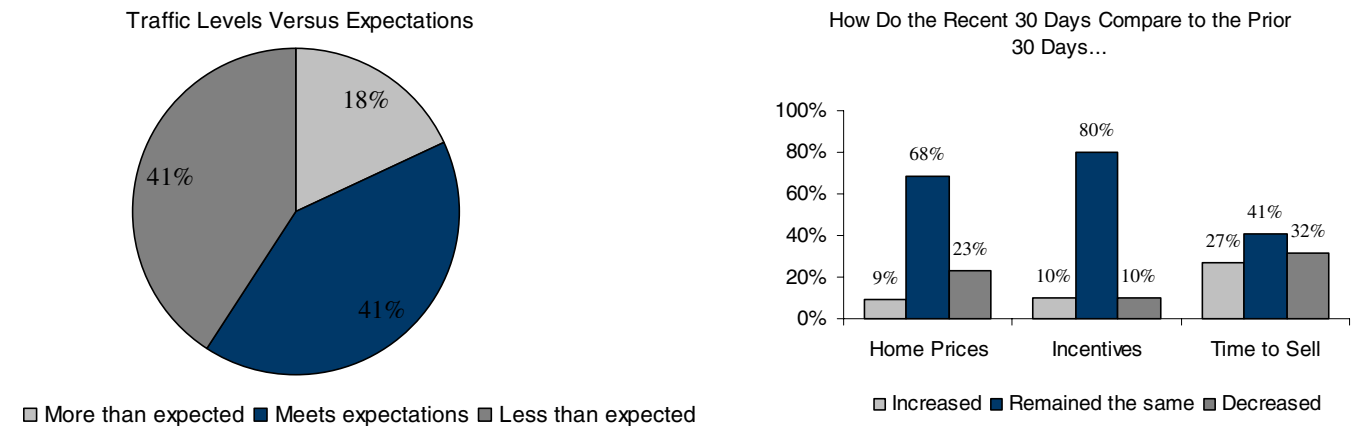
Unchanged time needed to sell a home in May. Our time to sell index came in at 52 in May (from 63 in April), in-line with a neutral reading of 50, indicating an unchanged time to sell over the past 30 days (readings of 50 suggest an unchanged time to sell). 41% of agents said the time to sell was unchanged, 32% said the time to sell decreased, and 27% said the time to sell increased. We view the unchanged time needed to sell as a positive indicator of future pricing trends.

Comments from real estate agents:

- "The region is still suffering from a lack of jobs."
- "Demand is a little better for foreclosures, but gas prices are hurting traffic."

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

Exhibit 29: Traffic Lower than Expectations, Lower Prices, Flat Incentives, Unchanged Time to Sell in May



Source: Credit Suisse estimates

Ft. Myers, FL

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

Traffic meets agents' expectations. Buyer traffic met agents' expectations in May, as our traffic index came in at 53 (unchanged from our reading in April), in-line with a neutral reading of 50 (readings of 50 point to traffic meeting agents' expectations). 50% of agents said traffic met expectations, 28% said it exceeded expectations, and 20% said it was lower than expected.

Prices stable, incentives higher. Home prices were stable in May, as our home price index came in at 47 (from 60 in April), in-line with a neutral reading of 50, indicating sequentially unchanged home prices (readings of 50). 39% of agents said prices were unchanged, 33% said they were lower, and 28% said they were higher. Meanwhile, incentives were higher in May, as our incentive index came in at 28 (from 47 in April), short of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 56% of agents said incentives were unchanged and 44% said they were higher.

Less time needed to sell a home in May. Our time to sell index came in at 58 in May (from 70 in April), remaining above a neutral reading of 50, suggesting a decreased time to sell over the past 30 days (readings above 50 point to a reduced time to sell). 61% of agents said the time to sell was unchanged over the past 30 days, 28% said the time to sell decreased, and 11% said the time to sell increased. We view the decreased time to sell as a positive indicator for future pricing trends.

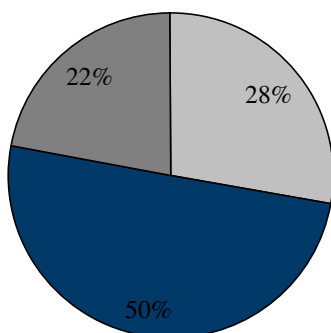
Comments from real estate agents:

- "The REO inventory is creating some excitement. Prices are very attractive."
- "Foreclosures are harder to find. I am seeing multiple offers for some properties."

Hovnanian has the most exposure. Hovnanian has the greatest exposure to Ft. Myers with approximately 6% of its sales, followed by Lennar with 2%.

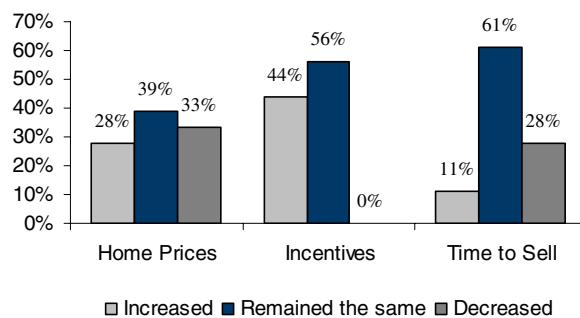
Exhibit 30: Traffic Meets Expectations, Stable Prices, Higher Incentives, Reduced Time to Sell in May

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

Nashville, TN

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

Traffic falls well below expectations. Buyer traffic came in well below agents' expectations in May, as our traffic index fell to 15 from 44 in April, well short of a neutral reading of 50 (readings lower than 50 point to traffic missing agents' expectations). 80% of agents said traffic did not meet expectations, 10% said it met expectations, and 10% said it was above expectations.

Prices decline, incentives higher. Home prices remained under pressure in May, as our home price index came in at 35 (from 25 in April), remaining below a neutral reading of 50, indicating sequentially lower home prices (readings below 50). 70% of agents said prices were unchanged and 30% said they were lower. Meanwhile, incentives increased in May, as our incentive index came in at 40 (from 56 in April) lower than a neutral reading of 50 (readings short of than 50 indicate increased incentives). 80% of agents said incentives were unchanged and 20% said they were higher.

Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 30 in May from 44 in April, below a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings short of 50 point to an increased time to sell). 60% of agents said the time to sell was unchanged over the past 30 days and 40% said the time to sell increased. We view the longer time to sell as a negative indicator for future pricing trends.

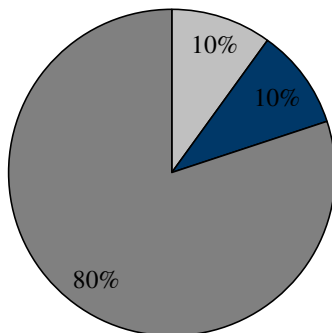
Comments from real estate agents:

- "Buyers feel that prices have more risk to the downside. The homes that are selling are priced very aggressively."
- "Buyers are affected by credit issues, increasing gas prices, and no improvement in employment in sight."

Beazer, Pulte and NVR have the greatest exposure. Beazer generates approximately 4% of its sales in Nashville. Pulte and NVR each have approximately 2% their sales some from Nashville.

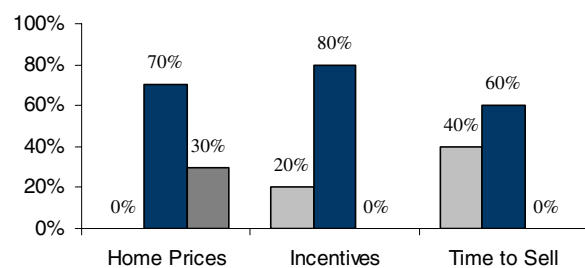
Exhibit 31: Traffic Misses Expectations, Lower Prices, Increased Incentives, Longer Time to Sell in May

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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

Philadelphia, PA-Southern NJ

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

Traffic falls further below expectations. Buyer traffic fell below agents' expectations in May, as our traffic index fell to 8 from 11 in April, well short of a neutral reading of 50 (readings below 50 indicate traffic did not meet agents' expectations). 85% of agents said traffic was below expectations and 15% said it met expectations.

Prices decline, incentives increase. Home prices fell again in May, as our price index came in at 23 (from 21 in April), remaining short of a reading of 50 (readings short of 50 indicate sequentially lower home prices). 54% of agents said prices were lower over the past 30 days and 46% said they were unchanged. Meanwhile, sellers increased incentives in May, as our incentive index came in at 33 (from 40 in April), still shy of a neutral reading of 50 (readings lower than 50 point to higher incentives). 57% of agents said incentives were unchanged, 39% said they were higher, and 4% said they were lower.

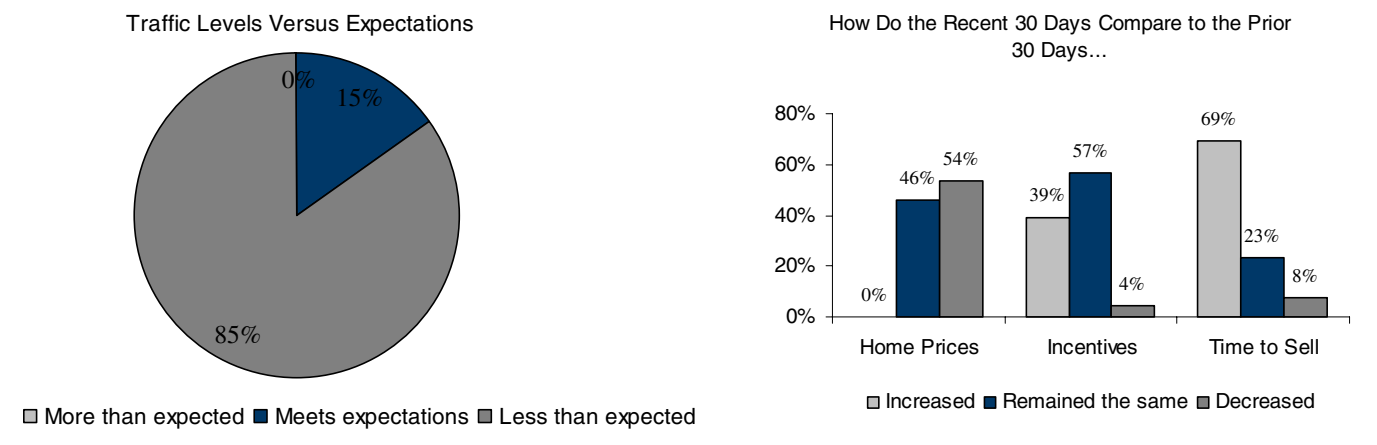
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 19 in May (from 26 in April), well short of a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings short of 50 indicate an increased time to sell). 69% of agents said the time to sell increased, 23% said the time to sell was unchanged, and 8% said the time to sell decreased. We view an increased time to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

- "People are worried about losing their jobs. My open houses are sitting empty. Nobody is willing to commit."
- "Buyers are very particular, they only want a steal."

NVR and Toll Brothers have the greatest exposure. NVR and Toll Brothers each generate approximately 7% of their sales in the Philadelphia-Southern NJ market.

Exhibit 32: Traffic Below Expectations, Lower Prices, Higher Incentives , Increased Time to Sell in May



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 May, as our traffic index came in at 24 (unchanged from our reading in April), remaining short of a neutral reading of 50 (readings below 50 suggest traffic did not meet agents' expectations). 57% of agents said traffic was lower than expectations, 39% said it met expectations, and 4% said it exceeded expectations.

Lower prices, flat incentives. Home prices remained under pressure in May, as our price index came in at 22 from 16 in April, remaining well below a neutral reading of 50 (readings short of 50 point to sequentially lower prices). 61% of agents said prices were lower, 35% said prices were unchanged, and 4% said they were higher. Sellers held incentives steady in May, as our incentive index came in at 46 (from 48 in April), in-line with a neutral reading (readings of 50 suggest unchanged incentives). 83% of agents said incentives were unchanged, 13% said they were higher, and 4% said they were lower.

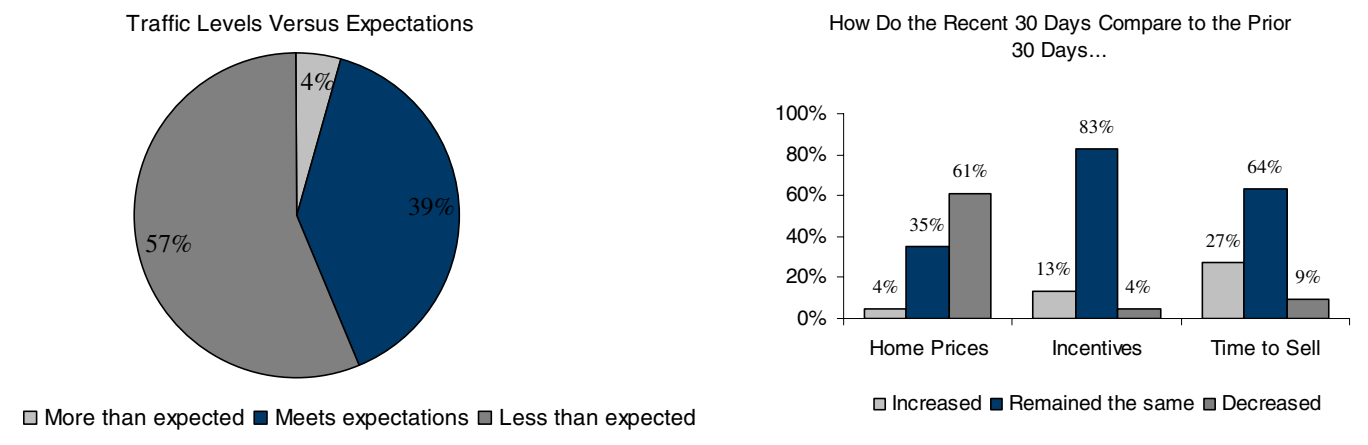
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 41 in May (from 32 in April), remaining short of a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings lower than 50 point to an increased time to sell). 64% of agents said the time to sell was unchanged, 27% said the time to sell increased, and 9% 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:

- "Open houses are very slow. People want prices to stop falling."
- "Weak employment and economic prospects don't make home buying an exciting idea."

D.R. Horton has the greatest exposure. Portland represented approximately 2% of sales for D.R. Horton.

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



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 May, as our traffic index came in at 17 (unchanged from our reading in April), still below a reading of 50 (readings below 50 point to lower than expected traffic). 67% of agents said traffic was lower than expected and 33% said it met expectations.

Lower prices, higher incentives. Home prices faced additional pressure in May, as our price index fell to 20 from 28 in April, pointing to sequentially lower prices over the last 30 days (readings below 50 suggest lower prices). 60% of agents said prices were lower and 40% said they were unchanged. Meanwhile, incentives were higher in May, as our incentive index came in at 25 (from 30 in April), with readings lower than 50 pointing to increased incentives. 50% of agents said incentives were higher and 50% said they were unchanged.

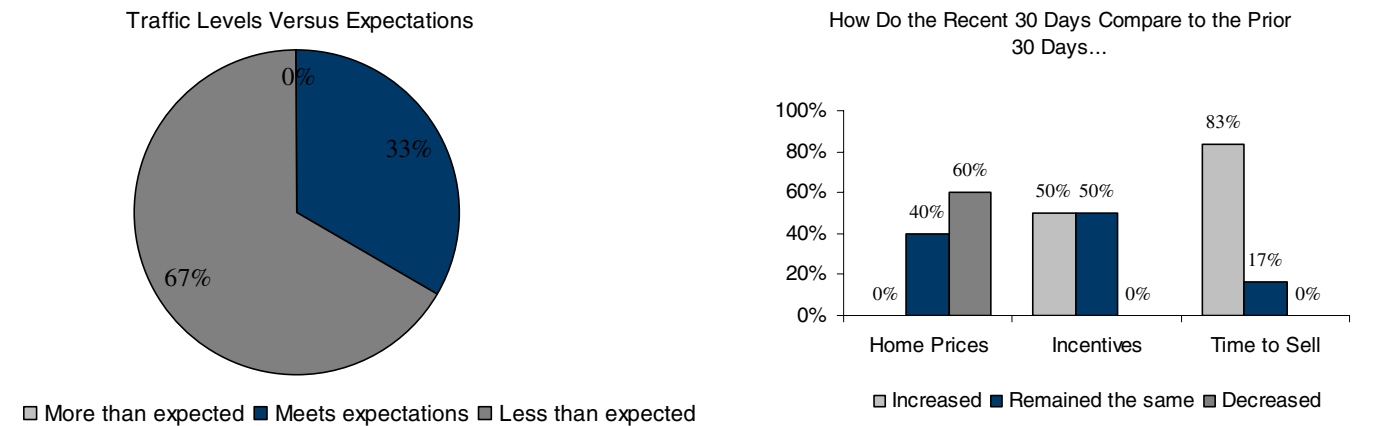
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 8 in May (from 10 in April), further below a neutral reading of 50, suggesting an increased time to sell over the past 30 days (readings short of 50 suggest a longer time to sell). 83% of agents said the time to sell increased and 17% 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 running into too many issues for loan approvals."
- "Buyers aren't sure about the job market."

Standard Pacific, Beazer and Toll Brothers have the greatest exposure. Standard Pacific has the most exposure to the Raleigh market, as it represents approximately 7% of the company's sales. Raleigh represents 4% of sales for Beazer and Toll Brothers.

Exhibit 34: Traffic Below Expectations, Prices Decrease, Incentives Increase, Time to Sell Lengthens in May



Source: Credit Suisse estimates

Richmond, VA

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

Traffic falls further below expectations. Our buyer traffic index fell to 19 in May from 25 in April, coming in short of a neutral reading, suggesting traffic did not meet agents' expectations (readings lower than 50). 74% of agents said traffic was below expectations, 13% said it met expectations, and 13% said it exceeded expectations.

Prices lower, incentives higher. Home prices were lower in May, though agents indicated they moved closer toward stabilization, as our price index came in at 31 from 8 in April, but still remained below a neutral reading of 50, indicating sequentially lower prices (readings short of 50 indicate lower prices over the last 30 days). 62% of agents said prices were unchanged and 38% said they were lower. Meanwhile, sellers increased incentives in May, as our incentive index came in at 36 (from 42 in April), short of a neutral reading of 50 (readings lower than 50 suggest increased incentives). 71% of agents said incentives were unchanged and 29% said they were higher.

Increased time needed to sell a home in May. Our time to sell index came in at 31 in May (from 58 in April), below a neutral reading, suggesting an increased time to sell over the past 30 days (readings lower than 50). 50% of agents said the time to sell increased, 38% said the time to sell was unchanged, and 12% said the time to sell decreased. We view the increased time to sell as a positive indicator for future pricing trends.

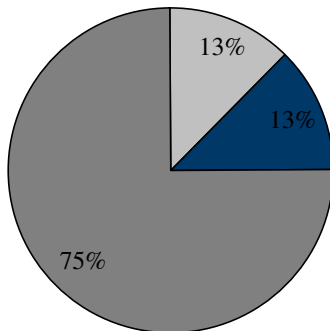
Comments from real estate agents:

- "There is very little enthusiasm for real estate these days."
- "Buyers are still wary of the market, and high gas prices make it difficult to pull them off the fence."

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

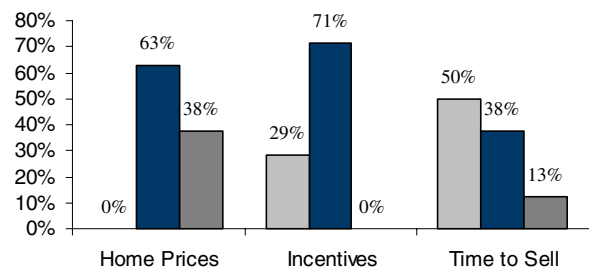
Exhibit 35: Traffic Below Expectations, Prices Lower, Incentives Higher, Increased Time to Sell in May

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 28 from 25 in April, remaining below a neutral reading of 50, suggesting traffic levels failed to meet agents' expectations (readings lower than 50 indicate traffic was below agents' expectations). 61% of agents said traffic was below expectations, 22% said it met expectations, and 17% said it exceeded expectations.

Prices fall, incentives higher. Home prices continued to fall in May, as our home price index came in at 19 (from 25 in April), with readings lower than 50 indicating sequentially lower prices. 66% of agents said prices were lower, 28% said they were unchanged, and 6% said they were higher. Meanwhile, sellers marginally increased incentives in May, as our incentive index came in at 44 (from 50 in April), just shy of a neutral reading, with readings lower than 50 pointing to increased incentives. 88% of agents said incentives were unchanged 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 33 in May from 44 in April, shy of a neutral reading of 50, pointing to an increased time to sell over the past 30 days (readings lower than 50 suggest a longer time to sell). 50% of agents said the time to sell increased, 33% said it was unchanged, and 17% said it decreased. We view an increased time to sell as a negative step toward price stabilization.

Comments from real estate agents:

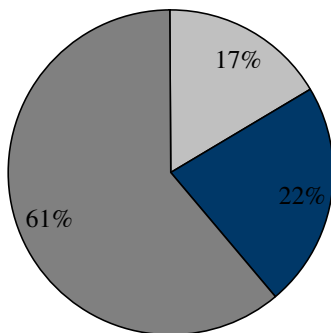
- "People aren't sure about the future. Plus they can't get any financing."
- "Prices keep falling and buyers worry about the economy."

Beazer, Hovnanian, and Standard Pacific have the greatest exposure. The Sacramento market represents approximately 4% of sales for Beazer, and 3% of sales for Hovnanian and Standard Pacific.

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

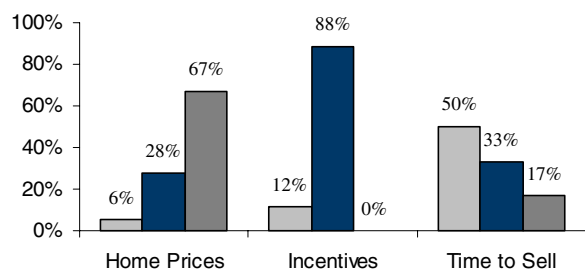
May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

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

San Diego, CA

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

Traffic below expectations. Buyer traffic fell short of expectations in May, as our traffic index fell to 22 from 30 in April, short of a neutral reading of 50 (readings lower than 50 point to traffic below agents' expectations). 65% of agents said traffic was below expectations, 26% said it was in-line with expectations, and 9% said it exceeded expectations.

Lower prices, higher incentives. Homes faced additional pressure in May. Our price index fell to 29 from 36 in April, below a reading of 50 (readings below 50 point to sequentially lower prices). 50% of agents said prices were lower over the past 30 days, 42% said they were unchanged, and 8% said they were higher. Meanwhile, incentives were higher in May, as our incentive index came in at 40 (from 50 in April), short of a neutral reading of 50 (readings lower than 50 point to increased incentives). 80% of agents said incentives were unchanged and 20% 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 28 in May (from 38 in April), remaining below a neutral reading of 50, pointing to an increased time to sell over the last 30 days (readings short of 50). 48% of agents said the time to sell increased, 48% said the time to sell was unchanged, and 4% said the time to sell decreased. We view the longer time to sell as a negative indicator for future pricing trends.

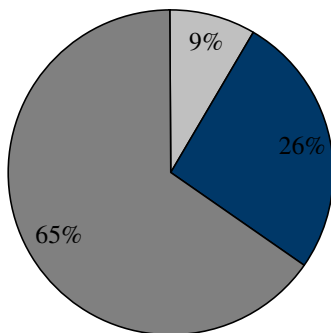
Comments from real estate agents:

- "Confidence in the economy is low. Buyers are holding off."
- "There is a strong anticipation of lower prices in the future."

Standard Pacific and D.R. Horton have the greatest exposure. Standard Pacific has the most exposure to the San Diego market, as it represents approximately 4% of the company's sales. San Diego represents 2% of sales for D.R. Horton.

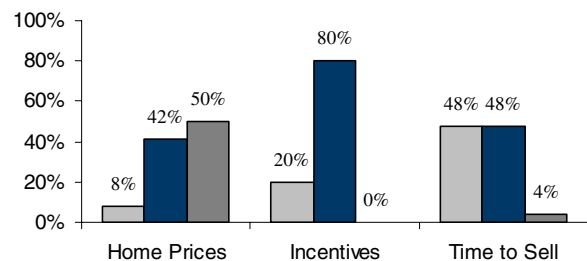
Exhibit 37: Traffic Below Expectations, Lower Prices, Higher Incentives, Longer Time to Sell in May

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

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 May, as our traffic index fell to 33 from 41 in April, short of a neutral reading of 50 (readings lower than 50 point to traffic below expectations). 51% of agents said traffic did not meet expectations, 30% said it met expectations, and 19% said it exceeded expectations.

Prices decline, incentives increase. Home prices fell further in May, as our price index came in at 30 from 36 in April, remaining below a neutral reading of 50 (readings below 50 suggest sequentially lower prices). 52% of agents said prices were lower over the past 30 days, 37% said they were unchanged, and 11% said they were higher. Meanwhile, sellers increased incentives slightly in May, as our incentive index came in at 35 (from 41 in April), shy of a neutral reading (readings below 50 point to higher incentives). 70% of agents said incentives were unchanged and 30% said they were higher.

Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 17 in May (from 40 in April), 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). 73% of agents said the time to sell increased, 19% 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.

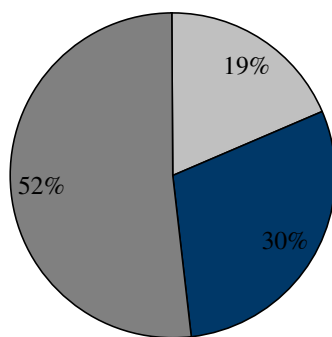
Comments from real estate agents:

- "Higher gas prices, a weak economy and a weak job outlook are keeping people grounded."
- "Buyers expect prices to drop."

Standard Pacific and Toll Brothers have the greatest exposure. Standard Pacific and Toll Brothers have the most exposure to the San Francisco area, which represents approximately 4% of each company's sales. San Francisco represents 3% of sales for KBH and PHM.

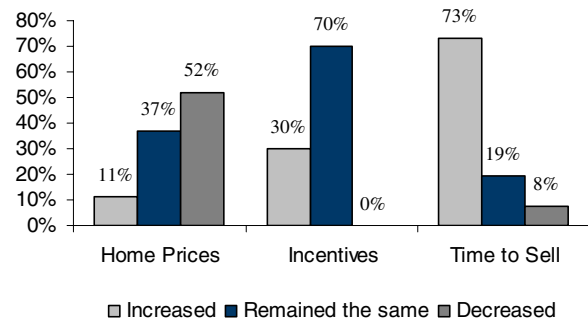
Exhibit 38: Traffic Below Expectations, Prices Decline, Incentives Increase, Time to Sell Lengthens in May

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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

Sarasota, FL

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

Traffic exceeds expectations. Buyer traffic exceeded agents' expectations again in May as our traffic index came in at 65 from 75 in April, still above a neutral reading of 50 (readings above 50 pointing to traffic better than agents' expectations). 47% of agents said traffic was in-line with expectations, 41% said it exceeded expectations, and 12% said it was below expectations.

Prices decline, incentives increase. Home prices fell further in May, as our price index fell to 27 from 38 in April, shy of a neutral reading of 50, indicating sequentially lower prices (readings below 50). 53% of agents said prices were lower, 41% said they were unchanged, and 6% said they were higher. Meanwhile, incentives increased in May, as our incentive index came in at 38 (from 36 in April), still below a neutral reading of 50 (readings short of 50 indicate increased incentives). 50% of agents said incentives were unchanged, 38% said incentives were higher, and 12% said they were lower.

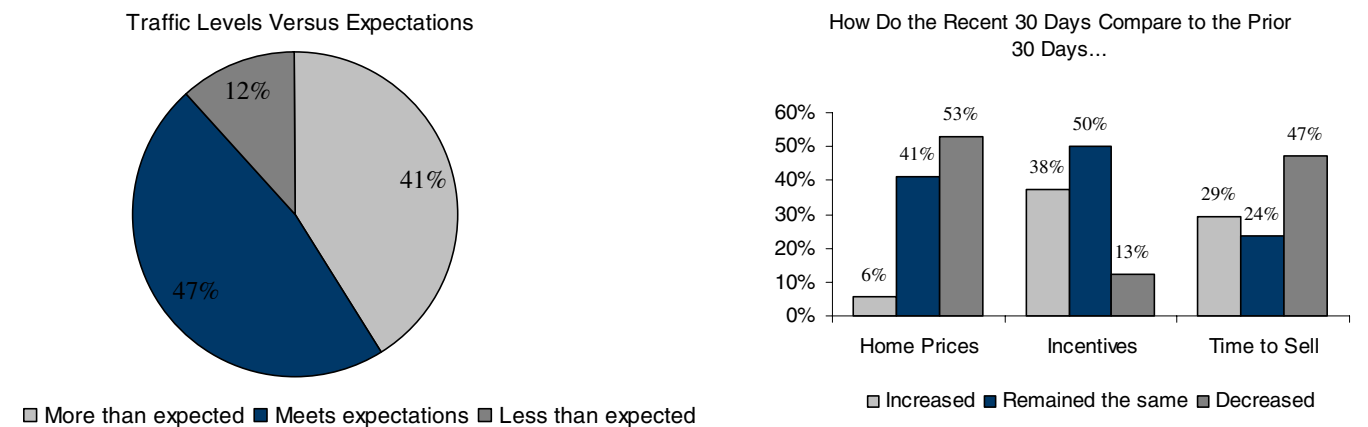
Less time needed to sell a home in May. Our time to sell index came in at 59 in May from 75 in April, remaining above a neutral reading of 50, pointing to a reduced time to sell over the past 30 days (readings above 50). 47% of agents said the time to sell decreased, 29% said the time to sell increased, and 24% 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:

- "There are a lot of interested investors looking to cash in on good deals."
- "People feel that prices are starting to bottom out here."

Lennar has the greatest exposure. Sarasota represents less than 1% of sales for Lennar.

Exhibit 39: Traffic Above Expectations, Prices Decline, Additional Incentives, Less Time to Sell in May



Source: Credit Suisse estimates

St. Louis, MO

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

Traffic remains below expectations. Buyer traffic remained below agents' expectations in May, as our traffic index came in at 25 (from 20 in April), with readings below 50 pointing to traffic short of expectations. 75% of agents said traffic was below expectations and 25% said it exceeded expectations.

Lower prices, higher incentives. Home prices fell further in May, as our price index came in at 0 (from 35 in April), well below a neutral reading of 50 (readings lower than 50 point to sequentially lower prices). 100% of agents said prices were lower. Meanwhile, sellers increased incentives in May; as our incentive index came in at 25 (from 40 in April), short of a reading of 50, suggesting increased incentives over the past month (readings short of 50 point to higher incentives). 50% of agents said incentives were higher, and 50% said they were unchanged.

Increased time needed to sell a home in May. Our time to sell index came in at 0 (from 30 in April), well below a neutral reading, pointing to an increased time to sell over the last 30 days (readings of 50). 100% of agents said the time to sell increased. We view the increased time to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

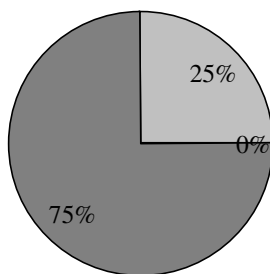
- "There is a lack of job security."
- "Credit is very tight. Between higher credit scores and the rigid application process, buyers get frustrated."

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

Exhibit 40: Traffic Below Expectations, Lower Prices, Higher Incentives, Increased Time to Sell in May

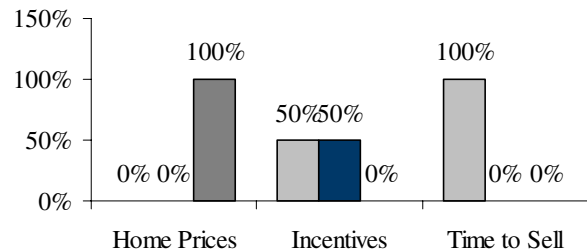
May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

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 just shy of expectations. Buyer traffic fell just short of expectations in May, as our traffic index came in at 44 from 41 in April, short of a neutral reading of 50 (readings lower than 50 suggest traffic missed agents' expectations). 50% of agents said traffic was in-line with expectations, 31% said it was lower than expectations, and 19% said it exceeded expectations.

Prices fall, incentives increase. Home prices remained under pressure in May, as our home price index came in at 31 from 14 in April, closer toward a neutral reading, but still short of a neutral reading of 50, suggesting lower prices over the last 30 days (readings lower than 50 point to decreasing prices). 56% of agents said prices were lower, 25% said they were unchanged, and 19% said they were higher. Meanwhile, incentives increased in May, as our incentive index came in at 34 (from 41 in April), with readings below 50 pointing to increased incentives. 69% of agents said incentives were unchanged and 31% said they were higher.

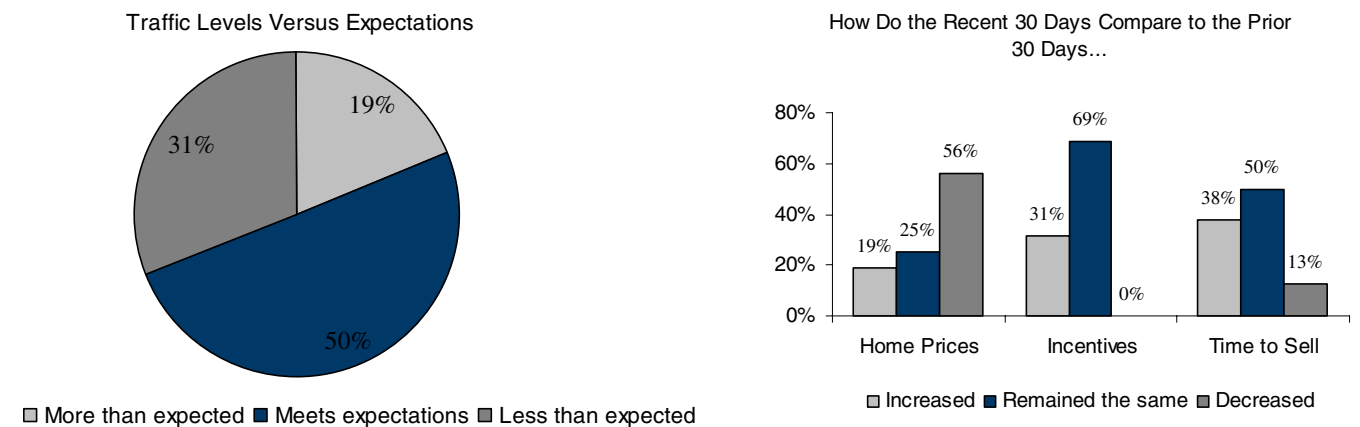
Longer time needed to sell a home in May. Our time to sell index came in at 38 in May (from 36 in April), remaining below a neutral reading of 50, pointing to an increased time to sell (readings below 50). 50% of agents said the time to sell a home was unchanged, 38% said the time to sell increased, and 12% 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:

- "Low interest rates and low prices are continuing to bring buyers to the market."
- "Everyone is looking for a bargain, but most don't look seriously beyond such options."

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 7% of Lennar's sales.

Exhibit 41: Traffic Below Expectations, Prices Lower, Incentives Higher, Time to Sell Lengthens in May



Source: Credit Suisse estimates

Virginia Beach, VA

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

Traffic falls below expectations. Buyer traffic fell below agents' expectations in May, as our traffic index came in at 29 (from 50 in April), below a neutral reading of 50, with readings short of 50 indicating traffic did not meet expectations. 58% of agents said traffic was below expectations, 25% said it met expectations, and 17% said it exceeded expectations.

Prices fall, incentives increase. Home prices fell in May, as our price index fell to 25 from 33 in April, below a neutral reading of 50, suggesting lower prices over the last 30 days (readings below 50 indicate sequentially lower prices). 58% of agents said prices were lower, 34% said they were unchanged, and 8% said they were higher. Meanwhile, sellers increased incentives in May, as our incentive index came in at 30 (from 40 in April), coming in short of a neutral reading, suggesting increased incentives over the past month (readings lower than 50). 60% of agents said incentives were unchanged and 40% said they were higher.

Longer time needed to sell a home in May. Our time to sell index came in at 18 in May from 33 in April, pointing to a longer time to sell over the past 30 days (readings below 50). 64% of agents said the time to sell increased and 36% 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:

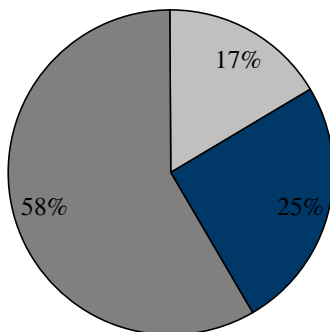
- "Buyers lack confidence in the economy."
- "People won't commit because of price and economic uncertainty."

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

Exhibit 42: Traffic in-line with Expectations, Lower Prices, Increased Incentives, Longer Time to Sell in May

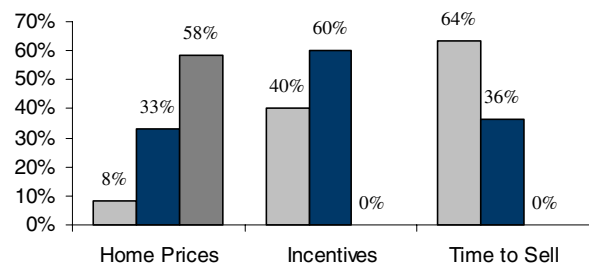
May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👎

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 short of expectations. Our buyer traffic index fell to 25 in May from 50 in April, pointing to traffic lower than agents' expectations (readings short of 50 point to traffic missing agents' expectations). 66% of agents said traffic was lower than expectations, 17% said it met expectations, and 17% said it exceeded expectations.

Prices fall further, incentives decrease. Home prices faced additional pressure in May, as our price index fell to 8 from 38 in April, below a neutral reading of 50, suggesting lower prices over the last 30 days (readings below 50). 83% of agents said prices were lower and 17% said they were unchanged. Meanwhile, incentives were lower, as our incentive index improved to 67 from 50 in April, greater than a neutral reading (readings above 50 suggest reduced incentives over the past month). 67% of agents said incentives were unchanged and 33% said they were lower.

Longer time needed to sell a home in May. Our time to sell index came in at 0 in May from 25 in April, 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.

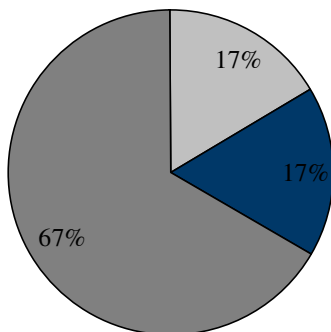
Comments from real estate agents:

- "Mortgage approvals are difficult. I've seen buyers walk away from deals rather than deal with the paperwork."
- "Some buyers have trouble coming up with 20% down. The economy is still taking its toll."

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

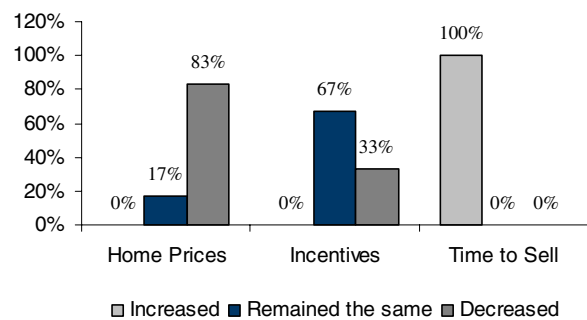
Exhibit 43: Traffic Below Expectations, Prices Fall, Incentives Decrease, Time to Sell Lengthens in May

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

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	👍

Historical Trends

Traffic took a step back in May and fell further below agents' expectations. Agents noted the spring season ended poorly with weak buyer confidence and concerns about continued price declines. Historical traffic trends:

Exhibit 44: 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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

Source: Credit Suisse estimates

Our price index fell to levels last seen in January, losing the gains from earlier this year. Distress and a lack of demand continue to drive prices lower. Historical price trends:

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

	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
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
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
Baltimore, MD	15.0	31.3	31.3	35.7	28.6	20.0	25.0	25.0	16.7	12.5	18.2	20.0	33.3	31.3	12.5	25.0	20.0
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
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	25.0	50.0	8.3	25.0	0.0
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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	0.0	21.4	16.7	37.5	8.3
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

Source: Credit Suisse estimates

Incentives increased in May, as weak demand forced sellers to make deals more attractive. Historical incentive trends:

Exhibit 46: 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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
San Antonio, TX	42.3	50.0	46.4	55.0	34.4	43.8	33.3	25.0	25.0	29.4	33.3	27.8	62.5	27.3	42.9	31.8	35.0
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
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
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
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
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	33.3	31.8	40.0	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
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
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
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
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
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

Source: Credit Suisse estimates

Inventories moved higher again in May. Despite the typical seasonal move, the combination of weak demand poses further risk to prices. Historical inventory trends:

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

more home listings]

	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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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	70.0	40.0	53.6	38.5	58.3
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
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
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
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
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
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
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
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	25.0
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

Source: Credit Suisse estimates

The length of time needed to sell increased further in May, a negative for near-term price trends. Historical time to sell trends:

Exhibit 48: Length of time needed to sell a home [> 50.0: Time to sell decreased/ = 50.0: time to sell unchanged / <50.0: time to sell increased]

	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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

Source: Credit Suisse estimates

Agent Recommendations

Agents recommend Pulte and Toll Brothers. Pulte Group and Toll Brothers received the highest percentage of recommendations by agents nationwide. 27% of agents (net of positive responses less negative responses) surveyed said they would recommend either Pulte or Toll, while 19% said they would recommend D.R. Horton. 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 49: Toll and Pulte Most Highly Recommended by Agents

Rank	Ticker	Company Name	Net Recommendation
1	PHM	Pulte Group	27%
2	TOL	Toll Brothers	27%
3	DHI	D.R. Horton	19%
4	LEN	Lennar Corp.	15%
5	MTH	Meritage Homes	14%
6	SPF	Standard Pacific Corp.	13%
7	RYL	Ryland Group	13%
8	MDC	MDC Holdings	8%
9	NVR	NVR, Inc.	4%
10	BZH	Beazer Homes	4%
11	HOV	Hovnanian Enterprises	0%
12	KBH	KB Home	(10%)

Source: Credit Suisse estimates

Exhibit 50: 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	11%	26%	--	--	--	--	--	--	33%	48%	--	--
Austin, TX	--	61%	--	13%	35%	--	35%	--	52%	--	52%	43%
Baltimore, MD	0%	0%	0%	0%	0%	20%	--	40%	--	20%	--	--
Charleston, SC	0%	40%	--	0%	0%	--	--	0%	--	20%	--	--
Charlotte, NC	0%	29%	0%	12%	6%	--	--	18%	--	24%	18%	41%
Chicago, IL	--	11%	8%	--	18%	3%	--	--	37%	21%	--	26%
Cincinnati, OH	--	--	0%	--	--	--	--	0%	0%	40%	--	--
Columbus, OH	--	--	0%	--	--	--	--	0%	0%	--	--	--
Dallas, TX	5%	32%	32%	5%	16%	0%	11%	--	21%	--	21%	26%
Denver, CO	--	26%	--	23%	32%	32%	16%	--	19%	19%	10%	29%
Detroit, MI	--	--	0%	--	--	--	--	--	45%	--	--	68%
Fort Myers, FL	--	44%	6%	0%	39%	--	11%	--	50%	11%	--	--
Houston, TX	17%	44%	17%	11%	39%	0%	22%	--	22%	--	--	--
Jacksonville, FL	17%	39%	--	22%	28%	17%	--	--	50%	17%	11%	44%
Las Vegas, NV	9%	36%	--	27%	15%	12%	6%	--	52%	6%	--	52%
Los Angeles, CA	--	14%	11%	27%	30%	0%	0%	--	16%	--	32%	16%
Miami, FL	--	12%	--	--	37%	--	--	--	--	--	5%	--
Minneapolis, MN	--	36%	16%	--	50%	--	--	--	34%	20%	--	14%
Nashville, TN	40%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	13%	19%	--	11%	--	--	0%	27%	--	--	37%
Orlando, FL	25%	25%	13%	21%	29%	--	29%	--	25%	29%	8%	42%
Philadelphia-Southern NJ	--	8%	31%	--	8%	4%	--	15%	35%	--	--	50%
Phoenix, AZ	14%	31%	3%	6%	25%	22%	39%	--	47%	14%	19%	44%
Port St. Lucie, FL	--	0%	--	0%	--	--	--	--	--	--	--	--
Portland, OR	--	35%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	33%	33%	0%	33%	33%	--	--	17%	17%	--	17%	17%
Richmond, VA	0%	--	--	--	--	--	--	25%	--	--	--	--
Riverside-San Bernardino, CA	11%	11%	11%	47%	21%	0%	--	--	26%	11%	21%	--
Sacramento, CA	11%	17%	11%	11%	17%	6%	22%	--	33%	6%	0%	11%
San Antonio, TX	0%	60%	--	30%	20%	--	10%	--	60%	--	--	10%
San Diego, CA	4%	38%	13%	25%	17%	0%	--	--	29%	4%	13%	21%
San Francisco, CA	--	7%	--	--	4%	--	7%	--	26%	--	0%	19%
Sarasota, FL	--	--	--	24%	24%	--	--	--	35%	--	6%	--
Seattle, WA	--	48%	--	--	--	--	--	--	--	--	--	--
Tampa, FL	10%	43%	10%	10%	10%	0%	--	--	33%	38%	24%	--
Tucson, AZ	--	25%	6%	6%	44%	44%	44%	--	50%	--	0%	19%
Virginia Beach, VA	--	8%	0%	--	--	--	--	0%	--	--	--	--
Washington, DC	17%	17%	22%	--	9%	9%	--	22%	26%	13%	--	39%
Wilmington, NC	17%	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	12%	27%	10%	16%	22%	10%	19%	11%	32%	20%	15%	32%

Source: Credit Suisse estimates

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

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

Market	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	11%	11%	--	--	--	--	--	--	11%	11%	--	--
Austin, TX	--	9%	--	57%	9%	--	9%	--	13%	--	0%	22%
Baltimore, MD	0%	0%	20%	0%	0%	20%	--	40%	--	40%	--	--
Charleston, SC	0%	0%	--	20%	0%	--	--	0%	--	0%	--	--
Charlotte, NC	53%	12%	18%	41%	18%	--	--	6%	--	12%	12%	6%
Chicago, IL	--	5%	8%	--	5%	0%	--	--	5%	16%	--	0%
Cincinnati, OH	--	--	0%	--	--	--	--	0%	0%	0%	--	--
Columbus, OH	--	--	0%	--	--	--	--	0%	0%	--	--	--
Dallas, TX	5%	21%	0%	47%	16%	0%	11%	--	5%	--	11%	0%
Denver, CO	--	13%	--	29%	0%	6%	3%	--	3%	3%	0%	0%
Detroit, MI	--	--	0%	--	--	--	--	--	23%	--	--	0%
Fort Myers, FL	--	17%	28%	28%	6%	--	6%	--	11%	0%	--	--
Houston, TX	6%	0%	6%	44%	6%	0%	6%	--	0%	--	--	--
Jacksonville, FL	0%	6%	--	28%	6%	0%	--	--	0%	0%	0%	0%
Las Vegas, NV	21%	15%	--	24%	15%	12%	3%	--	6%	9%	--	6%
Los Angeles, CA	--	8%	5%	5%	3%	0%	0%	--	3%	--	0%	0%
Miami, FL	--	7%	--	--	2%	--	--	--	--	--	0%	--
Minneapolis, MN	--	14%	5%	--	11%	--	--	--	11%	9%	--	9%
Nashville, TN	0%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	3%	16%	--	5%	--	--	0%	3%	--	--	2%
Orlando, FL	8%	17%	4%	33%	21%	--	17%	--	8%	8%	4%	8%
Philadelphia-Southern NJ	--	0%	15%	--	0%	0%	--	4%	0%	--	--	15%
Phoenix, AZ	3%	8%	28%	42%	3%	3%	6%	--	8%	3%	6%	3%
Port St. Lucie, FL	--	0%	--	0%	--	--	--	--	--	--	--	--
Portland, OR	--	13%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	0%	0%	33%	17%	0%	--	--	0%	0%	--	0%	17%
Richmond, VA	0%	--	--	--	--	--	--	13%	--	--	--	--
Riverside-San Bernardino, CA	5%	16%	11%	21%	5%	0%	--	--	11%	0%	0%	--
Sacramento, CA	11%	0%	11%	11%	6%	0%	0%	--	0%	0%	0%	0%
San Antonio, TX	0%	10%	--	30%	0%	--	0%	--	10%	--	--	0%
San Diego, CA	4%	0%	8%	13%	4%	0%	--	--	0%	4%	4%	0%
San Francisco, CA	--	4%	--	--	4%	--	0%	--	11%	--	0%	4%
Sarasota, FL	--	--	--	12%	18%	--	--	--	0%	--	0%	--
Seattle, WA	--	24%	--	--	--	--	--	--	--	--	--	--
Tampa, FL	14%	10%	0%	19%	10%	0%	--	--	5%	0%	0%	--
Tucson, AZ	--	6%	0%	50%	6%	0%	6%	--	0%	--	0%	0%
Virginia Beach, VA	--	0%	0%	--	--	--	--	8%	--	--	--	--
Washington, DC	0%	4%	9%	--	13%	4%	--	13%	0%	13%	--	17%
Wilmington, NC	17%	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	8%	8%	10%	26%	7%	3%	5%	7%	5%	7%	2%	5%

Source: Credit Suisse estimates

Exhibit 52: Homebuilding Industry Comparative Valuations

6/3/2011	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	Underperform	Neutral	
Current Price	\$3.86	\$11.59	\$2.45	\$11.49	\$17.95	\$25.26	\$23.44	\$729.20	\$7.82	\$17.27	\$21.03	
Target Price	\$4.00	\$10.00	\$2.00	\$11.00	\$19.00	\$28.00	\$22.00	\$650.00	\$7.50	\$15.00	\$20.00	
Target BV Multiple	1.1x	1.1x	NM	1.0x	1.2x	1.3x	1.3x	2.2x	1.2x	1.2x	1.2x	1.2x
Dividend Yield	0.0%	1.3%	0.0%	2.2%	0.9%	4.0%	0.0%	0.0%	0.0%	0.7%	0.0%	0.7%
Total Return Potential	3.6%	(12.4%)	(18.4%)	(2.1%)	6.7%	14.8%	(6.1%)	(10.9%)	(4.1%)	(12.4%)	(4.9%)	(4.6%)
CAPITALIZATION												
Market Cap. (\$ mln)	\$292	\$3,701	\$191	\$884	\$3,350	\$1,195	\$759	\$4,278	\$2,994	\$765	\$3,508	\$1,993
Cash (\$ mln)	\$453	\$1,402	\$417	\$857	\$1,021	\$1,541	\$388	\$1,218	\$1,426	\$686	\$1,280	\$972
Debt (\$ mln)	\$1,287	\$1,959	\$1,650	\$1,702	\$3,129	\$1,243	\$606	\$0	\$3,381	\$880	\$1,650	\$1,590
Net Debt/Cap	74%	18%	148%	62%	44%	(44%)	31%	(203%)	48%	29%	13%	40%
EARNINGS												
CS Calendar Year Est.												
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	(\$3.79)	(\$0.90)	\$0.50	(\$1.39)	\$0.22	\$33.42	(\$2.90)	(\$1.99)	\$0.24	
2011E	(\$2.03)	\$0.20	(\$2.19)	(\$2.16)	\$0.47	(\$1.30)	\$0.07	\$29.40	(\$0.26)	(\$1.18)	\$0.05	
2012E	(\$0.58)	\$0.95	(\$0.93)	\$0.68	\$1.40	(\$0.15)	\$1.44	\$54.40	\$0.45	\$0.45	\$0.77	
VALUATION												
Price/Earnings												
2009	NM	NM	NM	NM	NM	48.8x	NM	23.5x	NM	NM	NM	NM
2010	NM	113.5x	NM	NM	NM	NM	105.8x	21.8x	NM	NM	87.7x	NM
2011E	NM	59.4x	NM	NM	NM	NM	NM	24.8x	NM	NM	453.5x	88.2x
2012E	NM	12.2x	NM	16.9x	12.8x	NM	16.3x	13.4x	17.3x	38.1x	27.1x	15.9x
Book Value												
Tangible BV/Share	\$3.19	\$8.15	(\$6.84)	\$6.69	\$13.55	\$21.07	\$15.34	\$295.12	\$4.45	\$10.89	\$15.27	
P/TBV	1.21x	1.42x	NM	1.72x	1.32x	1.20x	1.53x	2.47x	1.76x	1.59x	1.38x	1.40x
Adjusted BV/Share	\$3.51	\$9.44	NM	\$10.59	\$15.47	\$22.02	\$17.20	\$295.12	\$6.50	\$13.00	\$16.46	
P/Adj. BV	1.10x	1.23x	NM	1.08x	1.16x	1.15x	1.36x	2.47x	1.20x	1.33x	1.28x	1.22x
OPERATING METRICS												
CY Orders (Homes)												Total
2009	4,406	18,294	5,178	8,341	11,510	3,306	3,853	9,409	14,185	5,302	2,710	86,494
% Ch. Yr/Yr	(17.6%)	(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	14,831	3,700	2,627	81,561
% Ch. Yr/Yr	(7.6%)	2.2%	(21.1%)	(21.4%)	(5.1%)	(2.4%)	(2.2%)	0.1%	4.8%	(30.2%)	(3.1%)	(5.7%)
2011E	4,100	18,704	4,477	6,340	11,593	3,011	3,318	9,697	15,470	3,882	3,004	83,600
% Ch. Yr/Yr	0.7%	0.0%	9.6%	(3.3%)	6.1%	(7.7%)	(1.9%)	3.0%	4.3%	4.9%	14.4%	2.5%
2012E	5,048	23,380	5,429	8,242	14,472	3,713	4,104	12,398	18,857	4,853	3,843	104,340
% Ch. Yr/Yr	23.0%	25.0%	21.3%	30.0%	24.8%	23.3%	23.7%	27.9%	21.9%	25.0%	27.9%	24.8%
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	3,887	17,813	4,194	5,782	10,626	2,960	3,114	9,113	15,074	3,660	2,780	79,002
% Ch. Yr/Yr	(8.2%)	(6.2%)	(6.4%)	(21.3%)	(3.0%)	(8.8%)	(15.8%)	(9.1%)	(11.8%)	(13.8%)	(6.3%)	(9.1%)
2012E	4,796	22,193	5,124	7,674	13,594	3,509	3,852	11,400	17,767	4,497	3,373	97,778
% Ch. Yr/Yr	23.4%	24.6%	22.2%	32.7%	27.9%	18.5%	23.7%	25.1%	17.9%	22.9%	21.3%	23.8%
Gross Margins, Ex-Charges												Average
2009	11.5%	13.1%	2.8%	18.3%	15.6%	17.9%	13.8%	18.4%	9.8%	10.3%	16.2%	13.4%
2010	13.2%	17.3%	10.9%	18.6%	21.4%	19.1%	18.5%	18.2%	13.1%	16.7%	15.2%	16.6%
2011E	11.9%	16.0%	10.8%	15.6%	20.1%	14.1%	17.7%	17.6%	12.6%	15.0%	19.9%	15.6%
2012E	14.0%	17.9%	14.0%	18.5%	20.8%	16.7%	18.9%	19.9%	15.1%	16.3%	18.1%	17.3%
SG&A % of Housing Revs												
2009	22.7%	14.7%	21.1%	17.2%	20.5%	25.2%	14.7%	8.7%	19.0%	14.7%	18.3%	17.9%
2010	16.5%	12.1%	17.9%	18.4%	17.9%	24.1%	13.5%	8.9%	13.9%	15.3%	17.6%	16.3%
2011E	22.0%	14.1%	19.5%	17.9%	17.6%	21.5%	14.8%	9.7%	13.4%	15.8%	17.2%	16.7%
2012E	16.2%	11.9%	16.4%	14.9%	15.9%	18.8%	13.1%	8.5%	11.8%	14.0%	15.5%	14.3%
LAND EXPOSURE												
Lots Controlled	30,918	116,000	33,442	37,000	106,439	12,459	15,400	52,900	144,329	23,298	35,711	
Years Supply	8.0	6.5	8.0	6.4	10.2	4.2	4.9	6.4	9.6	6.4	12.8	7.5
% Owned	81%	74%	56%	76%	81%	66%	85%	0%	90%	72%	86%	70%
% Optioned	19%	26%	44%	24%	19%	34%	15%	100%	10%	28%	14%	30%
Cumulative Impairments	\$1,603	\$5,054	\$2,544	\$2,906	\$4,930	\$1,236	\$1,011	\$607	\$13,209	\$1,262	\$2,331	\$36,694
% of Average '06 Inventory	44%	45%	56%	38%	49%	40%	56%	36%	62%	43%	37%	51%
Current Inventory	\$1,246	\$3,474	\$1,006	\$1,825	\$4,940	\$834	\$779	\$632	\$4,907	\$817	\$3,518	\$23,978
% of Assets	64%	62%	60%	63%	58%	34%	64%	28%	65%	51%	70%	58%
% of Book Value	345%	133%	NM	355%	187%	86%	157%	35%	234%	157%	137%	165%
SHORT INTEREST												
Short Interest, % of Float	19.7%	8.4%	26.0%	24.6%	19.2%	10.4%	11.0%	4.4%	10.0%	13.5%	10.7%	11.2%

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 03 Jun 11)

Beazer Homes USA (BZH, \$3.86, NEUTRAL [V], TP \$4.00)
 DR Horton (DHI, \$11.59, NEUTRAL, TP \$10.00)
 Hovnanian Enterprises (HOV, \$2.45, UNDERPERFORM [V], TP \$2.00)
 KB Home (KBH, \$11.49, NEUTRAL, TP \$11.00)
 Lennar (LEN, \$17.95, NEUTRAL [V], TP \$19.00)
 M.D.C. Holdings, Inc. (MDC, \$25.26, OUTPERFORM, TP \$28.00)
 Meritage Corp (MTH, \$23.44, NEUTRAL, TP \$22.00)
 NVR Inc. (NVR, \$729.20, NEUTRAL, TP \$650.00)
 Pulte (PHM, \$7.82, NEUTRAL, TP \$7.50)
 Ryland Group (RYL, \$17.27, UNDERPERFORM, TP \$15.00)
 Toll Brothers (TOL, \$21.03, NEUTRAL, TP \$20.00)

Disclosure Appendix

Important Global Disclosures

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

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Relevant benchmark by region: As of 29th May 2009, Australia, New Zealand, U.S. and Canadian ratings are based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry factors. For Latin American, Japanese, and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; for European stocks, ratings are based on a stock's total return relative to the analyst's coverage universe**. For Australian and New Zealand stocks a 22% and a 12% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively, subject to analysts' perceived risk. The 22% and 12% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively, subject to analysts' perceived risk.*

***An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

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Volatility Indicator [V]: A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

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

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

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

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

**An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

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

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Restricted	2%	

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