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Homebuilders & Building Products

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**Top Picks**

Ticker	Rating	Price	Target
KBH*	B	\$26.41	\$35.00
MDC*	B	\$45.40	\$58.00

**Least Favorites**

Ticker	Rating	Price	Target
VMC	S	\$75.63	\$60.00
MHK	S	\$76.20	\$65.00

\* New pick

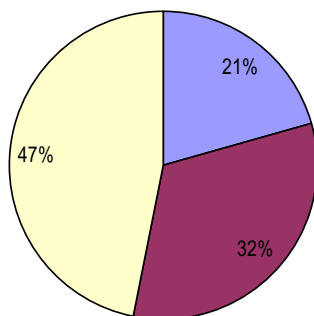
**BofA Monthly Real Estate Agent Survey**

Traffic Aided by Lower Mortgage Rates and Home Prices, Buyers Still Cautious

- ▶ **Affordability having positive impact on traffic.** Our traffic index increased to 37 in January from 28 in December, as agents noted improved traffic as a result of the sharply lower mortgage rates and further declines in home prices.
- ▶ **Affordability tends to drive sales activity; mortgage rates are critical.** We believe that affordability is the key determinant of sales and that the downturn in sales activity since mid-'05 was driven by the lack of affordability as home prices and mortgage rates both increased and limited the pool of potential buyers. We think the improving affordability will translate into better sales activity as the year progresses, but acknowledge that it is significantly dependent on mortgage rates.
- ▶ **Pricing pressure continues as a result of high inventory levels.** Our price index increased modestly to 20 in January from 18 in December (readings below 50 indicate sequentially lower prices). We think these price declines are likely to continue throughout '08 based on the high level of existing home inventory, but think the better affordability may help to limit the declines.
- ▶ **Inventory rising as we would expect seasonally; lack of construction should help to cure inventory glut over time.** Agents in 34 markets noted rising inventory, not surprising as inventory typically rises in January. We think the significant curtailment of construction (new single-family construction permits down 62% from peak) will help to work through the inventory.
- ▶ **Sector View:** We are positive on the homebuilders based on improved affordability, severely constrained new construction (down 62% from peak levels) and improving buyer traffic.
- ▶ **PORTFOLIO MANAGERS' SUMMARY: Page 2.**

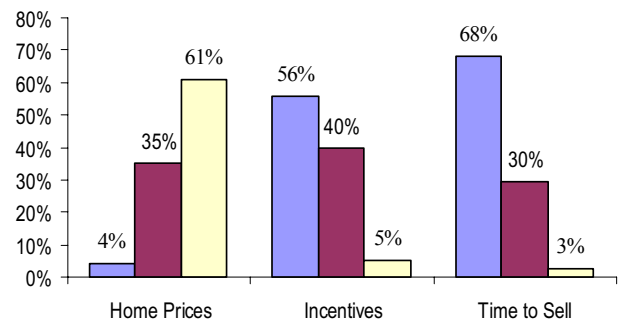
**Better Affordability Helped Traffic; Low Mortgage Rates Crucial to Maintaining Trend**

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: Banc of America Securities LLC estimates.

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## Portfolio Managers' Summary

- ▶ **Our 12-month thesis on the sector.** We have a positive bias toward homebuilding stocks. We believe the combination of improving affordability and severely curtailed construction activity will help to remedy the current supply-demand imbalance.
- ▶ **Our call today in a nutshell.** Our traffic index increased to 37 in January from 28 in December, as agents noted improved traffic as a result of the sharply lower mortgage rates and further declines in home prices. We believe that affordability is the key determinant of sales and that the downturn in sales activity since mid-'05 was driven by the lack of affordability as home prices and mortgage rates both increased and limited the pool of potential buyers. We think the improving affordability will translate into better sales activity as the year progresses, but acknowledge that it is significantly dependent on mortgage rates.
- ▶ **Risks to our call.** Continued lack of mortgage capital would lead to further troubles. On the other hand, a significant decline in mortgage rates would aid affordability and stimulate demand.

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

## Lower Prices Help Traffic, but Further Declines Likely to Scare Off Buyers

*For those who may be unfamiliar with our survey, we center our indices around 50 so that readings above 50 indicate positive or improving trends and readings below 50 indicate negative or worsening trends. Please see page 8 for a full description of our survey methodology.*

**Affordability having positive impact on traffic.** Our traffic index increased to 37 in January from 28 in December, as agents noted improved traffic as a result of the sharply lower mortgage rates and further declines in home prices.

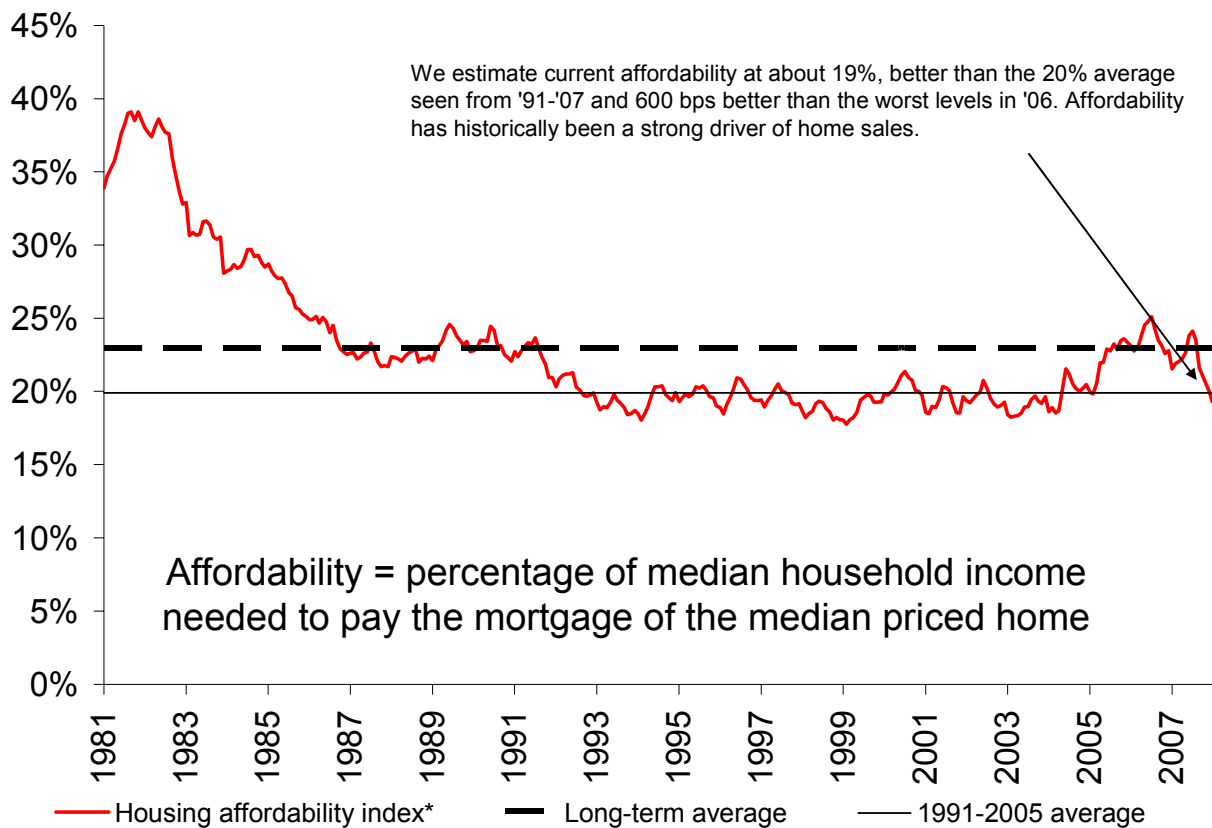
### Traffic Improves; Pricing and Time to Sell Continue to Worsen

Month	Buyer Traffic Index	Home Price Index	Incentive Index	Home Listings Index	Time to Sell Index
Jan-2006	38.3	47.5	28.4	29.8	18.9
Feb-2006	38.3	46.0	20.3	18.2	20.9
Mar-2006	30.4	47.2	16.7	15.2	16.1
Apr-2006	26.3	43.1	18.8	15.7	14.5
May-2006	22.7	38.4	16.7	11.8	16.3
Jun-2006	25.9	41.4	16.1	14.3	15.7
Jul-2006	23.7	36.0	15.4	15.7	14.0
Aug-2006	24.3	31.9	13.9	16.2	11.7
Sep-2006	23.5	29.5	12.9	19.6	12.5
Oct-2006	23.6	25.8	14.0	21.0	11.7
Nov-2006	30.5	25.6	14.5	31.1	15.2
Dec-2006	38.4	29.9	19.9	40.5	19.5
Jan-2007	48.0	33.8	26.7	36.1	26.9
Feb-2007	40.9	34.5	26.5	29.0	27.5
Mar-2007	40.1	35.3	25.8	24.3	26.8
Apr-2007	31.1	33.7	26.5	20.7	22.0
May-2007	26.3	31.3	24.1	17.4	18.7
Jun-2007	21.9	26.9	21.9	18.2	16.1
Jul-2007	21.8	24.7	20.5	21.5	16.0
Aug-2007	18.6	21.2	19.5	22.2	12.2
Sep-2007	14.7	17.1	16.9	19.8	9.7
Oct-2007	18.0	18.2	15.5	24.7	12.4
Nov-2007	19.7	17.1	17.5	26.9	13.2
Dec-2007	27.9	18.2	20.7	36.5	15.2
Jan-2008	36.9	20.2	24.7	33.5	17.3
<b>Point change</b>	<b>9.0</b>	<b>2.0</b>	<b>4.0</b>	<b>(3.0)</b>	<b>2.1</b>

Source: Banc of America Securities LLC estimates.

**Affordability tends to drive sales activity; mortgage rates are critical.** We believe that affordability is the key determinant of sales and that the downturn in sales activity since mid-'05 was driven by the lack of affordability as home prices and mortgage rates both increased and limited the pool of potential buyers. We think the improving affordability will translate into better sales activity as the year progresses, but acknowledge that it is significantly dependent on mortgage rates.

**Affordability has Improved Sharply in Recent Months**



Source: National Association of Realtors, Banc of America Securities LLC estimates.

**Pricing pressure continues as a result of high inventory levels.** Our price index increased modestly to 20 in January from 18 in December (readings below 50 indicate sequentially lower prices). We think these price declines are likely to continue throughout '08 based on the high level of existing home inventory, but think the better affordability may help to limit the declines.

**Inventory rising as we would expect seasonally; lack of construction should help to cure inventory glut over time.** Agents in 34 markets noted rising inventory, not surprising as inventory typically rises in January. We think the significant curtailment of construction (new single-family construction permits down 62% from peak) will help to work through the inventory.

## Survey Methodology

We survey real estate agents, as we believe that agents will provide an accurate assessment of housing market trends in both the new and existing home markets. Even though homebuilders sell new homes, we believe that it is crucial to have an understanding of the existing home market as the existing home market is substantially larger than the new home market (approximately 85%/15%) and trends in the existing home market dictate trends in the new home market.

Each month we ask five main questions, which are all listed below. In January, we received responses from 3,300 real estate agents across the country. We then review these responses and calculate an index for each of the questions with high numbers indicating positive or improving trends and low numbers indicating negative or worsening trends. An index of 50 would indicate a neutral trend. Note that for items such as incentives, a low index level would indicate a higher level of incentives, as higher incentives represent a negative trend. Similarly, for the number of listings and the length of time needed to sell a house, an increase in listings (a negative trend) and an increase in the time needed to sell a house (a negative trend) both correspond to low index values.

- 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 Top 20 New Home Markets

The market exposure of the homebuilders to the top 20 permit-issuing housing markets is outlined in the table below.

### Summary of Homebuilders' Exposure to Top 20 New Home Markets

Market	2006	Market Exposure													
	1-family permits	CHCI	CTX	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	53,944	*	2%	3%	*	3%	*	*	*	*	4%	7%	*	*	*
Austin, TX	17,753	*	2%	4%	*	3%	5%	*	6%	*	2%	3%	*	*	*
Charlotte, NC	20,281	6%	2%	1%	*	1%	*	*	*	9%	1%	3%	*	*	*
Chicago, IL	28,619	*	2%	3%	4%	*	4%	*	*	*	5%	7%	*	2%	*
Dallas, TX	43,751	*	7%	6%	5%	4%	5%	*	10%	*	2%	5%	7%	0%	*
Denver, CO	12,903	*	1%	6%	*	4%	3%	10%	*	*	1%	4%	4%	*	*
Fort Myers, FL	14,700	*	1%	*	12%	*	4%	*	*	*	3%	*	*	*	19%
Houston, TX	55,105	*	*	5%	11%	7%	12%	*	11%	*	3%	8%	*	*	*
Jacksonville	11,497	*	1%	4%	*	2%	1%	7%	*	*	3%	*	*	*	6%
Las Vegas, NV	21,590	*	3%	5%	*	10%	4%	20%	5%	*	8%	4%	*	4%	*
Los Angeles, CA	13,394	*	0%	2%	4%	2%	1%	1%	*	*	0%	*	2%	*	*
Miami, FL	14,750	*	*	*	*	*	3%	*	*	*	*	*	*	*	8%
Minneapolis	11,966	*	3%	2%	2%	*	2%	*	*	*	2%	5%	*	*	*
NY-NJ	16,472	*	0%	0%	2%	*	0%	*	*	0%	1%	*	*	8%	4%
Orlando, FL	23,498	*	*	2%	*	5%	3%	*	*	*	4%	5%	*	*	*
Phoenix, AZ	35,740	*	5%	11%	*	5%	4%	17%	23%	*	12%	5%	16%	7%	*
Inland Empire, CA	33,508	*	4%	6%	13%	7%	8%	5%	2%	*	5%	6%	8%	0%	*
Seattle, WA	15,091	*	1%	1%	*	*	*	*	*	*	*	*	*	*	*
Tampa, FL	18,306	*	*	*	5%	2%	6%	*	*	*	3%	5%	12%	*	6%
Washington, DC	18,457	94%	3%	0%	10%	*	3%	8%	*	27%	2%	3%	*	23%	4%

### Profit Concentration in Key Areas

Market	CHCI	CTX	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL	WCI
Arizona	*	10%	15%	5%	10%	5%	24%	33%	*	12%	8%	12%	7%	*
California	*	30%	25%	27%	38%	30%	20%	24%	*	19%	12%	50%	20%	*
Washington D.C.	94%	5%	2%	16%	*	5%	10%	*	60%	5%	10%	*	25%	4%
Florida	*	12%	10%	17%	12%	24%	7%	7%	*	17%	15%	19%	7%	90%
Nevada	*	4%	5%	*	13%	7%	20%	7%	*	14%	7%	*	6%	*
Total	94%	61%	57%	65%	73%	71%	80%	71%	60%	67%	52%	81%	65%	94%

Source: Builder Online, Hanley Wood LLC, Banc of America Securities LLC estimates.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Things are still the same, with buyers nervous about buying too soon.”**

## Atlanta, GA- Stable (but Weak) Traffic with Hesitant Buyers

(53,944 single-family permits in 2006, 2nd largest homebuilding market in the country)

**Buyers remain cautious, but lower rates are encouraging.** Our traffic index was unchanged at 28.2 in January from 28.7 in December, indicating similar traffic levels relative to last month and still below agents’ expectations (any reading below 50). Agents continued to cite falling prices, oversupply, and mortgage problems as leading to buyer hesitancy. According to one agent, once the Atlanta housing market received a “declining market” flag from lenders, government sponsored loan programs immediately required an additional 5% downpayment, which many buyers cannot afford. However, some agents sounded more optimistic, noting a huge decline in mortgage rates over the past month which has at least interested buyers enough to get them off the fence and back into a looking mode. These lower rates, along with recent price declines, are finally making some buyers comfortable that they can get a good deal, according to agents.

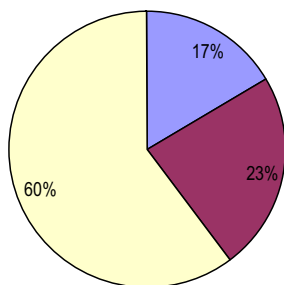
**High inventory levels continue to pressure home prices.** Home prices continued to fall in January, as our price index came in at 23.6, up slightly from 20.8 in December but still indicating a sequential decline in prices (readings below 50 point to lower prices). Agents said inventory levels remain extremely elevated, especially as foreclosures hit the market, which is making existing sellers more willing to negotiate on pricing than in previous months. Our home listings index improved to 45.1 in January from 36.4 in December, still indicating a modest uptick in listings (any reading below 50 points to higher inventory). We expect further price declines in the coming months as sellers become more aggressive to work through the inventory overhang.

- ▶ “While we are seeing more traffic we are not seeing commitment to buy.”
- ▶ “Consumers are still cautious, but the rate drop spurred some nice traffic in the past week.”

**Ryland and Pulte Homes have the most exposure.** Ryland has the greatest exposure to Atlanta with approximately 6% of net sales, followed by Pulte Homes with 4%.

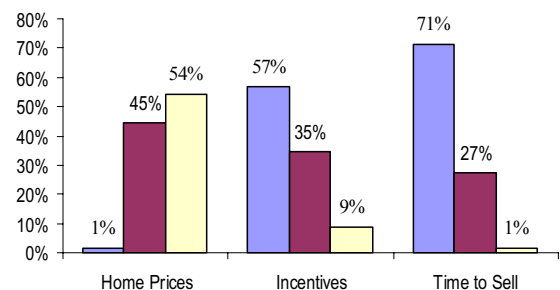
### Buyer Confidence Remains Weak Despite Lower Rates and Prices; Expect Further Price Declines

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Buyers are waiting for better conditions this Spring.”**

## Austin, TX – Patient Buyers Wait for Lower Prices

(17,753 single-family permits in 2006, 12th largest market in the country)

**Buyer hesitancy lingers as they wait for lower prices.** Our buyer traffic index was unchanged at 36.0 in January from 36.0 in December, still indicating traffic below agents’ expectations (which were likely already lower due to the holidays). Agents said buyer confidence remains shaky due to a combination of growing supply and restrictive lending criteria, leading most buyers to wait longer to make a decision on whether or not to buy a home. Some agents did note a bump in traffic levels following the recent rate cuts, but our sense is that few transactions are taking place. As one agent noted, “It’s not the best I’ve seen but at least in the Austin area some buyers are starting to climb down off the fence. Austin seems to have weathered the storm a little better than other areas.”

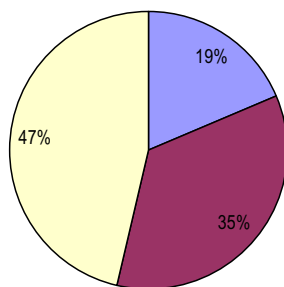
**Prices slip again, with further modest declines likely.** Our price index increased slightly to 34.1 in January from 30.2 in December, still below a neutral reading of 50 and indicating modest sequential price declines. Agents said a rising wave of foreclosures is impacting supply levels and adding downward pressure on home prices. Our home listings index fell to 25.0 in January from 31.0 in December, with readings below 50 pointing to higher inventory. We think inventories will continue to climb through the spring as sellers hope for a better selling season. As a result of the weak demand and growing supply, agents noted a longer time needed to sell a home in January relative to last month, which will likely continue to pressure prices in the near term.

- ▶ “Overall traffic is slow in all price ranges.”
- ▶ “Buyers want to pay less and sellers will not come off of their price yet.”

**Meritage and D.R. Horton have the most exposure.** Meritage has the greatest exposure to Austin with approximately 7% of net sales, followed by D.R. Horton with 5%.

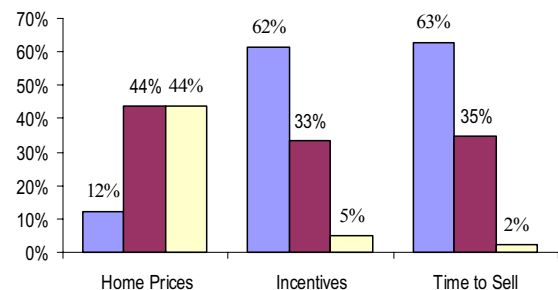
### Traffic Remains Below Expectations; Growing Supply Points to Further Modest Price Declines

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



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Source: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Showings are good but contracts are scarce.”**

## Charlotte, NC – Traffic Up Modestly, But Most Wait for Better Deals

(20,281 single-family permits in 2006, 9th largest market in the country)

**Buyer fears trump more attractive pricing, rates.** Our traffic index improved to 33.8 in January from 26.7 in December, indicating slightly higher traffic levels over the past 30 days, but still below agents’ expectations (a reading of 50 would suggest traffic in-line with expectations). In addition, several agents noted that “Traffic met expectations only because expectations have declined so much.” In general, agents said fear continues to dominate the market, as buyers want to see signs of price stabilization before committing to a purchase. Also, fears once contained to the housing market have now spread to the broader economy, as agents noted clients holding back as they feel we are heading into a recession. We expect tough conditions to continue in Charlotte as relocation traffic remains below average and buyers wait for signs of a bottom.

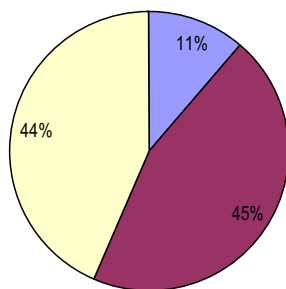
**Sellers lower prices further, but fail to lure buyers off the sidelines.** Prices fell further in January, with our price index coming in at 36.1 from 32.6 in December (any readings below 50 point to lower home prices over the past 30 days). Agents said builders continued to try to assuage buyer fears and improve affordability by offering higher cash discounts and rate buydowns as opposed to previous packages of cars, vacations, etc., but buyers remain on the sidelines watching inventory pile up. Our home listings index fell to 26.4 in January from 34.9 in December, with any reading below 50 indicating higher inventory. We view this as a negative leading indicator for future pricing trends.

- “Buyers are still scared to jump back into market given the uncertain economy.”

**NVR, Comstock, Ryland, and Hovnanian have the most exposure.** NVR has the greatest exposure to Charlotte with approximately 10% of sales, followed by Comstock (8%) and Ryland and Hovnanian with approximately 3% each.

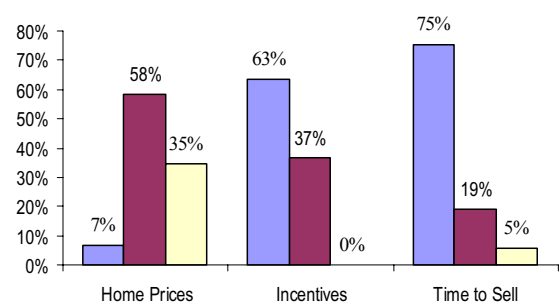
### Inventory Rises as Buyer Confidence Remains Low, Pointing to Lower Prices Ahead

Traffic Levels Versus Expectations



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Source: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Buyers are waiting for prices and rates to drop more.”**

## Chicago, IL – Traffic Picks up in January, but Offers Remain Spotty

(28,619 single-family permits in 2006, 6th largest market in the country)

**Bargain hunters tempted by recent declines in mortgage rates and home prices, but have yet to pull the trigger.** Buyer traffic improved in January as our traffic index jumped to 36.2 from 20.7 in December, but remains short of agents’ expectations as measured by a reading of 50. Agents said the increase in traffic was due to a combination of having lower expectations heading through the holiday season and importantly an increase in bargain hunters lured into the market by lower prices/rates. According to one agent, “The change that I have seen is a big increase in traffic to my website and sign calls. Most lookers cite the fact that the interest rates are low and prices are low and they are seriously getting ready to buy. Actual purchases are still down.” We think it will still take time for buyers to regain enough confidence to actually make a purchase.

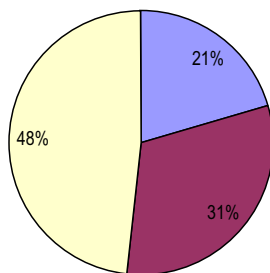
**Builders offer aggressive discounts but struggle to reduce inventory.** Price declines showed no signs of letting up in January, as our home price index was unchanged at 20.2 from 20.0 in December (any reading below 50 suggests lower prices over the past 30 days). Agents said builders are discounting homes by a greater amount, up to \$100,000 cash (25%+) in some cases, but said inventory levels remain troublesome. In addition, foreclosures continue to increase as ARMs begin to reset, which is placing further pressure on home prices. We think further declines are needed to lure more buyers off the sidelines.

- ▶ “As if things weren't bad enough, lenders are taking an "adverse market conditions" hit to rates!”

**Ryland, Lennar, and Hovnanian have the most exposure.** Ryland has the greatest exposure to Chicago with approximately 7% of sales in the market, followed by Lennar Corp. and Hovnanian with 4% of sales.

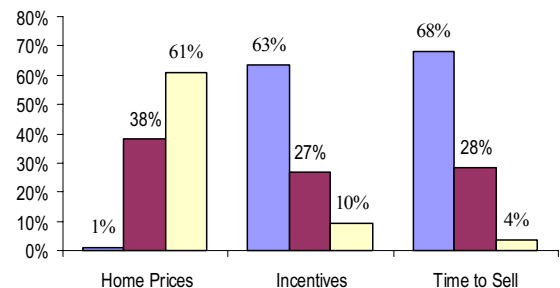
### Buyers Look for Deals, but Expect Better Ones in Coming Months

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: Banc of America Securities LLC.

January Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

**“I just seem to be getting heavier phone calls, emails, and more importantly, deals”**

## Dallas, TX – Traffic Up, In-line With Expectations as Lower Rates Help Affordability

(43,751 single-family permits in 2006, 3rd largest market in the country)

**Traffic improves sharply, meets agents’ expectations.** Traffic improved meaningfully in January as our buyer traffic index jumped to 47.3 from 32.8 in December, essentially in-line with agents’ expectations (a reading of 50). This marks the first time traffic was in-line with expectations since March ’07. Some agents admitted their response was in part due to not having high hopes given the slow time of year, but many others said there was a noticeable increase in calls and showings. Agents attributed this largely to the sharp decline in mortgage rates as a lack of affordability had previously kept many potential buyers out of the market. In addition, foreclosed properties have drawn some interest as bargain hunters look for steep discounts.

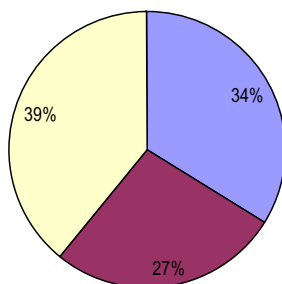
**Builders offer sharper price reductions; foreclosures add to pricing pressures.** Our price index continues to suggest falling prices, slipping to 25.3 in January from 26.7 in December, with any readings below 50 pointing to sequentially lower home prices. Agents noted a shift in builders’ strategy, with several large public builders emphasizing outright price reductions instead of or in addition to incentives. In addition, agents saw builders offering mortgage rates below 5%. However, while spurring some interest, these strategies have yet to lead to a significant boost in sales or reduction in inventories, meaning more in the way of price cuts is likely to come. Our home listings index was unchanged at 33.3 in January from 33.6 in December (below a neutral 50), a negative indicator for future pricing.

- ▶ “People are out looking for "deals" because of all the foreclosures they are hearing about on the news.”
- ▶ “I feel the lower interest rates have played a large roll in the increased traffic.”

**Centex, Ryland and D.R. Horton have greatest exposure.** Centex has the greatest exposure to Dallas, capturing 9% of its sales in the market, followed by Ryland and D.R. Horton with 8% each.

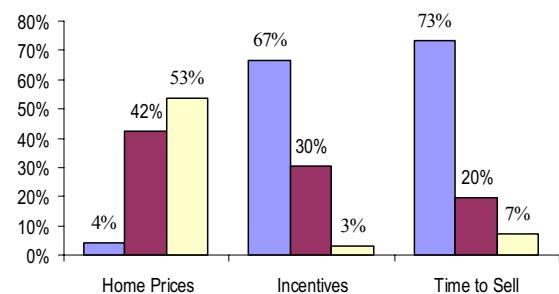
### Improved Affordability a Key Driver of Better Traffic Levels

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: Banc of America Securities LLC.

January Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

**“Sellers are more willing to negotiate on price.”**

## Denver, CO – Shimmer of Hope as Traffic Improves, Inventories Remain Stable

(12,903 single-family permits in 2006, 21st largest market in the country)

**Lower rates spark buyer interest.** Buyer traffic improved in January, as our traffic index increased to 46.2 from 35.2 in December and now indicates traffic roughly in-line with agents’ expectations (a reading of 50 suggests traffic in-line with agents’ expectations). While tough to get a great read given the slow time of year, agents said that lower mortgage rates seemed to spark an increase in buyer inquiries. According to one agent, “Buyers that were waiting for the bottom of the market believe that it is time take advantage of the low prices and interest rates are more than favorable.” Still, others remain cautious, as one said, “Buyers are waiting for even lower prices in the first half of year.”

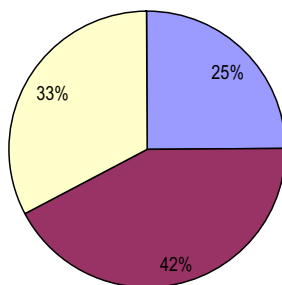
**Stable inventories likely a head-fake; prices continue to slide.** Home prices continued to fall in January with the declines showing no signs of slowing, as our price index slipped to 24.0 from 26.3 in December (readings below 50 point to sequentially lower home prices). Our home listings index was unchanged at 49.0 in January from 50.8 in December, in-line with a neutral reading of 50. Despite the better traffic levels and stable inventories, the time needed to sell a home continued to lengthen, as our index came in at 27.6 from 22.9 in December (any reading below 50 points to a longer time needed to sell). We view this as an indication that traffic is not converting into sales, and believe it points to further price declines in the coming months.

- ▶ “Rates are good. There are still lots of foreclosures in market, but buyers looking for a ‘deal’.”
- ▶ “Some large builders are offering up to \$100,000 in incentives.”

**MDC Holdings and D.R. Horton have the greatest exposure.** MDC Holdings has the greatest exposure to Denver with approximately 12% of sales, followed by D.R. Horton with approximately 6% of sales.

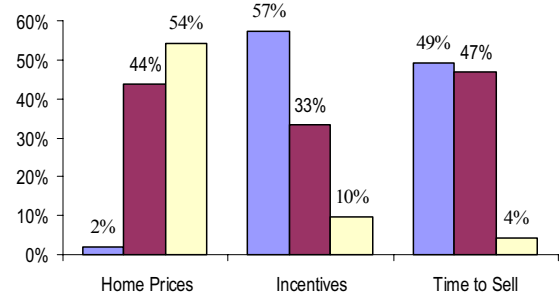
### Further Improvement in Traffic Still Needed to Absorb Excess Inventory

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Short sales and dramatic price reductions are the only segments with activity.”**

## Ft. Myers, FL – Better Traffic Levels; Buyers Still Hesitant

(14,700 single-family permits in 2006, 16th largest market in the country)

**Snowbirds, bargain hunters drive increase in traffic.** Buyer traffic improved considerably in January, as our traffic index jumped to 42.9 from 25.0 in December, the highest level since we began surveying the market in June '06 (although still modestly below agents' expectations as measured by an index of 50). However, we would note that our index also reached similar levels last January, only to fall sharply in the ensuing months. We attribute this phenomenon in large part to the increase in snowbird buyers in the December-January time frame. In addition to this, however, agents also noted an increase in bargain hunters who have been lured out by low interest rates and sharp discounts on short sale and foreclosure properties. While encouraging to see activity, we believe it will take significantly longer to clear the supply-demand imbalance.

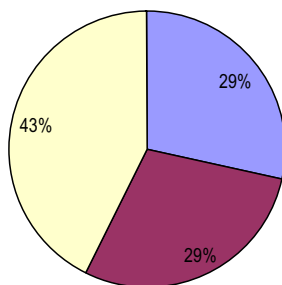
**Aggressive price cuts en vogue.** Our price index was unchanged at 12.9 in January from 12.5 in December, indicating lower home prices over the past 30 days (readings below 50 point to sequential price declines). Agents said short sales and foreclosures continue to reset pricing lower, while builders remain extremely aggressive on spec inventory. Nevertheless, inventories remain too high, as our home listings index (up to 27.1 in January from 23.4 in December) continues to point to growing supply.

- ▶ “Prices are finally inducing curious buyers to get out and look (not buy yet) at homes.”
- ▶ “Seasonal traffic has just hit in the past month and there are people looking, but still few buying.”

**WCI Communities and Hovnanian have the most exposure.** WCI has the greatest exposure to Fort Myers with approximately 22% of net sales, followed by Hovnanian with 11% following its 2005 acquisition of First Homebuilders of Florida.

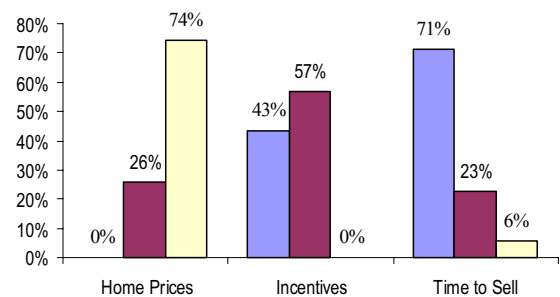
### Improved Traffic, But Cautious Buyers

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Lending criteria is really affecting the low end buyer. Appraisers are becoming very conservative.”**

## Houston, TX – Lower Rates Help; Lack of Loan Availability for First-Time Buyers is a Challenge

(55,105 single-family permits in 2006, largest market in the country)

**Traffic shows slight improvement, but tight lending standards continue to hamper potential buyers.** Buyer traffic ticked up in January, as our traffic index improved to 33.3 from 20.8 in December, but failed to meet agents’ expectations again (any reading below 50 indicates traffic below expectations). Agents attributed the modest increase to lower mortgage rates, but the majority said tougher lending criteria and fear of further price declines outweighed the decline in rates. “Buyers are extremely cautious as they wait for prices to fall,” according to one agent. Another commented that the rising tide of foreclosures has added to buyer fears. We think the Houston market remains one of the weakest of the large Texas markets.

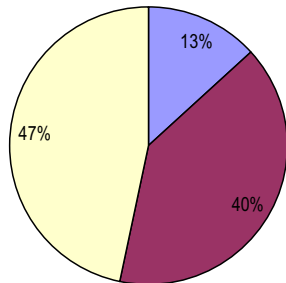
**Growing number of foreclosures add to pricing pressures.** Agents continued to cite lower prices in January as our price index rebounded modestly to 33.6 from a record low of 23.6 in December (readings below 50 point to lower prices over the past 30 days). Agents saw the largest price declines on foreclosures and new homes (several noted discounts of up to 20%), while some existing sellers are still holding onto hope and less willing to negotiate. We expect this gap between buy and seller expectations to close as homes sit on the market longer (our time to sell index came in at 15.3 in January) and inventory rises (our home listings index was essentially unchanged at 29.8), leading to greater price competition.

- ▶ “The lack of mortgage programs, increasing foreclosures and glut of resale and new homes continues to weigh on buyer confidence.”

**Lennar, Hovnanian, and KB Home have the most exposure to Houston with approximately 12%, 9%, and 8%, respectively, of their net sales.**

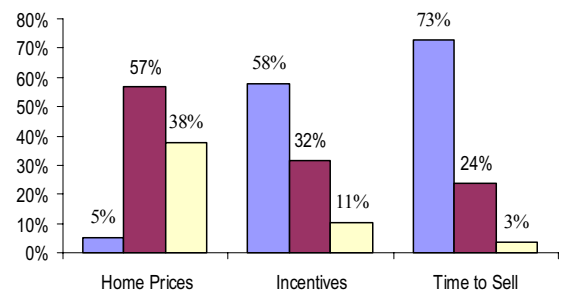
### Better Traffic, But Growing Inventory Likely to Pressure Sellers this Spring

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

Aside from the occasional bargain hunter, agents saw few signs of hope in January.

## Jacksonville, FL – Few Transactions, Concentrated Among Aggressively Priced Homes

(11,497 single-family permits in 2006, 23rd largest market in the country)

**Little incremental change as bargain hunters circle but few others dare to step in.** Our traffic index was essentially unchanged in January at 35.1 from 32.8 in December, still below agents' expectations (readings below 50 suggest traffic below agents' expectations). Similar to last month, several agents saw higher call volume and showings than in the fall, but only on homes with sharply reduced pricing. One agent noted, "30% of my listings are short sale or foreclosures, priced very low to market," and another said, "Price adjustments have brought out more buyers looking for deals." Still, most agents remain cautious as lending conditions remain challenging and buyers fear further price declines given the huge oversupply of homes for sale.

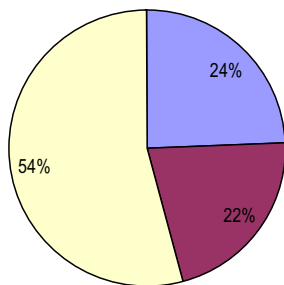
**Prices continue to spiral lower.** Price declines showed no signs of slowing in January, as our price index came in at 17.1 (from 11.3 in December), far short of a neutral reading (readings below 50 indicate lower home prices over the past 30 days). Agents saw a large increase in short sale and foreclosed properties coming onto the market with huge price reductions, but with little demand inventories continued to build (in contrast to the normal seasonal decline in January). Our home listings index increased to 38.9 in January from 27.6 in December, with readings below 50 indicating rising inventory. We think inventory will continue to climb through spring as more foreclosures hit the market, leading to additional severe price declines throughout the year.

- ▶ "Adding to the lending problems, the 'declining market' tag means buyers are now required to put an additional 5% down for any purchase."
- ▶ "Buyers are still waiting patiently for the bottom."

**Lennar Corp., Hovnanian, and KB Home have the most exposure to Jacksonville with approximately 12%, 9%, and 8%, respectively, of their sales.**

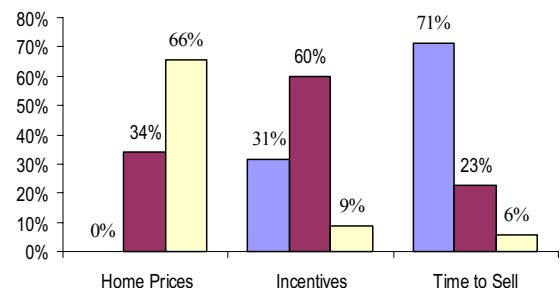
### Bargain Hunters Lurk, But no Sign of Deals Being Done

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“REO and short sales are affecting values and existing sellers are now forced to reduce prices.”**

## Las Vegas, NV – Sharp Price Cuts Interest Some, but Fail to Drive Increased Transactions

(21,590 single-family permits in 2006, 8th largest market in the country)

**“Expectations are utterly minimal now.”** Traffic levels remained low in January and continued to disappoint agents, despite their minimal expectations at this point. Our traffic index was essentially unchanged at 35.4 in January from 31.4 in December, with readings below 50 suggesting traffic short of expectations. Agents did see some traffic on sharply discounted REOs and short sales as banks have found themselves with an overflow of assets coming back to their books, but difficulties with financing (especially now that Las Vegas has been labeled a “declining market”) continue to limit the pool of potential buyers. In addition, fears of further price declines are ruling buyer psychology as the number of homes for sale lingers near record levels.

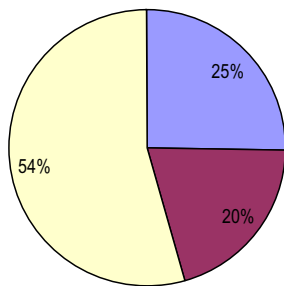
**Oversupply leads to widespread price declines.** Our price index dropped back towards its lowest point in January, falling to 7.5 from 10.8 in December and indicating widespread and likely severe price declines (readings below 50 point to sequentially lower pricing). 88% of agents said prices declined over the past 30 days, 10% said they were unchanged, and 2% said they were higher. Agents pointed to banks and builders as the price leaders in the market, as both seek to liquidate unwanted inventory. Several agents noted discount packages of over \$100,000 have become commonplace. While inventory was stable this month (our home listings index measured a neutral 53.9), we expect higher inventories this spring to pressure prices even further.

- ▶ “I have not seen prices slashed like this since the early 90's.”
- ▶ “Appraisals I've seen are still unjustifiably high... didn't these guys get the memo?”

**KB Home and Pulte have most exposure to Vegas.** KB Home has the greatest exposure to Las Vegas with 11% of net sales, followed by Pulte with 7%.

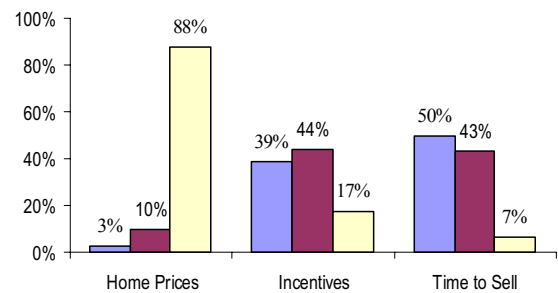
### Most Buyers Remain Sideline Waiting for Lower Prices

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Interest rates have eased, prices have come down a little and there is more flexibility from sellers.”**

## Los Angeles, CA – Traffic up on Better Affordability, but Buyers Hold Out for More

(13,394 single-family permits in 2006, 20th largest market in the country)

**Improved affordability leads to pick-up in traffic.** Traffic levels improved again in January as our buyer traffic index increased to 33.8 from 26.1 in December. While this is still below agents’ expectations (any reading below 50), the improvement over the past two months is encouraging as agents have noted more traffic due to better affordability from lower prices and mortgage rates. Agents remained cautious, with one commenting, “We see more traffic, but unfortunately no commitment. Every buyer is waiting for the prices to go down more.” Others agree, but a growing number sensed that buyers are gearing up and may be ready to make a purchase in the near future if prices and rates come down a bit more.

**Foreclosures, builder discounts reset pricing lower.** Home prices continued to fall in January as our price index was unchanged at 13.2 from 11.9 in December (any readings below 50 suggest sequentially lower prices). Agents noted rising foreclosures, which are adding to the inventory problem, and said appraisers are becoming more conservative in their valuations by deducting 5% off of comps based on the declining market status given to Los Angeles. According to agents, builders are focusing on offering incentives that help affordability such as cash discounts, rate buy-downs, and paying taxes/HOA fees. However, inventory levels increased again in January, as our home listings index fell to 34.8 from 39.3 in December. We view this as a negative indicator for future pricing trends.

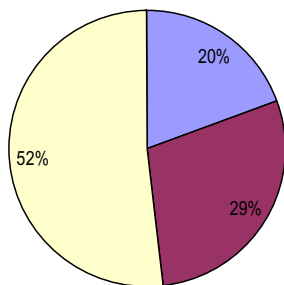
- ▶ “Buyers are still afraid to get off the fence despite great rates on mortgages and decent deals on home prices.”

**Hovnanian, KB Home, Standard Pacific and MDC have the most exposure.**

Approximately 3% of Hovnanian’s sales come from L.A., the most among the large builders, followed by 2% from KB Home, Standard Pacific, and MDC Holdings.

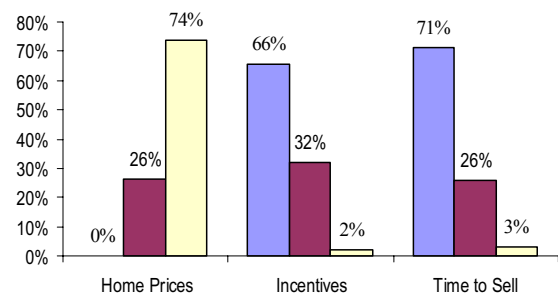
### We View Better Affordability as the Key to Restoring Demand and Helping Prices to Eventually Stabilize

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Some tire kickers are starting to shop but no offers.”**

## Miami, FL – Challenging Conditions Persist Due to Tight Lending, Inventory Overhang

(14,750 single-family permits in 2006, 15th largest market in the country)

**Buyers head back to the sidelines despite better prices, rates.** Our buyer traffic index slipped to 26.3 in January from 31.3 in December, well short of agents’ expectations (a reading of 50 would suggest traffic in-line with expectations). Agents saw fewer seasonal buyers and bargain hunters than last month, likely as further price declines hurt confidence and pushed them back to the sidelines. Agents did say buyers responded positively to the improved affordability, but said they are still waiting for prices to come down further due to the large oversupply as they fear buying before the bottom. In addition, despite the lower rates, agents said credit availability remains limited due to the higher downpayment requirements, tighter standards, and high property taxes/insurance costs.

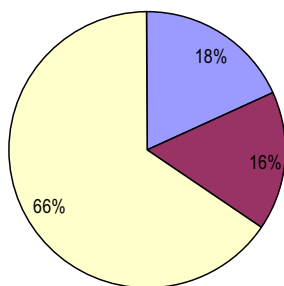
**Weak demand, stubbornly high inventories lead to further price declines.** Home prices remained under pressure in January, as our price index was essentially unchanged at 12.4 from 11.5 in December (any reading below 50 indicates sequentially lower home prices). Agents noted few changes since last month, as builders continue to slash prices in order to monetize inventory and increasing foreclosures pressure existing sellers to follow suit. Despite these price declines, agents said buyers are waiting for further reductions, and inventories continue to rise in the meantime. Our home listings index was unchanged at 19.0 in January from 18.9 in December.

- ▶ “Prices have not yet reached bottom, and buyers are sitting on the sidelines.”
- ▶ “Only bottom feeders are shopping to buy. Plenty of renters as a result.”

**WCI Communities and Lennar Corp. have the most exposure.** WCI Communities and Lennar have the greatest exposure to Miami with approximately 12% and 2% of sales, respectively.

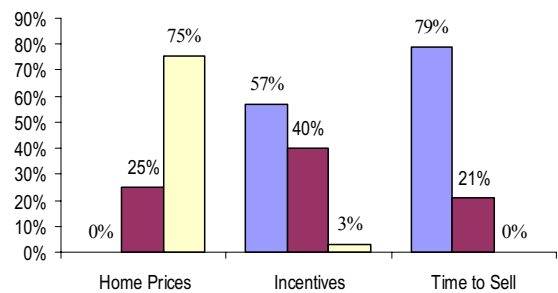
### Further Improvement in Affordability is Needed Through a Combination of Lower Prices and Lower Rates

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“December was awful so a little improvement is encouraging.”**

## Minneapolis, MN – Attractive Pricing, Rates Draw out More Buyers

(11,966 single-family permits in 2006, 22nd largest market in the country)

**Better affordability spurs higher traffic levels.** Buyer traffic improved in January as our traffic index jumped to 34.1 from 19.5 in December. This still indicates traffic modestly below agents’ expectations (as measured by an index of 50), but points to a sequential increase. Agents said lower rates and prices are finally starting to interest buyers, who feel they can now negotiate a good deal. “Sellers have more realistic expectations and prices have adjusted accordingly,” according to one agent who saw better traffic over the past 30 days. In addition, a greater number of vulture investors were seen in January as the supply of bank-owned properties for sale grew larger. However, many agents said buyers are still waiting for further price declines before they are confident enough to purchase.

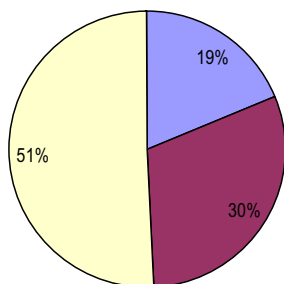
**Sellers adjust pricing, attempt to close gap with buyer expectations.** Home prices continued to fall in January, as our price index was slightly off its lowest point at 10.3, up from 6.8 last month but clearly indicating a downward trend in pricing (readings below 50 suggest lower prices over the past 30 days). Agents said sellers have been more willing to negotiate pricing recently as they face stiff competition from builder discounts and an increased number of foreclosures and short sales. Appraisers are also becoming more conservative, according to agents, as they take 5% off immediately since it’s a “declining market.” Inventories were higher in January after temporarily stabilizing in December (our index fell to 37.9 from a neutral 50.0), which we view as a negative for pricing.

► “Short sales and foreclosures are bringing the ‘comps’ down in a big way.”

**Ryland, D.R. Horton, Centex, and Lennar have the greatest exposure.** Ryland has the greatest exposure to Minneapolis with approximately 4% of net sales, followed by D.R. Horton, Centex and Lennar with 3% each.

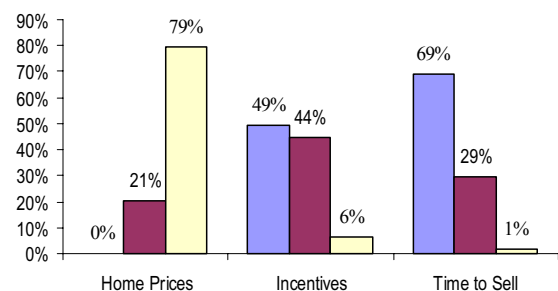
### Bargain Hunters Circle as Affordability Becomes More Favorable

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

Improved affordability is a key given the high price points in the NY/NJ metro markets.

## New York-Northern NJ – Drop in Mortgage Rates Drives Higher Traffic Levels

(16,472 single-family permits in 2006, 13th largest market in the country)

**Recent rate cuts lead to increase in interested buyers.** Our traffic index surged to 41.5 in January from 26.9 in December, only slightly below agents' expectations (a reading of 50) but a meaningful sequential improvement. The majority of agents commented that the sharp decline in mortgage rates has been met with a positive response by potential buyers who have been shut out of the market due to stretched affordability. We see this as a positive step, but have yet to see a corresponding increase in transactions. According to one agent, "With interest rates dropping, buyer traffic has increased, but buyers are taking longer before they present offers and they really low ball their starting offers." We think even lower prices and/or rates are likely needed before we see better sales volumes given the shaky buyer confidence and still stretched affordability.

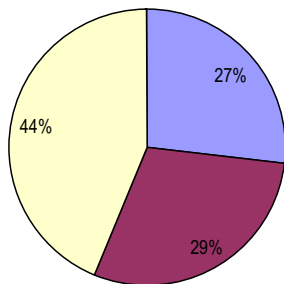
**Inventories increase, pressure prices.** Home prices fell further in January, as our price index came in at 19.5, up slightly from 15.6 in December, with any reading below 50 pointing to lower prices over the past 30 days. Inventory continues to be a key issue, but agents say sellers have been slow to adjust pricing lower and buyers expect further declines. This had led to a longer time to sell a home, which we view as a negative leading indicator for home prices. Our home listings and time to sell indices came in at 32.1 and 15.9, respectively, from 43.8 and 13.3 in December and both short of a neutral reading of 50.

- "We are getting a ton of lookers and they are not putting in any offers. It's like they still think the market has not hit bottom yet."

**Toll Brothers and Hovnanian have the greatest exposure.** Toll Brothers and Hovnanian have the most exposure to the New York-Northern NJ area market and hold a significant supply of land to fuel their growth in the area. Toll Brothers and Hovnanian generated the largest percentage of sales in the area with 5% each.

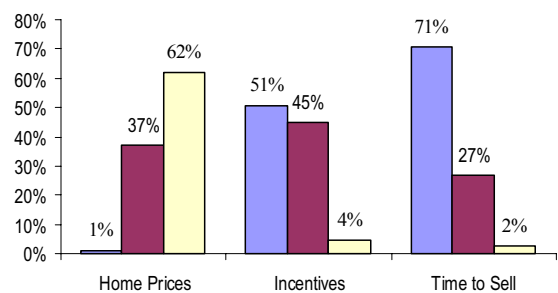
### Better Traffic, but Sales Remain Scarce

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“FHA is helping some to fill the demand for the vanishing conventional programs.”**

## Orlando, FL – Better Traffic, but Widespread Price Declines Keep Buyers Cautious

(23,948 single-family permits in 2006, 7th largest market in the country)

**Traffic increased slightly, driven by bargain hunters and seasonal buyers.** Our traffic index improved slightly to 38.1 in January from 33.7 in December, pointing to a modest sequential increase in traffic but still below agents’ expectations (readings below 50 indicate traffic below expectations). Agents who saw better traffic than last month attributed the increase largely to lower interest rates, home prices, and the start of the peak selling season in Florida. “Buyers are starting to come out of their shells, and prices of real estate are coming down to a desirable level,” said one agent. However, many agents commented that buyers still don’t think the time is right and are waiting until prices fall further as well as for further potential rate cuts. Despite recent improvements in affordability, housing costs remain stretched relative to historical averages, meaning lower prices are likely needed before transactions start to pick up,

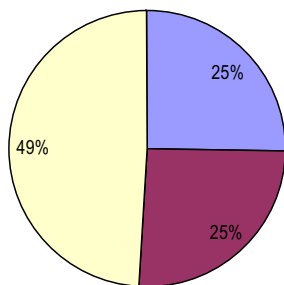
**Nearly all agents note falling prices.** Home prices fell further in January, as our price index dropped to 5.6 from 16.0 in December (any reading below 50 indicates lower prices over the past 30 days). 89% of agents said prices were sequentially lower, while 11% said prices were unchanged relative to December. In addition to sharp price reductions, builders are focusing on improving affordability by offering fixed-rate mortgages for as low as 4.75%, according to some agents. Inventory levels stabilized this month (our index measured a neutral 50.0) but this is consistent with typical seasonal trends and the time needed to sell a home continued to lengthen (our index slipped to 20.2 from 22.0 last month) which points to further pricing pressures.

- ▶ “Traffic is slightly higher, but with inventory so high, people are looking for a bargain.”

**Ryland, KB Home, and Lennar have the greatest exposure.** Ryland has the largest percent of sales from Orlando at approximately 6%, followed by KB Home and Lennar with 4% each. We also expect Hovnanian to rapidly increase exposure to Orlando following its recent acquisition of Cambridge Homes.

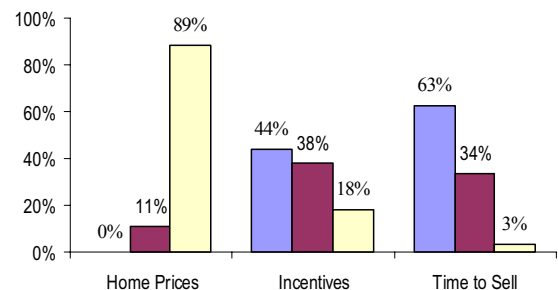
### Buyers Continue to Expect Further Price Declines

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Freddie & Fanny have listed AZ as a “declining value” state, which has lead to even tighter lending.”**

## Phoenix, AZ – “There Are Lookers but No Buyers”

(35,740 single-family permits in 2006, 4th largest market in the country)

**Traffic little changed from last month; only buyers are vultures.** Agents saw traffic levels similar to last month in January, as our traffic index was roughly unchanged at 33.0 from 30.7 in December and still points to traffic below agents’ expectations (any reading below 50). While some agents noted better traffic levels due to lower prices and rates, most continued to cite fears of falling values, tough lending standards, and daunting inventory levels as reasons for buyers to remain on the sidelines. According to one agent, “We are not seeing the usual snowbird traffic which is generally heavier after the holidays.” Another says, “Buyers are still waiting to see when we will be at or near the bottom of the market. No one wants to jump in if they think pricing will still go down.”

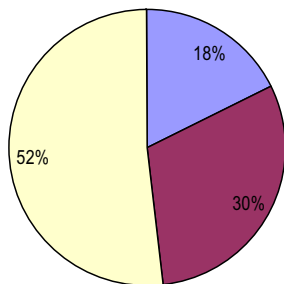
**Prices continue to fall; more conservative appraisals impact values.** Home prices fell further in January, as our price index measured 14.4 (from 11.9 in December) – with any reading below 50 indicating sequentially lower prices. Adding to the already large inventory pressures, agents said Phoenix has been labeled as a declining market by lenders, leading appraisers to take another 5% off values. In an attempt to work through high levels of spec inventory homebuilders are, “slashing up to \$100,000 off the sales price and throwing in additional incentives,” according to one agent. Our home listings index pointed to slowing inventory growth (registering 44.2 in January, up from 35.2 last month) but we expect further increases this spring.

- ▶ “We specialize in REO/foreclosure properties and our lenders are really reducing to get these properties off their books.”

**MDC Holdings, Standard Pacific, Meritage, Pulte Homes, D.R. Horton and Toll Brothers have the greatest exposure.** MDC and Standard Pacific have the largest exposure to Phoenix, contracting approximately 19% of total unit sales in the area, followed by Meritage (18%), Pulte (16%), D.R. Horton (11%) and Toll (10%).

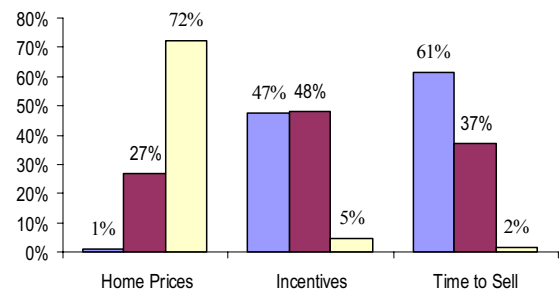
### Most Buyers Continue to Wait for Better Deals, Which They Expect this Spring

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“There are no first-time home buyers.”**

## Riverside-San Bernardino, CA (Inland Empire) – Lack of Credit Availability Offsets Lower Pricing/Rates

(33,508 single-family permits in 2006, 5th largest market in the country)

**Minor improvement in traffic, but few sales.** Buyer traffic improved slightly, likely due to the improved affordability from lower mortgage rates, but remained at weak levels in January well short of expectations. Our traffic index increased to 32.5 from 20.2 in December, with readings below 50 indicating traffic below agents’ expectations. One agent characterized the situation as seeing the normal January “bump” in traffic, but less than last year. In general, agents cited tight credit as the main culprit despite recent price reductions and lower interest rates, as changes to lending standards have offset those benefits.

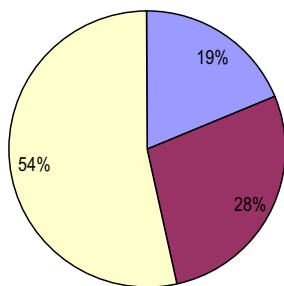
**Foreclosures add to inventory levels, pressure pricing.** Our price index remained near its all-time low in January, essentially unchanged at 7.1 from 4.9 in December (a reading of 50 would suggest flat pricing). 87% of agents said home prices were lower over the past 30 days, 12% said prices were unchanged, and just 1% said prices were higher. Agents said inventory continued to grow due to the surge in bank-owned properties, which is adding to pricing pressures as these homes are steeply discounted. According to one agent, “REOs are being priced at least 25% lower.” Our home listings index was unchanged at 20.5 in January from 18.3 in December, still well below a neutral reading of 50 and pointing to further pricing pressure in coming months.

- ▶ “Prices are too high. Even though the prices have been falling they are still too high for the income levels in this area.”
- ▶ “We still have 41,000 foreclosures in Riverside County.”

**Hovnanian, KB Home and Lennar have the greatest exposure.** Hovnanian has the largest percent of sales at approx. 15%, followed by KB Home (7%), and Lennar (6%).

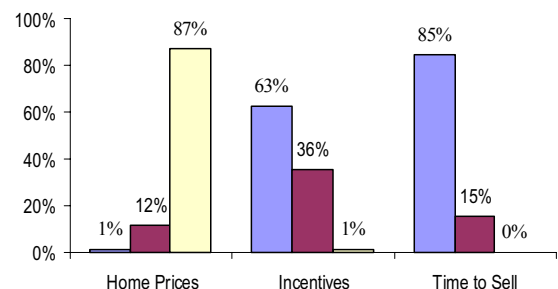
### Further Price Declines Needed to Cure Affordability Woes

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

**“Buyers are waiting for the best deal and prices are still coming down.”**

## Seattle, WA – Traffic Up, But Not Converting to Sales as Sentiment Remains Weak

(15,091 single-family permits in 2006, 14th largest market in the country)

**Improved affordability drives post-holiday boost in traffic.** Agents noted higher traffic in January relative to December as our traffic index increased to 37.3 from 27.6, but traffic still disappointed agents (readings below 50 indicate traffic below expectations). Agents said the slight improvement was a result of better affordability from the recent decline in mortgage rates as well as a feeling that there are bargains to be had. However, many agents say buyers remain nervous as prices continue to slip and the economic environment becomes more uncertain. As one agent noted, “Low interest rates are the only reason there is any traffic.”

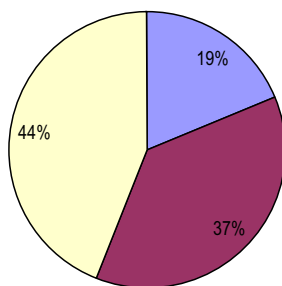
**Rising inventory and a longer time needed to sell point to further price declines.** Home prices fell further over the past 30 days, as our price index came in at 29.4 in January, up from 19.1 in December but well short of a neutral reading of 50. Agents said sellers have adjusted prices more willingly in recent months, but buyers expect even further declines so a gap remains between buyer and seller expectations. This has led to higher inventory levels and a longer time to sell. Our home listings and time to sell indices measured 22.2 and 19.4, respectively, in January, from 34.2 and 9.7 in December (readings below 50 indicate worsening trends). We view these as negative indicators for future pricing trends.

- ▶ “Over 40% of transactions fell apart due to financing.”
- ▶ “Buyers are worried about financing and decreasing home prices; sellers are unwilling or unable to reduce their prices.”

**D.R. Horton has the most exposure to Seattle.** D.R. Horton generated approximately 1% of its sales in Seattle, with a 5.5% market share. We expect larger, publicly traded homebuilders to further consolidate the market in the next several years.

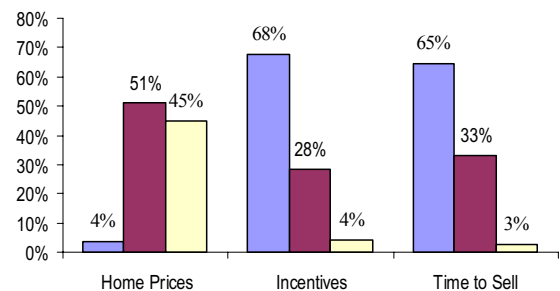
### Buyer Confidence Remains Shaky as Prices Continue to Fall, Inventories Rise

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

Buyers have adopted a “why buy now” attitude, according to agents.

## Tampa, FL – Lower Rates Fail to Instill Confidence among Buyers Who Fear Further Price Declines

(18,306 single-family permits in 2006, 11th largest market in the country)

**Traffic deteriorates as buyers dare not try to catch a falling knife.** Our traffic index slipped to 21.9 in January from 23.9 in December, pointing to weaker traffic well below agents’ expectations (any readings below 50 point to traffic below expectations). Agents said buyers showed no signs of interest or confidence despite recent price declines and lower mortgage rates, as massive inventories clearly indicate the need for further price cuts. Other agents commented that the credit environment continues to be prohibitive for many buyers, especially now that the “declining market” flag from lenders has led to an additional 5% down payment requirement.

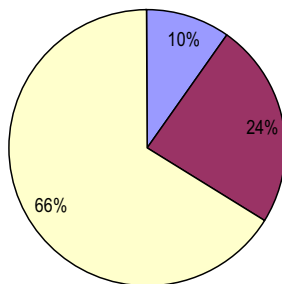
**Builders continue to offer sharp discounts.** Home prices fell further in January, as our price index remained very low at 9.5 from 6.0 in December (readings below 50 indicate sequentially lower pricing). 86% of agents said prices fell over the past 30 days, 9% said they were unchanged, and 5% said they were higher. “Builders continue to drop prices and offer fantastic incentives,” according to one agent, but buyers are holding out for better deals. Another major factor impacting values is the growing number of foreclosures, which is only likely to worsen this spring as more ARMs reset. Rising inventory levels (our home listings index fell to 24.3 in January from 30.3 in December) should add to downward pricing pressures throughout '08.

- ▶ “One appraisal came in much lower than the contract price of a year ago before the house was even built.”
- ▶ “Resale homes cannot compete with lower new home prices.”

**Standard Pacific Homes, Ryland, and Lennar have the most exposure.** Tampa contributes approximately 10% of Standard Pacific’s net sales, followed by 7% each for Ryland and Lennar.

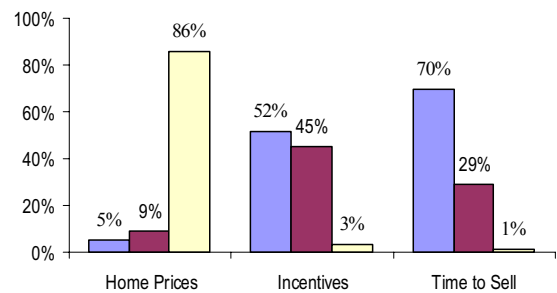
### All Signs Suggest Further Price Declines are Likely in '08

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: Banc of America Securities LLC.

January Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

**“There is a lot of nervous energy as the spring buyers and sellers begin to emerge.”**

## Washington, D.C. – Better Affordability Spurs Interest; Traffic Meets Expectations

(18,457 single-family permits in 2006, 10th largest market in the country)

**Traffic improves again on more favorable pricing/rate environment.** Traffic improved again in January and has steadily increased since bottoming last September. Buyer traffic is now essentially in-line with agents’ expectations, as our traffic index jumped to 46.0 from 29.6 in December (a reading of 50 suggests traffic in-line with expectations). Agents said lower mortgage rates spurred buyer interest, especially as prices came down further and bargain hunters looked to cherry pick cheap foreclosed properties. However, we would note that we saw a similar pattern of increased traffic last January as buyers anticipated a bottom in the market, only to see a sharp drop-off through spring as falling prices caused buyer confidence to sour.

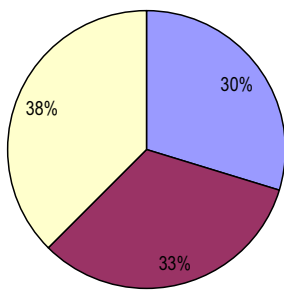
**Prices continue to slip as sellers work through excess supply.** Despite the better traffic levels, home prices continued to fall in January as sales remained slow and inventories increased. Our price index came in at 19.5 in January, up slightly from 15.4 in December but well below a neutral reading of 50. Agents said buyers are searching for bargains such as foreclosures and spec inventory from homebuilders. Several agents said buyers are sensing that the bottom in pricing may be near, but we remain cautious as inventory levels are elevated and continue to rise (our home listings index dropped to 38.5 in January from 43.6 in December) and the time to sell lengthened (our index came in at 20.5) – both of which are negative indicators for future pricing trends.

► “Lower interest rates and pricing are making for great buying opportunities.”

**NVR, Toll Brothers and Hovnanian have the greatest exposure.** NVR has the most exposure to the Washington, D.C. market, as it represented approximately 25% of the company’s sales. Washington represented 11% of Toll Brothers’ sales and 8% of Hovnanian’s sales.

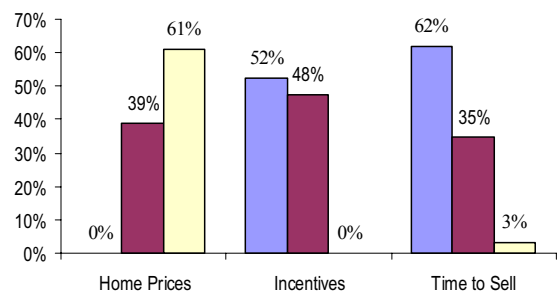
### Traffic In-line with Expectations, but Falling Prices May Hurt Confidence

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: Banc of America Securities LLC.

## **Additional Key Housing Markets**

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Baltimore, MD

(6,331 single-family permits in 2006, 44th largest market in the country)

**Traffic up, but still at low levels.** Our traffic index improved to 31.6 in January from 16.7 in December, still below agents' expectations (readings below 50 point to traffic levels short of agents' expectations). 47% of agents said traffic was below expectations, while 42% said it was in-line with expectations, and 11% said it was above expectations.

**Prices and incentives deteriorate, but responses improve.** Our price index came in at 28.9 in January (up from 16.7 in December), indicating lower home prices over the past 30 days (any reading below 50 points to sequentially lower prices). 47% of agents said prices were lower as compared with last month, 47% said they were unchanged, and 6% said they were higher. The majority of agents also continued to note rising incentives, as our incentive index was up slightly to 9.4 in January from 8.3 in December (any reading below 50 suggests worsening trends). 81% of agents said incentives were higher and 19% said they were flat.

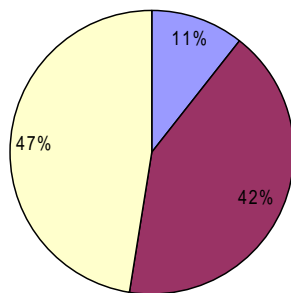
**Agents note longer time needed to sell – a negative indicator for future pricing.** Our time to sell index was 10.5 in January, back up from 0 in December, though agents surveyed this month continued to see the time to sell lengthen over the past 30 days. 79% of agents said it took longer to sell a home, while 21% said the time to sell was unchanged. We typically view the longer time needed to sell as a negative indicator of future home price trends as sellers are pressured to reduce prices the longer their home is on the market.

- “Buyer confidence has waned and expectations of price declines have made the market stagnant.”

**NVR, Ryland, and MDC have the greatest exposure.** NVR has the most exposure to Baltimore, as it represented approximately 14% of the company's 2005 sales. Baltimore represented 6% of Ryland's sales and 2% of MDC's sales.

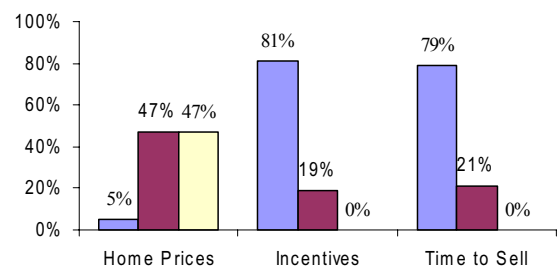
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Boston, MA

(6,329 single-family permits in 2006, 46th largest market in the country)

**Traffic flat, but still short of agents' expectations.** Our traffic index was 34.2 in January, relatively unchanged from 35.0 in December, and still below agents' expectations (a reading of 50 would suggest traffic in-line with expectations). 53% of agents said traffic fell short of expectations, 26% said it was in-line with expectations, and 21% said it exceeded expectations.

**Prices and incentives deteriorate, but seeing signs of hope.** Home prices continued to decrease in January, as our price index was 28.9, from 15.0 in December (any reading below 50 points to sequentially lower home prices). 53% of agents said prices were lower over the past 30 days, 37% said they were unchanged, and 11% said they were flat. Sellers also offered higher incentives, though our incentive index rose to 34.6 in January from 22.7 in December (any reading below 50 suggests higher incentives). 38% of agents said incentives were higher, 54% said they were unchanged, and 8% said they were lower.

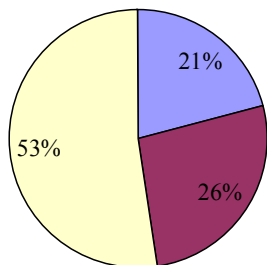
**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index was 13.9 in January, from 17.5 in December, indicating a longer time needed to sell a home over the past 30 days (any reading below 50 points to a longer time to sell). 72% of agents said it took longer to sell a home, and 28% said the time to sell was unchanged.

- ▶ “Many of the buyers I've spoken to recently worry that if they buy now that prices will continue to fall.”

**Pulte has the greatest exposure.** Pulte has the most exposure to Boston, as it represented approximately 1% of the company's sales.

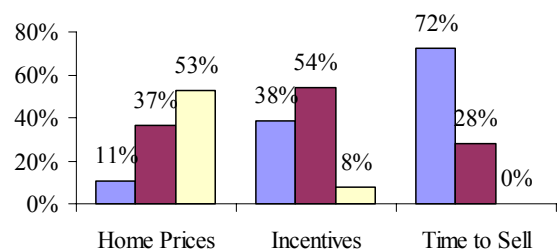
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Charleston, SC

(7,305 single-family permits in 2006, 37th largest market in the country)

**Traffic up modestly, but still limited.** Our traffic index was essentially up to 29.5 in January from 22.2 in December, indicating traffic levels well below agents' expectations (readings below 50 suggest buyer traffic below expectations). 50% of agents said traffic met expectations, 45% said it fell short of expectations, and 5% said it exceeded expectations.

**Prices and incentives worsen.** Our price index dropped to 18.2 in January from 38.9 in December, pointing to even lower prices over the past 30 days (any reading below 50 indicates sequentially lower home prices). 64% of agents said prices were lower, and 36% said they were flat. Our incentive index came in at 29.5 in January, up from 22.2 in December, but still well short of a neutral reading of 50. 50% of agents said incentives increased, 41% said they were unchanged, and 9% said they were lower.

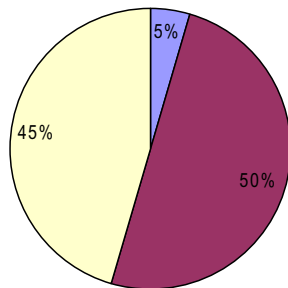
**Time needed to sell a home lengthened – a negative indicator for future pricing trends.** Our time to sell index was 26.2 in January, versus 22.2 in December, still indicating a longer time needed to sell a home over the past 30 days (readings below 50 point to a longer time to sell). 52% of agents said the time to sell was unchanged, while 48% of agents said it took longer to sell a home relative to last month. We view the longer time needed to sell a home as a negative indicator for future pricing trends.

- ▶ “More people are looking but they are looking for deep discounted prices.”

**Ryland and Centex have the greatest exposure.** Ryland has the most exposure to the Charleston market, at approximately 3% of the company's sales. Charleston represented 2% of Centex's sales.

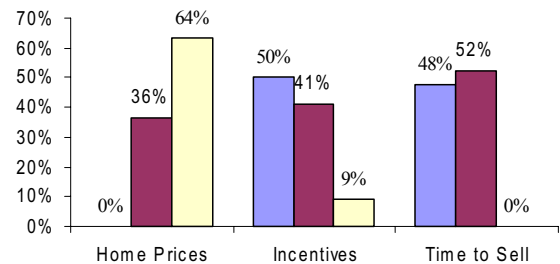
### Traffic Short of Expectations, Prices and Incentives Deteriorate, Longer Time to Sell in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Cincinnati, OH

(7,525 single-family permits in 2006, 35th largest market in the country)

**Traffic falls in January.** Our traffic index dropped slightly to 19.4 in January after jumping to 25.0 in December, remaining well below agents' expectations (readings below 50 suggest traffic levels below agents' expectations). 67% of agents said traffic fell short of expectations, 28% said it was in-line with expectations, and 6% said it exceeded expectations.

**Pricing still under pressure, but better responses.** Our January price index was 19.4, up from 6.3 in December (readings below 50 point to sequentially lower home prices). 61% of agents said prices were lower over the past 30 days, while 39% said they were unchanged. Incentives also worsened, as our incentive index was 11.1 in January, essentially unchanged from 11.4 in December (any reading below 50 indicates higher incentives). 78% of agents said incentives increased, and 22% said they were unchanged.

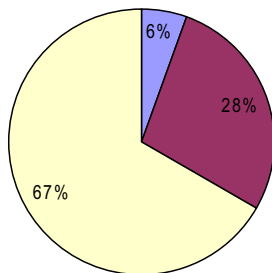
**Time needed to sell a home lengthened – a negative indicator for future pricing trends.** Our time to sell index was 11.1 in January, essentially unchanged from 10.4 in December, indicating a longer time needed to sell a home as compared with last month (a reading of 50 would suggest the time to sell was unchanged). 78% of agents said it took longer to sell a home over the past 30 days, while 22% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator of future pricing trends.

► “Lack of motivation in buyers.”

**NVR and Ryland have the greatest exposure.** Ryland has the most exposure to the Cincinnati market, as it represented approximately 2% of the company's sales.

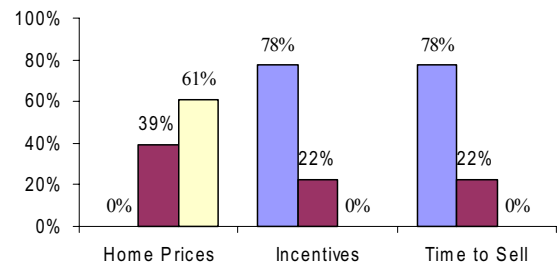
### Traffic Below Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Columbus, OH

(5,711 single-family permits in 2006, 52nd largest market in the country)

**Traffic up in January, close to agents' expectations.** Our traffic index was up to 42.1 in January from 33.3 in December, indicating buyer traffic only modestly below agents' expectations (readings below 50 point to traffic short of expectations). 39% of agents said traffic was below expectations, 37% said it was in-line with expectations, and 24% said it exceeded expectations.

**Pricing and incentives deteriorate.** Home prices fell further in January. Our price index was 25.0, compared with 22.9 December, remaining well short of a neutral reading (flat prices) of 50. 50% of agents said prices were lower over the past 30 days, while 50% said they were unchanged. Incentives also worsened, as our incentive index was 23.6 in January, relatively unchanged from 22.7 in December (readings below 50 indicate higher incentives). 53% of agents said incentives were higher, and 47% said they were unchanged relative to last month.

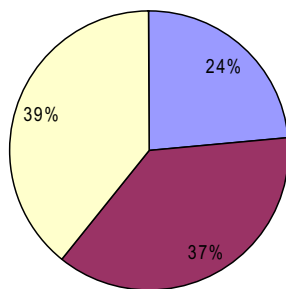
**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index fell to 20.3 in January from 27.1 in December, pointing to a longer time needed to sell a home relative to last month. 59% of agents said it took longer to sell a home, and 41% said the time to sell was unchanged, over the past 30 days. We view the longer time needed to sell as a negative indicator for future pricing trends.

► “Buyers are not qualifying for higher value loans.”

**Centex has the most exposure to the Columbus market, as it represents approximately 2% of the company's sales.**

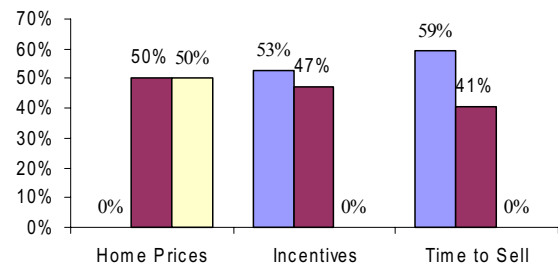
### Traffic Below Expectations, Pricing and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Detroit, MI

(7,355 single-family permits in 2006, 36th largest market in the country)

**Traffic essentially flat, still well below agents' expectations.** Buyer traffic continued to disappoint agents, as our traffic index came in at 29.1 for January, from 26.8 in December (any reading below 50 points to traffic short of agents' expectations). 56% of agents said traffic was lower than expected, 30% said it exceeded expectations, and 14% said it was in-line with expectations.

**Nearly all agents cite lower prices.** In January, our price index fell to 2.3 from 7.5 in December (readings below 50 indicate sequentially lower home prices). 95% of agents said prices were lower over the past 30 days, and 5% said they were unchanged. Incentives also deteriorated, as our incentive index measured 21.2 in January, essentially unchanged from 24.2 in December (readings below 50 point to rising incentives). 58% of agents said incentives were higher, and 42% said they were unchanged.

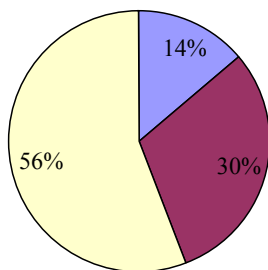
**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index improved slightly to 14.0 in January from 8.8 in December, but remains well below a neutral level of 50 as most agents said it took longer to sell a home over the past 30 days. 74% of agents said the time to sell lengthened, 23% said it took the same length of time, and 3% of agents said it took less time. We view the longer time needed to sell as a negative indicator for future pricing trends.

- ▶ "Tightening lending policies, total lack of buyer confidence."
- ▶ "Mortgage credit crunch, high area unemployment."

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

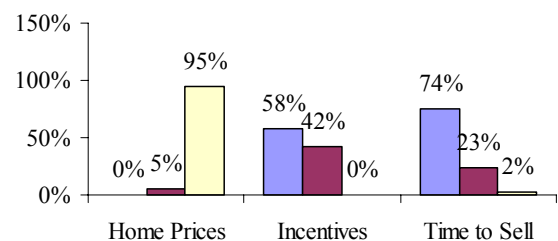
### Traffic Below Expectations, Pricing and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Nashville, TN

(13,771 single-family permits in 2006, 18th largest market in the country)

**Traffic up in January, but still limited.** Buyer traffic continued deteriorating in January, as our traffic index increased to 28.6 from 14.3 in December, well short of agents' expectations (a reading of 50 would suggest traffic in-line with agents' expectations). 64% of agents said traffic was below expectations, 14% said it was in-line with expectations, and 21% said it exceeded expectations.

**Pricing and incentives worsen.** Our price index came in 28.6 in January slightly lower than 30.8 in December, pointing to sequentially lower home prices (readings below 50 indicate falling prices). 57% of agents said prices were unchanged, while 43% said prices were lower over the past 30 days. Our incentive index was 25.0 in January, up from 20.8 in December (readings below 50 point to rising incentives). 50% of agents said incentives were higher and 50% said they were unchanged relative to last month.

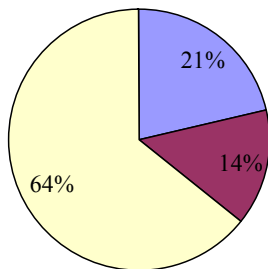
**Time needed to sell a home lengthened – a negative indicator for future pricing trends.** Our time to sell index measured 7.1 in January, consistent with 7.7 in December, with nearly all agents noting a longer time needed to sell a home over the past 30 days (a reading of 50 would suggest the time to sell was unchanged). 86% of agents said the time needed to sell lengthened, and 14% said it was unchanged. We generally view the longer time to sell as a negative indicator for future pricing.

- ▶ “The non-qualified are not even trying to buy.”
- ▶ “Lots of lookers; positive comments; no contracts.”

**Centex has the greatest exposure.** Centex has the most exposure to the Nashville market, but only represents approximately 1% of the company's sales.

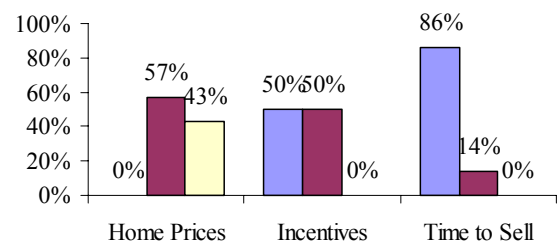
### Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Philadelphia, PA-Southern NJ

(11,269 single-family permits in 2006, 24th largest market in the country)

**Traffic up sharply, near expectations.** Our traffic index was up to 41.4 in January, up from December's 25.9, with traffic near agents' expectations (readings of 50). 44% of agents said traffic fell short of expectations, 30% said it was in-line with expectations, and 26% said it exceeded expectations.

**Prices and incentives deteriorate.** Home prices continued to fall in January, as our price index came in at 27.0 in January, up from 20.0 in December (readings below 50 indicate sequentially lower prices). 51% of agents said prices were lower over the past 30 days, 44% said they were unchanged, and 5% said they were higher. Incentives also deteriorated, as our index measured 25.9 in January (slightly improved from 20.4 in November). 54% of agents said incentives increased, 41% said they were unchanged, and 5% said they were lower.

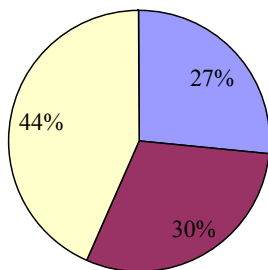
**Length of time needed to sell a home increased, but some agents see stabilization.** Our time to sell index was 18.0 in January, up from 10.0 in November, still indicating a longer time needed to sell a home over the past 30 days (any reading below 50 points to a longer time to sell). 67% of agents said it took longer to sell a home, while 30% said the time to sell was unchanged and 3% said it took less time to sell a home. We view the longer time needed to sell as a negative indicator for future pricing trends.

- ▶ "Buyers canvassing the market for good deals. Most listings on market more than 60 days have dropped in price. I don't see buyers hurrying to buy, however. They just seem to be looking and waiting."

**Toll Brothers, NVR, and Hovnanian have the greatest exposure.** Toll Brothers has the most exposure to the Philadelphia-Southern NJ market, as it represented approximately 9% of the company's sales, followed by NVR and Hovnanian at 6% and 3% of sales, respectively.

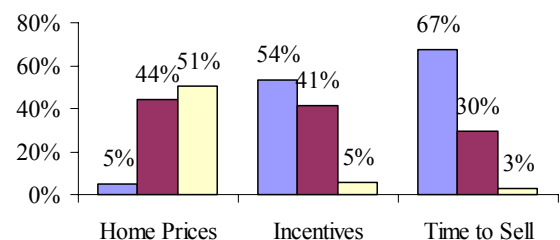
### Traffic Below Expectations, Prices and Incentives Worsen, Longer Time to Sell in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## Port St. Lucie, FL

(5,562 single-family permits in 2006, 53rd largest market in the country)

**Traffic significantly higher, in-line with expectations.** Our traffic index improved to 45.5 in January from 28.6 in December, suggesting buyer traffic almost in-line with agents' expectations (a reading of 50 points to traffic in-line with expectations). 36% of agents said traffic fell short of expectations, 36% said it exceeded expectations, and 28% said it was in-line with expectations.

**Prices and incentives deteriorate.** Our price index was essentially unchanged at 20.8 in January from 17.9 in December, and still indicating lower home prices over the past 30 days (readings below 50 point to sequentially lower prices). 67% of agents said prices were lower, 25% said they were unchanged, and 8% said they were higher. Incentives also deteriorated, as our index was unchanged at 29.2 in January, up from 20.8 in November (any reading below 50 points to higher incentives). 58% of agents said incentives were unchanged, while 42% said they were higher.

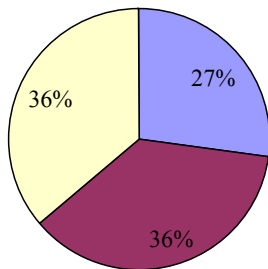
**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index was up in January, at 25.0 versus 10.7 in December, though still pointing to a longer time needed to sell a home over the past 30 days (readings below 50). 50% of agents said it took longer to sell a home, and 50% said the time to sell was unchanged. We view the longer time to sell as a negative leading indicator for future price trends.

► “Buyers think the prices are still declining.”

**Pulte and Standard Pacific have the greatest exposure.** Pulte has the most exposure to the Port St. Lucie market, as it represents approximately 5% of the company's sales. Port St. Lucie represents 3% of Standard Pacific's sales.

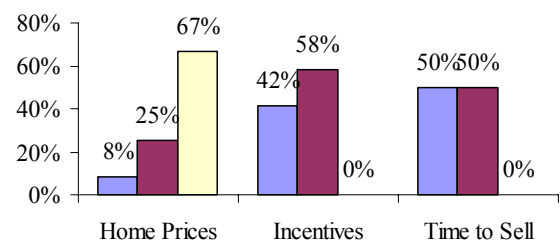
### Traffic In-line With Expectations, Pricing and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## Portland, OR

(10,201 single-family permits in 2006, 25th largest market in the country)

**Affordability drives stronger traffic.** Buyer traffic was roughly in-line with agents' expectations in January, as our traffic index was 45.8, up from 20.3 in December (a reading of 50 would indicate traffic in-line with expectations). 41% of agents said traffic was in-line with expectations, 34% of agents said it fell short of expectations, and 25% said it exceeded expectations.

**Prices weak, but more agents see stabilization.** Our price index rose to 32.1 in January from 19.4 in December, indicating lower home prices over the past 30 days (any reading below 50 points to sequentially lower pricing). 57% of agents said prices were unchanged, 39% of agents said prices declined, and 4% said they were higher. Incentives also increased, as our incentive index was unchanged at 16.4 in January, compared to 15.5 in December (readings below 50 indicate higher incentives). 69% of agents said incentives were higher, 29% said they were unchanged, and 2% said they were lower.

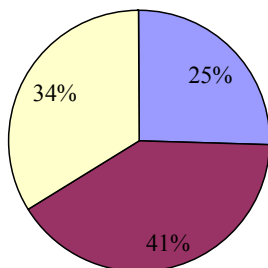
**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index improved to 21.1 in January from 17.2 in December, still indicating a longer time needed to sell a home as compared with last month (any reading below 50 suggests a longer time to sell). 63% of agents said it took longer to sell a home, 23% said the time to sell was unchanged, and 5% said it took less time to sell over the past 30 days. We view the longer time needed to sell a home as a negative indicator of future pricing trends.

► “Lower interest rates have sparked renewed buyer interest.”

**D.R. Horton and Centex have the greatest exposure.** Portland represented approximately 1% of sales for both D.R. Horton and Centex.

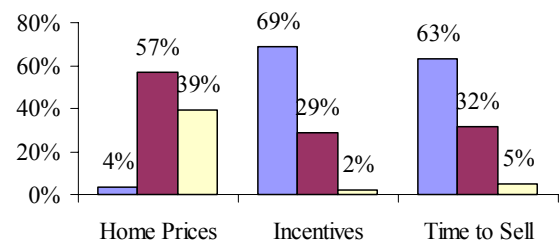
### Traffic In-line With Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Raleigh, NC

(13,471 single-family permits in 2006, 19th largest market in the country)

**Traffic up, only modestly below agents' expectations.** Our traffic index was 40.0 in January, up from 22.0 in December, but still indicating buyer traffic short of agents' expectations (a reading of 50 would suggest traffic in-line with expectations). 44% of agents said traffic was below expectations, 32% said it was in-line with expectations, and 24% said it was better than expected.

**Prices and incentives deteriorate.** Our home price index rose to 30.4 in January, after December's rating of 24.0 (which was the lowest level since we began surveying Raleigh in June '06). Readings below 50 point to sequentially lower prices. 61% of agents said prices were unchanged, while 39% said prices were lower. Incentives also worsened, as our incentive index was unchanged at 16.7 in January, consistent with December (any reading below 50 suggests higher incentives). 71% of agents said incentives increased, while 24% said they were unchanged and 5% said they decreased.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index came in lower at 10.9 in January, compared to 18.8 in December, indicating a longer time needed to sell a home relative to last month (any reading below 50 suggests a longer time to sell). 78% of agents said it took longer to sell a home, and 22% said the time to sell was unchanged. We view the longer time to sell as a negative indicator for future pricing trends.

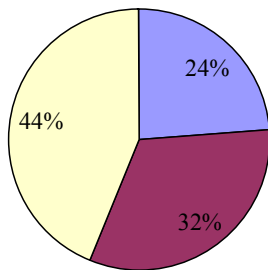
- "I am much more aware of qualifying my buyers and making sure they understand the process beforehand."

### Hovnanian, Standard Pacific, and KB Home have the greatest exposure.

Hovnanian has the most exposure to the Raleigh market, as it represents approximately 4% of the company's sales. Raleigh represents 3% and 2% of sales for Standard Pacific and KB Home, respectively.

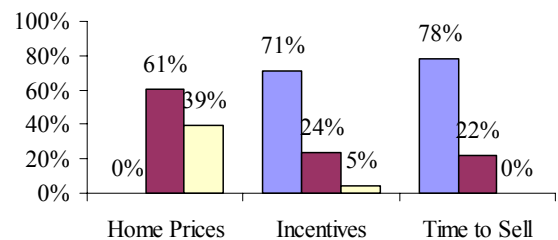
### Traffic Below Expectations, Prices and Incentives Worsen, Longer Time to Sell in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## Richmond, VA

(7,526 single-family permits in 2006, 34th largest market in the country)

**Traffic up; slightly above expectations.** Our traffic index improved to 53.8 in January, up from 40.0 in December, indicating traffic slightly above agents' expectations (a reading of 50 indicates traffic in-line with expectations). 62% of agents said traffic was in-line with expectations, 23% said it exceeded expectations, and 15% said traffic fell short of expectations.

**Prices and incentives deteriorate.** Our price index measured 19.2 in January, down from 30.0 in December, indicating further home price decline over the past 30 days (readings below 50 suggest sequentially lower pricing). 69% of agents said prices were unchanged, while 23% said they were lower and 8% said they were higher. Incentives deteriorated to 19.2 in January from 50.0 in December (readings below 50 suggest sequentially higher incentives). 62% of agents said incentives were unchanged, and 38% said they were higher.

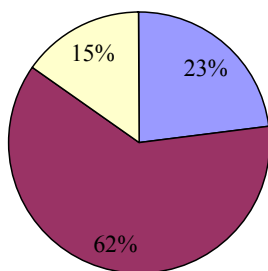
**Time needed to sell a home lengthened – a negative indicator for future pricing trends.** Our time to sell index was at 19.2 in January, down from 40.0 in December, indicating a longer time needed to sell a home over the past 30 days (readings below 50 suggest a longer time to sell). 69% of agents said the time to sell was longer, while 23% said it was unchanged and 8% said it was shorter. We view the longer time needed to sell as a negative indicator for future pricing trends.

- ▶ “People are waiting for the bottom. I have homes that have been reduced substantially. I'm getting a showing here and there, but nobody willing to move forward.”

**NVR and Centex have the greatest exposure.** NVR has the most exposure to the Richmond market, as it represented approximately 3% of the company's sales. Richmond represented 1% of sales for Centex.

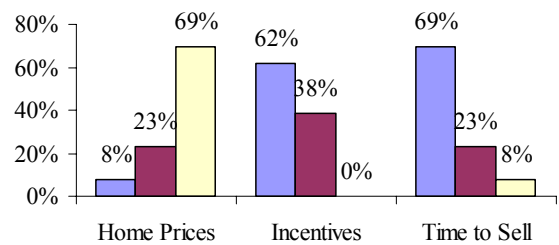
### Traffic Met Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Sacramento, CA

(8,701 single-family permits in 2006, 28th largest market in the country)

**Traffic up modestly, slightly below expectations.** Our traffic index improved to 40.0 in January from 34.3 in December, but still indicates traffic levels short of agents' expectations (readings below 50 point to traffic below expectations). 48% of agents said traffic was below expectations, 27% said it exceeded expectations, and 25% said it was in-line with expectations.

**Nearly all agents note lower prices.** Our price index was relatively unchanged at 6.3 in January, from 4.5 in December, indicating widespread price declines over the past 30 days (readings below 50 point to sequentially lower prices). 88% of agents said prices were lower, while 12% said they were unchanged. Incentives also deteriorated, though our incentive index rose to 30.2 in January from 12.1 in December (readings below 50 suggest higher incentives). 50% of agents said incentives were higher, while 40% said they were unchanged and 10% said they were lower.

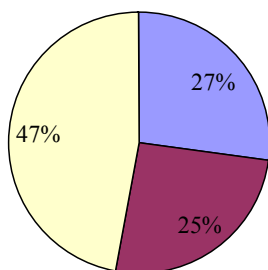
**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index was at 21.3 in January, up from 15.7 in December, still indicating a longer time needed to sell a home over the past 30 days (readings below 50 point to a longer time to sell). 65% of agents said it took longer to sell a home, 28% said the time to sell was unchanged, and 7% said it took less time to sell a home. We view the longer time needed to sell a home as a negative indicator for future pricing trends.

- “Clients are willing to buy now, but only if the seller is willing to be very reasonable about the price. Buyers know that significant price reductions are coming in the spring and summer.”

**Meritage, Hovnanian, and Lennar have the greatest exposure.** Meritage has the most exposure to the Sacramento market, as it represents approximately 7% of the company's sales. Sacramento represents 6% of Hovnanian's sales and 5% of Lennar's sales.

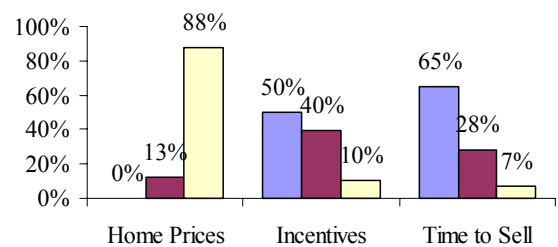
### Traffic Below Expectations, Prices and Incentives Worsen, Longer Time to Sell in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## San Antonio, TX

(13,851 single-family permits in 2006, 17th largest market in the country)

**Traffic improves, meets expectations.** Buyer traffic improved from last month to meet agents' expectations in January, as our traffic index increased to 50.0 from 30.4 in December (a reading of 50 points to traffic in-line with expectations). 54% of agents said traffic was in-line with expectations, 23% of agents said it was below expectations, and 23% said it exceeded expectations.

**Many agents see stable prices.** Prices slipped slightly in January, as our price index was up to 44.4 from 35.2 in December (readings below 50 point to sequentially lower home prices). 61% of agents said prices were unchanged, 25% of agents said prices were lower, and 14% said they were higher over the past 30 days. Incentives improved in January, but were still below expectations, as our incentive index was 35.7, up from 16.7 in December. 49% of agents said incentives were unchanged, 40% said they were higher, and 11% said they were lower.

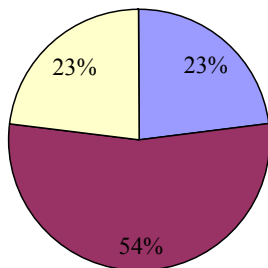
**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index increased modestly in January to 15.3 from 7.7 in December, still indicating a longer time to sell (any readings below 50 indicate a longer time needed to sell a home over the past 30 days). 69% of agents said it took longer to sell a home, and 31% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future pricing trends.

► “Buyers have more selection in home choices and negotiating power.”

**KB Home, D.R. Horton, and Ryland have the greatest exposure.** KB Home has the most exposure to the San Antonio market, as it represents approximately 7% of the company's sales. San Antonio represents 6% of D.R. Horton's sales and 3% of Ryland's sales.

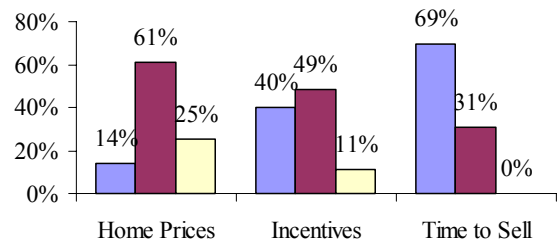
### Traffic In-line With Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## San Diego, CA

(4,746 single-family permits in 2006, 56th largest market in the country)

**Traffic up, but still below agents' expectations.** Buyer traffic continued to fall short of agents' expectations in January, though our traffic index improved to 35.9 from 25.0 in December, remaining well short of a neutral reading of 50. 48% of agents said traffic fell short of expectations, 32% said it was in-line with expectations, and 20% said it exceeded expectations.

**Pricing and incentives deteriorate.** Our price index was unchanged at low levels in January, coming in at 9.4, consistent with December and suggesting lower prices over the past 30 days (readings below 50 indicate sequentially lower pricing). 83% of agents said prices were lower, 16% said they were unchanged, and 1% said they were higher. Incentives continued to increase, as our incentive index measured 28.7 in January (from 16.7 in December), well below a neutral 50. 54% of agents said incentives were higher, 35% said they were unchanged, and 11% said they were lower.

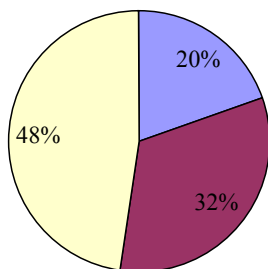
**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index was essentially unchanged at 17.1 in January, from 16.0 in December, still indicating a longer time needed to sell a home relative to last month (readings below 50 suggest a longer time to sell). 70% of agents said it took longer to sell a home over the past 30 days, 26% said the time to sell was unchanged, and 4% said it took less time.

- ▶ “People in the market today feel there are bargains out there, and that everyone selling right now is desperate. So they want to knock even more off the already low asking prices.”

**Standard Pacific, D.R. Horton, and Lennar have the greatest exposure.** Standard Pacific has the most exposure to the San Diego market, as it represents approximately 15% of the company's sales. San Diego represents 5% of D.R. Horton's sales and 3% of Lennar's sales.

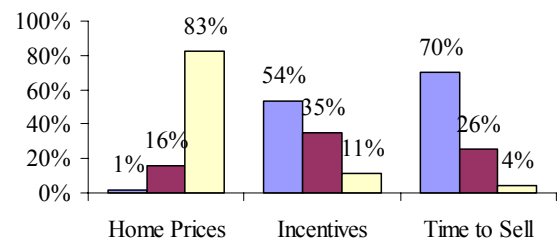
### Traffic Below Expectations, Prices and Incentives Deteriorate, Longer Time to Sell in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## San Francisco, CA

(5,863 single-family permits in 2006, 51st largest market in the country)

**Traffic up modestly.** Our traffic index improved modestly to 36.7 in January from 31.1 in December, but remains below agents' expectations as measured by an index of 50. 45% of agents said traffic fell short of expectations, 36% said it was in-line with expectations, and 19% said it exceeded expectations.

**Prices and incentives worsen.** Our price index was 23.4 in January, up from 14.7 in December, but still indicating sequentially lower home prices (any reading below 50 indicates lower prices over the past 30 days). 58% of agents said prices were lower, 36% said they were unchanged, and 5% said they were higher. Incentives also increased as our incentive index was 22.7 in January, up from 12.9 in December (readings below 50 indicated higher incentives). 57% of agents said incentives were higher, 41% said they were unchanged, and 2% said they were lower.

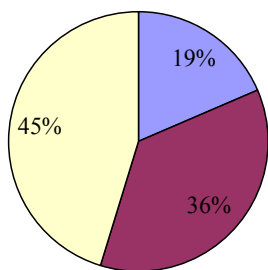
**Time needed to sell a home lengthened – a negative indicator for future pricing trends.** Our time to sell index was 22.4 in January, from 18.9 in December, still indicating a longer time needed to sell a home over the past 30 days (any reading below 50 suggests a longer time to sell). 62% of agents said it took longer to sell a home, 32% said the time to sell was unchanged, and 7% said it took less time. We view the longer time needed to sell a home as a negative indicator for future pricing trends.

- ▶ “The buyer pool seems to be steady but buyers seem to have less urgency to buy.”
- ▶ “Takes more time to qualify a buyer. Some lenders more interested in lending than others.”

**Toll Brothers, Standard Pacific, and Meritage have the greatest exposure.** Toll Brothers has the most exposure to the San Francisco market, as it represented approximately 6% of the company's sales. San Francisco represented 6% of Standard Pacific's sales and 3% of Meritage's sales.

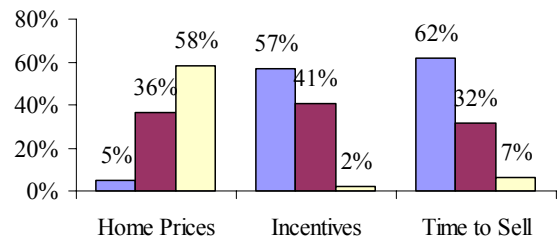
### Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Sarasota, FL

(6,331 single-family permits in 2006, 45th largest market in the country)

**Traffic nearly unchanged, still modestly expectations.** Our buyer traffic index improved to 35.2 in January from 31.0 in December, but traffic levels remain below agents' expectations (any reading below 50 suggests buyer traffic below agents' expectations). 52% of agents said traffic fell short of expectations, 26% said it was in-line with expectations, and 22% said it exceeded expectations.

**Nearly all agents cite falling prices.** Our price index was 5.6 in January, essentially unchanged from 3.4 in December, as nearly every agent surveyed saw falling home prices over the past 30 days (by comparison, a reading of 50 would suggest flat pricing). 89% of agents said prices were sequentially lower, and 11% said they were unchanged. Our incentives index was 34.1 in January, up from 21.2 in December, still suggesting higher incentives (any reading below 50 points to higher incentives). 59% of agents said incentives were unchanged, 36% said incentives were higher, and 5% said they were lower.

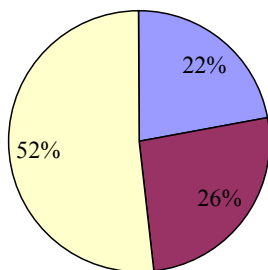
**Length of time needed to sell a home increased – a negative indicator for future pricing.** Our time to sell was 17.3 in January, consistent with December's 15.4 reading, indicating a longer time needed to sell a home over the past 30 days (readings below 50 point to a longer time to sell). 69% of agents said it took longer to sell a home, 27% said the time to sell was unchanged, and 4% said it was shorter. We view the longer time to sell as a negative indicator for future pricing trends.

- ▶ “Concerns about the economy. My family buyers are looking for better job prospects than Florida can offer right now!”

**WCI Communities, Standard Pacific, and Lennar have the greatest exposure.** WCI has the most exposure to the Sarasota market, as it represented approximately 7% of the company's sales. Sarasota represented 3% of Standard Pacific's sales and 2% of Lennar's sales.

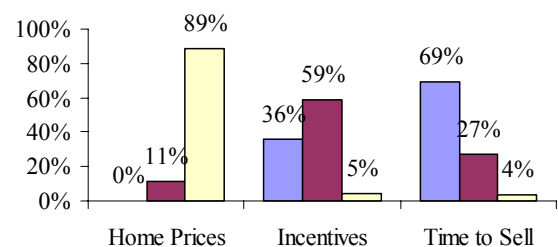
### Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Tucson, AZ

(7,638 single-family permits in 2006, 32nd largest market in the country)

**Traffic improves, still below expectations.** Buyer traffic improved in January, up to 30.7 from 21.2 in December, but still well below agents' expectations (any readings below 50). 59% of agents said traffic was below expectations, 20% said it was in-line with expectations, and 20% said it was above expectations.

**Pricing and incentives deteriorate.** Our price index was essentially unchanged at 17.9 in January, from 17.3 in December, still indicating sequentially lower home prices (any reading below 50 point to lower prices over the past 30 days). 67% of agents said prices were lower, 31% said they were unchanged, and 2% said they were higher. Incentives increased again (any reading below 50) in January, at 25.6, deteriorating slightly from 31.3 in December. 51% of agents said incentives increased, 46% said they were unchanged, and 3% said they were lower.

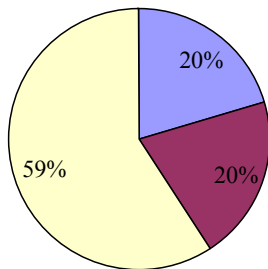
**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index measured 18.6 in January (a modest improvement from 13.5 in December), pointing to a longer time needed to sell a home relative to last month (readings below 50 indicate a longer time to sell). 65% of agents said it took longer to sell a home, 33% said the time to sell was unchanged, and 2% said the time to sell was shorter.

- “Buyers are waiting for the lower interest rates and home prices the national press has been talking about.”

**Meritage, MDC, and KB Home have the greatest exposure.** Meritage has the most exposure to the Tucson market, as it represents approximately 11% of the company's sales. Tucson represents 6% of MDC's sales and 5% of KB Home's sales.

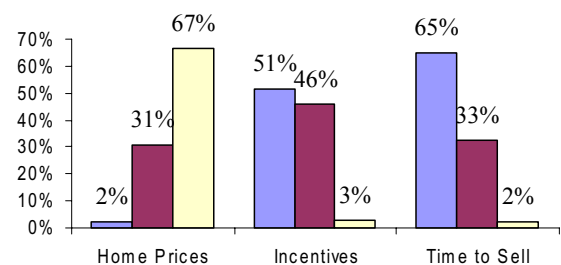
### Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Virginia Beach, VA

(5,897 single-family permits in 2006, 50th largest market in the country)

**Traffic up, slightly above expectations.** Buyer traffic improved in January, exceeding expectations as our traffic index came in at 57.9 (up from 50.0 in December) with readings above 50 indicating better than expected traffic. 42% of agents said traffic was in-line with expectations, 37% said traffic was better than expectations, and 21% said it fell short of expectations.

**Prices continue to slip.** Our price index measured 26.3 in January, down from 36.7 in December, pointing to falling home prices over the past 30 days (any reading below 50 indicates sequentially lower prices). 53% of agents said prices were unchanged, and 47% of agents said prices were lower. Most agents saw builders step up incentives once again as our incentive index came in at 14.3 in January, down from 23.3 in December (readings below 50 indicate rising incentives). 79% of agents said incentives increased, while 14% said they were unchanged and 7% said they decreased.

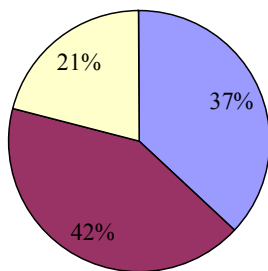
**Time needed to sell a home continues to lengthen – a negative indicator for future pricing trends.** Our time to sell index measured at 13.2 in January from 21.9 in December, indicating a longer time needed to sell a home over the past 30 days (readings below 50 point to a longer time to sell). 74% of agents said it took longer to sell a home, and 26% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator of future pricing trends.

- ▶ “Reduced interest rates, lower prices, greater incentives from builders/sellers.”

**Centex has the greatest exposure.** Centex has the most exposure to the Virginia Beach market, as it represented approximately 1% of the company’s sales.

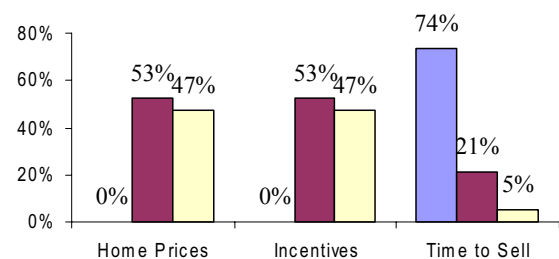
### Traffic Above Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

January Market Trends	
Traffic	
Home Prices	
Incentives	

## Wilmington, NC

(6,097 single-family permits in 2006, 47th largest market in the country)

**Traffic up, but lower than expected.** Our traffic index was up to 29.5 in January, up from 21.9 in December, still indicating that buyer traffic again fell short of agents' expectations (readings below 50 indicate traffic below expectations). 50% of agents said traffic fell short of expectations, 41% said it was in-line with expectations, and 9% said it was above expectations.

**Prices and incentives deteriorate.** Our price index came in at 19.0 in January (edging down from 23.3 in December), and still indicating falling home prices over the past 30 days (readings below 50 indicate sequentially lower prices). 67% of agents said prices declined, 29% said they were unchanged, and 4% said prices increased. Our incentive index was 19.0 in January, deteriorating from 25.0 in December, with any reading below 50 pointing to higher incentives. 62% of agents said incentives were higher, and 38% said they were unchanged.

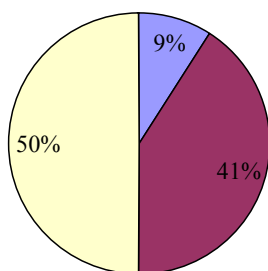
**Length of time needed to sell increased – a negative indicator for future pricing trends.** Our time to sell index was unchanged at 18.2 in January from 18.8 in December, but still indicated a longer time needed to sell a home over the past 30 days (any reading below 50 suggests a longer time to sell). 64% of agents said the time to sell lengthened, and 36% said it was unchanged. We view the longer time needed to sell a home as a negative indicator of future pricing trends.

- ▶ “No interest with rates low. Too much negative information on the internet and TV. Buyers are scared and scarce. Even those that need to buy now are hesitant, thinking that they will pay too much.”

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

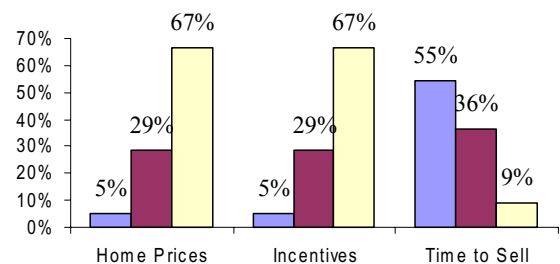
### Traffic Below Expectations, Pricing and Incentives Deteriorate, Time to Sell Lengthens in January

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: Banc of America Securities LLC.

## Historical Trends

**Improved affordability drives increase in traffic, but remains below expectations.** Traffic improved in January from December as our traffic index increased to 36.9 from 27.9, mostly due to improved affordability from lower home prices and mortgage rates. However, buyer confidence is low and traffic has yet to convert into sales as prices continue to fall and lending remains tight.

### Traffic Increased Sequentially in 34 Markets and Met/Beat Agents' Expectations in 6 Markets

	Jan-08	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06
Traffic Levels [> 50.0: above seasonal expectations/ = 50.0: in-line with expectations/ <50.0: below expectations]														
Atlanta, GA	28.2	28.7	17.5	12.1	9.6	13.6	21.9	24.0	32.1	25.5	34.6	37.7	50.5	38.4
Austin, TX	36.0	36.0	23.9	22.5	21.6	23.8	46.7	45.6	58.0	56.8	66.7	70.0	54.8	62.5
Baltimore, MD	31.6	16.7	25.0	19.2	8.3	20.0	14.3	8.8	35.7	18.8	65.0	50.0	65.6	40.0
Boston, MA	34.2	35.0	10.7	11.1	11.5	34.8	50.0	30.8	30.0	45.8	n/a	n/a	n/a	n/a
Charleston, SC	29.5	22.2	20.0	13.9	12.5	15.6	13.5	8.7	31.0	26.2	34.6	46.0	55.4	41.7
Charlotte, NC	33.8	26.7	17.0	17.3	19.6	20.2	37.5	29.0	33.8	44.1	53.1	57.1	58.8	52.6
Chicago, IL	36.2	20.7	13.3	7.7	9.6	17.6	19.8	16.7	23.5	29.0	33.3	36.6	52.3	33.7
Cincinnati, OH	19.4	25.0	8.3	27.3	21.4	22.0	27.8	8.3	14.7	33.3	40.0	31.0	61.1	23.3
Columbus, OH	42.1	33.3	37.5	22.2	13.0	7.9	13.6	0.0	11.8	28.1	38.1	50.0	40.0	26.7
Dallas, TX	47.3	32.8	19.1	28.3	19.9	23.8	26.9	28.5	30.6	28.0	49.2	43.8	56.9	43.6
Denver, CO	46.2	35.2	43.0	23.3	20.3	27.9	33.7	41.0	40.0	49.1	48.9	43.8	30.5	40.5
Detroit, MI	29.1	26.8	14.3	14.9	9.4	15.0	9.7	16.2	22.8	27.9	25.0	18.8	41.7	25.8
Fort Myers, FL	42.9	25.0	27.6	27.0	21.9	20.2	17.2	18.9	21.4	19.0	22.6	20.5	40.9	31.8
Houston, TX	33.3	20.8	23.8	18.4	24.0	21.9	34.5	29.7	38.1	44.9	59.2	53.7	52.5	54.9
Inland Empire, CA	32.5	20.2	20.0	21.1	12.9	15.4	18.5	13.9	12.9	15.8	30.3	26.5	50.0	35.2
Jacksonville, FL	35.1	32.8	16.2	5.4	17.6	17.1	11.4	20.0	12.0	29.4	36.5	36.0	35.7	31.3
Las Vegas, NV	35.4	31.4	19.0	18.1	12.5	16.3	16.7	17.5	18.8	22.5	30.0	39.4	43.9	33.5
Los Angeles, CA	33.8	26.1	14.2	21.0	12.8	13.6	27.9	17.5	24.5	27.2	49.5	48.0	47.2	40.4
Miami, FL	26.3	31.3	9.0	17.6	15.7	13.8	11.7	9.3	10.6	15.9	22.2	21.6	25.8	24.1
Minneapolis, MN	34.1	19.5	17.9	11.9	11.7	22.9	15.1	20.9	21.6	24.2	36.8	37.5	49.3	33.5
Nashville, TN	28.6	14.3	23.1	25.0	8.3	16.7	28.6	12.5	23.1	37.5	58.3	33.3	46.5	47.9
New York-Northern NJ	41.5	26.9	18.4	20.3	22.2	18.0	32.0	28.8	27.6	33.1	40.7	46.4	53.5	34.2
Orlando, FL	38.1	33.7	21.9	16.7	11.8	11.9	17.1	13.5	16.7	25.0	21.9	25.8	45.7	30.6
Phila.-Southern NJ	41.4	25.9	25.8	14.1	26.8	31.3	21.3	20.7	30.0	38.0	48.6	50.0	51.6	48.0
Phoenix, AZ	33.0	30.7	22.5	11.7	12.7	12.9	17.3	16.7	18.4	26.9	24.8	35.5	41.6	42.7
Port St. Lucie, FL	45.5	28.6	12.5	8.8	17.9	6.7	6.3	44.4	19.2	18.2	20.8	16.7	57.1	21.4
Portland, OR	45.8	20.3	19.4	11.8	13.4	14.2	13.0	23.9	30.5	29.3	50.0	40.2	48.1	38.3
Raleigh, NC	40.0	22.0	21.9	22.0	18.5	21.1	38.6	33.3	27.8	52.1	39.1	46.2	55.3	43.8
Richmond, VA	53.8	40.0	12.5	35.7	8.3	16.7	0.0	14.3	45.0	8.3	41.7	33.3	42.9	44.1
Sacramento, CA	40.0	34.3	20.0	19.6	16.3	12.2	11.1	14.3	23.6	25.0	37.5	42.3	48.3	52.8
San Antonio, TX	50.0	30.4	16.2	14.7	15.6	15.2	26.9	33.3	46.0	36.2	50.0	54.3	43.5	42.3
San Diego, CA	35.9	25.0	14.1	18.1	10.3	14.5	20.0	21.3	24.4	32.3	46.0	46.9	48.5	46.2
San Francisco, CA	36.7	31.1	26.0	23.7	11.0	23.2	21.4	25.5	31.7	43.8	51.4	56.9	53.4	42.3
Sarasota, FL	35.2	31.0	19.6	23.5	20.7	35.1	38.9	32.7	33.3	27.3	26.6	28.6	29.4	35.7
Seattle, WA	37.3	27.6	23.4	17.3	12.7	21.1	22.9	17.7	36.4	40.8	46.3	50.0	37.2	40.7
Tampa, FL	21.9	23.9	15.0	18.5	12.9	12.7	15.5	15.8	9.6	17.2	15.3	16.4	31.4	25.0
Tucson, AZ	30.7	21.2	13.0	5.2	9.7	17.9	19.6	26.8	28.2	31.3	28.3	24.3	34.4	34.6
Virginia Beach, VA	57.9	50.0	27.3	15.6	4.5	16.7	20.6	38.5	10.0	47.1	55.0	59.4	62.5	44.2
Washington, DC	46.0	29.6	26.7	20.1	16.9	25.0	25.0	19.7	31.6	37.4	48.5	60.3	68.0	51.2
Wilmington, NC	29.5	21.9	13.2	15.4	12.0	18.4	9.1	15.6	19.4	25.0	38.9	59.4	59.3	20.0
<b>Total</b>	<b>36.9</b>	<b>27.9</b>	<b>19.7</b>	<b>18.0</b>	<b>14.7</b>	<b>18.6</b>	<b>21.8</b>	<b>21.9</b>	<b>26.4</b>	<b>31.1</b>	<b>40.1</b>	<b>40.9</b>	<b>48.0</b>	<b>38.4</b>
20 Same-Store Markets	35.7	27.9	19.9	16.9	15.6	18.3	21.3	20.5	24.5	29.9	37.7	39.4	46.3	38.7

Source: Banc of America Securities LLC estimates.

**Prices fell in all 40 markets surveyed.** Our price index increased slightly to 20.2 in January from 18.2 in December, still indicating lower prices (any readings below 50 indicate lower prices over the past 30 days). Agents noted sequentially lower prices in all the 40 markets we surveyed for the fifth consecutive month. Agents continued to note rising foreclosures and aggressively priced spec inventory.

**Meaningful Price Declines Seen Across Key Markets: Arizona, California, Detroit, and Florida**

	Jan-08	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06
Home Prices [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]														
Atlanta, GA	23.6	20.8	20.7	23.9	23.2	25.0	26.0	27.1	37.1	30.6	27.9	37.7	35.6	29.8
Austin, TX	34.1	30.2	25.0	32.7	40.8	51.3	65.0	75.0	72.6	76.4	80.3	82.5	65.9	60.8
Baltimore, MD	28.9	16.7	8.3	23.1	16.7	15.0	57.1	26.5	28.6	35.3	30.0	40.0	31.3	25.0
Boston, MA	28.9	15.0	17.9	16.7	19.2	20.5	28.6	19.2	33.3	28.3	n/a	n/a	n/a	n/a
Charleston, SC	18.2	38.9	30.0	27.8	16.7	21.9	26.0	19.6	36.7	35.0	34.0	35.4	41.7	36.1
Charlotte, NC	36.1	32.6	31.5	36.4	40.0	40.2	51.0	61.8	61.5	63.0	65.3	58.3	57.5	52.0
Chicago, IL	20.2	20.0	14.3	14.8	19.5	19.4	23.3	24.6	25.4	30.4	32.3	32.5	41.4	29.7
Cincinnati, OH	19.4	6.3	16.7	15.9	14.3	24.0	16.7	15.4	17.6	35.7	35.4	31.0	27.8	23.3
Columbus, OH	25.0	22.9	0.0	11.1	15.2	13.2	27.3	18.2	29.4	18.8	30.0	25.9	10.0	28.6
Dallas, TX	25.3	26.7	22.4	38.1	24.3	32.5	37.5	32.5	40.4	40.2	38.3	38.4	36.8	32.7
Denver, CO	24.0	26.3	29.2	19.8	16.4	25.0	25.6	43.6	38.5	37.3	40.0	33.3	29.5	24.7
Detroit, MI	2.3	7.5	7.1	9.5	7.4	5.1	6.7	7.4	9.1	6.1	7.1	18.4	11.9	8.7
Fort Myers, FL	12.9	12.5	5.2	10.8	3.1	12.2	6.3	8.1	12.5	5.2	8.3	19.0	4.5	22.7
Houston, TX	33.6	23.6	25.6	31.9	31.6	35.1	59.5	45.3	61.3	60.0	57.9	57.5	57.6	46.1
Inland Empire, CA	7.1	4.9	7.8	10.9	11.6	10.4	8.9	12.5	18.8	19.1	21.1	26.9	21.0	27.8
Jacksonville, FL	17.1	11.3	22.1	12.2	11.1	11.4	11.4	15.8	20.8	25.0	18.8	32.0	28.6	31.3
Las Vegas, NV	7.5	10.8	7.6	4.2	18.8	11.5	13.3	18.5	22.1	28.2	26.0	25.5	29.0	29.5
Los Angeles, CA	13.2	11.9	14.4	10.0	17.4	22.9	27.1	28.7	31.9	35.1	38.9	45.2	33.3	30.2
Miami, FL	12.4	11.5	13.4	11.0	10.9	10.2	11.7	12.7	13.3	20.0	14.7	20.9	20.0	18.3
Minneapolis, MN	10.3	6.8	11.9	9.4	7.5	12.0	11.9	13.7	23.3	20.8	17.3	26.9	28.4	16.8
Nashville, TN	28.6	30.8	26.9	16.7	19.4	38.1	42.9	31.3	45.8	41.7	54.5	66.7	47.6	53.3
New York-Northern NJ	19.5	15.6	16.2	23.1	24.7	20.3	23.2	31.3	31.5	33.5	32.8	34.0	40.8	26.3
Orlando, FL	5.6	16.0	7.4	6.3	8.0	9.3	12.2	13.5	6.6	14.8	22.8	15.6	34.8	23.5
Phila.-Southern NJ	27.0	20.0	16.1	25.6	17.5	23.2	15.0	28.3	36.0	42.9	35.9	25.0	34.2	28.4
Phoenix, AZ	14.4	11.9	7.3	8.2	11.7	10.9	17.2	14.6	17.1	23.6	27.8	22.1	30.1	25.9
Port St. Lucie, FL	20.8	17.9	18.8	5.9	0.0	0.0	6.3	5.6	7.7	9.1	18.2	0.0	14.3	7.1
Portland, OR	32.1	19.4	25.0	20.8	27.3	19.1	23.9	37.2	52.5	47.5	50.7	46.1	44.3	25.9
Raleigh, NC	30.4	24.0	28.1	38.0	25.9	52.8	42.5	55.6	44.4	54.2	54.3	42.3	44.7	34.2
Richmond, VA	19.2	30.0	25.0	31.3	8.3	37.5	14.3	42.9	35.0	41.7	41.7	16.7	50.0	44.4
Sacramento, CA	6.3	4.5	9.7	8.7	11.3	8.1	11.1	5.7	12.5	17.3	19.4	16.7	28.6	22.2
San Antonio, TX	44.4	35.2	35.1	32.4	35.9	31.8	42.3	53.7	56.5	72.2	64.0	60.9	54.8	46.2
San Diego, CA	9.3	9.4	9.2	19.1	12.9	14.5	31.1	27.8	25.6	23.0	35.2	34.4	33.3	19.4
San Francisco, CA	23.4	14.7	15.4	19.6	15.3	27.9	31.3	40.6	43.5	50.7	49.3	47.7	39.8	34.2
Sarasota, FL	5.6	3.4	9.1	11.8	12.8	11.1	11.1	8.0	11.7	6.3	10.9	3.8	8.8	17.9
Seattle, WA	29.4	19.1	19.1	17.3	28.0	39.3	42.4	48.3	59.6	65.5	62.7	57.0	55.6	45.2
Tampa, FL	9.5	6.0	10.3	7.5	10.0	10.1	6.0	10.1	8.8	14.0	17.6	20.9	33.3	30.8
Tucson, AZ	17.9	17.3	16.7	16.7	13.8	17.9	21.4	21.4	25.7	26.3	36.2	29.4	30.0	32.4
Virginia Beach, VA	26.3	36.7	22.7	12.5	9.1	20.0	14.7	23.1	23.3	38.2	42.5	43.8	28.0	28.8
Washington, DC	19.5	15.4	11.2	15.8	15.8	18.1	24.6	23.6	40.2	33.3	38.3	36.0	26.3	15.9
Wilmington, NC	19.0	23.3	23.7	19.2	12.0	18.4	13.6	28.1	27.8	41.7	38.9	37.5	28.8	31.0
<b>Total</b>	<b>20.2</b>	<b>18.2</b>	<b>17.1</b>	<b>18.2</b>	<b>17.1</b>	<b>21.2</b>	<b>24.7</b>	<b>26.9</b>	<b>31.2</b>	<b>33.7</b>	<b>35.3</b>	<b>34.5</b>	<b>33.8</b>	<b>29.9</b>
20 Same-Store Markets	17.3	15.4	15.5	16.4	17.5	19.1	22.2	24.7	29.3	31.5	31.6	32.4	34.0	28.4

Source: Banc of America Securities LLC estimates.

**Incentives increased, with a focus on improving affordability.** Incentives increased sequentially in all 40 markets surveyed in January, as agents said builders focused on cash discounts and offering low fixed-rate mortgages. Our incentive index increased to 24.7 from 20.7 in December (readings below 50 suggest higher incentives).

**Homebuilders are Focused on Making Housing More Affordable Through Price Cuts and Rate Buydowns**

	Jan-08	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06
Incentives [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]														
Atlanta, GA	26.1	18.8	16.9	13.6	14.8	11.6	22.6	16.7	18.3	19.2	21.2	25.5	24.1	17.3
Austin, TX	21.8	6.4	12.5	9.0	20.2	16.7	24.1	34.8	30.8	28.8	40.0	38.9	39.5	25.0
Baltimore, MD	9.4	8.3	4.2	19.2	4.2	20.0	25.0	14.3	18.8	16.7	6.3	35.0	4.2	33.3
Boston, MA	34.6	22.7	27.8	21.4	33.3	31.3	10.0	50.0	35.0	28.6	n/a	n/a	n/a	n/a
Charleston, SC	29.5	22.2	10.0	20.6	14.6	15.6	20.0	15.9	10.0	32.5	16.7	22.9	22.7	15.2
Charlotte, NC	18.3	16.7	5.8	6.6	13.2	16.0	20.4	21.4	24.3	37.5	28.3	32.9	32.5	17.2
Chicago, IL	23.0	18.5	8.8	17.8	18.1	15.6	28.4	22.2	20.2	25.0	23.1	30.4	24.0	13.5
Cincinnati, OH	11.1	11.4	25.0	26.2	19.2	21.7	22.2	20.0	23.3	25.0	21.7	23.7	16.7	10.7
Columbus, OH	23.6	22.7	33.3	3.6	11.9	6.7	16.7	20.0	31.3	23.3	21.1	18.8	30.0	7.7
Dallas, TX	18.1	19.8	12.1	20.4	17.9	20.7	16.3	18.3	27.0	23.1	25.0	22.7	26.5	16.7
Denver, CO	26.2	22.0	18.4	19.4	21.4	24.1	25.0	28.6	22.6	33.7	39.5	25.0	34.8	14.3
Detroit, MI	21.2	24.2	14.5	17.9	20.3	17.6	26.0	17.2	24.4	15.0	30.4	21.4	27.9	23.3
Fort Myers, FL	28.3	40.4	24.1	27.1	15.4	31.9	19.6	20.0	22.2	18.0	13.8	13.6	45.5	22.7
Houston, TX	26.3	10.9	14.5	8.9	14.6	18.6	16.2	24.2	21.1	20.0	29.4	24.3	28.7	21.8
Inland Empire, CA	19.3	15.3	16.3	13.6	10.3	14.5	12.5	10.3	17.6	15.7	17.4	14.1	11.1	23.1
Jacksonville, FL	38.6	32.7	23.4	18.1	26.5	20.6	14.3	10.5	14.6	23.5	28.0	30.0	28.6	25.0
Las Vegas, NV	39.3	27.0	24.0	16.0	23.6	22.3	25.4	33.9	32.6	37.7	46.8	45.6	41.3	32.3
Los Angeles, CA	18.3	12.6	15.1	9.7	12.7	15.9	13.6	12.5	22.1	14.0	18.8	16.7	12.5	19.7
Miami, FL	22.9	25.0	19.0	15.7	19.7	14.1	23.9	14.2	11.9	25.8	10.4	10.8	26.8	26.9
Minneapolis, MN	28.6	27.4	22.5	16.1	17.9	20.2	28.0	32.4	38.0	27.8	27.6	31.6	30.8	23.4
Nashville, TN	25.0	20.8	20.8	12.5	8.8	20.0	16.7	7.1	26.9	36.4	25.0	50.0	28.9	15.9
New York-Northern NJ	26.9	29.5	20.8	17.5	20.0	26.2	29.3	33.8	22.9	30.0	34.1	27.8	31.7	38.5
Orlando, FL	37.3	20.4	18.9	20.5	12.7	25.9	32.4	14.7	16.2	19.5	23.6	19.4	29.5	5.9
Phila.-Southern NJ	25.9	20.4	9.2	15.7	16.7	17.4	20.0	21.1	26.3	28.6	18.9	20.5	19.2	16.7
Phoenix, AZ	28.7	18.8	15.9	16.7	22.4	20.6	25.7	24.5	36.6	42.9	31.6	39.5	40.8	29.8
Port St. Lucie, FL	29.2	20.8	18.8	20.6	19.2	17.9	18.8	22.2	19.2	27.8	16.7	0.0	25.0	21.4
Portland, OR	16.4	15.5	13.6	10.6	12.5	12.0	15.5	23.8	25.0	21.9	20.9	21.6	29.6	16.1
Raleigh, NC	16.7	16.7	15.6	18.0	23.1	27.8	18.4	38.2	32.1	36.4	31.0	31.8	30.0	14.1
Richmond, VA	19.2	50.0	25.0	14.3	0.0	25.0	7.1	28.6	22.2	16.7	25.0	33.3	11.5	11.8
Sacramento, CA	30.2	12.1	19.2	12.5	14.9	15.2	15.6	25.0	36.2	27.4	35.2	24.2	18.8	20.6
San Antonio, TX	35.7	16.7	14.7	0.0	12.9	14.3	19.2	7.1	15.9	26.0	31.3	37.0	25.8	4.0
San Diego, CA	28.7	16.7	10.0	12.5	10.2	20.0	16.3	14.6	14.1	25.5	23.6	22.1	20.3	16.1
San Francisco, CA	22.7	12.9	19.7	8.6	13.2	18.5	17.7	18.2	21.4	30.3	30.5	20.2	23.2	18.5
Sarasota, FL	34.1	21.2	22.5	17.2	28.8	25.0	25.0	17.4	17.4	18.3	19.0	10.7	34.4	25.0
Seattle, WA	18.2	15.8	6.8	13.3	11.3	12.7	15.3	21.0	30.4	28.3	31.7	19.9	30.3	17.1
Tampa, FL	25.8	21.6	25.0	22.1	25.0	23.3	21.2	21.2	20.4	19.2	18.9	15.7	21.2	26.1
Tucson, AZ	25.6	31.3	22.0	19.2	17.9	33.3	31.5	14.8	29.7	34.6	18.0	43.9	30.7	22.1
Virginia Beach, VA	14.3	23.3	15.0	17.9	15.0	8.3	13.3	30.8	25.0	41.2	20.0	37.5	29.5	16.0
Washington, DC	23.8	11.8	11.5	13.1	17.2	20.5	24.1	16.7	24.5	23.6	29.9	28.8	23.9	16.0
Wilmington, NC	19.0	25.0	25.0	15.4	23.8	19.4	27.3	37.5	34.4	36.1	56.3	46.4	27.3	35.3
<b>Total</b>	<b>24.7</b>	<b>20.7</b>	<b>17.5</b>	<b>15.5</b>	<b>16.9</b>	<b>19.5</b>	<b>20.5</b>	<b>21.9</b>	<b>24.1</b>	<b>26.5</b>	<b>25.8</b>	<b>26.5</b>	<b>26.7</b>	<b>19.9</b>
20 Same-Store Markets	25.9	20.1	16.1	15.5	17.7	18.7	21.7	21.0	24.2	25.6	27.1	25.1	26.9	21.2

Source: Banc of America Securities LLC estimates.

**Inventory continues to grow.** Agents said inventory of homes for sale increased in 37 of the 40 markets we surveyed in January, as our home listings index slipped to 33.5 from 36.5 in December (any reading below 50 indicates higher inventory levels). We think elevated inventories will continue to pressure home prices this spring.

**Inventory Pressures Continue to Weigh Heavily on Pricing**

	Jan-08	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06
Homes listed for sale [> 50.0; Fewer homes listed versus prior month/ = 50.0: listings unchanged / <50.0: more home listings]														
Atlanta, GA	45.1	36.4	27.7	17.6	31.6	25.0	17.7	17.0	19.7	18.2	10.0	15.1	39.9	42.7
Austin, TX	25.0	31.0	13.6	15.7	21.6	23.0	25.0	25.8	36.9	45.7	47.0	50.0	56.0	48.6
Baltimore, MD	36.1	16.7	29.2	20.8	4.2	10.0	14.3	5.9	9.5	8.8	45.0	36.7	9.4	35.0
Boston, MA	65.8	57.5	32.1	44.4	30.8	33.3	35.7	23.1	33.3	25.0	n/a	n/a	n/a	n/a
Charleston, SC	37.5	44.4	38.9	33.3	25.0	24.2	16.0	15.2	10.3	19.0	10.0	32.0	31.1	28.6
Charlotte, NC	26.4	34.9	31.4	27.8	33.7	22.9	32.7	26.5	25.0	31.0	29.8	39.0	37.9	62.5
Chicago, IL	35.3	38.2	28.1	23.2	20.8	24.6	16.3	13.2	8.5	13.9	13.8	21.9	20.9	38.8
Cincinnati, OH	13.9	32.6	16.7	29.5	7.1	18.8	27.8	15.4	9.4	13.3	20.0	23.8	66.7	20.0
Columbus, OH	47.3	45.7	0.0	14.7	21.7	13.2	18.2	9.1	11.8	21.9	17.5	37.0	40.0	39.3
Dallas, TX	33.3	33.6	21.6	31.9	23.6	23.3	16.7	15.6	19.2	17.5	21.0	22.2	28.7	30.1
Denver, CO	49.0	50.8	51.0	47.6	31.8	28.9	26.8	22.4	18.9	21.7	34.1	33.3	40.3	37.8
Detroit, MI	28.6	32.5	28.6	24.3	14.1	16.3	19.4	7.4	7.6	10.6	20.4	12.2	33.3	28.7
Fort Myers, FL	27.1	23.4	27.6	39.5	21.9	34.5	33.9	31.1	33.9	24.1	23.8	18.2	18.2	45.5
Houston, TX	29.8	26.6	26.9	25.5	21.0	25.0	18.3	16.1	30.0	26.9	25.7	30.8	33.1	48.8
Inland Empire, CA	20.5	18.3	16.7	18.8	15.0	16.2	12.2	16.2	10.9	17.6	16.7	20.5	41.7	40.4
Jacksonville, FL	38.9	27.6	23.3	23.0	17.6	20.0	13.6	22.2	4.0	18.8	15.2	14.0	25.0	25.0
Las Vegas, NV	53.9	52.9	33.9	28.1	16.0	14.7	19.5	10.0	10.4	16.4	29.0	35.9	68.3	65.4
Los Angeles, CA	34.8	39.3	29.5	18.5	15.8	19.4	19.2	18.1	18.3	23.0	28.9	30.2	37.3	43.5
Miami, FL	19.0	18.9	8.3	14.3	9.9	13.9	18.3	14.2	9.4	14.6	8.4	13.3	22.6	21.7
Minneapolis, MN	37.9	50.0	40.1	44.4	29.2	22.3	17.1	13.2	19.8	18.6	14.8	29.6	52.0	56.6
Nashville, TN	28.6	7.7	19.2	4.2	5.6	19.0	14.3	6.3	23.1	33.3	25.0	50.0	31.7	24.4
New York-Northern NJ	32.1	43.8	34.8	29.9	21.3	21.2	21.4	23.8	17.6	19.1	22.6	29.5	32.6	47.4
Orlando, FL	50.0	41.8	20.0	24.6	12.7	18.6	18.4	13.7	7.7	12.8	19.6	11.7	47.7	22.2
Phila.-Southern NJ	36.7	26.9	27.1	15.9	17.9	21.4	17.9	22.7	20.0	30.6	22.9	26.1	39.0	35.6
Phoenix, AZ	44.2	35.2	25.0	20.7	17.6	19.6	26.9	20.8	12.4	16.5	25.0	31.6	48.6	57.7
Port St. Lucie, FL	29.2	17.9	12.5	11.8	17.9	21.4	31.3	38.9	0.0	22.7	16.7	8.3	21.4	28.6
Portland, OR	35.7	40.6	31.9	16.7	7.5	7.3	13.0	10.5	12.7	18.3	15.7	9.8	25.0	32.2
Raleigh, NC	30.4	44.0	25.0	22.0	18.0	36.8	25.0	47.1	21.9	26.1	30.4	42.3	40.3	44.6
Richmond, VA	19.2	90.0	0.0	21.4	8.3	25.0	35.7	8.3	30.0	33.3	58.3	58.3	38.5	47.2
Sacramento, CA	38.9	34.3	25.9	15.2	17.9	20.8	11.1	5.7	15.7	9.4	29.0	23.1	41.1	66.7
San Antonio, TX	24.3	38.0	25.0	15.6	21.9	10.9	30.8	21.4	32.6	22.4	22.0	37.0	25.8	48.0
San Diego, CA	26.1	39.4	36.8	26.1	13.8	21.3	15.6	15.2	23.1	27.5	36.7	48.9	42.6	48.4
San Francisco, CA	33.1	52.9	33.7	29.5	21.2	29.0	26.6	18.9	16.4	29.3	33.1	38.9	59.8	64.1
Sarasota, FL	42.3	32.7	34.8	25.8	48.6	37.1	44.2	38.5	35.0	17.2	15.6	25.0	23.5	35.7
Seattle, WA	22.2	34.2	20.2	12.0	11.6	12.0	5.6	4.9	16.7	14.5	20.3	14.9	33.9	35.9
Tampa, FL	24.1	30.3	28.4	31.4	30.1	32.5	17.9	18.8	13.2	18.4	21.1	9.8	33.3	26.0
Tucson, AZ	36.4	30.8	44.4	34.5	29.0	48.2	42.6	26.8	13.2	32.5	31.0	39.7	16.0	35.1
Virginia Beach, VA	15.8	31.3	27.3	12.5	22.7	3.3	5.9	11.5	3.3	2.9	15.0	36.7	28.0	36.0
Washington, DC	38.5	43.6	28.6	31.5	26.4	29.4	23.8	20.7	15.8	18.7	32.0	43.9	53.0	47.6
Wilmington, NC	27.3	34.4	50.0	42.3	8.7	25.0	13.6	16.7	20.6	13.9	25.0	28.1	24.0	38.1
<b>Total</b>	<b>33.5</b>	<b>36.5</b>	<b>26.9</b>	<b>24.7</b>	<b>19.8</b>	<b>22.2</b>	<b>21.5</b>	<b>18.2</b>	<b>17.4</b>	<b>20.7</b>	<b>24.3</b>	<b>29.0</b>	<b>36.1</b>	<b>40.5</b>
20 Same-Store Markets	35.2	35.7	27.5	25.1	20.7	21.4	18.6	16.3	15.3	18.5	21.9	24.2	38.6	42.0

Source: Banc of America Securities LLC estimates.

**Time needed to sell a home lengthened further – a negative indicator for future pricing.** The time needed to sell a home lengthened in every market surveyed in December as our index came in at 17.3 from 15.2 in December (readings below 50 suggest a longer time to sell). We view the longer time needed to sell as a negative indicator for future pricing trends.

**Longer Time to Sell Points to Further Price Declines in Coming Months**

	Jan-08	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06
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]														
Atlanta, GA	15.1	18.3	13.2	10.4	8.8	8.6	12.8	12.5	15.9	17.6	17.5	21.7	27.5	19.0
Austin, TX	19.8	11.6	5.7	11.0	16.7	21.8	45.0	42.6	54.8	59.7	60.6	57.5	50.0	36.5
Baltimore, MD	10.5	0.0	16.7	15.4	4.2	5.0	28.6	5.9	14.3	14.7	45.0	30.0	12.5	25.0
Boston, MA	13.9	17.5	17.9	38.9	15.4	29.5	42.9	19.2	43.3	31.3	n/a	n/a	n/a	n/a
Charleston, SC	26.2	22.2	27.8	19.4	13.0	7.6	12.5	4.3	11.7	19.0	14.6	36.0	23.0	15.7
Charlotte, NC	15.1	11.9	10.4	13.6	12.7	12.7	20.0	19.6	36.8	43.0	44.8	50.0	45.5	30.6
Chicago, IL	17.6	11.3	7.8	9.9	9.1	11.4	10.7	14.0	16.2	17.7	17.4	15.2	19.8	12.0
Cincinnati, OH	11.1	10.4	16.7	6.8	3.6	8.0	22.2	19.2	14.7	13.3	28.0	16.7	44.4	7.1
Columbus, OH	20.3	27.1	12.5	8.3	4.3	5.3	18.2	9.1	11.8	15.6	30.0	25.0	30.0	14.3
Dallas, TX	16.9	13.6	8.8	14.9	9.7	11.5	15.7	14.1	26.9	25.4	29.8	30.4	25.0	18.6
Denver, CO	27.6	22.9	29.3	22.6	14.0	23.3	25.0	33.3	26.6	30.2	33.0	21.2	23.8	16.3
Detroit, MI	14.0	8.8	4.3	14.3	8.5	15.3	9.7	10.6	10.9	10.6	5.6	6.8	21.4	11.3
Fort Myers, FL	17.1	7.8	19.0	26.3	17.2	11.3	12.9	18.1	25.9	19.0	14.3	15.9	22.7	22.7
Houston, TX	15.3	8.6	11.3	12.5	14.0	16.3	23.2	15.0	23.0	29.5	41.9	39.7	33.3	37.5
Inland Empire, CA	7.6	8.8	6.9	10.3	8.7	10.0	9.8	5.6	7.1	9.1	15.5	11.7	27.4	16.7
Jacksonville, FL	17.1	18.3	13.6	8.1	9.5	17.1	6.8	10.0	12.5	23.5	21.7	16.7	14.3	18.8
Las Vegas, NV	28.3	20.0	14.4	14.6	10.6	9.0	11.7	12.9	13.2	16.9	21.0	27.7	31.0	27.8
Los Angeles, CA	16.0	11.6	7.5	8.1	8.2	9.1	11.0	12.0	17.7	18.4	31.1	28.1	27.9	23.4
Miami, FL	10.6	10.3	8.6	11.1	4.7	10.7	5.1	10.4	7.8	13.3	10.9	11.2	17.7	19.0
Minneapolis, MN	16.2	12.1	16.0	14.1	9.8	13.8	7.1	12.7	21.6	16.1	22.2	27.3	35.6	21.2
Nashville, TN	7.1	7.7	7.7	8.3	2.9	11.9	14.3	25.0	7.7	29.2	25.0	33.3	26.7	13.6
New York-Northern NJ	15.9	13.3	9.0	13.6	9.8	10.1	10.7	21.2	15.5	23.5	24.7	25.0	26.4	21.1
Orlando, FL	20.2	22.0	12.8	5.6	7.8	5.1	11.8	9.8	5.1	10.5	8.8	11.3	15.2	8.3
Phila.-Southern NJ	18.0	10.0	8.6	8.9	11.6	11.6	6.4	17.0	23.5	25.0	24.6	14.6	21.3	18.3
Phoenix, AZ	20.2	20.1	14.5	13.0	11.1	9.9	16.7	18.2	17.1	21.4	19.3	25.4	33.8	27.3
Port St. Lucie, FL	25.0	10.7	6.3	9.4	7.1	10.7	31.3	27.8	3.8	13.6	16.7	0.0	21.4	21.4
Portland, OR	21.1	17.2	6.9	4.5	7.5	5.4	7.8	14.0	15.3	17.1	24.3	16.7	27.9	10.8
Raleigh, NC	10.9	18.8	12.5	10.0	9.3	13.2	19.0	29.4	20.6	27.3	28.3	33.3	33.8	15.8
Richmond, VA	19.2	40.0	12.5	14.3	16.7	12.5	0.0	7.1	15.0	10.0	25.0	58.3	0.0	11.1
Sacramento, CA	21.3	15.7	15.0	10.9	12.5	11.1	8.3	10.3	21.4	15.6	33.3	23.1	31.5	27.8
San Antonio, TX	15.3	7.7	6.8	0.0	11.7	8.7	11.5	16.1	34.8	29.6	34.6	41.3	27.4	26.0
San Diego, CA	17.1	16.0	13.2	11.7	3.5	13.9	10.0	22.8	20.0	25.8	35.6	36.2	33.3	20.6
San Francisco, CA	22.4	18.9	18.3	8.8	8.6	15.7	17.0	16.0	14.8	32.6	46.3	44.3	36.6	23.1
Sarasota, FL	17.3	15.4	21.7	13.6	15.8	26.4	25.9	21.2	18.3	10.6	21.9	21.4	23.5	17.9
Seattle, WA	19.0	9.7	10.6	6.0	5.5	7.9	6.3	8.2	18.4	21.8	28.0	32.0	26.2	12.1
Tampa, FL	15.8	21.2	14.4	16.5	13.7	15.6	16.4	13.2	16.7	13.8	16.2	10.7	21.2	15.4
Tucson, AZ	18.6	13.5	19.2	13.8	9.7	19.6	23.2	25.0	18.9	23.1	20.7	30.0	12.0	16.2
Virginia Beach, VA	13.2	21.9	13.6	12.5	4.5	3.3	14.7	19.2	3.3	26.5	27.5	46.9	34.0	22.0
Washington, DC	20.5	16.7	18.4	17.8	16.2	15.2	18.0	14.8	29.5	34.4	44.0	45.0	36.5	24.1
Wilmington, NC	18.2	18.8	15.8	7.7	0.0	2.8	18.2	6.7	14.7	25.0	36.1	36.7	28.0	14.3
<b>Total</b>	<b>17.3</b>	<b>15.2</b>	<b>13.2</b>	<b>12.4</b>	<b>9.7</b>	<b>12.2</b>	<b>16.0</b>	<b>16.1</b>	<b>18.7</b>	<b>22.0</b>	<b>26.8</b>	<b>27.5</b>	<b>26.9</b>	<b>19.5</b>
20 Same-Store Markets	17.5	14.5	12.2	12.2	10.3	12.2	12.5	14.1	18.3	20.8	24.4	23.6	26.8	20.3

Source: Banc of America Securities LLC estimates.

## Agents Recommend Toll, Pulte, WCI, and Centex

**Agents recommend Toll Brothers, Pulte, Lennar, and Centex.** Toll Brothers and Pulte Homes consistently receive the highest percentage of recommendations by agents nationwide. 28% of agents (net of positive responses less negative responses) surveyed said they would recommend Toll Brothers, followed by 25% for Pulte, 16% for Lennar, and 15% for Centex. We believe this is important since 35-40% of new home sales involve an agent. In addition, homebuilders will likely increasingly rely on agents as market conditions weaken. This is a positive for those four companies, in addition to others below that received strong recommendations, but also represents an opportunity for companies such as KB Home.

### Toll Brothers, Pulte Homes, Lennar, and Centex Most Highly Recommended by Agents

Rank	Ticker	Company Name	Net Recommendation
1	TOL	Toll Brothers	28.0%
2	PHM	Pulte Homes	24.9%
3	LEN	Lennar Corp.	15.5%
4	CTX	Centex Corp.	14.8%
5	MTH	Meritage Homes	14.6%
6	WCI	WCI Communities	14.5%
7	RYL	Ryland Group	14.5%
8	DHI	D.R. Horton	13.6%
9	SPF	Standard Pacific Corp.	12.5%
10	NVR	NVR, Inc.	5.9%
11	MDC	MDC Holdings	4.7%
12	HOV	Hovnanian Enterprises	3.6%
13	CHCI	Comstock Homebuilding	(1.6)%
14	KBH	KB Home	(12.4)%

Source: Banc of America Securities LLC estimates.

**Which of the following homebuilders would you most highly recommend to clients?**

Market	CTX	CHCI	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPE	TOL	WCI
Atlanta, GA	19%	1%	24%	--	14%	--	--	--	--	27%	29%	--	--	--
Austin, TX	28%	--	58%	--	7%	28%	--	44%	--	49%	--	37%	47%	--
Baltimore, MD	--	0%	21%	37%	0%	21%	11%	--	21%	--	21%	--	--	--
Charleston, SC	32%	--	0%	--	14%	9%	--	--	0%	--	32%	--	--	--
Charlotte, NC	23%	1%	22%	10%	10%	11%	--	--	27%	--	23%	11%	32%	--
Chicago, IL	8%	--	8%	2%	11%	8%	1%	--	--	25%	20%	--	22%	--
Cincinnati, OH	0%	--	--	6%	--	--	--	--	28%	0%	28%	--	--	--
Columbus, OH	26%	--	--	0%	--	--	--	--	0%	0%	--	--	--	--
Dallas, TX	24%	--	38%	26%	4%	24%	1%	14%	--	30%	--	12%	46%	--
Denver, CO	17%	--	25%	--	6%	38%	15%	10%	--	15%	33%	17%	31%	--
Detroit, MI	28%	--	--	5%	--	--	--	--	--	51%	--	--	51%	--
Fort Myers, FL	26%	--	11%	6%	6%	26%	--	9%	--	43%	20%	--	--	37%
Houston, TX	12%	--	42%	13%	7%	28%	2%	15%	--	27%	--	--	--	--
Jacksonville, FL	16%	--	24%	--	16%	22%	14%	--	--	46%	30%	32%	46%	24%
Las Vegas, NV	23%	--	31%	--	31%	33%	8%	19%	--	65%	15%	--	71%	--
Los Angeles, CA	12%	--	12%	13%	23%	17%	4%	1%	--	13%	--	17%	11%	--
Miami, FL	--	--	11%	--	--	37%	--	--	--	--	--	4%	--	36%
Minneapolis, MN	27%	--	21%	11%	--	17%	--	--	--	31%	24%	--	14%	--
Nashville, TN	29%	--	--	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	13%	--	5%	20%	--	14%	--	--	2%	20%	--	--	36%	3%
Orlando, FL	21%	--	22%	11%	24%	27%	--	13%	--	27%	16%	2%	27%	--
Philadelphia-Southern NJ	--	--	8%	20%	--	3%	0%	--	11%	45%	--	--	28%	--
Phoenix, AZ	26%	--	34%	8%	12%	23%	15%	29%	--	43%	19%	26%	45%	--
Port St. Lucie, FL	17%	--	25%	--	0%	--	--	--	--	--	--	--	--	--
Portland, OR	--	--	19%	--	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	28%	0%	16%	8%	8%	12%	--	--	0%	16%	--	0%	20%	--
Richmond, VA	31%	0%	--	--	--	--	--	--	15%	--	--	--	--	--
Riverside-San Bernardino, CA	33%	--	19%	26%	35%	31%	10%	--	--	41%	19%	20%	--	--
Sacramento, CA	48%	--	23%	9%	21%	38%	7%	25%	--	52%	5%	23%	14%	--
San Antonio, TX	41%	--	46%	--	28%	21%	--	21%	--	41%	--	--	31%	--
San Diego, CA	15%	--	21%	20%	25%	25%	3%	--	--	17%	13%	23%	18%	--
San Francisco, CA	17%	--	10%	--	--	14%	--	6%	--	19%	--	12%	28%	--
Sarasota, FL	33%	--	--	--	7%	44%	--	--	--	26%	--	11%	--	22%
Seattle, WA	19%	--	35%	--	--	--	--	--	--	--	--	--	--	--
Tampa, FL	10%	--	12%	0%	20%	38%	0%	--	--	28%	26%	30%	--	17%
Tucson, AZ	--	--	36%	11%	7%	45%	16%	36%	--	48%	--	7%	23%	--
Virginia Beach, VA	16%	0%	5%	0%	--	--	--	--	0%	--	--	--	--	--
Washington, DC	24%	4%	8%	14%	2%	11%	11%	--	30%	30%	14%	--	35%	--
Wilmington, NC	18%	0%	--	--	--	--	--	--	0%	--	--	--	--	--
<b>TOTAL</b>	<b>22%</b>	<b>1%</b>	<b>22%</b>	<b>12%</b>	<b>13%</b>	<b>24%</b>	<b>7%</b>	<b>19%</b>	<b>11%</b>	<b>31%</b>	<b>21%</b>	<b>17%</b>	<b>32%</b>	<b>23%</b>

Source: Banc of America Securities LLC estimates.

**Agents discourage customers from buying a home from KB Home.** KB Home received the highest percentage of negative recommendations by agents nationwide. 26% agents surveyed said they would discourage clients from buying a home from KB Home. We note that KB Home pre-sells a majority of its homes, which may negatively influence agents' responses.

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

Market	CTX	CHCI	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	4%	1%	1%	--	17%	--	--	--	--	15%	4%	--	--	--
Austin, TX	9%	--	2%	--	60%	21%	--	2%	--	5%	--	9%	9%	--
Baltimore, MD	--	0%	0%	5%	0%	5%	0%	--	5%	--	21%	--	--	--
Charleston, SC	0%	--	14%	--	5%	23%	--	--	0%	--	9%	--	--	--
Charlotte, NC	5%	1%	7%	4%	23%	8%	--	--	3%	--	10%	3%	0%	--
Chicago, IL	13%	--	2%	8%	7%	9%	0%	--	--	9%	8%	--	3%	--
Cincinnati, OH	0%	--	--	0%	--	--	--	--	0%	0%	6%	--	--	--
Columbus, OH	5%	--	--	5%	--	--	--	--	3%	0%	--	--	--	--
Dallas, TX	27%	--	9%	8%	50%	16%	3%	4%	--	12%	--	8%	4%	--
Denver, CO	6%	--	17%	--	42%	6%	10%	2%	--	6%	2%	0%	0%	--
Detroit, MI	12%	--	--	2%	--	--	--	--	--	7%	--	--	0%	--
Fort Myers, FL	6%	--	17%	49%	31%	20%	--	11%	--	9%	6%	--	--	23%
Houston, TX	13%	--	8%	5%	45%	3%	0%	2%	--	7%	--	--	--	--
Jacksonville, FL	11%	--	14%	--	30%	11%	5%	--	--	0%	8%	11%	3%	0%
Las Vegas, NV	9%	--	18%	--	26%	10%	5%	6%	--	9%	9%	--	0%	--
Los Angeles, CA	2%	--	3%	3%	10%	1%	0%	2%	--	1%	--	2%	2%	--
Miami, FL	--	--	2%	--	--	9%	--	--	--	--	--	1%	--	6%
Minneapolis, MN	14%	--	9%	6%	--	7%	--	--	--	13%	9%	--	3%	--
Nashville, TN	7%	--	--	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	3%	--	3%	11%	--	2%	--	--	2%	3%	--	--	6%	5%
Orlando, FL	10%	--	11%	2%	19%	6%	--	6%	--	5%	3%	0%	0%	--
Philadelphia-Southern NJ	--	--	5%	11%	--	0%	2%	--	5%	2%	--	--	20%	--
Phoenix, AZ	10%	--	9%	12%	40%	7%	4%	4%	--	6%	3%	5%	4%	--
Port St. Lucie, FL	0%	--	0%	--	17%	--	--	--	--	--	--	--	--	--
Portland, OR	--	--	20%	--	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	16%	12%	20%	20%	32%	16%	--	--	8%	16%	--	12%	12%	--
Richmond, VA	15%	0%	--	--	--	--	--	--	23%	--	--	--	--	--
Riverside-San Bernardino, CA	10%	--	8%	14%	24%	3%	0%	--	--	4%	4%	5%	--	--
Sacramento, CA	4%	--	16%	9%	27%	7%	2%	2%	--	5%	5%	0%	0%	--
San Antonio, TX	5%	--	8%	--	23%	3%	--	3%	--	5%	--	--	0%	--
San Diego, CA	4%	--	3%	6%	20%	1%	0%	--	--	1%	0%	4%	1%	--
San Francisco, CA	3%	--	10%	--	--	3%	--	3%	--	6%	--	5%	3%	--
Sarasota, FL	11%	--	--	--	19%	19%	--	--	--	11%	--	0%	--	11%
Seattle, WA	6%	--	10%	--	--	--	--	--	--	--	--	--	--	--
Tampa, FL	5%	--	2%	1%	27%	10%	1%	--	--	7%	6%	2%	--	7%
Tucson, AZ	--	--	5%	5%	50%	5%	5%	5%	--	9%	--	2%	0%	--
Virginia Beach, VA	5%	0%	0%	0%	--	--	--	--	5%	--	--	--	--	--
Washington, DC	7%	5%	7%	6%	5%	4%	6%	--	11%	4%	13%	--	17%	--
Wilmington, NC	0%	0%	--	--	--	--	--	--	0%	--	--	--	--	--
<b>TOTAL</b>	<b>8%</b>	<b>2%</b>	<b>8%</b>	<b>8%</b>	<b>26%</b>	<b>8%</b>	<b>3%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>	<b>4%</b>	<b>4%</b>	<b>9%</b>

Source: Banc of America Securities LLC estimates.

### Homebuilding Industry Comparative Valuation

Ticker	Company Name	Rating	Price 2/4/2008	Market Cap. (Millions)	BAS Estimates			P/E			P/TBV	P/Adj-BV	P/BV	Target Price	Dividend Yield	Total Return Potential
					2006	2007	2008	2006	2007	2008						
CTX	Centex Corp.	Neutral	26.67	3,282	3.05	(14.47)	(3.90)	8.7	NM	NM	1.07	0.96	1.02	31.00	0.6%	16.8%
DHI	D.R. Horton	Neutral	16.56	5,216	3.27	(3.08)	(2.30)	5.1	NM	NM	0.94	1.17	0.92	19.00	3.6%	18.4%
HOV	Hovnanian Enterprises	Neutral	10.39	543	2.07	(4.10)	(6.45)	5.0	NM	NM	0.57	0.78	0.55	12.00	0.0%	15.5%
KBH	KB Home	Buy	26.41	2,337	5.82	(18.10)	(4.15)	4.5	NM	NM	1.15	0.92	1.10	35.00	3.8%	36.3%
LEN	Lennar Corp.	Neutral	19.82	2,577	3.64	(12.29)	(1.75)	5.4	NM	NM	0.86	0.94	0.82	23.00	3.2%	19.3%
MDC	MDC Holdings Inc	Buy	45.40	2,100	4.67	(7.95)	(2.20)	9.7	NM	NM	1.15	1.26	1.15	58.00	2.2%	30.0%
MTH	Meritage Homes Corp	Neutral	15.06	421	8.26	(11.01)	(4.50)	1.8	NM	NM	0.53	0.64	0.46	17.00	0.0%	12.9%
NVR	NVR Inc	Neutral	627.00	3,320	88.05	54.08	12.00	7.1	11.6	52.3	3.35	3.48	3.19	650.00	0.0%	3.7%
PHM	Pulte Homes	Buy	15.24	3,904	2.66	(9.01)	(2.40)	5.7	NM	NM	0.92	0.85	0.89	20.00	1.0%	32.3%
RYL	Ryland	Neutral	31.88	1,347	7.84	(7.92)	(4.00)	4.1	NM	NM	1.19	1.36	1.19	36.00	1.5%	14.4%
SPF	Standard Pacific	Neutral	4.60	319	1.76	(6.55)	(6.75)	2.6	NM	NM	0.22	0.48	0.21	5.50	0.0%	19.7%
TOL	Toll Brothers	Neutral	22.35	3,557	4.17	0.19	(2.35)	5.4	NM	NM	0.99	1.28	0.99	26.00	0.0%	16.3%
WCI	WCI Communities Inc	Neutral	4.97	203	0.86	(4.55)	(5.60)	5.8	NM	NM	0.26	0.42	0.24	5.50	0.0%	10.6%
Average				\$2,241				6.1	NM	NM	0.97	1.05	0.95		1.7%	20.1%

Source: Company reports, Banc of America Securities LLC estimates.

### Building Products Industry Comparative Valuation

Building Products	Ticker	Company Name	Rating	Price 2/4/2008	Market Cap. (Millions)	EPS Estimates			P/E			EV/EBITDA			Target Price	Dividend Yield	Total Return Potential
						2006	2007	2008	2006	2007	2008	2006	2007	2008			
	AMWD	American Woodmark	N/R	22.50	325	2.00	2.12	2.23	11.3	10.6	10.1	3.3	3.5	3.3	N/R	1.6%	N/R
	AWI	Armstrong World Industries	N/R	37.17	2,113	2.09 2.48			17.8 15.0			6.2 5.5			N/R	0.0%	N/R
	BDK	Black and Decker	Sell	72.72	4,548	6.55	6.01	5.45	11.1	12.1	13.3	6.3	7.4	8.2	\$62.00	2.3%	(12.4)%
	FO	Fortune Brands	Neutral	67.69	10,412	5.33	5.15	4.90	12.7	13.1	13.8	8.3	8.5	8.2	\$80.00	2.5%	20.7%
	MAS	Masco	Neutral	22.15	8,169	1.22	1.58	1.53	18.2	14.0	14.5	6.6	8.3	7.9	\$20.00	4.2%	(5.6)%
	MHK	Mohawk Industries	Sell	79.08	5,404	6.70	6.34	5.30	11.8	12.5	14.9	7.1	7.5	8.5	\$65.00	0.0%	(17.8)%
	PPG	PPG Industries	Buy	66.42	10,876	4.93	5.08	5.45	13.5	13.1	12.2	6.7	6.5	6.4	\$87.00	3.1%	34.1%
	SHW	Sherwin-Williams	N/R	56.16	7,055	4.19	4.59	4.96	13.4	12.2	11.3	7.6	7.2	6.9	N/R	2.2%	N/R
	VAL	Valspar Corp	N/R	20.51	2,055	1.71	1.79	2.02	12.0	11.5	10.2	8.1	7.3	6.8	N/R	2.7%	N/R
	KNL	Knoll Inc	Neutral	13.22	665	1.15	1.40	1.45	11.5	9.4	9.1	6.8	6.0	7.1	\$18.00	3.6%	39.8%
<b>Building Products Average</b>					<b>\$5,662</b>				<b>13.0</b>	<b>13.1</b>	<b>13.2</b>	<b>6.9</b>	<b>7.5</b>	<b>7.4</b>		<b>2.5%</b>	
Building Materials	Ticker	Company Name	Rating	Price 2/4/2008	Market Cap. (Millions)	EPS Estimates*			P/E			EV/EBITDA			Target Price	Dividend Yield	Total Return Potential
						2006	2007	2008	2006	2007	2008	2006	2007	2008			
	CRH	CRH Public Ltd	N/R	40.92	21,946	3.57 3.97			n/a 11.5 10.3			n/a n/a n/a			N/R	1.9%	N/R
	EXP	Eagle Materials	N/R	37.18	1,637	2.80 2.98			n/a 13.3 12.5			5.6 8.0 8.3			N/R	2.2%	N/R
	MLM	Martin Marietta Materials	Neutral	118.12	4,945	5.29	6.36	7.35	22.3	18.6	16.1	11.4	9.6	8.5	\$116.00	1.2%	(0.6)%
	TXI	Texas Industries	N/R	55.18	1,510	2.45	3.57	4.41	22.5	15.5	12.5	10.3	8.8	7.5	N/R	0.5%	N/R
	USG	USG Corp	Sell	37.45	3,709	4.33	0.80	(0.96)	8.7	46.8	n/r	4.3	12.4	38.0	\$29.00	0.0%	(22.6)%
	VMC	Vulcan Materials	Sell	75.44	7,211	4.69	4.85	4.60	16.1	15.5	16.4	10.4	6.8	5.8	\$60.00	2.4%	(18.0)%
<b>Building Materials Average</b>					<b>\$4,344</b>				<b>16.8</b>	<b>23.1</b>	<b>12.5</b>	<b>9.4</b>	<b>8.9</b>	<b>13.6</b>			

\*Note: USG reflects BoFA estimates and price targets. Other estimates reflect mean calendar consensus estimate.

\*Note: BDK, FO, MAS, MHK, and PPG are BoFA estimates and price targets. Fortune Brands is covered by Bryan Spillane and PPG Industries is covered by Kevin McCarthy. Other estimates reflect mean calendar consensus estimate.

Source: Company reports, Banc of America Securities LLC estimates.

**REG AC - ANALYST CERTIFICATION**

The primary research analyst whose name appears in this research report certifies the following: (1) that all of the views expressed in this research report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) that no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report.

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Stock Rating System**

The rating system is based on a stock's forward -12-month expected total return (price appreciation *plus* dividend yield). The prospective rates of return that help define the Buy, Neutral and Sell ranges are subject to change from time to time, corresponding with changes in prospective rates of return on competing investments. The specific volatility levels that divide our stocks into low, medium, high, and extreme ranges are subject to change from time to time, corresponding with changes in the volatility of benchmark indexes and the companies that comprise them.

<u>Volatility</u>		<u>Ratings</u>		
		<u>Buy</u>	<u>Neutral</u>	<u>Sell</u>
Low	0%-25%	11%+	10.9%-0.1%	0% or worse
Medium	25%-35%	15%+	14.9%-(2.9)%	(3)% or worse
High	35%-55%	20%+	19.9%-(6.9)%	(7)% or worse
Extreme	55%+	32%+	31.9%-(14.9)%	(15)% or worse

Source for volatility: Bloomberg.

**Rating Distribution\*****Global Coverage**

<u>Coverage Universe</u>	<u>Companies</u>	<u>Pct.</u>	<u>Investment Banking Clients</u>	<u>Companies</u>	<u>Pct.**</u>
Buy	343	46	Buy	191	56
Hold	369	50	Hold	224	61
Sell	28	4	Sell	16	57

**Consumer Sector**

<u>Coverage Universe</u>	<u>Companies</u>	<u>Pct.</u>	<u>Investment Banking Clients</u>	<u>Companies</u>	<u>Pct.**</u>
Buy	30	28	Buy	23	77
Hold	70	65	Hold	50	71
Sell	8	7	Sell	3	38

\* For the purposes of this Rating Distribution, "Hold" is equivalent to our "Neutral" rating.

\*\* Percentage of companies in each rating group that are investment banking clients.

As of 02/01/2008.

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