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Homebuilders & Building Products

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BofA Monthly Real Estate Agent Survey

Traffic Stable, But Buyers Gain Upper Hand and Prices Fall

- ▶ **Traffic weak, but essentially unchanged from June.** Our traffic index was virtually unchanged at 21.8 in July from 21.9 in June, at its lowest level since we started the survey. While a stable traffic index would be a positive following the recent declines, we think this is due in part to lowered expectations of agents in a seasonally slower month and arguably a limit on how low the index will realistically fall. Tougher lending requirements continued to curb traffic among entry-level buyers, and expectations of further price declines quelled traffic at all price points.
- ▶ **Higher foreclosures add to downward pricing pressures.** Our price index fell to 24.7 in July, down from 26.9 in June (readings below 50 indicate falling prices) as agents pointed to higher inventory levels from foreclosures and weak sales. In some cases, low appraisals forced buyers and sellers to renegotiate prices. Price competition will likely intensify as inventories continue to rise (our inventory index measured 21.5 from 18.2 in June with readings below 50 indicating rising levels). Our time to sell index, which is a good leading indicator of pricing, was also essentially unchanged at 16.0 from 16.1 in June (readings below 50 indicate a lengthening time to sell).
- ▶ **Arizona and Florida worsened in July; slight uptick in D.C.** Traffic increased in 21 of the 40 markets we survey and fell in 19 markets. However, traffic remains minimal, as it was still below agents' expectations in all but two markets (traffic in Austin and Boston met agents' expectations). We saw sequential weakness in Arizona and Florida, but a slight uptick in traffic in Washington, D.C., but still at very weak levels.
- ▶ **Sector View:** We are Neutral on the homebuilders based on increased discipline on new construction activity along with modest improvement in affordability, offset by the likelihood of continued price erosion and higher inventory levels.

Top Picks

Ticker	Rating	Price	Target
TOL*	N	\$21.93	\$29.00
HOV	B	\$13.37	\$21.00

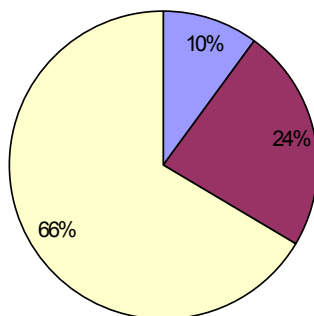
Least Favorites

Ticker	Rating	Price	Target
BDK*	S	\$86.91	\$75.00
USG*	S	\$41.36	\$38.00

* New pick

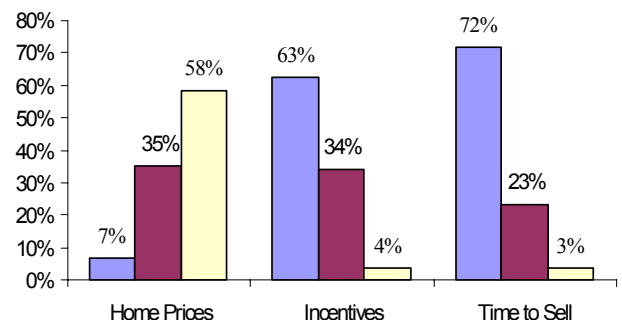
Traffic Stable, But At Lowest Levels Since Our Survey Began; Leading Indicators Point to Further Price Declines

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 estimates.

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Portfolio Managers' Summary

- ▶ **Our 12-month thesis on the sector.** We are Neutral on homebuilding stocks. We expect the stocks to trade in a range over the next 3-6 months. On the positive side, we see lower new construction activity and modest improvement in affordability (from lower prices). On the negative side, we see weak traffic and risk from continued pricing declines (necessary to remedy the excess inventory), which should negatively impact earnings expectations along with the potential for inventory levels to worsen further.
- ▶ **Our call today in a nutshell.** Our traffic index was essentially unchanged at 21.8 in July from 21.9 in June, at its lowest level since we started the survey. Our price index fell to 24.7 in July, down from 26.9 in June (readings below 50 indicate falling prices) as agents pointed to higher inventory levels from foreclosures and weak sales.
- ▶ **Risks to our call.** Higher long-term interest rates 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*

Buyers Take Their Time and Watch Prices Drift Lower

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 p. 6 for a full description of our survey methodology.

Traffic weak, but unchanged from June. Our traffic index was essentially unchanged at 21.8 in July from 21.9 in June, at its lowest level since we started the survey. While a stable traffic index would be a positive following the recent declines, we think this is due in part to lowered expectations of agents in a seasonally slower month and arguably a limit on how low the index will realistically fall. Tougher lending requirements continued to curb traffic among entry-level buyers, and expectations of further price declines quelled traffic at all price points.

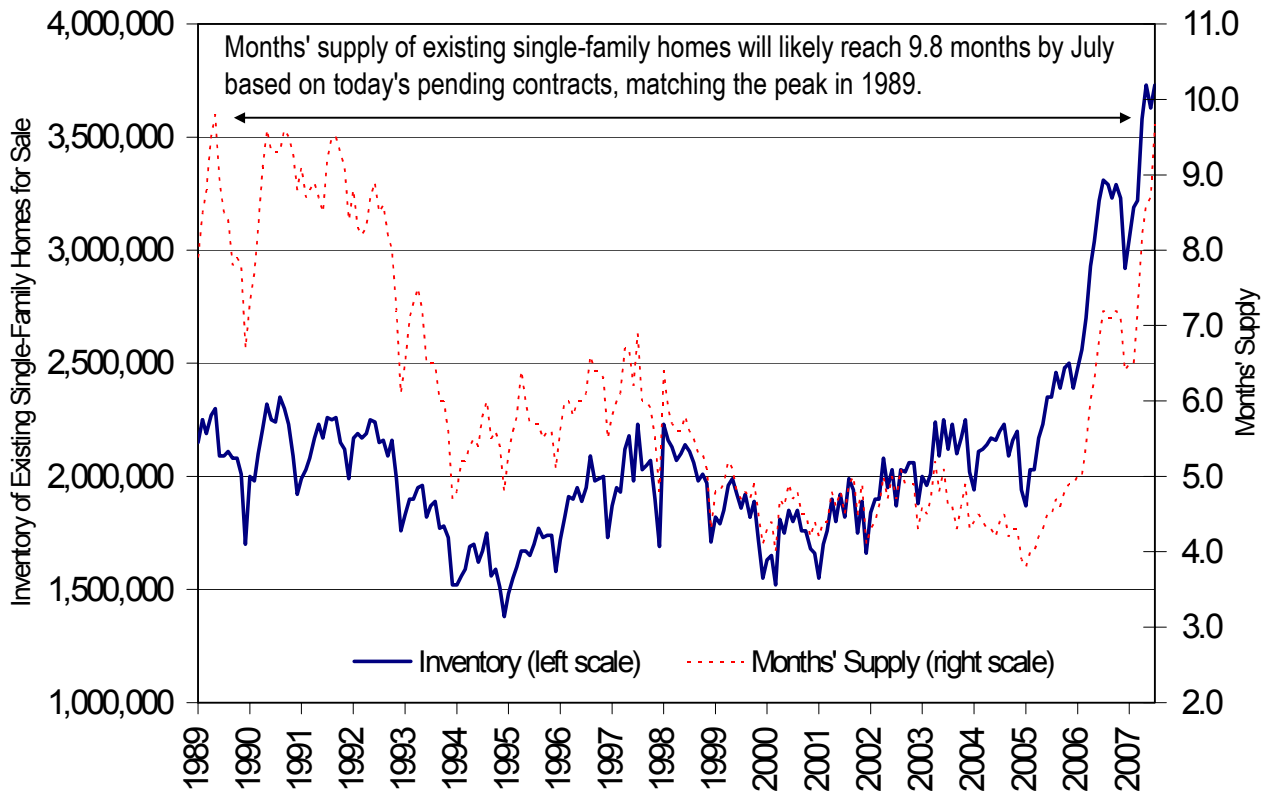
Pricing Worsened in July; Our Traffic Index Remained Flat at Its Lowest Levels

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
Point change	(0.0)	(2.2)	(1.4)	3.3	(0.2)

Source: Banc of America Securities LLC estimates.

Higher foreclosures add to downward pricing pressures. Our price index fell to 24.7 in July, down from 26.9 in June (readings below 50 indicate falling prices), as agents pointed to higher inventory levels from foreclosures and weak sales. In some cases, low appraisals forced buyers and sellers to renegotiate prices. Price competition will likely intensify as inventories continue to rise (our inventory index measured 21.5 from 18.2 in June with readings below 50 indicating rising levels). Our time to sell index, which is a good leading indicator of pricing, was also essentially unchanged at 16.0 from 16.1 in June (readings below 50 indicate a lengthening time to sell).

Record Inventory Levels Are Likely to Result in More Intense Price Competition, Leading to Further Erosion



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

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 July, we received responses from 2,100 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 increased over the past 30 days, an incentive index of 50 indicates that incentives were unchanged, and an incentive index below 50 indicates that incentives decreased.

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Entry level appears hardest hit given reliance on sub-prime mortgages - "The over \$1 mln traffic in Atlanta accounts for over 10% of the market. This should be less than 4%."

Atlanta, GA – Foreclosures, Weak Traffic Continue to Pressure Home Prices

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

No urgency and tighter lending hurts buyer traffic, consistent with June. Traffic remained well-below agents' expectations in July at levels similar to June. Our traffic index measured 21.9 in July versus 24.0 in June. Traffic among entry level buyers is weakest according to several agents, as tighter lending standards cut off many buyers dependent on sub-prime loans. Those who can qualify for a loan feel no urgency to buy because they see lots of homes to choose from and expect home prices to fall further. One agent said, "Relocations are coming in because they have to, but locals are staying on the couch." The sub-prime collapse is beginning to make the inventory overhang worse, according to agents, as foreclosures are on the rise due to the inability of some buyers to refinance with a comparable mortgage rate.

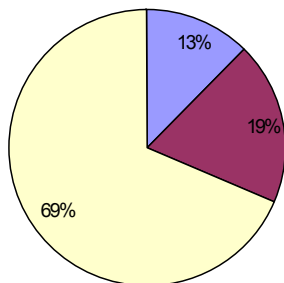
Home prices decline; inventory trends points to further downside. Home prices continued to fall in July as our price index measured 26.0, down from 27.1 in June (anything below 50 indicates falling prices). Homebuilders increased incentives again as competition intensified based on the lower traffic. One builder increased incentives \$3,000-\$10,000 in every community in July, according to one agent. In addition, higher home listings and a longer time needed to sell a home in July versus June point to more home price declines likely ahead. Our home listings and time to sell index both reflected deterioration (readings below 50), measuring 17.7 and 12.8, respectively. We see risk of greater inventory and foreclosure levels over the next 18 months, when the bulk of sub-prime arms face resets, adding downward pressure to home prices.

- ▶ "Builders have too much inventory on the market."
- ▶ "The Fed must lower rates if we are going to recover."
- ▶ "Some buyers are accepting lease-purchases in lieu of a sale so that they can cover their interest payments."

Ryland and Pulte Homes have the most exposure. Ryland has the greatest exposure to Atlanta with approximately 6% of 2005 net sales, followed by Pulte Homes with 4%.

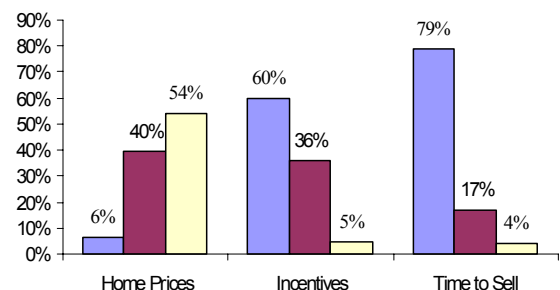
Traffic Continues to Deteriorate; Further Price Declines Likely As Inventories Build

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.

July Market Trends	
Traffic	↔
Home Prices	👍
Incentives	👎

“Rain, rain and more rain.”

Austin, TX – Healthy Traffic, but Risk of Oversupply Given Builders Focus on Volume

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

Healthy traffic – in-line with agents’ expectations – despite the rain. Austin is still the best market among the top 40 markets we surveyed. Traffic levels were on par with June as our index was essentially unchanged at 46.7 (from 45.6 in June), in-line with agents’ expectations. Agents said there was “a ridiculous amount of rain” in July, but that did not keep buyers at home. Difficulty obtaining sub-prime loans continued to limit buyer traffic compared with before the sub-prime fallout (our traffic index reached 58.1 in May and a recent high of 70.0 in February). However, the impact has been limited since some buyers qualify for FHA loans, even though agents quip that the paperwork is “more of a pain.”

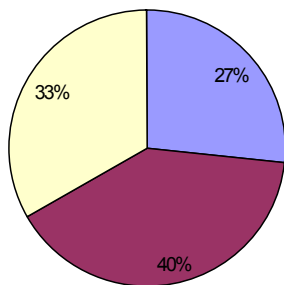
Positive price momentum continues to deflate; builders sacrifice appreciation for sales. Home prices continued to increase, although our price index fell as fewer agents noted an increase. Our price index fell to 65.0 in July from 75.0 in June and a recent high of 82.5 in February, but readings above 50 still indicate rising prices. However, it seems that builders are adding incentives and cutting prices in order to maximize sales volume. Our incentive index fell to 24.1 from 34.8 in June (readings below 50 indicate rising incentives). Some large builders were eager to accept any price by advertising “make us an offer”, according to agents. The time to sell remained stable in July (index at 45.0), a positive trend for future pricing, but we see risk of inventory levels growing given builders’ desire to capture more sales from Austin.

- ▶ “Almost all builders in my price range offer zero down/zero closing costs.”
- ▶ “Lenders are jittery since the sub-prime fallout.”

Meritage and D.R. Horton have the most exposure. Meritage has the greatest exposure to Austin with approximately 7% of 2005 net sales, followed by D.R. Horton with 5%.

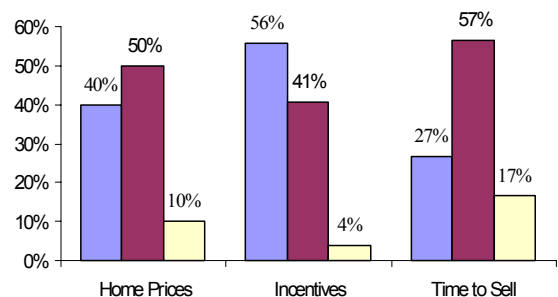
Traffic, Home Price, and Inventory Trends Remain Healthy, But Not as Strong Relative to Prior Months

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Relocation traffic is important to Charlotte, but clients are having trouble selling their current home.

Charlotte, NC – Flood of New Construction Pressures Home Prices

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

Slight up-tick in traffic compared with June, but still short of agents' expectations.

Traffic improved slightly relative to agents' expectations due to not only more relocation traffic but also lowered expectations in a seasonally slow summer month. Our traffic index increased to 37.5 in July from 29.0 in June, but was still below agents' expectations, measured as 50.0. Many agents noted the typical slowing, "My business usually starts to slow down around this time of year" while other agents said they saw a slight up-tick in traffic due to heavier relocation traffic. One agent said, "I met with more buyers relocating from other East Coast markets and Florida." Previously, agents lamented that relocation traffic was weak.

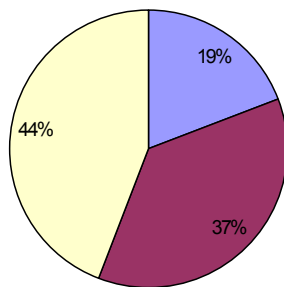
Home prices flatten; "More new homes than the market can absorb". Home prices remained flat compared with June, as our price index fell to 51.0 from 61.8 (any reading above 50 points to sequentially higher prices and below 50.0 points to lower prices). A large and growing supply of home listings kept home prices at bay. One of many agents who expressed concern over rising inventory levels said, "New construction in town is exploding." Our survey pointed to higher inventories and a longer time to sell in July, which will likely negatively pressure home prices in the coming months. Our time to sell index measured 20.0 in July and 19.6 in June (any readings below 50 indicates lengthening time to sell).

- ▶ "More people deciding to rent."
- ▶ "There is still a lot of inventory for sale but 'key' areas, especially closer to uptown, are still selling very well."

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.

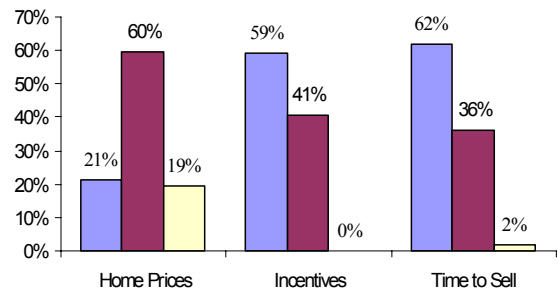
Home Prices Flatten in July; New Construction Outstrips Traffic

Traffic Levels Versus Expectations






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■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

July Market Trends	
Traffic	
Home Prices	
Incentives	

“Sellers continue to think their houses are worth their weight in gold. Inventory isn’t turning; the same houses sit on the market.”

Chicago, IL – Price Reductions Help Traffic, But Not Sales

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

Traffic up slightly, but remains depressed and quality is poor. Our traffic index inched up to 19.8 in July from 16.7 in June yet remains far below agents’ expectations measured as a reading of 50. Agents that saw better traffic said it came from homes priced below the market as “some buyers who sat on the fence appear to be coming back.” However, little traffic resulted in sales due to fear of price declines and trouble getting approved for a mortgage. One agent commented, “I’ve had a good amount of traffic, but very few signed contracts.” Another agent had half of his deals fall apart because of stricter lending and appraisals.

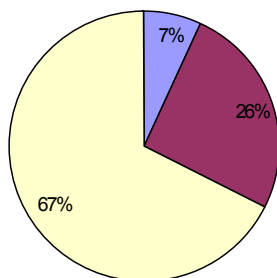
Home prices fall; one large builder offers 10% off sale. Home prices continued to fall in July, as our price index trended lower to 23.3 from 24.6 in June and 25.4 in May (with anything below 50 indicating sequentially lower prices). Buyers who need to sell their home are reducing prices while homes from sellers that attempt to hold out for what agents described as “unrealistic prices” continue to pile up. Homebuilders also took steps to boost sales. One large national homebuilder slashed prices 10% in July, according to several agents. Inventory levels continue to rise into July as our home listings index measured 16.3 (from 13.2 in June) and our time to sell index measured 10.7 (from 14.0) – anything below 50 points to worsening trends. We expect these pressures to lead to further price erosion this summer.

- ▶ “Sellers are not dropping prices and buyers are waiting for prices to drop. Lending criteria is stricter. Appraisals are coming in well below expectations. Everyone is afraid.”
- ▶ “The same inventory is languishing on the market – sellers have not dropped prices enough and buyers can wait.”

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.

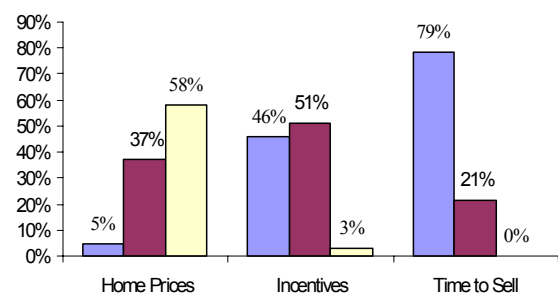
Most Buyers Hold Firm on Prices and Inventories Pile Up

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

“Same traffic, but fall-out rate increasing due to tightening lender requirements.”

Dallas, TX – Still Suffering from Sub-prime Hangover

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

Weak traffic (poor quality) due to sub-prime credit tightening. Traffic remained far below agents’ expectations as tighter sub-prime lending requirements continue to keep a large number of buyers out of the market. Our traffic index fell modestly to 26.9 in July from 28.5 in June. Agents continue to see underwriting guidelines tighter for both sub-prime and Alt-A loans. One agent said, “My business right now is so slow, I have never faced this problem before.” Besides the lack of traffic, the traffic quality is also poor because many are unqualified to obtain mortgages. One agent commented, “I lost two sales this month because of tighter lending requirements.” In addition, constant rain throughout the month did not help, but we believe the mortgage problems eclipse weather related concerns. We believe more buyers will shift to FHA loans, yet many cannot meet the minimum down payments.

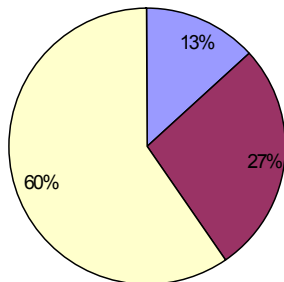
Builders offer to pay closing costs to help buyers qualify; home prices continue to fall. Home prices continued to fall in July according to agents, as our price index measured 37.5, up from 32.5 in June (anything below 50 indicates sequentially lower prices). Builders attempt to help more buyers qualify by offering to pay closing costs and down payments. Plus, they increased agent commissions to 5-7% to attract more buyers. Weak traffic and higher inventories are likely driving the price declines, and agents continue to see growing inventories. Our home listings index measured 16.7 in July versus 15.6 in June (anything below 50 indicates sequentially higher inventory). We expect inventories to worsen due to more foreclosures when many sub-prime arms reset later this year and next.

- ▶ “The weather has hurt traffic. It has rained every day.”
- ▶ “Lenders are requiring more equity.”

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.

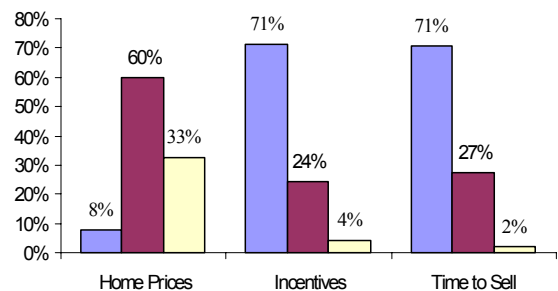
The Time to Sell Lengthened Again as Tighter Sub-prime Requirements Lead to Both Lower Traffic and Higher Inventories

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

“MLS showings and open house response are all down. People seem to be waiting for the market to bottom.”

Denver, CO – Traffic Weakens; High Foreclosures Pressure Prices

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

“Steep dive in traffic before July 4th and market has yet to bounce back”. Traffic fell further below agents’ expectations in July as our index dropped to 33.7 from 41.0 in June. Agents said the high end held up better than the low end, which is plagued by tighter sub-prime lending standards. One agent said, “The disappearance of sub-prime lending has limited the number of buyers who can qualify.” However, the first-time buyer market is critical for the entire chain as buyers are needed to purchase homes from potential move-up buyers. In addition, there is no urgency among buyers due to the high and growing inventories due to a high number of foreclosures. Most buyers are offering well below asking prices, according to agents.

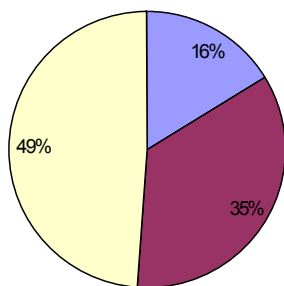
Foreclosures drive prices lower. Home prices continued to fall in July and more agents saw price declines than in prior months. Our price index fell to 25.6 from 43.6 in June (readings below 50 indicate falling home prices). The price declines were likely more evident given the larger number of foreclosures and sellers’ increased willingness to reduce prices. We think foreclosures will worsen in the coming months based on the pipeline of sub-prime ARM resets. Inventory levels and the time to sell grew in July. Our home listings and time to sell index measured 26.8 and 25.0, respectively (below 50 indicates rising inventory and lengthening time to sell).

- ▶ “State governor recently signed 4 bills dealing with mortgage licensing and requirements.”
- ▶ “Underwriters have blown up deals because they did not believe appraisal.”

MDC Holdings and D.R. Horton have 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.

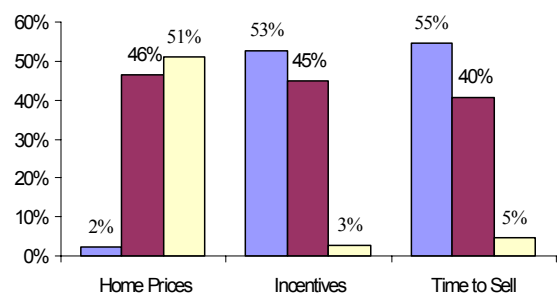
Higher Inventories (Many from Foreclosures) Negatively Pressure Home Prices in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

“One builder offered homes last month for \$199,000, now the banner in front of the sales center says move-in ready homes for \$159,000.”

Ft. Myers, FL - “Auctions Getting Less than 50% of Asking Prices”

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

Price declines do not lure buyers; buyers wait due to fear of further declines.

Buyer traffic did not improve in July despite continued price declines, as buyers wait patiently on the sidelines for home prices to bottom. Our traffic index fell modestly to 17.2 from 18.9 in June (any reading below 50.0 indicate traffic below agents' expectations). Buyers have no confidence in home prices bottoming soon, or what many agents described simply as “fear in the marketplace.” In addition, tougher appraisal comparisons are making it more difficult for buyers to qualify for a loan given recent price declines and relatively few transactions. According to several agents, some banks are now requiring appraisals to be updated every 30 days.

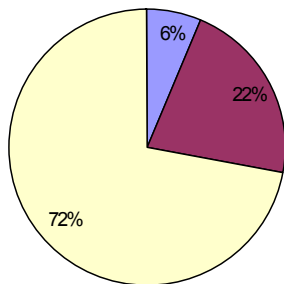
Price declines are substantial. Home prices continued to fall in July, as our price index fell to 6.3 from 8.1 in June (anything below 50 indicates sequentially lower prices). 88% of agents said that prices fell in July, a higher percentage than in any of the top 40 markets we surveyed, and 12% said prices remained the same. One agent described the “extreme distress in the market” by saying, “Developer auctions are getting less than 50% of original asking price.” We believe substantial price reductions are needed to work through the excess inventory and bring affordability back to more acceptable levels. However, home listings and the time to sell continued to increase in July, adding more downward pressure on home prices. Our home listings and time to sell indices measured 33.9 and 12.9 in July, respectively, from 31.1 and 18.1 in June with readings below 50 indicating higher inventory and a longer time needed to sell a home.

► “There are virtually no qualified buyers. Fear is in the marketplace.”

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

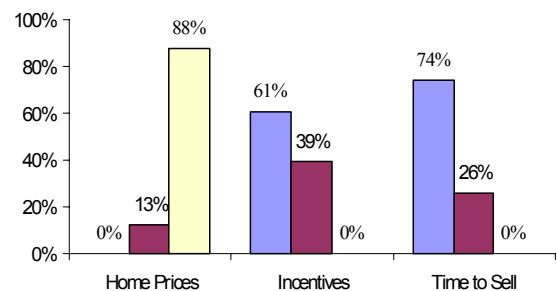
Sellers Dropped Prices Substantially in July; Higher Inventories Point to Further Declines

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

There is less traffic from entry-level buyers and investors due to tighter lending standards.

Houston, TX – Tight Supply Begins to Loosen; Entry-Level Buyer is Gone

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

“First-time homebuyers have pulled out of the market”; traffic up modestly from June. Traffic in Houston improved modestly in July, but remained far short of agents’ expectations. Our traffic index increased to 34.5 from 29.7 in June. Agents said the lack of mortgage products available to sub-prime buyers has nearly eliminated first-time buyers and investors dependant on 100% financing. One agent segmented traffic commentary by price point, “There is less traffic below \$100,000, yet it gets busier above \$500,000.” However, we believe entry-levels buyers at lower price points represent the bulk of the Houston market, especially where new homebuilders compete.

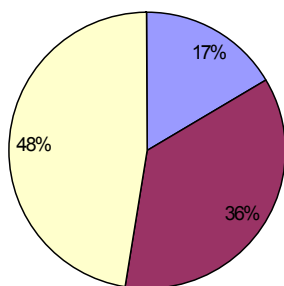
Modest price appreciation given still-low inventory. Home prices appreciated modestly in July due to a low supply of inventories and a slight improvement in traffic. Our price index rose to 59.5 in July from 45.3 in June (any readings above 50 indicate sequentially higher prices). However, we see risk of oversupply in coming months from the growing inventory. Home listings increased in July and the time needed to sell a home continued to lengthen, as the indices measured 18.3 and 23.2, respectively, from 16.1 and 15.0 in June (far from a neutral reading of 50). Houston, like many markets in Texas, is always on the verge of oversupply as land is in ample supply and relatively easy to entitle.

- ▶ “Weather conditions are also a big factor for weak traffic since we had over 12 inches of rain in less than 30 days and it is still raining!”
- ▶ “The sub prime lending market has dried up.”

Lennar, Hovnanian, and KB Home have the most exposure to Houston with approximately 12%, 9%, and 8%, respectively, of their 2005 unit sales.

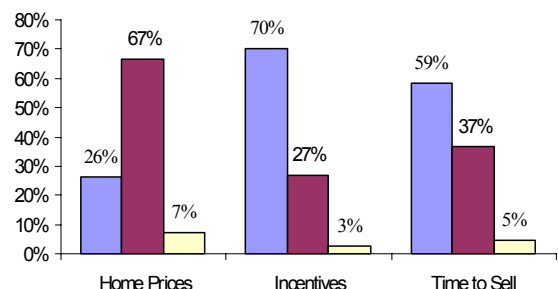
Traffic Remained Below Agents’ Expectations; Growing Inventory and Lengthening Time to Sell Likely to Shift Pricing Trends

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

“Almost all national builders have greatly lowered base prices to increase sales activity in stagnant subdivisions.”

Jacksonville, FL – “Buyers, Tired of Waiting, Elect to Rent”

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

Traffic worsens; few buyers given fear of further price declines. Traffic weakened from very sparse traffic levels in June, far below agents’ expectations, as our index measured 11.4 in July (down from 20.0 in June). Agents described traffic as non-existent, as traffic met few agents’ expectations despite what is typically a seasonally slow month and low expectations from prolonged weakness. Buyers remained on the sidelines, according to agents, with the perception that home prices still will decline further. One agent said some of his clients, “tired of waiting, elect to rent.” We expect price declines to persist based on the high inventory level and lack of a recovery in traffic.

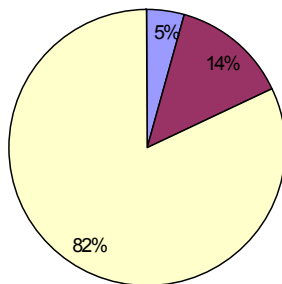
Price gap between buyer and seller expectations loom large. Our price index fell to 11.4 in July from 15.8 in June (any readings below 50 indicate sequentially lower prices). In addition, agents point out that buyers and sellers remain far apart on perceptions of market prices. We believe buyers have the upper hand and realize sellers will need to lower prices to compete with the large and growing inventory. Our home listings index measured 13.6 (from 22.2 in June), as readings below 50 point to rising inventory trends. It’s also taking longer to sell a home due to the weak traffic levels. Our time to sell index fell to 6.8 from 10.0 in June. Builders, who recognize the cost of holding inventory and are less emotionally attached to pricing, cut prices significantly in July according to agents. One agent said, “Almost all national builders have sharply lowered base prices to increase sales activity in stagnant subdivisions.” We believe further price declines are ahead in order to bridge buyer and seller expectations.

- ▶ “Sellers are still reluctant to use realistic pricing, believing their homes are worth more.”

Lennar Corp., Hovnanian, and KB Home have the most exposure to Jacksonville with approximately 12%, 9%, and 8%, respectively, of their 2005 unit sales.

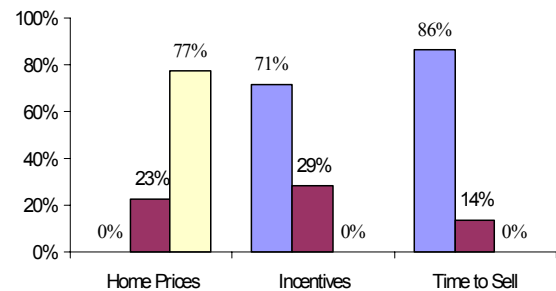
Sellers Face Increased Competition from High and Growing Inventories; Home Prices Fell in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

“July is dead. You have a lot of sellers and very few buyers. The sub-prime lending meltdown has had a direct impact on the Las Vegas housing market.”

Las Vegas, NV – Lenders Tighter Further; Traffic/Pricing Remains Weak

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

Traffic remains weak, far below agents’ expectations, as lending standards continue to tighten. Our traffic index remained nearly unchanged at 16.7 in July from 17.5 in June, far below agents’ expectations measure by a reading of 50. Agents said there are few buyers for “fear of overpaying for a home” and fewer who can qualify. Banks continued to tighten lending standards even into July; “appraisals are often below the sales price,” “100% loans are harder to qualify for,” and “higher FICO scores and more documentation are required.” One agent offered more evidence that lenders are quickly adjusting standards with the market deterioration, saying, “Lenders are pulling approvals after the loan has been approved.” In Las Vegas, buyers are particularly hurt by the documentation requirement due to the pay-in-cash nature of the gaming and lodging industry. We expect traffic to remain weak until either more flexible mortgage products return or affordability drastically improves, which appears to be a longer-term solution.

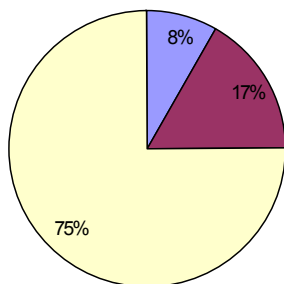
Foreclosures add to downside pressure on home prices. Home prices continued to fall in July due to weak demand and rising inventories. A high number of foreclosures added to the inventory glut and helped push prices lower. Our home price index was slightly lower at 13.3 from 18.5 in June (readings below 50 point to sequentially lower prices). One agent who specializes in foreclosed properties provided one example to explain the severity, saying, “I’m working 2 REOs in a 63 unit development by a major national builder. The community was built in 2006 and over 20% of the homes are in foreclosure already.” In addition, homebuilders increased incentives to help buyers qualify and boost sales. Incentives included 10-15% off base price, 15-20% off standing inventory, and up to 10% in agent commissions, according to agents. We expect prices to continue to fall based on higher inventories and a longer time to sell.

- ▶ “Buyers are waiting for larger incentives. It’s real tough when only 7% of the homes listed are closing.”

KB Home and Pulte have most exposure to Vegas. KB Home has the greatest exposure to Las Vegas with 11% of 2005 net sales, followed by Pulte with 7%.

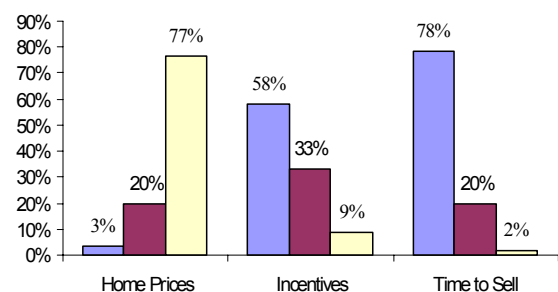
Home Prices Continue to Fall; Tighter Loan Requirements May Prolong Downturn

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Some buyers take advantage of the dip in rates and bargain prices, but most sellers have not capitulated on price.

Los Angeles, CA – Traffic Up Slightly, But Conditions Still Challenging

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

Some buyers are lured off the sidelines by exceptional values, dip in mortgage rates. Traffic improved in July as our buyer traffic index increased to 27.9 from 17.5 in June, but still remained below agents' expectations. There was no common theme among agents for the increase in traffic in July. Some agents said buyers were looking for exceptional values, while others said slightly lower rates helped bring some off the sidelines. One agent pondered, "Why would a buyer purchase in a declining market unless it was imperative or an exceptional value?" Agents also likely lowered their expectations in July as compared with prior months, a seasonally slow month. Traffic appeared healthier at higher price points, as a lack of sub-prime or high LTV products continued to reduce the number of qualified entry-level buyers.

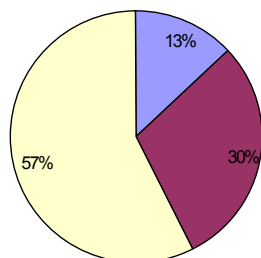
Prices fall; "I had to renegotiate prices based on appraisals." Home prices continued to fall in July, as our price index was essentially unchanged at 27.1 (from 28.7 in June). While prices declines helped to lure some buyers off the sidelines, most buyers did not pull the trigger for fear of further declines, according to agents. One agent said, "We continue to experience good traffic but very cautious buyers seem to feel prices may drop due to sub-prime problems and foreclosures." In addition, some agents said they had to renegotiate prices due to appraisals coming in below the contract price. With inventories rising (our home listings index measured 19.2 in July) and time to sell lengthening (our index measured 11.0 with anything below 50 pointing to a lengthening time), we expect further price declines in the coming months as sellers face greater pressure.

- ▶ "Buyers are being asked for additional support documentation and FICO limits are rigid."
- ▶ "All of my transactions have been impacted or terminated due to tighter lending criteria."

Hovnanian, KB Home, Standard Pacific and MDC have the most exposure. Approximately 3% of Hovnanian's 2005 sales come from L.A., the most among the large builders, followed by 2% from KB Home, Standard Pacific, and MDC Holdings.

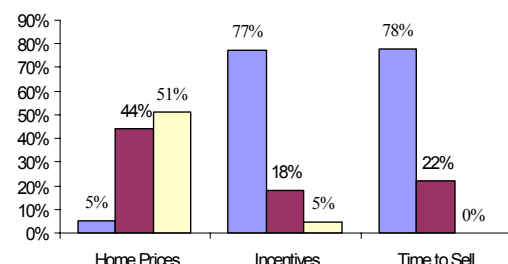
Higher Inventory Levels and Longer Time to Sell Will Increase Pressure for Sellers to Lower Prices

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Price declines are not enough to get buyers' attention.

Miami, FL – With So Little Traffic, Few Buyers Notice Lower Prices

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

Nothing has changed – buyers are in short supply. Home prices continue to decline, but buyers are noticing, according to our survey. Our traffic index measured 11.7 in July, up slightly from 9.3 in June, but far below agents' expectations of 50.0. One agent said, "Even at the best price, the lack of buyers is keeping the market very slow." Agents attributed the lack of buyers to (1) no significant tax or insurance reform, (2) higher qualifications needed to qualify for a mortgage, and (3) buyers waiting for the market to finish its crash. There is legislation currently pending to help ease the property tax burden, and we believe most homebuyers will hold off until an outcome is reached.

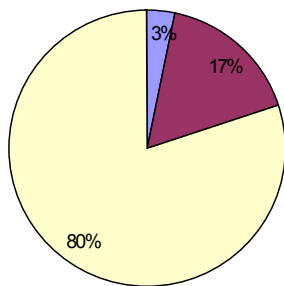
No letup in price declines; "condo boom has turned to a bomb." Prices continued to fall in July as our price index was essentially unchanged at 11.7 from 12.7 in June and 13.3 in May (readings below 50 indicate sequentially lower pricing). Condo units faced more severe price declines, according to agents, due to a higher percentage of vacant units for sale from investors. We see risk of more significant price declines due to the lack of buyers in the marketplace and large number of homes for sale. In addition, inventory levels and the time to sell increased further in July – our home listings index came in at 18.3 in July and the time to sell index measured 5.1. Sellers who need to sell throughout the slow Summer months will need to lower prices drastically to stand out from the rest of the inventory.

- ▶ "You have to market yourself a lot to get one sale if you are lucky!"
- ▶ "You now need a 680 Fico score or above to qualify for a 100% financing."

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 2005 sales, respectively.

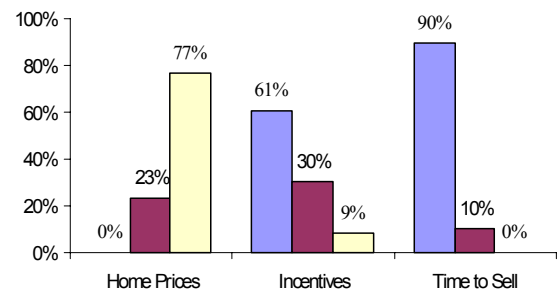
Very Low Buyer Traffic + Growing Inventories = Lengthening Time to Sell (90% of Agents Said the Time to Sell Increased)

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Agents say buyers are having a harder time qualifying with fewer lenders around and stricter guidelines.

Minneapolis, MN – Sluggish Demand as Buyers Lack Motivation

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

Buyers wait for better deals. Buyers continue to see no rush to purchase, according to agents, as our buyer traffic index fell to 15.1 in July from 20.9 in June (readings below 50 point to traffic below agents' expectations) – the lowest level since last October. Most agents said buyers either have no interest or no ability to make a purchase right now given high inventories, falling prices, and tougher lending criteria. Adding to these issues, July is typically a slow month anyway so buyers are likely willing to wait to see how things play out over the coming months. We think prices must decline further to restore affordability and begin to clear excess inventory.

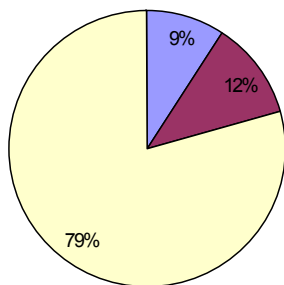
Further modest price declines are likely as sellers compete with higher listings. Home prices fell further in Minneapolis in July as sellers compete with growing inventory levels, with our price index falling to 11.9 from 13.7 in June (any reading below 50 indicates sequentially lower prices). Agents and potential buyers agree that lower prices are ahead however, pointing to the simple law of supply and demand – oversupply leads to lower prices. Unfortunately, supply continued to increase as buyers stuck to the sidelines, as our home listings index came in at 17.1 in July, up slightly from 13.2 in June but still pointing to sequential deterioration (any reading below 50 points to higher inventory). Time to sell also lengthened, with our time to sell index falling to 7.1 in July from 12.7 in June as nearly all agents noted a longer time needed to sell as compared with 30 days ago. We view the longer time to sell as a negative indicate for future pricing, as sellers must become more aggressive to move inventory.

- ▶ “Prices are still falling and buyers are few and far between. They seem to be waiting for an even better deal. We also have a lot of foreclosures in the low price ranges.”

Ryland, D.R. Horton, Centex, and Lennar have the greatest exposure. Ryland has the greatest exposure to Minneapolis with approximately 4% of 2005 net sales, followed by D.R. Horton, Centex and Lennar with 3% each.

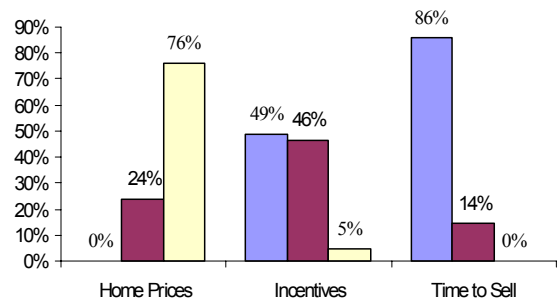
Buyers Content to Wait as Prices Fall Further

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Buyers are in no rush to purchase given the abundant inventory to choose from, according to agents.

New York-Northern NJ – Stretched Affordability Keeps Lid on Demand

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

Buyers stick to the sidelines, hoping for lower prices. Our buyer traffic index improved slightly to 32.0 in July from 28.8 in June, indicating stable but disappointing traffic (readings below 50 point to traffic below agents’ expectations). The two main deterrents remain high prices and ample inventory, according to agents, as potential buyers are struggling with strained affordability and hoping for further price declines. Agents said new lending guidelines and the elimination of popular loan products are compounding affordability issues, as New York was already one of the least affordable markets in the country. This has had a particularly large impact on first-time homebuyers. Given that demand had held up relatively well earlier this spring, we think sellers may still be hoping for a quick turnaround, but expect reality to set in over the coming months as their homes sit on the market longer.

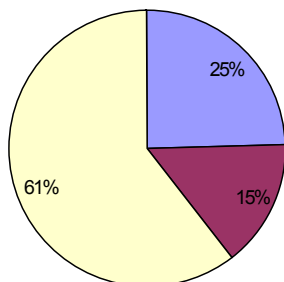
Prices slip, but further declines needed. A growing number of agents noted falling prices in July, as our index dropped to 23.2 from 31.3 in June (any reading below 50 indicated sequentially lower prices). However, we think many sellers are still trying to hold pricing despite weak traffic trends and high inventories as they hope for an early recovery. Unfortunately, rising inventories (our home listings index fell to 21.4 in July from 23.8 in June) and a longer time to sell (our index fell to 10.7 from 21.2 in June) suggest that lower pricing is likely needed in the coming months, especially as we head into the typically slow fall season.

- ▶ “Home prices are still a little high and it seems buyers are waiting for more of a drop before moving forward.”
- ▶ “There were four low appraisals in the past 1 1/2 months that I know of in my office.”

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 2005 sales in the area with 5% each.

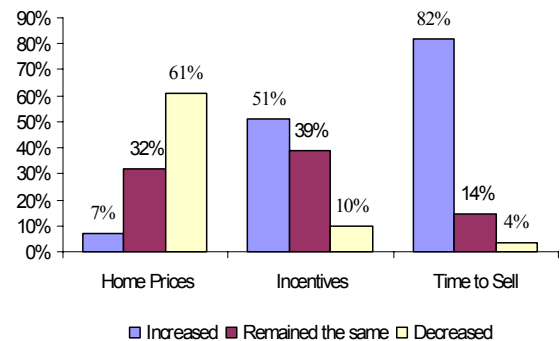
Leading Indicators Point to Further Price Declines in Coming Months

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



Source: Banc of America Securities LLC.

July Market Trends	
Traffic	
Home Prices	
Incentives	

“The Orlando metro area has four times the amount of inventory it had last year.”

Orlando, FL – No Signs of Improvement as Traffic Remains Weak, Prices Slip Further, and Inventories Rise

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

No incremental changes as buyers continue to wait for lower prices. The Orlando market remained stalled in July with traffic at low levels as our index came in at 17.1 from 13.5 in June. Agents said there continues to be no interest from buyers as prices fall further and once-popular sub-prime loans dry up, leaving affordability even more stretched than before. In addition, the main part of the proposed property tax relief bill is not up for a vote until the January '08 elections, which is encouraging buyers to sit tight for the next six months until there is better clarity on how much help they'll get. Until then, we think prices will continue to trend lower as sellers try to unload inventory.

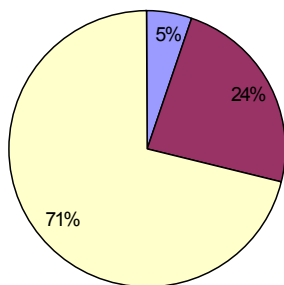
Further price reductions still needed to spur demand, work down oversupply. Prices continue to fall as sellers compete for few remaining buyers, but the reductions have yet to garner buyer interest according to agents. Our home price index fell slightly to 12.2 in July from 13.5 in June and remains well below a neutral reading of 50. Meanwhile, inventories rose further and time to sell lengthened as our indices measured 18.4 and 11.8, respectively, from 13.7 and 9.8 in June. Given the stretched affordability as massive inventory build-up, we think prices must decline significantly from current levels before demand stabilizes.

- ▶ “Buyers prefer to rent right now with prices falling and as they wait for the outcome of the proposed tax legislation.”

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.

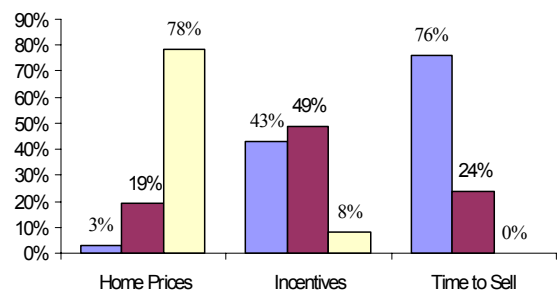
Buyers Have Little Interest in Buying Ahead of Further Price Declines and Potential Property Tax Relief in '08

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Buyers continue to wait for lower prices as inventories build, sellers become more aggressive.

Phoenix, AZ – Builder Incentives Undercut Resale Market; Existing Home Sellers Need to Adjust

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

“Buyers don’t want to catch a falling knife.” Our buyer traffic index remained at very low levels at 17.3 in July, unchanged from 16.7 in June (far short of a neutral reading of 50). Agents said the combination of falling home prices, lack of sub-prime financing, and massive inventories has significantly impacted buyers’ psyche, leaving few lookers left in the market. In addition, agents noted the resale market remains particularly weak as sellers struggle to compete with incentives offered by homebuilders. According to one agent, “Builder incentives keep pulling in buyers from the resale market.” We think this increases the likelihood of more severe price declines in coming months as existing sellers slash prices to compete with builders.

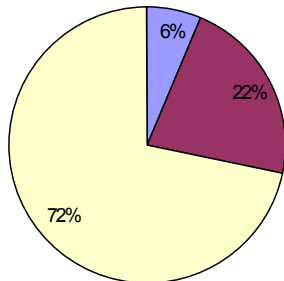
Growing signs of seller capitulation, but builders remain a step ahead. Home prices fell further in July, with our price index essentially unchanged at 17.2 from 14.6 in June. Agents said sellers are finally capitulating after having their homes languish on the market for months, but are still having trouble finding any takers. As one agent said, “Some sellers are giving up, but buyers are staying on the fence.” Others still noted a gap between buyer and seller expectations, as sellers have not matched incentives offered by new homebuilders (our incentive index was unchanged at 25.7 in July from 24.5 in June). Agents said common incentive packages included up to \$100,000 cash discounts along with paid closing costs and discounted upgrades. While we would not expect existing sellers to be able to keep pace dollar for dollar, we do think it will take more aggressive list price reductions to keep buyers in the existing home market and work off the inventory overhang.

- ▶ “Sellers are basically giving homes away, but still can’t get people to buy them.”

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 2005 unit sales in the area, followed by Meritage (18%), Pulte (16%), D.R. Horton (11%) and Toll (10%).

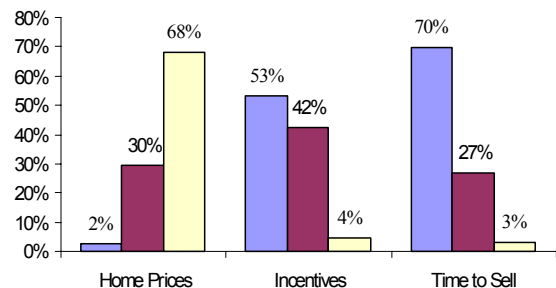
Full Capitulation Likely in Coming Months

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

We see risk of another leg down as a lack of available loans makes it tough to refinance ARMs resetting this fall.

Riverside-San Bernardino, CA (Inland Empire) – Buyer Confidence is Low as Foreclosures Rise, Prices Fall

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

Buyers continue to suffer from new lending standards, lack of financing options. Agents noted no noticeable changes to weak demand trends in July, as the market remains in a standstill as a result of tighter lending and falling home prices. Our buyer traffic index rose slightly to 18.5 in July from 13.9 in June, still pointing to disappointing traffic (readings below 50 indicate traffic below agents' expectations). Given the area's reliance on sub-prime mortgages and the large volume of ARMs resetting this fall, we think the Inland Empire will be particularly hard hit by the elimination of many sub-prime loans by major lenders. Unfortunately, we think rising foreclosures will add to the inventory problems, prolonging the downturn and pushing prices lower.

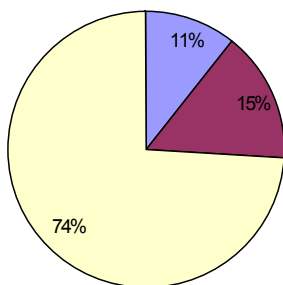
Risk of more severe price declines as foreclosures rise, builders become more aggressive. Our price index reached another new low in July, falling to 8.9 from 12.5 in June, well below a neutral reading of 50. 82% of agents said prices declined over the past 30 days, while 18% said they were unchanged. Agents blamed high and rising inventories (our home listings index fell to 12.2 in July from 16.2 in June) along with tightened credit for the lower prices, but noted that buyers still expect (and need) additional price declines. As one agent noted, "Even people who do want to buy usually cannot qualify under today's guidelines." However, even with the weak demand we see risk of continued building as homebuilders look to work down large land inventories and generate cash, which could lead to more severe price declines.

► "I am seeing lots of default notices, and the market is coming to a stop."

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%).

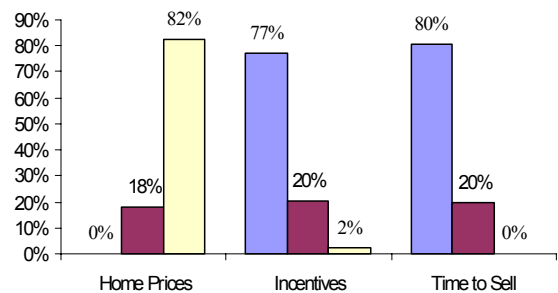
Demand is Scarce as Buyers Wait For Lower Prices, Better Financing Options

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

“There are fewer financing alternatives for buyers, and the lack of the sub-prime market is having an impact.”

Seattle, WA – Prices Fall, But Affordability Remains Stretched

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

Traffic deteriorated as affordability remains primary concern. Our traffic index improved modestly to 22.9 in July from 17.7 in June but remains far below a neutral reading of 50 and continues to point to weak traffic. Agents said the market seems to have gotten ahead of itself as, “local incomes are not sufficient to purchase homes following the recent price appreciation.” Stretched affordability is also being compounded by a lack of financing alternatives, according to agents, which is creating a wait-and-see approach among potential buyers. We think lower prices are needed to restore affordability and bring buyers back into the market.

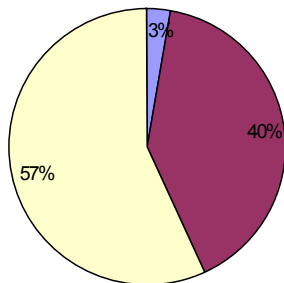
Rising inventories, longer time to sell pressures home prices. Home prices fell for the first time in six months, according to agents, as our price index fell to 42.4 in July from 48.3 in June (readings below 50 suggest lower prices). High inventories and weak demand led to a longer time needed to sell, according to agents, which pressured prices. One agent noted that, “inventory is at its highest in months, maybe years.” Almost all agents noted higher inventories and a longer time to sell in July, as our home listings and time to sell indices came in at 5.6 and 6.3 from 4.9 and 8.2, respectively, in June. As we see it, the only way to clear inventory through lower pricing.

► “There is a lack of buyers as prices remain too high.”

D.R. Horton has the best footprint in the local market. D.R. Horton generated approximately 1% of its 2005 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.

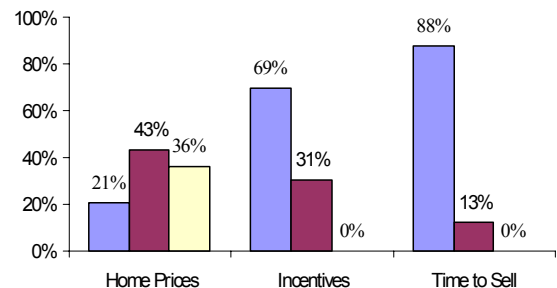
Further Price Declines Are Needed to Restore Affordability, Help Clear Inventory

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

High property taxes and insurance, rising inventories, and falling home prices continue to discourage buyers.

Tampa, FL – Buyers Not Swayed by Recent Price Reductions

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

No signs of improvement in Tampa. Agents noted more of the same problems in Tampa in July, as our buyer traffic index was unchanged at 15.5 from 15.8 in June, indicating further deterioration. The consensus from agents is that there are few reasons for buyers to purchase now when they sense prices have much further to fall given the huge inventory and continued affordability issues. However, some agents are still surprised at just how bad conditions are, with one commenting that, “It’s almost unexplainable. Prices are down, interest rates aren’t that bad, buyers have their choice of the best homes, the government is working on tax and insurance relief, yet there are NO buyers in the market.”

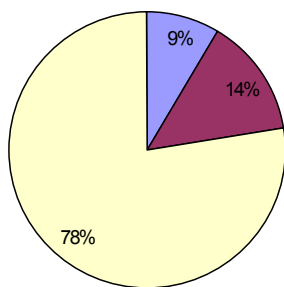
Sellers cut prices, but not fast enough to match buyers’ expectations. Prices continued to slide in July, with our price index falling to 6.0 from 10.1 in June (far below a neutral reading of 50) as nearly all agents noted lower prices over the past 30 days. Agents said sellers are playing a game of catch up as their price cuts haven’t kept pace with buyers’ demand for even lower prices. According to one agent, prices would have to come down to at least 2003 levels before there is any hope for a recovery. Meanwhile, inventories continue to grow (our home listings index was unchanged at 17.9 in July from 18.8 in June) and time to sell lengthened (our index was unchanged at 16.4 in July from 13.2 in June), both pointing to further pricing weakness.

- ▶ “Buyers are still waiting for prices to drop before they buy. They know that if they had purchased 2 or 3 months ago, they would have paid more than they would have to now... and they expect the same to be true several months from now.”

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.

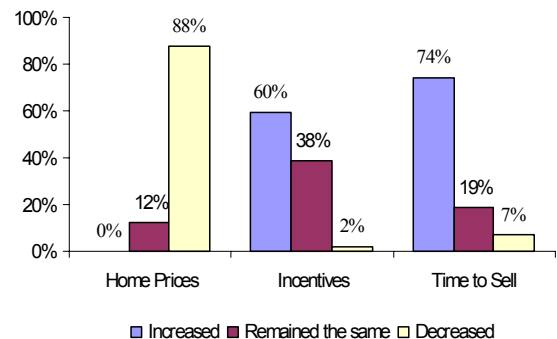
Its No Secret to Buyers That Lower Prices are Ahead

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



Source: Banc of America Securities LLC.

July Market Trends	
Traffic	
Home Prices	
Incentives	

“Lending is much tighter as a result of growing foreclosures, short sales, and auctions.”

Washington, D.C. – Lower Pricing Begins to Interest Some Buyers, But Further Declines Needed

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

Traffic remains weak, but agents point to a slight pick-up as sellers capitulate. Buyer traffic improved in July from low levels seen in June, although traffic continues to disappoint agents, as our traffic index increased to 25.0 from 19.7. While most agents still noted weak traffic as a result of stretched affordability (hurt further from tighter lending criteria) and falling prices, some agents indicated signs of hope as they saw homes that were “priced right” begin to attract buyer interest. One agent commented that “buyers and sellers are entering into rigorous negotiations.” Other agents agreed that sellers were becoming more realistic on pricing, and said this has helped drive better traffic, especially on homes closer in to the city.

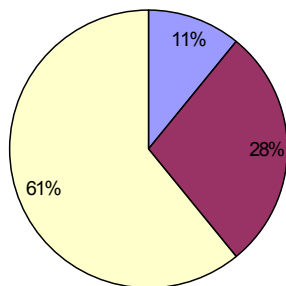
Prices fall as sellers become more willing to negotiate. Our price index was unchanged at 24.6 in July from 23.6 in June as most agents noted lower prices over the past 30 days (any reading below 50 indicates falling home prices). According to agents, reality has set in for sellers as summer wears on without any offers, and a growing number are starting to lower asking prices to move homes. We expect further price declines in coming months as sellers fully capitulate in the face of rising inventories and a longer time to sell. Our home listings index and time to sell index came in at 23.8 and 18.0 in July, up from 20.7 and 14.8, respectively, in June.

- ▶ “There is no sense of urgency as buyers continue to look for even lower prices.”
- ▶ “The reduction in prices has brought more buyers out to see what they can buy closer in to D.C.”

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 2005 sales. Washington represented 11% of Toll Brothers’ sales and 8% of Hovnanian’s sales.

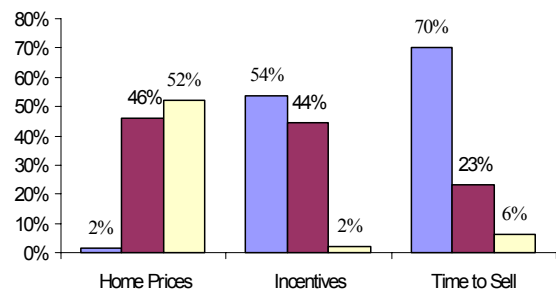
Lower Prices Remain the Key to Spurring Demand

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

Additional Key Housing Markets

July Market Trends	
Traffic	
Home Prices	
Incentives	

Baltimore, MD

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

Traffic below agents' expectations. Our traffic index improved to 14.3 in July from 8.8 in June, indicating stabilization at weak levels (any reading below 50 suggests traffic below agents' expectations). 71% of agents said traffic fell short of expectations, and 29% said it met expectations.

Prices up slightly, incentives worsen. Our price index measured 57.1 in July, up from 26.5 in June and indicating modestly higher home prices over the past 30 days (a level of 50 suggests flat pricing). 57% of agents said prices were unchanged, 29% said prices were higher, and 14% said prices decreased. However, incentives continued to worsen, as our incentive index came in at 25.0 in July (up from 14.3 in June). 50% of agents said incentives increased and 50% said they were unchanged.

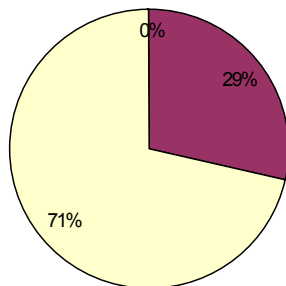
Time needed to sell lengthened – a negative indicator for future pricing trends. Our time to sell index came in at 28.6 in July, up from 5.9 in June but well short of a neutral reading of 50. 57% of agents said the time to sell was unchanged, while 43% said it took longer to sell a home. We view the longer time to sell as a negative indicator for future pricing.

- ▶ “The surplus of homes available is leaving buyers with no sense of urgency.”

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.

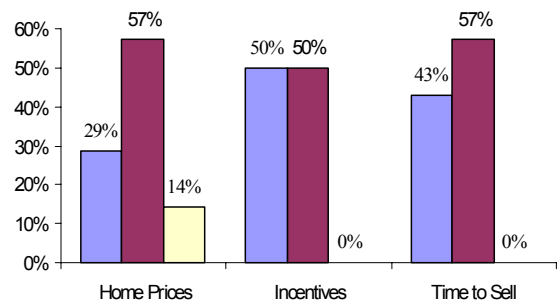
Traffic Short of Expectations, Prices Up, Incentives Deteriorate, Longer Time to Sell in July

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.

July Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

Boston, MA

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

Traffic in-line with expectations. Our traffic index improved to 50.0 in July from 30.8 in June as buyer traffic met agents' expectations following two disappointing months (a level of 50 indicate traffic in-line with expectations). 43% of agents said traffic met expectations, 29% said it fell short of expectations, and 28% said it exceeded expectations.

Prices and incentives deteriorate. Home prices fell further in July, as our price index was up modestly to 28.6 from 19.2 in June but short of a neutral reading of 50. 57% of agents said prices were unchanged, while 43% said they were lower over the past 30 days. Incentives also worsened in July, as our incentive index dropped to 10.0 from 50.0 in June. 80% of agents said incentives were higher, and 20% said they were unchanged.

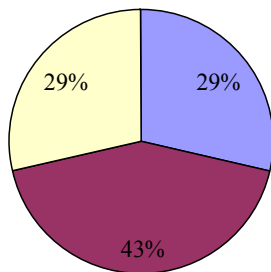
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index improved to 42.9 in July from 19.2 in June, still indicating a longer time needed to sell a home relative to last month (any reading below 50 suggests a longer time to sell). 57% of agents said the time to sell was unchanged, 29% said it took longer to sell a home, and 14% said it took less time to sell.

- ▶ “More competitive pricing is leading to better traffic.”
- ▶ “Buyers are waiting for prices to drop more.”

Pulte has the greatest exposure. Pulte has the most exposure to Boston, as it represented approximately 1% of the company's 2005 sales.

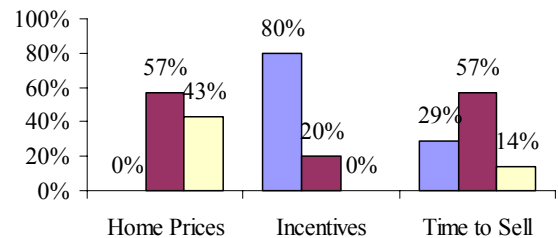
Traffic Meets Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Charleston, SC

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

Traffic below agents' expectations. Traffic continued to fall short of agents' expectations in July, as our traffic index improved slightly to 13.5 in July from 8.7 in June, but well short of a neutral reading of 50. 73% of agents said traffic fell short of expectations, and 27% said it was in-line with expectations.

Prices and incentives deteriorate. Our price index improved to 26.0 in July from 19.6 in June, but still indicates declining home prices (any reading below 50). 56% of agents said prices declined, 36% said prices were unchanged, and 8% said they were higher. Incentives also worsened, as our incentive index measured 20.0 in July, up from 15.9 in June (a level of 50 would suggest flat incentives). 60% of agents said incentives increased, and 40% said they were unchanged.

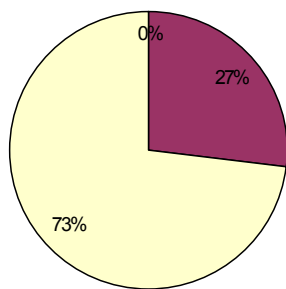
Longer time to sell points to further pricing weakness. Our time to sell index improved to 12.5 in July from 4.3 in June, but remained at low levels as 75% of agents noted a longer time needed to sell a home, and 25% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future pricing.

- ▶ "I think that all of the new construction has really hurt the re-sale market."
- ▶ "Everyone is afraid to buy at this time!"

Ryland and Centex have the greatest exposure. Ryland has the most exposure to the Charleston market, as it represented approximately 3% of the company's 2005 sales. Charleston represented 2% of Centex's sales.

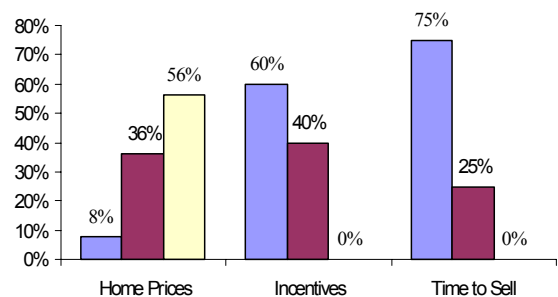
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Cincinnati, OH

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

Traffic below expectations. Our traffic index improved to 27.8 in July from 8.3 in June, but remains well below agents' expectations (a reading of 50 would suggest traffic in-line with agents' expectations). 67% of agents said traffic fell short of expectations, 22% said it exceeded expectations, and 11% said it was in-line with expectations.

Pricing and incentives deteriorate. Our price index was unchanged at 16.7 in July from 15.4 in June, indicating sequentially lower prices (readings below 50 indicate falling prices over the past 30 days). 67% of agents said prices declined, while 33% said prices were unchanged. Our incentive index was also unchanged at 22.2 in July from 20.0 in June, still pointing to deteriorating incentives. 67% of agents said incentives increased, 22% said they were unchanged, and 11% said sellers used fewer incentives.

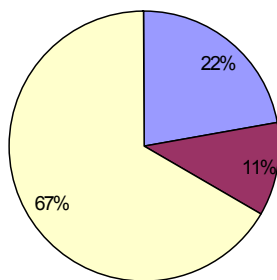
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index was essentially unchanged at 22.2 in July from 19.2 in June, indicating a longer time needed to sell a home over the past 30 days (any readings below 50). 56% of agents said it took longer to sell a home, and 44% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator of future pricing.

► "I've seen an increase in lender-owned properties."

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 2005 sales.

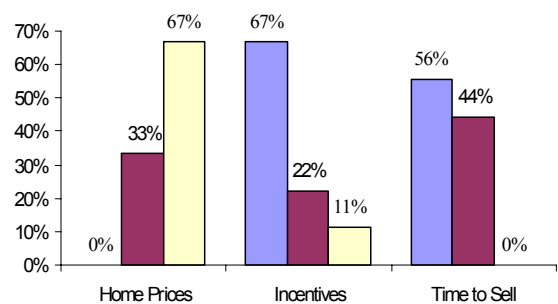
Traffic Below Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Columbus, OH

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

Traffic fell short of expectations. Our traffic index improved to 13.6 in July from 0.0 in June, still indicating traffic well below agents' expectations (any readings below 50). 73% of agents said traffic fell short of expectations, while 27% said it was in-line with expectations.

Pricing and incentives deteriorate further. Our price index came in at 27.3 in July, up from 18.2 in June but points to lower prices (any reading below 50 indicates sequentially lower prices). 55% of agents said prices declined, 36% said prices were unchanged, and 9% said prices were higher. Incentives also worsened, as our index fell slightly to 16.7 in July from 20.0. 78% of agents said incentives were higher, 11% said they were unchanged, and 11% said they were lower.

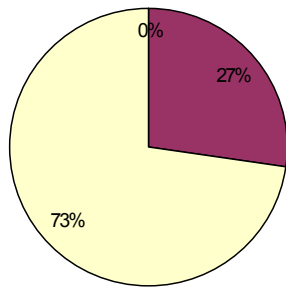
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index measured 18.2 in July (up from 9.1 in June), as 64% of agents said it took longer to sell a home and 36% said the time to sell was unchanged relative to June. We view the longer time needed to sell as a negative indicator for future pricing, as lower prices are needed to clear excess inventory.

- ▶ “New, tighter lending standards are limiting the number of first-time buyers.”

Centex has the most exposure to the Columbus market, as it represented approximately 2% of the company's 2005 sales.

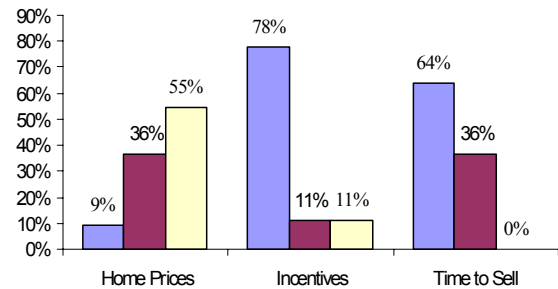
Traffic Short of Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Detroit, MI

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

Traffic below agents' expectations. Traffic continued to deteriorate in July, falling well short of agents' expectations as our traffic index dropped to 9.7 from 16.2 in June. 84% of agents said traffic was below expectations, 13% said it was in-line with expectations, and 3% said it exceeded expectations.

Nearly all agents note falling prices. Home prices continue to fall in Detroit, as our price index slipped further to 6.7 in July from 7.4 in June (readings below 50 indicate falling prices). 87% of agents said prices declined, and 13% of agents said prices were unchanged over the past 30 days. Incentives also deteriorated, as our index came in at 26.0 in July, up from 17.2 in June. 60% of agents said incentives increased, 28% said they were unchanged, and 12% said they were lower.

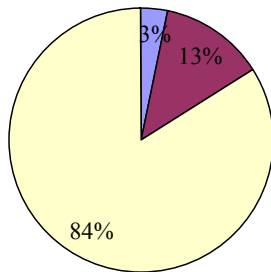
Time needed to sell lengthened – a negative indicator for future pricing trends. Our time to sell index was unchanged at 9.7 in July from 10.6 in June, as 81% of agents noted a longer time needed to sell a home and 19% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future pricing as sellers become more aggressive to move inventory.

► “Home values have fallen back to 1999 prices.”

Pulte, Toll Brothers, and Centex have the greatest exposure. Pulte has the most exposure to the Detroit market, as it represented approximately 5% of the company's 2005 sales. Detroit represented 5% of Toll Brother's sales and 2% of Centex's sales.

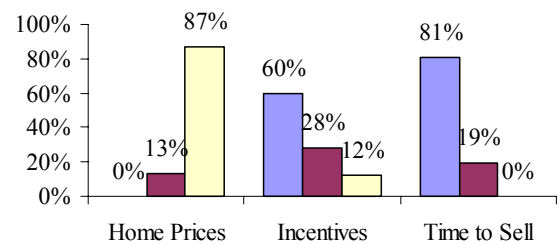
Traffic Short of Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Nashville, TN

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

Traffic below expectations. Our traffic index improved to 28.6 in July from 12.5 in June, still pointing to buyer traffic below agents' expectations (any reading below 50). 57% of agents said traffic fell short of expectations, 29% said it met expectations, and 14% said it was better than expected.

Pricing and incentives deteriorate. Home prices fell modestly for the second month in a row, with our price index coming in at 42.9 in July, up from 31.3 in June but short of a neutral reading of 50. 57% of agents said prices were unchanged, 29% said prices were lower, and 14% said prices increased over the past 30 days. Incentives continued to worsen, as our incentive index measured 16.7 in July (up from 7.1 in June) with any readings below 50 pointing to higher incentives. 67% of agents said incentives increased, and 33% said they were unchanged. We expect higher inventories and weak demand to pressure prices further in coming months.

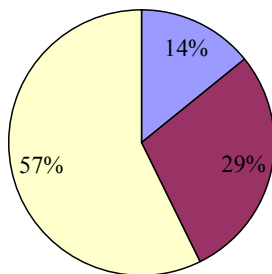
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 14.3 in July from 25.0 in June, indicating a longer time needed to sell a home relative to June (any reading below 50). 71% of agents said it took longer to sell a home, and 29% said the time to sell was unchanged.

- ▶ "I am having trouble with appraisals coming in below contract prices/?"

Centex has the greatest exposure. Centex has the most exposure to the Nashville market, but only represented approximately 1% of the company's 2005 sales.

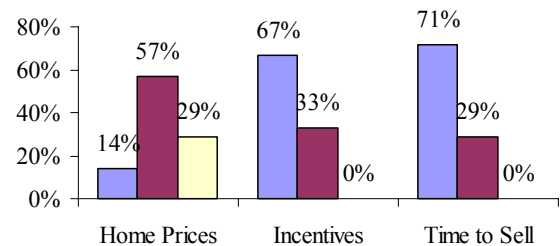
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Philadelphia, PA-Southern NJ

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

Traffic falls short of expectations. Traffic was below agents' expectations again in July, as our traffic index was unchanged at 21.3 from 20.7 in June. 63% of agents said traffic fell short of expectations, 33% said it met expectations, and 4% said it exceeded expectations.

Prices and incentives worsened. Prices fell further in July, as our price index slipped to 15.0 from 28.3 in June (any reading below 50 points to sequentially lower home prices). 73% of agents said prices declined, 25% said prices were unchanged, and 2% said prices were higher. Incentives also worsened, as our index was unchanged at 20.0 in July from 21.1 in June with any reading below 50 pointing to higher incentives. 67% of agents said incentives were higher, 27% said they were unchanged, and 6% said incentives were lower.

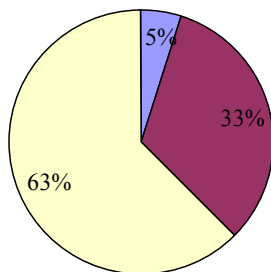
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Nearly all agents noted a longer time needed to sell a home in July as our time to sell index fell to 6.4 from 17.0 in June. 87% of agents said it took longer to sell a home, while 13% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future pricing as sellers are forced to lower prices to compete with rising inventories.

- ▶ “Listings are still coming but buyers are few and far between.”
- ▶ “As an appraiser, I am feeling increased pressure from underwriters to tighten data.”

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 2005 sales, followed by NVR and Hovnanian at 6% and 3% of sales, respectively.

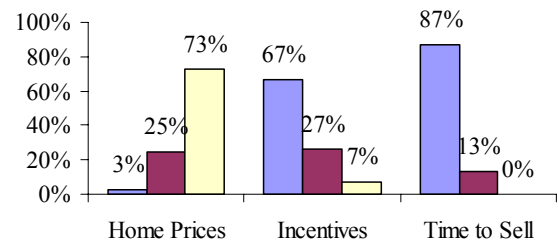
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Port St. Lucie, FL

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

Traffic far short of expectations. Our traffic index fell to 6.3 in July from 44.4 in June as buyer traffic levels disappointed nearly every agent surveyed. 88% of agents said traffic fell short of expectations, while 12% said it met expectations. Demand continues to deteriorate in Port St. Lucie as inventory levels worsen and housing costs remain unaffordable.

Prices and incentives deteriorate further. Home prices continued to decline in July, as our price index was unchanged at 6.3 from 5.6 in June. 88% of agents said prices were lower over the past 30 days, while 12% said they were unchanged. Incentives also deteriorated, as our index fell to 18.8 in July from 22.2 in June. 63% of agents said incentives were higher, and 37% said they were unchanged.

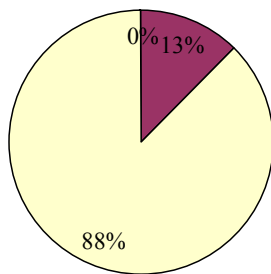
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 31.3 in July, up from 27.8 in June but still short of a neutral reading (a level of 50 would suggest the time to sell was unchanged relative to last month). 63% of agents noted a longer time needed to sell, 24% said it took less time, and 13% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future price levels.

- ▶ “Many buyers are unable to purchase now due to current property taxes and home insurance rates.”

Pulte and Standard Pacific have the greatest exposure. Pulte has the most exposure to the Port St. Lucie market, as it represented approximately 5% of the company’s 2005 sales. Port St. Lucie represented 3% of Standard Pacific’s sales.

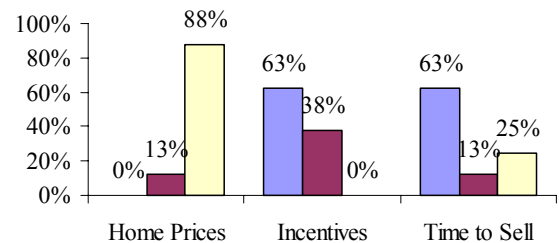
Traffic Short of Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Portland, OR

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

Traffic below expectations. Buyer traffic disappointed agents again as our traffic index fell to 13.0 in July from 23.9 in June to reach the lowest level since our survey began (a level of 50 suggests traffic in-line with expectations). 80% of agents said traffic fell short of expectations, 13% said it met expectations, and 7% said it was better than expected.

Prices and incentives worsen. Prices fell for the second consecutive month in July, as our index fell to 23.9 from 37.2 in June. 57% of agents said prices declined, 39% said they were unchanged, and 4% said they were higher over the past 30 days. Incentives also worsened, as our incentive index fell to 15.5 in July from 23.8 in June (readings below 50 indicate higher incentives). 72% of agents said incentives increased, while 26% said they were unchanged and 2% said they were lower.

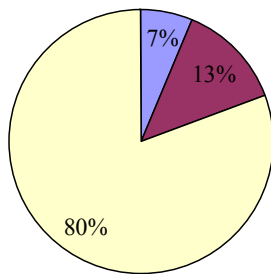
Time needed to sell lengthened – a negative indicator for future pricing. Our time to sell index fell to 7.8 in July from 14.0 in June indicating a longer time needed to sell a home as compared with 30 days ago (any level below 50 suggests a longer time to sell). 84% of agents said it took longer to sell a home, and 16% said the time to sell was unchanged. We view the longer time needed to sell a home as a negative indicator of future pricing trends.

- ▶ “The entry-level market is being hurt most by tighter lending.”
- ▶ “People have lost all sense of urgency.”

D.R. Horton and Centex have the greatest exposure. Portland represented approximately 1% of 2005 sales for both D.R. Horton and Centex.

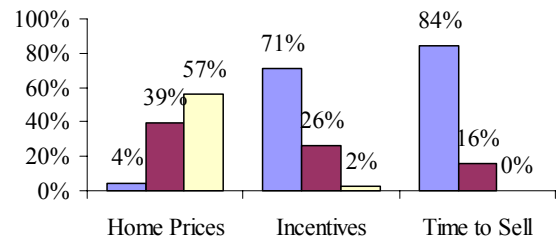
Traffic Short of Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Raleigh, NC

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

Traffic below expectations. Our traffic index increased modestly to 38.6 in July from 33.3 in June from 27.8, still indicating traffic short of agents' expectations (readings below 50). 41% of agents said traffic was less than expected, 41% said it met expectations, and 18% said it exceeded expectations. Despite a healthy local economy, agents say housing in Raleigh has been hurt in recent months due to a spillover effect since buyers can't sell their existing homes in other markets in order to move.

Prices fall, incentives worsen. Home prices fell modestly in July for the second time in the past three months, as our price index slipped to 42.5 from 55.6 in June. 75% of agents said prices were unchanged, 20% said they declined, and 5% said prices were higher. Incentives also worsened, as our incentive index fell to 18.4 in July from 38.2 in June (readings below 50 indicate sequentially higher incentives). 63% of agents said incentives were higher, while 37% said they were unchanged.

Time need to sell a home lengthened – a negative indicator for future pricing trends. Our time to sell index fell to 19.0 in July from 29.4 in June, as 62% of agents noted a longer time needed to sell a home, and 38% said the time to sell was unchanged. We think rising listings and a longer time needed to sell are likely to lead to further modest price declines in coming months.

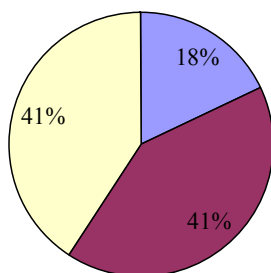
- ▶ "I have seen a decrease in relocation traffic, and lower buyer confidence."

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

Hovnanian has the most exposure to the Raleigh market, as it represented approximately 4% of the company's 2005 sales. Raleigh represented 3% and 2% of sales for Standard Pacific and KB Home, respectively.

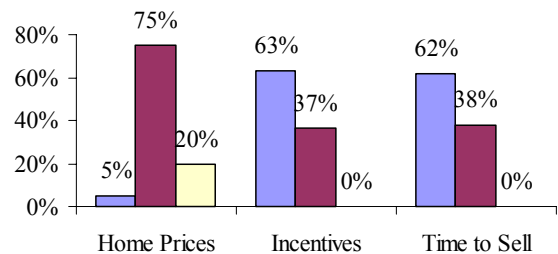
Traffic Below Expectations, Prices Increase But Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Richmond, VA

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

Every agent notes traffic below expectations. Our traffic index fell to 0.0 in July from 14.3 in June, as buyer traffic disappointed every agent surveyed (a reading of 50 would suggest traffic in-line with expectations). Agents blamed the low traffic levels on further tightening in lending standards, which is keeping potential buyers sidelined.

Prices and incentives deteriorate. Our price index fell to 14.3 in July from 42.9 in June, suggesting lower prices over the past 30 days (readings below 50 indicate sequentially lower prices). 71% of agents said prices were lower, while 29% said prices were unchanged. Incentives also worsened, as our index fell to 7.1 in July from 28.6 in June (readings below 50 point to higher incentives). 86% of agents said incentives were higher, while 14% said they were unchanged.

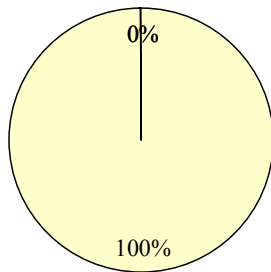
All agents note a longer time needed to sell. Our time to sell index fell to 0.0 in July from 7.1 in June as every agent surveyed noted a longer time needed to sell a home over the past 30 days. We view the longer time needed to sell as a negative indicator for future pricing trends, as sellers must lower prices to compete with rising inventory.

- “Buyer confidence is low and sellers’ price expectations are still not in-line with what buyers are willing to pay.”

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 2005 sales. Richmond represented 1% of sales for Centex.

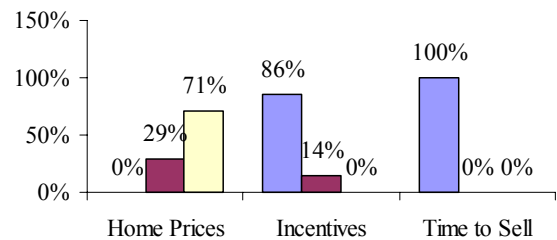
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Sacramento, CA

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

Traffic worsens further. Our traffic index slipped to 11.1 in July from 14.3 in June, suggesting traffic well below agents' expectations (a level of 50 points to traffic in-line with expectations). 78% of agents said traffic fell short of expectations, and 22% said it was in-line with expectations.

Pricing and incentives deteriorate. Our price index rose slightly to 11.1 in July from 5.7 in June but still points to falling prices (any readings below 50 indicate sequentially lower prices). 78% of agents said prices were lower, and 22% said they were unchanged relative to last month. In addition, incentives continued to increase, as our incentive index fell to 15.6 in July from 25.0 in June. 69% of agents said incentives were higher, and 31% said they were unchanged.

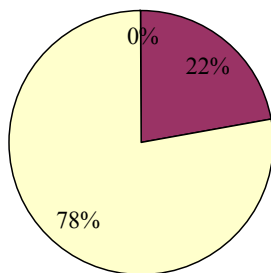
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 8.3 in July from 10.3 in June, indicating a longer time needed to sell a home as compared with 30 days ago. 83% of agents said the time to sell increased, while 17% said it took the same length of time. We think the longer time to sell will continue to pressure prices in the coming months as sellers become more aggressive to move inventory.

- ▶ "Prices are dropping, and buyers getting smarter."
- ▶ "Market values are declining rapidly."

Meritage, Hovnanian, and Lennar have the greatest exposure. Meritage has the most exposure to the Sacramento market, as it represented approximately 7% of the company's 2005 sales. Sacramento represented 6% of Hovnanian's sales and 5% of Lennar's sales.

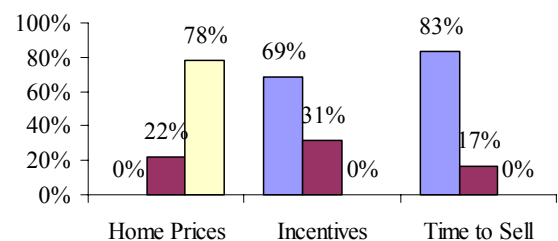
Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

San Antonio, TX

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

Traffic below expectations. Buyer traffic continued to deteriorate in July, with our traffic index falling to a new low at 26.9, down from 33.3 in June. 62% of agents said traffic fell short of expectations, 23% said it met expectations, and 15% said it exceeded expectations. Tighter lending criteria and rising inventories are negatively impacting demand, according to agents.

Home prices fall, incentives rise. Home prices declined in July for the first time since our survey began, as our price index fell to 42.3 from 53.7 in June (readings below 50 indicate sequentially lower prices). 54% of agents said prices were unchanged, 31% said prices declined, and 15% said prices were higher over the past 30 days. Incentives also worsened as builders continue to push for volume, as our incentive index came in at 19.2 in July (from 7.1 in June). 69% of agents said incentives were higher, 23% said they were unchanged, and 8% said they were lower.

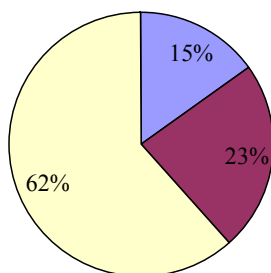
Length of time needed to sell a home increased – a negative indicator for future pricing. Our time to sell index fell to 11.5 in July from 16.1 in June, indicating a longer time needed to sell a home over the past 30 days (readings below 50). 85% of agents noted a longer time needed to sell a home, 8% said the time to sell was unchanged, and 7% said it took less time.

- ▶ “Investor activity from last year is now absent, and the move-up buyers are pausing due to lack of demand for their existing homes,”

KB Home, D.R. Horton, and Ryland have the greatest exposure. KB Home has the most exposure to the San Antonio market, as it represented approximately 7% of the company’s 2005 sales. San Antonio represented 6% of D.R. Horton’s sales and 3% of Ryland’s sales.

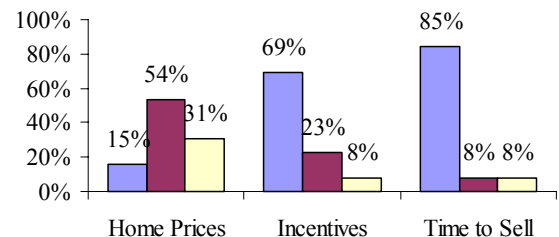
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

San Diego, CA

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

Traffic far below agents' expectations. Our traffic index was unchanged at 20.0 in July from 21.3 in June, indicating traffic well below agents' expectations (a reading of 50 would suggest traffic in-line with expectations). 67% of agents said traffic fell short of expectations, 27% said it met expectations, and 6% said it was better than expected.

Pricing and incentives worsen. Our price index was virtually unchanged at 31.1 in July from 27.8 in June and still points to lower prices (any reading below 50 indicates sequentially lower prices). 49% of agents said prices were unchanged, 44% said they were lower, and 7% said prices were higher over the past 30 days. In addition, incentives continued to worsen, with our incentive index essentially unchanged at 16.3 in July from 14.6 in June. 68% of agents said incentives increased, while 32% said they were unchanged.

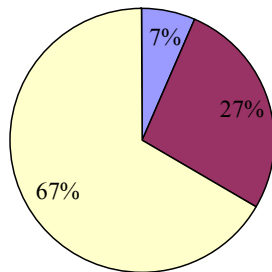
Almost all agents note longer time to sell – a negative indicator for future pricing. Our time to sell index fell to 10.0 in July from 22.8 in June, indicating a longer time needed to sell a home as compared with 30 days ago. 84% of agents said the time to sell lengthened, 11% said it was unchanged, and 5% said it took less time to sell a home.

- ▶ “I’ve had three escrows fall apart because buyers could not get financed at the close of the transaction.”
- ▶ “The continued decline in list prices and increasing supply are discouraging buyers.”

Standard Pacific, D.R. Horton, and Lennar have the greatest exposure. Standard Pacific has the most exposure to the San Diego market, as it represented approximately 15% of the company's 2005 sales. San Diego represented 5% of D.R. Horton's sales and 3% of Lennar's sales.

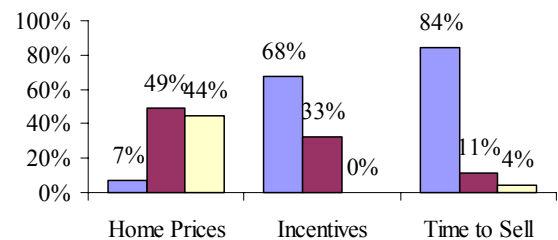
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

San Francisco, CA

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

Traffic below expectations. Buyer traffic continued to deteriorate in July, as our traffic index fell to 21.4 from 25.5 in June (readings below 50 indicate traffic below agents' expectations). 61% of agents said traffic fell short of expectations, 35% said it met expectations, and just 4% said it exceeded expectations. Stricter lending guidelines continue to compound existing affordability concerns in San Francisco, according to agents, with few signs of easing.

Prices and incentives worsen. Prices fell again in July, the third consecutive month of declining prices, as our price index fell to 31.3 from 40.6 in June. 50% of agents said prices declined, 38% said they were unchanged, and 12% said prices were higher over the past 30 days. Incentives also deteriorated, as our index was unchanged at 17.7 in July from 18.2 in June (readings below 50 indicate higher incentives). 74% of agents said incentives were higher, 16% said they were unchanged, and 10% said they decreased.

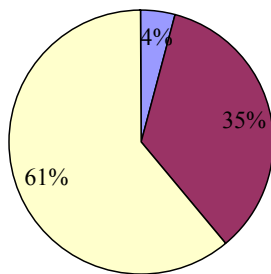
Longer time needed to sell points to further pressure on home prices. Our time to sell index was unchanged at 17.0 in July from 16.0 in June, indicating a longer time needed to sell a home as compared with 30 days ago. 74% of agents said it took longer to sell a home, 17% said the time to sell was unchanged, and 9% said it took less time. We view the longer time needed to sell a home as a negative indicator for future pricing trends.

- "Competition is tough for new business as we are selling homes against a large builder who is offering huge incentives."

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 2005 sales. San Francisco represented 6% of Standard Pacific's sales and 3% of Meritage's sales.

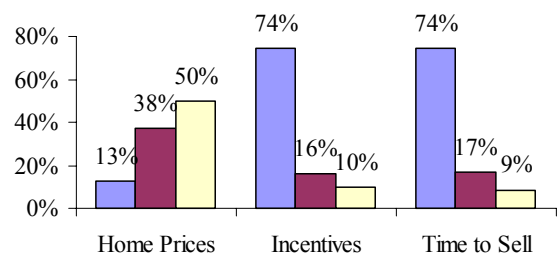
Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Sarasota, FL

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

Traffic below agents' expectations. Our traffic index improved modestly to 38.9 from 32.7 in June, but remains below agents' expectations (readings of 50). 48% of agents said traffic fell short of expectations, 26% said it was in-line with expectations, and 26% said it exceeded expectations.

Prices and incentives worsen. Our price index was essentially unchanged at 11.1 in July from 8.0 in June, indicating further price declines (a level of 50 would suggest flat prices). 78% of agents said prices were lower over the past 30 days and 22% said they were unchanged. Incentives also deteriorated, as our index came in at 25.0 in July (up from 17.4 in June). 50% of agents said incentives worsened, and 50% said they were unchanged.

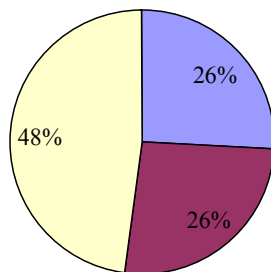
Length of time needed to sell a home increased – a negative indicator for future pricing. Our time to sell index was slightly higher at 25.9 in July from 21.2 in June, but still points to a longer time needed to sell a home over the past 30 days (readings below 50). 59% of agents said it took longer to sell a home, 30% said the time to sell was unchanged, and 11% said it took less time to sell a home. We expect further meaningful price declines in Sarasota given the huge inventory overhang and scarce demand.

- ▶ “Buyers are discouraged as the tax relief package passed by the state is receiving considerable negative press since it did not meet expectations.”
- ▶ “There is still a reluctance to buy as prices fall.”

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 2005 sales. Sarasota represented 3% of Standard Pacific's sales and 2% of Lennar's sales.

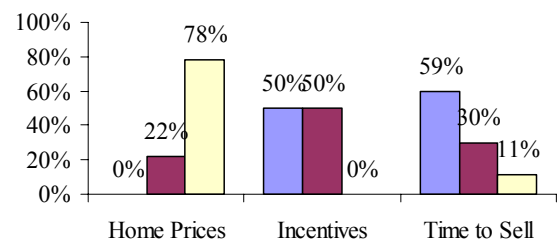
Traffic Falls Short of Expectations, Prices and Incentives Worsen, Longer Time to Sell in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Tucson, AZ

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

Traffic far short of expectations. Our traffic index fell to 19.6 in July from 26.8 in June, indicating continued deterioration in buyer traffic (any reading below 50 points to traffic below expectations). 71% of agents said traffic was below expectations, 18% said it was in-line with expectations and 11% said it exceeded expectations.

Pricing and incentives worsen. Our price index was unchanged at 21.4 in July from 21.4 in June, indicating further price declines (readings below 50 indicate sequentially lower prices). 64% of agents said prices were lower, 29% said they were unchanged, and 7% said they were higher over the past 30 days. Incentives also worsened, with our incentive index coming in at 31.5 in July (up from 14.8 in June) with any reading below 50 suggesting higher incentives. 48% of agents said incentives were unchanged, 44% said they increased, and 8% said incentives were lower.

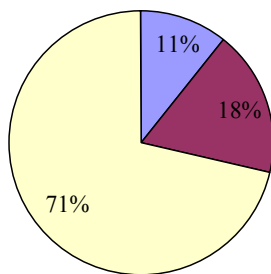
Longer time needed to sell points to further price deterioration. Our time to sell index fell slightly to 23.2 in July from 25.0 in June, indicating a longer time needed to sell a home over the past 30 days (readings below 50). 57% of agents said it took longer to sell a home, 39% said the time to sell was unchanged, and 4% said it took less time.

► “Pricing is not competitive enough for the number of listings here.”

Meritage, MDC, and KB Home have the greatest exposure. Meritage has the most exposure to the Tucson market, as it represented approximately 11% of the company’s 2005 sales. Tucson represented 6% of MDC’s sales and 5% of KB Home’s sales.

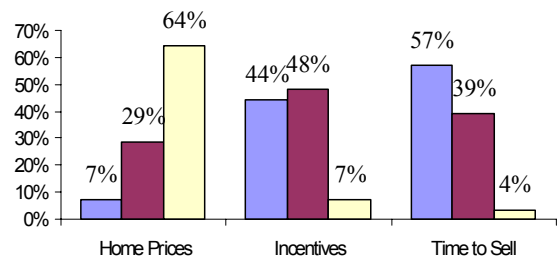
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Virginia Beach, VA

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

Traffic below expectations. Our traffic index fell to 20.6 in July from 38.5 in June as buyer traffic fell further below agents' expectations – the third straight month of disappointing traffic. 65% of agents said traffic was below expectations, 29% said it was in-line with expectations, and 6% said it exceeded expectations.

Prices fall, incentives rise. Our price index fell to its lowest level since we began surveying the market in June '06, dropping to 14.7 in July from 23.1 in June (readings below 50 suggest falling home prices). 71% of agents said prices declined, while 29% said prices were unchanged. Incentives also deteriorated as our incentive index fell to 13.3 in July from 30.8 in June. 73% of agents said incentives increased, and 27% said they were unchanged.

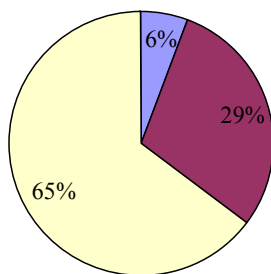
Length of time needed to sell a home increased – a negative indicator for future pricing. Our time to sell index fell to 14.7 in July from 19.2 in June indicating a longer time to sell over the past 30 days. 76% of agents said it the time to sell lengthened, 18% said the time to sell was unchanged, and 6% said it took less time to sell a home. We view the longer time needed to sell as a negative indicator of future pricing trends as sellers must lower prices to attract buyers and unload inventory.

- ▶ “There are so many listings available; buyers feel no pressure to make a decision.”

Centex has the greatest exposure. Centex has the most exposure to the Virginia Beach market, as it represented approximately 1% of the company's 2005 sales.

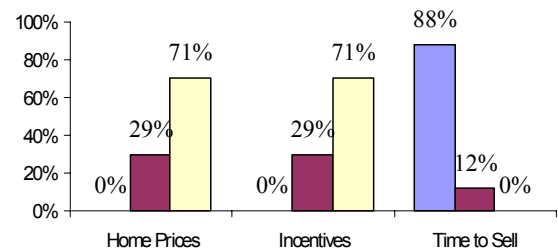
Traffic Short of Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in July

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.

July Market Trends	
Traffic	
Home Prices	
Incentives	

Wilmington, NC

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

Traffic well below expectations. Our traffic index fell to 9.1 in July from 15.6 in June, pointing to traffic far short of agents' expectations (readings below 50 indicate traffic below expectations). 91% of agents said traffic fell short of expectations, and 9% said it exceeded expectations.

Prices and incentives deteriorate. Our price index fell to 13.6 in July from 28.1 in June, pointing to sequentially lower prices (readings below 50 indicate falling home prices). 73% of agents said prices declined, and 27% said they were unchanged. Incentives also deteriorated, as our incentive index fell to 27.3 in July from 37.3 in June. 55% of agents said incentives were unchanged, and 45% said incentives increased.

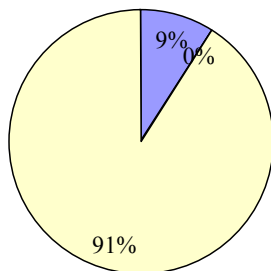
Length of time needed to sell a home increased – a negative indicator for future pricing. Our time to sell index came in at 18.2 in July, up modestly from 6.7 in June but still pointing to a longer time needed to sell (a level of 50 would suggest the time to sell was unchanged). 64% of agents said it took longer to sell a home, and 36% said it took the same length of time to sell a home.

► “Buyers still think pricing will get better.”

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

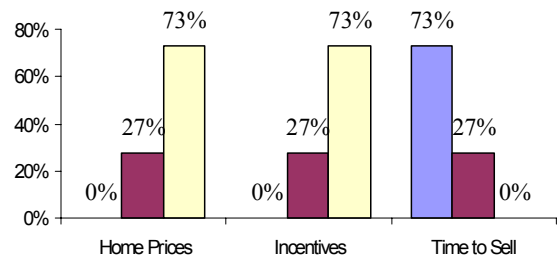
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in July

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

Traffic remains slow in Arizona, California, Florida, and Vegas; D.C. improves but still at weak levels. Arizona, California, Florida, and Vegas remained far below agents' expectations in July. Washington, D.C., showed improvement this month but still remains at very weak levels. Austin and Boston were the only two markets of the Top-40 with traffic in-line with agents' expectations.

Traffic Increased Sequentially in 21 Markets But Remained Below Agents' Expectations in All But Two

	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06	
	Traffic Levels [> 50.0: above seasonal expectations/ = 50.0: in-line with expectations/ <50.0: below expectations]																			
Atlanta, GA	21.9	24.0	32.1	25.5	34.6	37.7	50.5	38.4	30.4	23.9	26.8	23.8	25.0	30.2	42.9	22.7	7.1	57.1	66.7	
Austin, TX	46.7	45.6	58.0	56.8	66.7	70.0	54.8	62.5	54.2	57.0	60.2	58.3	75.5	69.9	n/a	n/a	n/a	n/a	n/a	
Baltimore, MD	14.3	8.8	35.7	18.8	65.0	50.0	65.6	40.0	25.0	18.8	33.3	22.2	16.7	18.2	n/a	n/a	n/a	n/a	n/a	
Boston, MA	50.0	30.8	30.0	45.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Charleston, SC	13.5	8.7	31.0	26.2	34.6	46.0	55.4	41.7	36.9	35.1	26.2	23.7	29.2	28.2	n/a	n/a	n/a	n/a	n/a	
Charlotte, NC	37.5	29.0	33.8	44.1	53.1	57.1	58.8	52.6	46.5	46.8	47.1	56.1	49.0	51.3	72.2	57.7	55.6	66.7	57.9	
Chicago, IL	19.8	16.7	23.5	29.0	33.3	36.6	52.3	33.7	29.9	17.5	16.4	16.3	16.2	17.0	11.1	16.7	31.8	64.3	33.3	
Cincinnati, OH	27.8	8.3	14.7	33.3	40.0	31.0	61.1	23.3	21.9	21.4	14.3	25.0	16.7	19.8	n/a	n/a	n/a	n/a	n/a	
Columbus, OH	13.6	0.0	11.8	28.1	38.1	50.0	40.0	26.7	25.8	18.6	30.0	40.0	11.1	20.8	n/a	n/a	n/a	n/a	n/a	
Dallas, TX	26.9	28.5	30.6	28.0	49.2	43.8	56.9	43.6	39.0	30.0	27.0	29.0	39.8	44.3	50.0	33.3	50.0	71.4	77.3	
Denver, CO	33.7	41.0	40.0	49.1	48.9	43.8	30.5	40.5	29.7	25.0	17.6	17.2	20.1	20.0	20.0	30.0	35.0	15.0	45.0	
Detroit, MI	9.7	16.2	22.8	27.9	25.0	18.8	41.7	25.8	13.0	12.8	5.9	15.5	6.3	10.2	18.2	33.3	22.7	18.8	34.6	
Fort Myers, FL	17.2	18.9	21.4	19.0	22.6	20.5	40.9	31.8	19.6	7.7	20.8	11.1	18.0	7.5	n/a	n/a	n/a	n/a	n/a	
Houston, TX	34.5	29.7	38.1	44.9	59.2	53.7	52.5	54.9	45.3	48.5	42.7	50.0	47.7	56.8	70.6	41.2	63.0	77.3	58.7	
Inland Empire, CA	18.5	13.9	12.9	15.8	30.3	26.5	50.0	35.2	27.0	24.5	13.0	8.2	16.7	17.2	4.2	15.0	27.8	34.4	25.0	
Jacksonville, FL	11.4	20.0	12.0	29.4	36.5	36.0	35.7	31.3	44.1	21.7	25.0	10.7	11.1	9.6	37.5	33.3	35.3	n/a	n/a	
Las Vegas, NV	16.7	17.5	18.8	22.5	30.0	39.4	43.9	33.5	22.2	19.2	16.9	17.3	16.0	20.9	14.3	18.2	29.2	10.0	45.0	
Los Angeles, CA	27.9	17.5	24.5	27.2	49.5	48.0	47.2	40.4	25.3	24.0	14.4	11.7	19.2	18.2	10.0	19.2	15.0	27.3	38.9	
Miami, FL	11.7	9.3	10.6	15.9	22.2	21.6	25.8	24.1	23.1	13.9	15.0	19.0	11.0	11.1	0.0	33.3	11.1	16.7	7.1	
Minneapolis, MN	15.1	20.9	21.6	24.2	36.8	37.5	49.3	33.5	25.0	11.6	10.5	14.4	16.7	12.4	9.7	18.9	25.8	37.9	35.5	
Nashville, TN	28.6	12.5	23.1	37.5	58.3	33.3	46.5	47.9	36.0	33.6	39.0	43.1	51.7	52.4	n/a	n/a	n/a	n/a	n/a	
New York-Northern NJ	32.0	28.8	27.6	33.1	40.7	46.4	53.5	34.2	37.5	18.5	16.7	22.0	25.0	18.4	4.5	22.2	16.7	18.2	31.8	
Orlando, FL	17.1	13.5	16.7	25.0	21.9	25.8	45.7	30.6	23.5	21.2	25.0	15.0	15.9	22.0	37.5	26.9	25.0	34.4	20.0	
Phila.-Southern NJ	21.3	20.7	30.0	38.0	48.6	50.0	51.6	48.0	34.1	23.5	22.3	26.0	23.5	24.6	6.3	25.0	37.5	40.9	27.3	
Phoenix, AZ	17.3	16.7	18.4	26.9	24.8	35.5	41.6	42.7	27.6	16.7	17.4	12.3	16.4	16.6	9.4	13.6	26.7	29.4	38.5	
Port St. Lucie, FL	6.3	44.4	19.2	18.2	20.8	16.7	57.1	21.4	18.2	0.0	12.5	16.7	0.0	7.7	n/a	n/a	n/a	n/a	n/a	
Portland, OR	13.0	23.9	30.5	29.3	50.0	40.2	48.1	38.3	25.0	23.9	20.7	22.9	29.9	35.3	n/a	n/a	n/a	n/a	n/a	
Raleigh, NC	38.6	33.3	27.8	52.1	39.1	46.2	55.3	43.8	42.0	37.5	41.0	44.7	44.4	47.9	n/a	n/a	n/a	n/a	n/a	
Richmond, VA	0.0	14.3	45.0	8.3	41.7	33.3	42.9	44.1	28.6	16.7	22.2	28.3	25.9	28.2	n/a	n/a	n/a	n/a	n/a	
Sacramento, CA	11.1	14.3	23.6	25.0	37.5	42.3	48.3	52.8	29.0	15.2	16.7	23.6	19.4	11.2	10.0	16.7	18.8	28.6	16.7	
San Antonio, TX	26.9	33.3	46.0	36.2	50.0	54.3	43.5	42.3	49.2	52.6	61.4	55.2	75.0	70.5	n/a	n/a	n/a	n/a	n/a	
San Diego, CA	20.0	21.3	24.4	32.3	46.0	46.9	48.5	46.2	34.3	17.3	12.1	18.8	14.4	16.0	n/a	n/a	n/a	n/a	n/a	
San Francisco, CA	21.4	25.5	31.7	43.8	51.4	56.9	53.4	42.3	25.0	15.7	23.1	20.3	10.6	16.1	n/a	n/a	n/a	n/a	n/a	
Sarasota, FL	38.9	32.7	33.3	27.3	26.6	28.6	29.4	35.7	26.3	21.7	22.5	13.8	4.7	12.2	n/a	n/a	n/a	n/a	n/a	
Seattle, WA	22.9	17.7	36.4	40.8	46.3	50.0	37.2	40.7	31.4	34.4	32.1	42.9	41.3	48.6	44.4	52.8	46.2	50.0	54.5	
Tampa, FL	15.5	15.8	9.6	17.2	15.3	16.4	31.4	25.0	11.5	5.2	5.9	8.1	13.9	17.8	0.0	6.3	31.3	26.7	37.5	
Tucson, AZ	19.6	26.8	28.2	31.3	28.3	24.3	34.4	34.6	26.5	16.1	13.6	14.6	21.8	23.6	n/a	n/a	n/a	n/a	n/a	
Virginia Beach, VA	20.6	38.5	10.0	47.1	55.0	59.4	62.5	44.2	28.0	28.6	21.7	18.1	10.0	23.3	n/a	n/a	n/a	n/a	n/a	
Washington, DC	25.0	19.7	31.6	37.4	48.5	60.3	68.0	51.2	38.0	21.4	15.6	14.9	10.1	12.5	4.2	15.6	25.0	40.9	26.9	
Wilmington, NC	9.1	15.6	19.4	25.0	38.9	59.4	59.3	20.0	34.8	21.2	12.5	17.7	8.1	21.0	n/a	n/a	n/a	n/a	n/a	
Total	21.8	21.9	26.4	31.1	40.1	40.9	48.0	38.4	30.5	23.6	23.5	24.3	23.7	25.9	22.7	26.3	30.3	38.3	38.9	
20 Same-Store Markets	21.3	20.5	24.5	29.9	37.7	39.4	46.3	38.7	30.1	22.6	20.5	21.6	21.9	23.4	22.7	26.3	30.3	38.3	38.9	

Source: Banc of America Securities LLC estimates.

Prices fall further in July. Our price index indicated further price declines in July, falling 2.2 points to 24.7 from 26.9 in June (readings below 50 point to sequentially lower home prices), as agents noted lower home prices over the past 30 days in 36 of the 40 markets we surveyed. Sellers are starting to capitulate as their homes sit on the market longer and competition increases, according to agents, but buyers expect price declines to continue and are willing to wait.

Greatest Price Deterioration in Florida, California, and Detroit; Texas Markets, Charlotte, and Baltimore Show Strength

	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06
Home Prices [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]																			
Atlanta, GA	26.0	27.1	37.1	30.6	27.9	37.7	35.6	29.8	28.0	30.6	40.5	38.0	48.8	57.6	50.0	54.5	66.7	57.1	66.7
Austin, TX	65.0	75.0	72.6	76.4	80.3	82.5	65.9	60.8	59.5	68.4	71.0	77.8	87.0	87.2	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	57.1	26.5	28.6	35.3	30.0	40.0	31.3	25.0	25.7	21.9	40.0	43.8	16.7	43.2	n/a	n/a	n/a	n/a	n/a
Boston, MA	28.6	19.2	33.3	28.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charleston, SC	26.0	19.6	36.7	35.0	34.0	35.4	41.7	36.1	25.0	34.2	34.5	44.0	43.4	53.7	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	51.0	61.8	61.5	63.0	65.3	58.3	57.5	52.0	52.5	51.6	55.3	63.6	74.0	76.7	88.9	73.1	70.6	62.5	63.2
Chicago, IL	23.3	24.6	25.4	30.4	32.3	32.5	41.4	29.7	22.0	20.5	21.1	26.7	28.6	39.2	55.6	50.0	58.3	71.4	37.5
Cincinnati, OH	16.7	15.4	17.6	35.7	35.4	31.0	27.8	23.3	19.4	20.6	21.4	8.3	33.3	31.7	n/a	n/a	n/a	n/a	n/a
Columbus, OH	27.3	18.2	29.4	18.8	30.0	25.9	10.0	28.6	26.7	16.2	30.0	30.0	33.3	33.3	n/a	n/a	n/a	n/a	n/a
Dallas, TX	37.5	32.5	40.4	40.2	38.3	38.4	36.8	32.7	28.1	34.1	38.4	42.5	53.2	59.3	66.7	41.7	75.0	71.4	50.0
Denver, CO	25.6	43.6	38.5	37.3	40.0	33.3	29.5	24.7	19.7	23.6	25.5	25.3	31.4	30.3	35.0	45.0	30.0	38.9	40.0
Detroit, MI	6.7	7.4	9.1	6.1	7.1	18.4	11.9	8.7	7.6	14.1	9.7	14.7	6.8	9.2	22.7	25.0	9.1	16.7	15.4
Fort Myers, FL	6.3	8.1	12.5	5.2	8.3	19.0	4.5	22.7	17.4	13.0	16.7	11.1	20.0	16.7	n/a	n/a	n/a	n/a	n/a
Houston, TX	59.5	45.3	61.3	60.0	57.9	57.5	57.6	46.1	54.9	50.7	56.3	55.1	62.3	68.1	73.5	73.5	61.4	67.5	62.5
Inland Empire, CA	8.9	12.5	18.8	19.1	21.1	26.9	21.0	27.8	19.0	19.6	14.1	25.0	24.1	30.6	29.2	42.5	38.0	43.8	52.8
Jacksonville, FL	11.4	15.8	20.8	25.0	18.8	32.0	28.6	31.3	23.5	21.7	18.8	25.0	25.9	30.8	45.8	53.1	50.0	n/a	n/a
Las Vegas, NV	13.3	18.5	22.1	28.2	26.0	25.5	29.0	29.5	26.1	27.0	24.1	24.3	29.1	24.5	21.4	22.7	7.7	15.0	40.0
Los Angeles, CA	27.1	28.7	31.9	35.1	38.9	45.2	33.3	30.2	16.7	16.9	16.7	26.9	31.8	36.9	30.0	57.7	55.0	35.0	50.0
Miami, FL	11.7	12.7	13.3	20.0	14.7	20.9	20.0	18.3	19.1	16.3	17.2	25.0	26.8	27.2	21.4	45.8	50.0	45.5	62.5
Minneapolis, MN	11.9	13.7	23.3	20.8	17.3	26.9	28.4	16.8	15.0	14.5	17.0	24.3	24.0	26.4	21.4	29.5	33.3	33.9	30.3
Nashville, TN	42.9	31.3	45.8	41.7	54.5	66.7	47.6	53.3	47.9	45.8	54.8	59.6	0.0	75.4	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	23.2	31.3	31.5	33.5	32.8	34.0	40.8	26.3	13.7	20.5	14.4	25.9	24.1	28.7	13.6	27.8	38.9	54.5	40.9
Orlando, FL	12.2	13.5	6.6	14.8	22.8	15.6	34.8	23.5	18.6	23.1	25.0	21.1	24.4	34.6	43.8	61.5	38.9	46.9	55.3
Phila.-Southern NJ	15.0	28.3	36.0	42.9	35.9	25.0	34.2	28.4	19.2	27.4	25.6	24.3	28.9	36.1	33.3	18.8	50.0	45.5	31.8
Phoenix, AZ	17.2	14.6	17.1	23.6	27.8	22.1	30.1	25.9	19.2	15.8	22.3	21.5	22.8	24.9	21.9	36.4	43.3	41.2	53.8
Port St. Lucie, FL	6.3	5.6	7.7	9.1	18.2	0.0	14.3	7.1	0.0	0.0	21.4	27.8	25.0	19.2	n/a	n/a	n/a	n/a	n/a
Portland, OR	23.9	37.2	52.5	47.5	50.7	46.1	44.3	25.9	22.0	29.9	34.5	36.4	58.3	67.5	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	42.5	55.6	44.4	54.2	54.3	42.3	44.7	34.2	47.9	53.1	61.3	56.3	64.4	67.9	n/a	n/a	n/a	n/a	n/a
Richmond, VA	14.3	42.9	35.0	41.7	41.7	16.7	50.0	44.4	23.1	21.6	36.0	37.9	34.5	17.2	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	11.1	5.7	12.5	17.3	19.4	16.7	28.6	22.2	12.1	4.5	18.4	8.6	16.7	43.5	10.0	16.7	25.0	12.5	16.7
San Antonio, TX	42.3	53.7	56.5	72.2	64.0	60.9	54.8	46.2	59.5	78.2	81.4	80.0	87.5	90.0	n/a	n/a	n/a	n/a	n/a
San Diego, CA	31.1	27.8	25.6	23.0	35.2	34.4	33.3	19.4	17.3	7.3	11.0	13.8	18.2	23.5	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	31.3	40.6	43.5	50.7	49.3	47.7	39.8	34.2	21.9	16.4	22.5	27.2	21.0	39.1	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	11.1	8.0	11.7	6.3	10.9	3.8	8.8	17.9	8.3	10.9	16.7	10.3	24.2	17.5	n/a	n/a	n/a	n/a	n/a
Seattle, WA	42.4	48.3	59.6	65.5	62.7	57.0	55.6	45.2	45.0	35.8	47.4	64.0	68.6	80.5	77.8	83.3	78.6	73.5	68.2
Tampa, FL	6.0	10.1	8.8	14.0	17.6	20.9	33.3	30.8	25.0	12.5	17.1	16.2	20.4	25.5	20.0	31.3	43.8	50.0	62.5
Tucson, AZ	21.4	21.4	25.7	26.3	36.2	29.4	30.0	32.4	27.0	16.4	27.4	24.3	28.7	36.2	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	14.7	23.1	23.3	38.2	42.5	43.8	28.0	28.8	28.0	28.6	20.8	22.2	28.0	39.5	n/a	n/a	n/a	n/a	n/a
Washington, DC	24.6	23.6	40.2	33.3	38.3	36.0	26.3	15.9	11.5	14.9	15.3	12.5	18.6	19.6	25.0	15.6	53.6	37.5	27.1
Wilmington, NC	13.6	28.1	27.8	41.7	38.9	37.5	28.8	31.0	25.6	27.8	10.5	22.6	14.5	46.0	n/a	n/a	n/a	n/a	n/a
Total	24.7	26.9	31.2	33.7	35.3	34.5	33.8	29.9	25.6	25.8	29.5	31.9	36.0	41.4	38.4	43.1	46.5	46.0	46.4
20 Same-Store Markets	22.2	24.7	29.3	31.5	31.6	32.4	34.0	28.4	23.7	23.6	25.7	29.1	32.9	38.6	38.4	43.1	46.5	46.0	46.4

Source: Banc of America Securities LLC estimates.

Incentives continue to deteriorate. Incentives increased sequentially in every market surveyed in July. Our incentive index was slightly lower at 20.5 from 21.9 June, indicating further deterioration (readings below 50). We think builders continue to use higher incentives to capture volume, even in the strong markets.

Incentives Increase, But Fail to Sway Buyers

	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06	
	Incentives [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]																			
Atlanta, GA	22.6	16.7	18.3	19.2	21.2	25.5	24.1	17.3	11.7	13.2	15.5	18.0	16.3	22.7	20.0	36.4	7.1	35.7	40.0	
Austin, TX	24.1	34.8	30.8	28.8	40.0	38.9	39.5	25.0	18.3	26.0	25.6	34.3	52.0	45.4	n/a	n/a	n/a	n/a	n/a	
Baltimore, MD	25.0	14.3	18.8	16.7	6.3	35.0	4.2	33.3	15.5	7.1	0.0	12.5	12.5	9.4	n/a	n/a	n/a	n/a	n/a	
Boston, MA	10.0	50.0	35.0	28.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Charleston, SC	20.0	15.9	10.0	32.5	16.7	22.9	22.7	15.2	11.3	17.9	9.0	11.1	14.4	16.7	n/a	n/a	n/a	n/a	n/a	
Charlotte, NC	20.4	21.4	24.3	37.5	28.3	32.9	32.5	17.2	19.7	27.8	28.6	34.0	33.9	36.4	50.0	50.0	29.4	37.5	35.3	
Chicago, IL	28.4	22.2	20.2	25.0	23.1	30.4	24.0	13.5	15.6	14.1	11.9	14.3	15.7	19.3	33.3	16.7	8.3	33.3	27.8	
Cincinnati, OH	22.2	20.0	23.3	25.0	21.7	23.7	16.7	10.7	6.5	7.4	0.0	25.0	0.0	9.7	n/a	n/a	n/a	n/a	n/a	
Columbus, OH	16.7	20.0	31.3	23.3	21.1	18.8	30.0	7.7	12.1	9.4	25.0	25.0	27.8	6.8	n/a	n/a	n/a	n/a	n/a	
Dallas, TX	16.3	18.3	27.0	23.1	25.0	22.7	26.5	16.7	12.3	14.5	11.8	16.0	23.6	23.4	33.3	8.3	16.7	14.3	31.8	
Denver, CO	25.0	28.6	22.6	33.7	39.5	25.0	34.8	14.3	21.5	9.3	17.2	10.7	12.0	14.0	22.2	16.7	20.0	27.8	25.0	
Detroit, MI	26.0	17.2	24.4	15.0	30.4	21.4	27.9	23.3	12.3	9.5	11.2	11.2	10.0	10.8	13.6	25.0	15.0	14.3	18.2	
Fort Myers, FL	19.6	20.0	22.2	18.0	13.8	13.6	45.5	22.7	13.6	10.4	4.5	3.7	4.0	2.5	n/a	n/a	n/a	n/a	n/a	
Houston, TX	16.2	24.2	21.1	20.0	29.4	24.3	28.7	21.8	18.3	20.2	20.9	21.9	25.8	28.1	28.1	20.0	35.7	36.1	23.8	
Inland Empire, CA	12.5	10.3	17.6	15.7	17.4	14.1	11.1	23.1	13.0	8.3	3.3	4.6	11.3	9.1	10.0	21.4	12.5	7.1	35.3	
Jacksonville, FL	14.3	10.5	14.6	23.5	28.0	30.0	28.6	25.0	15.6	4.5	18.8	10.7	2.0	6.5	4.2	19.4	8.8	n/a	n/a	
Las Vegas, NV	25.4	33.9	32.6	37.7	46.8	45.6	41.3	32.3	20.1	22.2	15.7	4.0	4.6	7.1	0.0	18.2	7.7	5.0	20.0	
Los Angeles, CA	13.6	12.5	22.1	14.0	18.8	16.7	12.5	19.7	7.9	14.9	5.6	11.4	16.4	16.5	25.0	14.3	25.0	12.5	35.7	
Miami, FL	23.9	14.2	11.9	25.8	10.4	10.8	26.8	26.9	14.0	8.8	7.4	9.6	6.9	5.7	0.0	14.3	16.7	16.7	43.8	
Minneapolis, MN	28.0	32.4	38.0	27.8	27.6	31.6	30.8	23.4	18.3	14.3	13.9	11.5	6.3	10.3	13.6	12.8	22.6	17.3	16.2	
Nashville, TN	16.7	7.1	26.9	36.4	25.0	50.0	28.9	15.9	11.4	23.2	31.0	28.1	40.0	36.6	n/a	n/a	n/a	n/a	n/a	
New York-Northern NJ	29.3	33.8	22.9	30.0	34.1	27.8	31.7	38.5	13.0	19.6	11.7	22.4	38.2	30.4	16.7	12.5	21.4	21.4	35.0	
Orlando, FL	32.4	14.7	16.2	19.5	23.6	19.4	29.5	5.9	19.1	7.7	7.7	7.9	6.0	2.4	12.5	7.7	0.0	9.4	38.2	
Phila.-Southern NJ	20.0	21.1	26.3	28.6	18.9	20.5	19.2	16.7	6.9	9.1	11.5	6.0	15.3	10.4	16.7	0.0	25.0	37.5	25.0	
Phoenix, AZ	25.7	24.5	36.6	42.9	31.6	39.5	40.8	29.8	23.1	17.7	12.0	6.4	8.1	5.1	0.0	4.5	3.3	10.0	0.0	
Port St. Lucie, FL	18.8	22.2	19.2	27.8	16.7	0.0	25.0	21.4	4.5	5.6	7.1	0.0	0.0	0.0	n/a	n/a	n/a	n/a	n/a	
Portland, OR	15.5	23.8	25.0	21.9	20.9	21.6	29.6	16.1	10.0	11.4	15.1	20.6	25.3	32.9	n/a	n/a	n/a	n/a	n/a	
Raleigh, NC	18.4	38.2	32.1	36.4	31.0	31.8	30.0	14.1	21.2	23.3	19.2	26.4	32.1	36.8	n/a	n/a	n/a	n/a	n/a	
Richmond, VA	7.1	28.6	22.2	16.7	25.0	33.3	11.5	11.8	3.8	9.7	7.7	18.0	5.6	13.0	n/a	n/a	n/a	n/a	n/a	
Sacramento, CA	15.6	25.0	36.2	27.4	35.2	24.2	18.8	20.6	10.3	10.9	14.3	8.1	2.8	7.5	0.0	10.7	6.3	0.0	16.7	
San Antonio, TX	19.2	7.1	15.9	26.0	31.3	37.0	25.8	4.0	23.0	19.4	19.7	31.5	43.8	43.4	n/a	n/a	n/a	n/a	n/a	
San Diego, CA	16.3	14.6	14.1	25.5	23.6	22.1	20.3	16.1	10.0	3.8	7.3	3.9	5.4	8.1	n/a	n/a	n/a	n/a	n/a	
San Francisco, CA	17.7	18.2	21.4	30.3	30.5	20.2	23.2	18.5	20.0	1.9	6.0	6.3	10.7	8.5	n/a	n/a	n/a	n/a	n/a	
Sarasota, FL	25.0	17.4	17.4	18.3	19.0	10.7	34.4	25.0	19.4	20.5	11.9	0.0	3.1	3.8	n/a	n/a	n/a	n/a	n/a	
Seattle, WA	15.3	21.0	30.4	28.3	31.7	19.9	30.3	17.1	12.3	14.7	25.0	29.6	33.3	39.9	46.7	53.8	50.0	37.5	43.8	
Tampa, FL	21.2	21.2	20.4	19.2	18.9	15.7	21.2	26.1	19.7	12.5	4.5	1.4	5.7	6.9	0.0	18.8	0.0	18.8	31.3	
Tucson, AZ	31.5	14.8	29.7	34.6	18.0	43.9	30.7	22.1	13.8	13.4	6.5	0.7	5.2	9.1	n/a	n/a	n/a	n/a	n/a	
Virginia Beach, VA	13.3	30.8	25.0	41.2	20.0	37.5	29.5	16.0	6.3	22.2	10.4	10.3	8.0	4.1	n/a	n/a	n/a	n/a	n/a	
Washington, DC	24.1	16.7	24.5	23.6	29.9	28.8	23.9	16.0	21.2	13.1	11.6	8.2	8.1	7.1	4.2	12.5	7.1	13.6	22.9	
Wilmington, NC	27.3	37.5	34.4	36.1	56.3	46.4	27.3	35.3	18.6	28.0	15.8	18.3	9.6	21.3	n/a	n/a	n/a	n/a	n/a	
Total	20.5	21.9	24.1	26.5	25.8	26.5	26.7	19.9	14.5	14.0	12.9	13.9	15.4	16.1	16.7	18.8	16.1	20.3	28.3	
20 Same-Store Markets	21.7	21.0	24.2	25.6	27.1	25.1	26.9	21.2	15.5	13.7	13.3	12.8	14.4	15.2	16.7	18.8	16.1	20.3	28.3	

Source: Banc of America Securities LLC estimates.

High inventory levels should spur increased price competition. Agents noted higher inventory of homes for sale in every market surveyed in July. While inventory does typically increase in July, we believe recent increases continue to outpace normal seasonality. Our inventory index improved slightly to 21.5 in July from 18.2 in June, with any readings below 50 pointing to higher inventory levels. We think inventories will continue to increase in coming months, which should spur even greater price competition.

Worsening Inventory Trends in July Point to Further Price Erosion

	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06
Homes listed for sale [> 50.0 ; Fewer homes listed versus prior month/ = 50.0: listings unchanged / <50.0 : more home listings]																			
Atlanta, GA	17.7	17.0	19.7	18.2	10.0	15.1	39.9	42.7	28.0	20.9	15.6	19.1	12.6	17.2	7.1	22.7	35.7	21.4	20.0
Austin, TX	25.0	25.8	36.9	45.7	47.0	50.0	56.0	48.6	55.4	48.0	56.3	55.7	60.4	53.5	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	14.3	5.9	9.5	8.8	45.0	36.7	9.4	35.0	18.6	12.9	0.0	5.6	16.7	11.4	n/a	n/a	n/a	n/a	n/a
Boston, MA	35.7	23.1	33.3	25.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charleston, SC	16.0	15.2	10.3	19.0	10.0	32.0	31.1	28.6	23.8	17.0	8.3	8.6	3.8	6.8	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	32.7	26.5	25.0	31.0	29.8	39.0	37.9	62.5	47.0	42.7	42.4	44.6	44.0	40.4	37.5	42.3	31.3	54.2	65.8
Chicago, IL	16.3	13.2	8.5	13.9	13.8	21.9	20.9	38.8	29.6	15.3	15.9	12.0	19.2	15.4	11.1	8.3	0.0	15.4	43.8
Cincinnati, OH	27.8	15.4	9.4	13.3	20.0	23.8	66.7	20.0	17.2	8.6	28.6	4.2	0.0	7.1	n/a	n/a	n/a	n/a	n/a
Columbus, OH	18.2	9.1	11.8	21.9	17.5	37.0	40.0	39.3	39.3	14.7	20.0	0.0	6.3	4.2	n/a	n/a	n/a	n/a	n/a
Dallas, TX	16.7	15.6	19.2	17.5	21.0	22.2	28.7	30.1	32.1	18.5	25.8	26.3	23.4	22.3	33.3	25.0	0.0	14.3	22.7
Denver, CO	26.8	22.4	18.9	21.7	34.1	33.3	40.3	37.8	35.1	18.0	14.6	7.1	2.7	2.3	0.0	5.0	5.0	0.0	45.0
Detroit, MI	19.4	7.4	7.6	10.6	20.4	12.2	33.3	28.7	19.6	16.1	13.2	5.6	6.3	4.6	0.0	0.0	4.5	13.3	15.4
Fort Myers, FL	33.9	31.1	33.9	24.1	23.8	18.2	18.2	45.5	26.1	13.0	16.7	14.8	22.0	10.3	n/a	n/a	n/a	n/a	n/a
Houston, TX	18.3	16.1	30.0	26.9	25.7	30.8	33.1	48.8	36.1	45.5	42.6	33.6	30.3	27.9	30.0	44.1	34.1	52.6	38.6
Inland Empire, CA	12.2	16.2	10.9	17.6	16.7	20.5	41.7	40.4	22.0	19.6	9.8	6.4	11.4	8.2	4.2	7.9	13.5	3.3	22.2
Jacksonville, FL	13.6	22.2	4.0	18.8	15.2	14.0	25.0	25.0	26.5	17.4	25.0	3.8	5.6	7.7	12.5	16.7	19.4	n/a	n/a
Las Vegas, NV	19.5	10.0	10.4	16.4	29.0	35.9	68.3	65.4	26.7	24.7	17.5	9.6	8.5	9.2	21.4	4.5	3.8	5.0	38.9
Los Angeles, CA	19.2	18.1	18.3	23.0	28.9	30.2	37.3	43.5	31.8	21.5	14.0	4.4	11.3	7.8	10.0	15.4	38.9	15.0	16.7
Miami, FL	18.3	14.2	9.4	14.6	8.4	13.3	22.6	21.7	14.7	9.3	5.2	14.2	8.0	6.5	0.0	12.5	11.1	4.5	21.4
Minneapolis, MN	17.1	13.2	19.8	18.6	14.8	29.6	52.0	56.6	49.3	32.1	19.3	15.6	7.6	5.2	4.2	1.1	7.6	12.1	32.9
Nashville, TN	14.3	6.3	23.1	33.3	25.0	50.0	31.7	24.4	29.2	19.0	28.6	25.5	37.1	32.0	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	21.4	23.8	17.6	19.1	22.6	29.5	32.6	47.4	26.5	16.7	17.0	8.9	5.6	11.7	0.0	27.8	16.7	31.8	22.7
Orlando, FL	18.4	13.7	7.7	12.8	19.6	11.7	47.7	22.2	20.6	16.0	7.1	2.6	5.8	4.5	0.0	11.5	2.9	9.4	13.9
Phila.-Southern NJ	17.9	22.7	20.0	30.6	22.9	26.1	39.0	35.6	28.9	14.4	9.5	14.1	12.1	16.4	11.1	0.0	16.7	36.4	36.4
Phoenix, AZ	26.9	20.8	12.4	16.5	25.0	31.6	48.6	57.7	39.7	22.7	15.1	12.0	10.5	5.1	0.0	4.5	0.0	2.9	11.5
Port St. Lucie, FL	31.3	38.9	0.0	22.7	16.7	8.3	21.4	28.6	20.0	11.1	7.1	5.6	0.0	3.8	n/a	n/a	n/a	n/a	n/a
Portland, OR	13.0	10.5	12.7	18.3	15.7	9.8	25.0	32.2	17.2	12.7	14.5	11.3	15.8	23.1	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	25.0	47.1	21.9	26.1	30.4	42.3	40.3	44.6	43.2	29.8	52.5	45.5	39.5	37.8	n/a	n/a	n/a	n/a	n/a
Richmond, VA	35.7	8.3	30.0	33.3	58.3	58.3	38.5	47.2	17.9	19.4	16.0	20.7	10.7	16.3	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	11.1	5.7	15.7	9.4	29.0	23.1	41.1	66.7	45.0	31.3	25.7	11.4	19.4	0.8	5.0	16.7	12.5	6.3	12.5
San Antonio, TX	30.8	21.4	32.6	22.4	22.0	37.0	25.8	48.0	50.9	36.5	40.9	43.3	42.2	41.9	n/a	n/a	n/a	n/a	n/a
San Diego, CA	15.6	15.2	23.1	27.5	36.7	48.9	42.6	48.4	38.0	20.4	11.0	14.9	4.6	5.9	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	26.6	18.9	16.4	29.3	33.1	38.9	59.8	64.1	50.0	23.5	14.7	18.4	8.0	13.5	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	44.2	38.5	35.0	17.2	15.6	25.0	23.5	35.7	27.8	26.1	23.8	20.7	21.2	10.3	n/a	n/a	n/a	n/a	n/a
Seattle, WA	5.6	4.9	16.7	14.5	20.3	14.9	33.9	35.9	29.6	19.1	18.3	26.1	23.8	33.9	55.6	61.1	38.5	47.1	75.0
Tampa, FL	17.9	18.8	13.2	18.4	21.1	9.8	33.3	26.0	25.0	5.2	9.1	8.1	12.0	6.4	0.0	0.0	0.0	3.3	18.8
Tucson, AZ	42.6	26.8	13.2	32.5	31.0	39.7	16.0	35.1	26.0	10.3	11.3	9.9	12.1	6.3	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	5.9	11.5	3.3	2.9	15.0	36.7	28.0	36.0	16.0	16.1	16.7	12.5	8.0	5.8	n/a	n/a	n/a	n/a	n/a
Washington, DC	23.8	20.7	15.8	18.7	32.0	43.9	53.0	47.6	41.6	29.3	19.4	14.3	10.1	5.4	4.2	3.1	25.0	16.7	16.7
Wilmington, NC	13.6	16.7	20.6	13.9	25.0	28.1	24.0	38.1	40.0	22.0	16.7	12.9	12.9	10.2	n/a	n/a	n/a	n/a	n/a
Total	21.5	18.2	17.4	20.7	24.3	29.0	36.1	40.5	31.1	21.0	19.6	16.2	15.7	14.3	11.8	15.7	15.1	18.2	29.5
20 Same-Store Markets	18.6	16.3	15.3	18.5	21.9	24.2	38.6	42.0	31.2	21.7	18.2	14.3	13.8	12.3	11.8	15.7	15.1	18.2	29.5

Source: Banc of America Securities LLC estimates.

Time needed to sell a home lengthened further – a negative indicator for future pricing. The time to sell a home lengthened (index level below 50) in all but one market (Austin) surveyed in July as our index was unchanged at 16.0 from 16.1 in June. We view the longer time needed to sell as a negative indicator for future pricing trends, as sellers must lower prices in order to move inventory.

Longer Time to Sell Points to Further Pricing Weakness

	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-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	12.8	12.5	15.9	17.6	17.5	21.7	27.5	19.0	8.9	8.1	9.4	6.8	12.5	20.8	28.6	13.6	21.4	35.7	25.0
Austin, TX	45.0	42.6	54.8	59.7	60.6	57.5	50.0	36.5	33.0	47.9	49.0	58.5	74.1	80.1	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	28.6	5.9	14.3	14.7	45.0	30.0	12.5	25.0	7.4	10.9	0.0	0.0	11.1	4.5	n/a	n/a	n/a	n/a	n/a
Boston, MA	42.9	19.2	43.3	31.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charleston, SC	12.5	4.3	11.7	19.0	14.6	36.0	23.0	15.7	21.4	11.4	2.4	7.9	5.8	12.0	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	20.0	19.6	36.8	43.0	44.8	50.0	45.5	30.6	25.0	31.3	31.8	35.3	47.3	49.2	77.8	65.4	68.8	58.3	52.6
Chicago, IL	10.7	14.0	16.2	17.7	17.4	15.2	19.8	12.0	8.6	6.7	3.5	4.1	4.2	6.1	11.1	8.3	16.7	42.3	0.0
Cincinnati, OH	22.2	19.2	14.7	13.3	28.0	16.7	44.4	7.1	4.8	7.1	7.1	4.5	0.0	7.1	n/a	n/a	n/a	n/a	n/a
Columbus, OH	18.2	9.1	11.8	15.6	30.0	25.0	30.0	14.3	16.1	5.7	0.0	0.0	0.0	4.2	n/a	n/a	n/a	n/a	n/a
Dallas, TX	15.7	14.1	26.9	25.4	29.8	30.4	25.0	18.6	14.3	11.1	14.3	20.3	29.2	36.0	50.0	25.0	37.5	28.6	54.5
Denver, CO	25.0	33.3	26.6	30.2	33.0	21.2	23.8	16.3	21.3	9.8	10.6	8.2	5.0	6.9	15.0	25.0	10.0	11.1	15.0
Detroit, MI	9.7	10.6	10.9	10.6	5.6	6.8	21.4	11.3	9.4	5.4	5.9	8.5	4.6	5.3	9.1	8.3	11.1	3.3	19.2
Fort Myers, FL	12.9	18.1	25.9	19.0	14.3	15.9	22.7	22.7	18.2	10.9	16.7	9.3	8.0	5.0	n/a	n/a	n/a	n/a	n/a
Houston, TX	23.2	15.0	23.0	29.5	41.9	39.7	33.3	37.5	23.6	29.4	22.9	30.7	33.1	46.2	71.9	38.2	52.4	59.5	32.6
Inland Empire, CA	9.8	5.6	7.1	9.1	15.5	11.7	27.4	16.7	13.0	4.9	7.6	1.8	3.5	4.8	4.2	5.0	5.8	6.3	5.6
Jacksonville, FL	6.8	10.0	12.5	23.5	21.7	16.7	14.3	18.8	18.8	11.9	18.8	0.0	5.6	3.8	4.2	11.8	5.6	n/a	n/a
Las Vegas, NV	11.7	12.9	13.2	16.9	21.0	27.7	31.0	27.8	17.8	16.5	12.8	8.9	8.1	8.2	0.0	9.1	0.0	0.0	15.0
Los Angeles, CA	11.0	12.0	17.7	18.4	31.1	28.1	27.9	23.4	7.7	5.5	4.2	1.9	6.5	2.5	0.0	0.0	0.0	20.0	16.7
Miami, FL	5.1	10.4	7.8	13.3	10.9	11.2	17.7	19.0	9.6	9.4	8.6	9.8	3.5	2.8	0.0	4.2	0.0	12.5	0.0
Minneapolis, MN	7.1	12.7	21.6	16.1	22.2	27.3	35.6	21.2	18.8	10.5	9.1	8.2	4.4	4.1	4.2	4.7	18.2	15.5	13.2
Nashville, TN	14.3	25.0	7.7	29.2	25.0	33.3	26.7	13.6	16.0	14.4	18.6	22.0	44.7	42.7	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	10.7	21.2	15.5	23.5	24.7	25.0	26.4	21.1	11.0	6.3	4.5	4.4	7.4	7.5	0.0	5.6	0.0	13.6	4.5
Orlando, FL	11.8	9.8	5.1	10.5	8.8	11.3	15.2	8.3	12.9	3.8	7.1	5.3	7.0	0.0	18.8	7.7	0.0	6.3	5.0
Phila.-Southern NJ	6.4	17.0	23.5	25.0	24.6	14.6	21.3	18.3	10.4	8.6	4.1	5.8	2.0	4.5	0.0	0.0	27.8	22.7	13.6
Phoenix, AZ	16.7	18.2	17.1	21.4	19.3	25.4	33.8	27.3	20.0	13.0	11.1	7.8	7.3	6.2	0.0	0.0	3.6	5.9	8.3
Port St. Lucie, FL	31.3	27.8	3.8	13.6	16.7	0.0	21.4	21.4	9.1	0.0	7.1	11.1	0.0	7.7	n/a	n/a	n/a	n/a	n/a
Portland, OR	7.8	14.0	15.3	17.1	24.3	16.7	27.9	10.8	5.8	4.4	4.4	6.9	11.2	23.7	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	19.0	29.4	20.6	27.3	28.3	33.3	33.8	15.8	20.3	22.9	32.9	30.4	33.3	47.2	n/a	n/a	n/a	n/a	n/a
Richmond, VA	0.0	7.1	15.0	10.0	25.0	58.3	0.0	11.1	3.6	2.6	5.8	5.2	1.7	0.9	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	8.3	10.3	21.4	15.6	33.3	23.1	31.5	27.8	15.0	9.7	15.8	8.6	11.1	4.5	5.0	10.7	12.5	0.0	11.1
San Antonio, TX	11.5	16.1	34.8	29.6	34.6	41.3	27.4	26.0	25.8	33.3	52.9	48.3	79.7	75.7	n/a	n/a	n/a	n/a	n/a
San Diego, CA	10.0	22.8	20.0	25.8	35.6	36.2	33.3	20.6	19.2	10.2	6.9	11.5	2.3	7.3	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	17.0	16.0	14.8	32.6	46.3	44.3	36.6	23.1	22.3	7.1	7.7	5.2	6.3	8.1	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	25.9	21.2	18.3	10.6	21.9	21.4	23.5	17.9	16.7	13.0	16.7	12.1	7.6	6.3	n/a	n/a	n/a	n/a	n/a
Seattle, WA	6.3	8.2	18.4	21.8	28.0	32.0	26.2	12.1	9.0	5.0	9.7	16.4	22.3	34.3	41.7	55.9	34.6	50.0	40.5
Tampa, FL	16.4	13.2	16.7	13.8	16.2	10.7	21.2	15.4	15.8	5.2	5.7	2.7	7.4	4.0	0.0	0.0	12.5	6.3	25.0
Tucson, AZ	23.2	25.0	18.9	23.1	20.7	30.0	12.0	16.2	15.6	5.2	10.4	3.5	10.5	4.7	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	14.7	19.2	3.3	26.5	27.5	46.9	34.0	22.0	8.0	14.3	12.5	9.7	2.0	1.2	n/a	n/a	n/a	n/a	n/a
Washington, DC	18.0	14.8	29.5	34.4	44.0	45.0	36.5	24.1	18.5	11.5	11.1	6.5	7.8	5.1	0.0	6.3	11.5	20.8	15.4
Wilmington, NC	18.2	6.7	14.7	25.0	36.1	36.7	28.0	14.3	20.0	11.1	8.3	8.1	6.7	11.2	n/a	n/a	n/a	n/a	n/a
Total	16.0	16.1	18.7	22.0	26.8	27.5	26.9	19.5	15.2	11.7	12.5	11.7	14.0	15.7	16.3	14.5	16.7	20.9	18.6
20 Same-Store Markets	12.5	14.1	18.3	20.8	24.4	23.6	26.8	20.3	14.7	10.6	10.9	9.6	11.4	12.5	16.3	14.5	16.7	20.9	18.6

Source: Banc of America Securities LLC estimates.

Agents Recommend Toll, Pulte, Lennar, and Meritage

Agents recommend Toll Brothers, Pulte, Lennar, and Meritage to their customers. Toll Brothers, Pulte Homes, Lennar, and Meritage received the highest percentage of recommendations by agents nationwide. 28.2% of agents (net of positive responses less negative responses) surveyed said they would recommend Toll Brothers, followed by 24.8% for Pulte, 17.8% for Lennar, and 17.0% for Meritage. 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 WCI Communities Most Highly Recommended by Agents

Rank	Ticker	Company Name	Net Recommendation
1	TOL	Toll Brothers	28.2%
2	PHM	Pulte Homes	24.8%
3	LEN	Lennar Corp.	17.8%
4	MTH	Meritage Homes	17.0%
5	SPF	Standard Pacific Corp.	15.0%
6	WCI	WCI Communities	14.7%
7	DHI	D.R. Horton	12.9%
8	CTX	Centex Corp.	12.8%
9	RYL	Ryland Group	12.0%
10	MDC	MDC Holdings	5.8%
11	NVR	NVR, Inc.	2.2%
12	HOV	Hovnanian Enterprises	1.9%
13	CHCI	Comstock Homebuilding	(0.7)%
14	KBH	KB Home	(12.5)%

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	NMR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	24%	0%	16%	—	12%	—	—	—	—	27%	31%	—	—	—
Austin, TX	26%	—	48%	—	3%	23%	—	48%	—	35%	—	45%	35%	—
Baltimore, MD	—	0%	0%	0%	0%	14%	14%	—	14%	—	0%	—	—	—
Charleston, SC	31%	—	27%	—	19%	19%	—	—	4%	—	27%	—	—	—
Charlotte, NC	31%	0%	46%	12%	6%	10%	—	—	21%	—	15%	13%	50%	—
Chicago, IL	21%	—	12%	5%	16%	19%	2%	—	—	44%	35%	—	28%	—
Cincinnati, OH	0%	—	—	0%	—	—	—	—	0%	0%	11%	—	—	—
Columbus, OH	9%	—	—	0%	—	—	—	—	0%	0%	—	—	—	—
Dallas, TX	35%	—	40%	31%	8%	31%	2%	17%	—	21%	—	38%	37%	—
Denver, CO	16%	—	26%	—	16%	33%	23%	7%	—	21%	30%	28%	21%	—
Detroit, MI	32%	—	—	3%	—	—	—	—	—	58%	—	—	55%	—
Fort Myers, FL	31%	—	3%	0%	0%	31%	—	0%	—	38%	9%	—	—	31%
Houston, TX	10%	—	40%	14%	19%	48%	2%	26%	—	26%	—	—	—	—
Jacksonville, FL	9%	—	18%	—	23%	14%	27%	—	—	41%	27%	27%	50%	18%
Las Vegas, NV	22%	—	35%	—	28%	42%	15%	15%	—	68%	15%	—	70%	—
Los Angeles, CA	18%	—	10%	8%	23%	26%	2%	0%	—	11%	—	21%	23%	—
Miami, FL	—	—	7%	—	—	25%	—	—	—	—	—	3%	—	23%
Minneapolis, MN	30%	—	30%	14%	—	23%	—	—	—	28%	26%	—	12%	—
Nashville, TN	29%	—	—	—	—	—	—	—	—	—	—	—	—	—
New York-Northern New Jersey, NY-NJ	11%	—	6%	19%	—	6%	—	—	0%	16%	—	—	27%	2%
Orlando, FL	32%	—	13%	5%	21%	26%	—	13%	—	32%	21%	5%	34%	—
Philadelphia-Southern NJ	—	—	13%	23%	—	0%	3%	—	18%	30%	—	—	43%	—
Phoenix, AZ	21%	—	28%	6%	6%	16%	18%	29%	—	45%	22%	25%	47%	—
Port St. Lucie, FL	13%	—	13%	—	13%	—	—	—	—	—	—	—	—	—
Portland, OR	—	—	28%	—	—	—	—	—	—	—	—	—	—	—
Raleigh, NC	36%	0%	23%	14%	9%	23%	—	—	0%	18%	—	14%	27%	—
Richmond, VA	25%	13%	—	—	—	—	—	—	13%	—	—	—	—	—
Riverside-San Bernardino, CA	22%	—	24%	15%	35%	30%	4%	—	—	28%	20%	13%	—	—
Sacramento, CA	56%	—	22%	11%	22%	44%	17%	39%	—	44%	11%	11%	22%	—
San Antonio, TX	15%	—	46%	—	8%	23%	—	23%	—	38%	—	—	23%	—
San Diego, CA	29%	—	33%	27%	33%	40%	4%	—	—	20%	13%	22%	13%	—
San Francisco, CA	14%	—	16%	—	—	16%	—	8%	—	29%	—	8%	24%	—
Sarasota, FL	30%	—	—	—	7%	37%	—	—	—	41%	—	4%	—	44%
Seattle, WA	7%	—	29%	—	—	—	—	—	—	—	—	—	—	—
Tampa, FL	9%	—	7%	2%	14%	26%	2%	—	—	33%	24%	21%	—	19%
Tucson, AZ	—	—	46%	11%	18%	50%	11%	32%	—	57%	—	14%	14%	—
Virginia Beach, VA	18%	0%	0%	0%	—	—	—	—	6%	—	—	—	—	—
Washington, DC	22%	3%	9%	14%	6%	8%	5%	—	30%	28%	8%	—	30%	—
Wilmington, NC	18%	0%	—	—	—	—	—	—	0%	—	—	—	—	—
TOTAL	22%	2%	22%	10%	15%	25%	9%	20%	9%	31%	19%	18%	33%	23%

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. 27% 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	NMR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	4%	4%	10%	-	27%	-	-	-	-	12%	6%	-	-	-
Austin, TX	13%	-	3%	-	52%	13%	-	0%	-	10%	-	6%	0%	-
Baltimore, MD	-	0%	0%	14%	0%	0%	0%	-	29%	-	14%	-	-	-
Charleston, SC	12%	-	12%	-	12%	12%	-	-	0%	-	0%	-	-	-
Charlotte, NC	13%	2%	12%	8%	38%	8%	-	-	6%	-	12%	0%	6%	-
Chicago, IL	19%	-	2%	5%	2%	5%	2%	-	-	9%	7%	-	5%	-
Cincinnati, OH	0%	-	-	0%	-	-	-	-	0%	0%	11%	-	-	-
Columbus, OH	9%	-	-	0%	-	-	-	-	0%	0%	-	-	-	-
Dallas, TX	17%	-	13%	2%	48%	17%	0%	2%	-	12%	-	2%	0%	-
Denver, CO	5%	-	23%	-	37%	0%	7%	0%	-	9%	0%	0%	0%	-
Detroit, MI	10%	-	-	0%	-	-	-	-	-	10%	-	-	0%	-
Fort Myers, FL	3%	-	6%	44%	31%	16%	-	9%	-	0%	0%	-	-	19%
Houston, TX	2%	-	10%	5%	36%	7%	0%	0%	-	2%	-	-	-	-
Jacksonville, FL	18%	-	27%	-	23%	9%	9%	-	-	18%	5%	9%	5%	14%
Las Vegas, NV	8%	-	18%	-	27%	7%	7%	2%	-	5%	7%	-	3%	-
Los Angeles, CA	2%	-	0%	11%	13%	2%	0%	2%	-	2%	-	0%	2%	-
Miami, FL	-	-	5%	-	-	10%	-	-	-	-	-	0%	-	13%
Minneapolis, MN	19%	-	16%	7%	-	12%	-	-	-	19%	9%	-	2%	-
Nashville, TN	14%	-	-	-	-	-	-	-	-	-	-	-	-	-
New York-Northern New Jersey, NY-NJ	2%	-	2%	6%	-	0%	-	-	3%	0%	-	-	2%	0%
Orlando, FL	3%	-	18%	0%	29%	13%	-	0%	-	5%	5%	3%	3%	-
Philadelphia-Southern NJ	-	-	5%	8%	-	3%	0%	-	5%	5%	-	-	15%	-
Phoenix, AZ	7%	-	13%	6%	48%	9%	6%	6%	-	6%	4%	4%	4%	-
Port St. Lucie, FL	25%	-	0%	-	38%	-	-	-	-	-	-	-	-	-
Portland, OR	-	-	13%	-	-	-	-	-	-	-	-	-	-	-
Raleigh, NC	9%	9%	14%	23%	36%	5%	-	-	5%	27%	-	9%	18%	-
Richmond, VA	25%	0%	-	-	-	-	-	-	13%	-	-	-	-	-
Riverside-San Bernardino, CA	9%	-	15%	7%	17%	9%	4%	-	-	2%	4%	9%	-	-
Sacramento, CA	6%	-	28%	22%	56%	0%	6%	6%	-	0%	22%	11%	0%	-
San Antonio, TX	8%	-	8%	-	31%	0%	-	0%	-	0%	-	-	0%	-
San Diego, CA	2%	-	0%	2%	9%	2%	2%	-	-	0%	4%	0%	4%	-
San Francisco, CA	4%	-	4%	-	-	4%	-	0%	-	2%	-	2%	2%	-
Sarasota, FL	4%	-	-	-	4%	15%	-	-	-	4%	-	0%	-	4%
Seattle, WA	11%	-	14%	-	-	-	-	-	-	-	-	-	-	-
Tampa, FL	9%	-	2%	3%	19%	17%	0%	-	-	9%	2%	0%	-	0%
Tucson, AZ	-	-	4%	7%	43%	7%	7%	11%	-	11%	-	4%	4%	-
Virginia Beach, VA	12%	0%	0%	0%	-	-	-	-	0%	-	-	-	-	-
Washington, DC	13%	6%	8%	9%	5%	6%	8%	-	19%	6%	16%	-	20%	-
Wilmington, NC	0%	0%	-	-	-	-	-	-	0%	-	-	-	-	-
TOTAL	9%	3%	10%	8%	27%	7%	4%	3%	7%	7%	7%	3%	4%	8%

Source: Banc of America Securities LLC estimates.

Homebuilding Industry Comparative Valuation

Ticker	Company Name	Rating	Price 7/31/2007	Market Cap. (Millions)	BAS Estimates				P/E				P/Adj-BV	P/BV	Target Price	Dividend Yield	Total Return Potential
					2005	2006	2007	2008	2005	2006	2007	2008					
CHCI	Comstock Homebuilding	Neutral	1.79	\$24	\$2.12	(0.60)	(2.00)	n/a	0.8	NM	NM	N/A	0.33	0.23	\$3.00	0.0%	67.6%
CTX	Centex Corp.	Neutral	37.31	4,482	9.50	3.05	(0.37)	0.22	3.9	12.2	NM	NM	1.06	0.94	44.00	0.4%	18.4%
DHI	D.R. Horton	Neutral	16.32	5,126	4.82	3.27	(2.54)	(0.22)	3.4	5.0	NM	NM	1.02	0.90	19.00	3.7%	20.1%
HOV	Hovnanian Enterprises	Buy	13.24	630	7.05	2.07	(1.30)	0.25	1.9	6.4	NM	NM	0.60	0.48	21.00	0.0%	58.6%
KBH	KB Home	Neutral	31.81	2,847	9.34	5.82	(3.83)	(1.00)	3.4	5.5	NM	NM	1.01	0.88	41.00	3.1%	32.0%
LEN	Lennar Corp.	Neutral	30.66	3,955	8.32	3.64	(1.90)	(1.80)	3.7	8.4	NM	NM	1.02	0.89	41.00	2.1%	35.8%
MDC	MDC Holdings Inc	Neutral	46.00	2,103	10.74	4.67	(5.05)	(1.10)	4.3	9.9	NM	NM	1.20	1.07	50.00	2.2%	10.9%
MTH	Meritage Homes Corp	Neutral	19.50	511	9.30	8.26	(2.30)	(1.25)	2.1	2.4	NM	NM	0.67	0.54	23.00	0.0%	17.9%
NVR	NVR Inc	Neutral	595.28	3,383	86.29	88.05	46.00	29.00	6.9	6.8	12.9	20.5	3.40	2.99	550.00	0.0%	(7.6)%
PHM	Pulte Homes	Neutral	19.34	4,950	5.49	2.66	(2.50)	(0.50)	3.5	7.3	NM	NM	0.92	0.82	25.00	0.8%	30.1%
RYL	Ryland	Neutral	33.25	1,398	9.06	7.84	(1.50)	(0.42)	3.7	4.2	NM	NM	1.19	1.01	40.00	1.4%	21.7%
SPF	Standard Pacific	Buy	14.81	959	6.30	1.76	(4.45)	0.10	2.4	8.4	NM	NM	0.84	0.61	19.00	1.1%	29.4%
TOL	Toll Brothers	Neutral	21.93	3,396	4.77	4.17	0.40	1.00	4.6	5.3	NM	21.9	1.11	1.02	29.00	0.0%	32.2%
WCI	WCI Communities Inc	Neutral	8.83	371	3.93	0.86	(3.40)	(1.50)	2.2	10.3	NM	NM	0.43	0.38	11.00	0.0%	24.6%
Average				\$2,438					4.0	7.3	NM	NM	1.01	0.89		1.5%	23.1%

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

Building Products Industry Comparative Valuation

Building Products	Ticker	Company Name	Rating	Price 7/31/2007	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	30.05	449	2.00	2.12	2.23	15.0	14.2	13.5	5.5	5.8	5.5	N/R	0.8%	N/R
	ASD	American Standard	N/R	54.05	10,925	2.67	3.37	3.87	20.2	16.0	14.0	10.6	9.1	8.3	N/R	1.2%	N/R
	AWI	Armstrong World Industries	N/R	43.32	2,448		2.09	2.48			17.5		7.9	7.0	N/R	0.0%	N/R
	BDK	Black and Decker	Sell	86.57	5,711	6.55	6.30	6.55	13.2	13.7	13.2	8.3	9.4	10.1	\$75.00	1.9%	(11.4)%
	FO	Fortune Brands	Neutral	81.30	12,419	5.33	5.12	5.45	15.3	15.9	14.9	10.1	10.4	10.0	\$82.00	1.9%	2.8%
	MAS	Masco	Neutral	27.21	10,277	1.22	1.65	1.80	22.3	16.5	15.1	8.6	10.7	10.3	\$27.00	3.4%	2.6%
	MHK	Mohawk Industries	Neutral	90.01	6,134	6.70	6.19	6.15	13.4	14.5	14.6	8.2	8.7	8.9	\$90.00	0.0%	(0.0)%
	PPG	PPG Industries	Buy	76.27	12,521	4.93	5.25	5.50	15.5	14.5	13.9	7.7	7.6	7.4	\$85.00	2.7%	14.2%
	SHW	Sherwin-Williams	N/R	69.69	9,117	4.19	4.59	4.96	16.6	15.2	14.1	9.0	8.6	8.2	N/R	1.8%	N/R
	VAL	Valspar Corp	N/R	27.59	2,767	1.71	1.79	2.02	16.1	15.4	13.7	10.4	9.4	8.7	N/R	1.9%	N/R
	KNL	Knoll Inc	Neutral	19.81	984	1.15	1.36	1.45	17.2	14.6	13.7	10.6	9.3	10.7	\$23.00	2.2%	18.3%
	Building Products Average				\$7,277				16.4	15.5	14.4	8.8	9.2	8.8		1.9%	
Building Materials	Ticker	Company Name	Rating	Price 7/31/2007	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	44.87	24,065		3.57	3.97	n/a	12.6	11.3	n/a	n/a	n/a	N/R	1.5%	N/R
	EXP	Eagle Materials	N/R	43.73	2,098		2.80	2.98	n/a	15.6	14.7	7.2	10.2	10.5	N/R	1.8%	N/R
	HAN	Hanson PLC	N/R	110.47	15,780	n/a	5.42	5.44	n/a	20.4	20.3	n/a	n/a	n/a	N/R	1.9%	N/R
	LR	LaFarge	N/R	42.32	29,899	2.78	2.99	3.51	15.2	14.2	12.1	10.6	7.6	7.0	N/R	2.4%	N/R
	MLM	Martin Marietta Materials	N/R	137.00	5,839	5.19	6.70	7.95	26.4	20.4	17.2	14.4	12.2	10.8	N/R	0.8%	N/R
	TXI	Texas Industries	N/R	78.81	2,155	2.45	3.57	4.41	32.2	22.1	17.9	13.2	11.3	9.6	N/R	0.4%	N/R
	USG	USG Corp	Sell	41.51	4,107	4.33	1.40	0.40	9.6	29.7	104.6	4.5	11.1	17.4	38.00	0.0%	(8.5)%
	VMC	Vulcan Materials	N/R	95.72	9,121	4.79	5.70	6.48	20.0	16.8	14.8	15.1	9.8	8.4	N/R	1.9%	N/R
	Building Materials Average				\$10,224				17.6	17.7	20.7	8.7	6.8	6.6			

*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.

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<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.

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Buy	383	43	Buy	303	79
Hold	476	53	Hold	341	72
Sell	37	4	Sell	29	78

Consumer Sector

<u>Coverage Universe</u>	<u>Companies</u>	<u>Pct.</u>	<u>Investment Banking Clients</u>	<u>Companies</u>	<u>Pct.**</u>
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