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Homebuilders & Building Products

**Daniel Oppenheim, CFA**

212.847.5733  
doppenheim@bofasecurities.com

**Michael R. Wood, CFA**

212.847.5699  
michael.r.wood@bofasecurities.com

**Michael G. Dahl**

212.933.3097  
michael.g.dahl@bofasecurities.com

**Top Picks**

Ticker	Rating	Price	Target
HOV	B	\$31.56	\$40.00
SPF	B	\$25.50	\$32.00

**Least Favorites**

Ticker	Rating	Price	Target
RYL	N	\$48.56	\$46.00

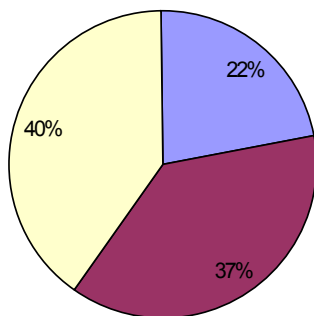
**BofA Monthly Real Estate Agent Survey**

Market Downshifts in February, the Start of the Key Selling Season

- ▶ **Traffic lost steam in February.** Agents noted that traffic fell short of expectations in February, after coming in essentially in-line with expectations in January. Responses worsened over the month, suggesting that traffic lost steam. Our traffic index measured 43 at mid-month, but 40.9 by month-end, down from 48.0 in January and reversing three months of improvement.
- ▶ **Further price declines likely based on excess inventory.** We expect the high and rising inventories to lead to further price declines in '07, but did hear of improving traffic quality in a few markets where sellers have lowered prices. Our price index rose to 34.5 from 33.8 in January (although readings below 50.0 indicate falling prices). Our time to sell index, which is a good leading indicator of pricing remained essentially unchanged at 26.8 from 26.9 in January, but still was below 50, indicating a lengthening time to sell.
- ▶ **Greatest deterioration seen in Arizona and Florida; D.C., Seattle, and Texas show most improvement.** Most builders are highly leveraged to the markets where our survey shows deterioration, although Hovnanian, NVR, and Toll Brothers are relatively well positioned based on their heavy presence in D.C.
- ▶ **Further pullback likely if Spring traffic continues to disappoint.** We remain Neutral on the homebuilders, but see greater risk that the recent pullback in the stocks will continue given the deteriorating traffic trends and rising home listings.
- ▶ **Sector View:** We are Neutral on the homebuilders based on increasing traffic, better affordability, and more discipline on construction, offset by the likelihood of continued price erosion and higher inventory levels.
- ▶ **PORTFOLIO MANAGERS' SUMMARY: Page 2.**

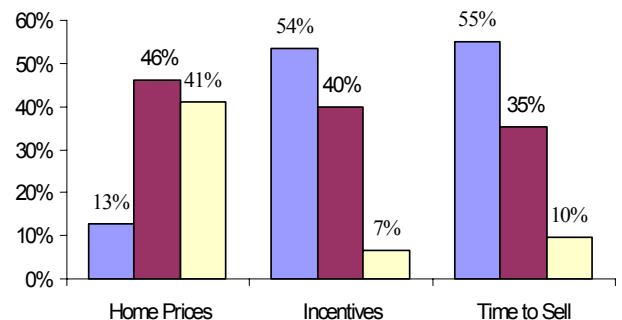
**More Agents Saw Traffic Below Expectations (40% in February from 33% in January)**

Traffic Levels Versus Expectations



More than expected Meets expectations Less than expected

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



Increased Remained the same Decreased

Source: Banc of America Securities LLC 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 increased discipline on new construction activity, modest improvement in affordability and increasing traffic. On the negative side, we see risk from continued pricing declines (necessary to remedy the excess inventory), which will negatively impact earnings expectations along with the potential for inventory levels to worsen further at the start of 2007.
- ▶ **Our call today in a nutshell.** Agents noted that traffic fell short of expectations in February, after coming in essentially in-line with expectations in January. Responses worsened over the course of the month suggesting that traffic lost steam as the month progressed. We expect the combination of high and rising inventories to lead to further price declines in '07, but did hear of improving traffic quality in a few markets where sellers have begun to adjust expectations.
- ▶ **Risks to our call.** Interest rates remain the wild card. A significant decline in mortgage rates would aid affordability and allow a return to price appreciation, whereas an increase would lead to a more pronounced downturn.

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

## Market Momentum Turns Negative Early in Spring

*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. 5 for a full description of our survey methodology.*

**Traffic lost steam in February.** Agents noted that traffic fell short of expectations in February, after coming in essentially in-line with expectations in January. Responses worsened over the month, suggesting that traffic lost steam. Our traffic index measured 43 at mid-month, but 40.9 by month-end, down from 48.0 in January and reversing three months of improvement.

### Traffic Sputtered After Three Months of Improvement

Month	Buyer Traffic Index	Home Price Index	Incentive Index	Home Listings Index	Time to Sell Index	Community Supply Index
Jan-2006	38.3	47.5	28.4	29.8	18.9	32.5
Feb-2006	38.3	46.0	20.3	18.2	20.9	26.8
Mar-2006	30.4	47.2	16.7	15.2	16.1	28.3
Apr-2006	26.3	43.1	18.8	15.7	14.5	31.3
May-2006	22.7	38.4	16.7	11.8	16.3	33.2
Jun-2006	25.9	41.4	16.1	14.3	15.7	26.4
Jul-2006	23.7	36.0	15.4	15.7	14.0	29.4
Aug-2006	24.3	31.9	13.9	16.2	11.7	30.7
Sep-2006	23.5	29.5	12.9	19.6	12.5	33.3
Oct-2006	23.6	25.8	14.0	21.0	11.7	34.3
Nov-2006	30.5	25.6	14.5	31.1	15.2	36.9
Dec-2006	38.4	29.9	19.9	40.5	19.5	39.7
Jan-2007	48.0	33.8	26.7	36.1	26.9	39.9
Feb-2007	40.9	34.5	26.5	29.0	27.5	40.2
<b>Point change</b>	<b>(7.1)</b>	<b>0.6</b>	<b>(0.1)</b>	<b>(7.1)</b>	<b>0.6</b>	<b>0.3</b>

Source: 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 February, we received responses from 2,400 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.

## Historical Trends

**Greatest deterioration seen in Arizona and Florida; D.C., Seattle, and Texas show most improvement.** Most builders are highly leveraged to the markets where our survey shows deterioration, although Hovnanian, NVR, and Toll Brothers are relatively well positioned based on their heavy presence in D.C.

### Traffic Fell Short of Expectations in February (Traffic Index Decreased to 40.9 in Feb. from 48.0 in Jan.)

	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	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	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	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
Charleston, SC	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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
<b>Total</b>	<b>40.9</b>	<b>48.0</b>	<b>38.4</b>	<b>30.5</b>	<b>23.6</b>	<b>23.5</b>	<b>24.3</b>	<b>23.7</b>	<b>25.9</b>	<b>22.7</b>	<b>26.3</b>	<b>30.3</b>	<b>38.3</b>	<b>38.9</b>
20 Same-Store Markets	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.

**Rate of price declines unchanged from January (index reading of 34.5 from 33.8).** Weaker seasonal traffic combined with higher inventory levels (typical through the Spring season) continue to pressure home prices, despite the pullback that's already taken place. Agents noted sequentially lower home prices (index level below 50) in all but six markets we surveyed. However, agents continue to see buyers on the sidelines, with traffic quality improving in some markets where sellers have adjusted expectations. We believe further price declines are likely, but at a more modest rate.

**Worst Pricing in Detroit, Orlando, Port St. Lucie, Sarasota; Austin, Charlotte, Houston, Nashville, San Antonio, and Seattle saw rising prices**

	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	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	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	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
Charleston, SC	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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
<b>Nashville, TN</b>	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	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	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	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	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	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	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	42.3	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
<b>Richmond, VA</b>	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	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	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	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	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	<b>3.8</b>	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	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	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	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	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	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	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
<b>Total</b>	<b>34.5</b>	<b>33.8</b>	<b>29.9</b>	<b>25.6</b>	<b>25.8</b>	<b>29.5</b>	<b>31.9</b>	<b>36.0</b>	<b>41.4</b>	<b>38.4</b>	<b>43.1</b>	<b>46.5</b>	<b>46.0</b>	<b>46.4</b>

Source: Banc of America Securities LLC estimates.

**Incentives index points to higher incentives** – Incentives increased sequentially in every market surveyed except one (Nashville, TN), where it was unchanged. Our incentive index measured 26.5, essentially unchanged from 26.7 in January, pointing to sequentially higher incentives (index level below 50). Agents noted higher incentives even in the few markets where home prices are increasing, likely a result of homebuilders using incentives to capture sales as traffic slows. In the weak markets, we think the incentives are being used in lieu of price reductions whenever possible.

**Agents Saw Rising Incentives (Index Value Below 50) in Every Market But Two We Surveyed**

	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	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	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	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
Charleston, SC	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	20.5	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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
<b>Total</b>	<b>26.5</b>	<b>26.7</b>	<b>19.9</b>	<b>14.5</b>	<b>14.0</b>	<b>12.9</b>	<b>13.9</b>	<b>15.4</b>	<b>16.1</b>	<b>16.7</b>	<b>18.8</b>	<b>16.1</b>	<b>20.3</b>	<b>28.3</b>
20 Same-Store Markets	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.



**Inventory levels worsen, likely to pressure home prices** – Agents indicated that the inventory of homes for sale rose (index below 50 indicates a sequential increase) in all markets except three (Austin, Nashville, and Richmond). While higher inventory levels are typical for February, the seasonal increase in traffic is not keeping pace. Our inventory index fell to 29.0 in February from 36.1 in January, pointing to the increase in inventory. We expect inventories to continue to rise throughout the Spring as sellers re-list properties that were removed ahead of the holidays. The increase in inventories in Spring will likely put further pressure on home prices.

**Inventory Levels Continue to Rise in February, Consistent with Seasonal Trends**

Homes listed for sale (> 50.0; Fewer homes listed versus prior month/ = 50.0: listings unchanged / <50.0: more home listings)

Atlanta, GA	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	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	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
Charleston, SC	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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
<b>Total</b>	<b>29.0</b>	<b>36.1</b>	<b>40.5</b>	<b>31.1</b>	<b>21.0</b>	<b>19.6</b>	<b>16.2</b>	<b>15.7</b>	<b>14.3</b>	<b>11.8</b>	<b>15.7</b>	<b>15.1</b>	<b>18.2</b>	<b>29.5</b>
20 Same-Store Markets	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 lengthens further, a leading indicator of pricing trends.** The time to sell a home lengthened (index level below 50) in all but three markets we surveyed (Austin, Charlotte, and Richmond). Our time to sell index was essentially unchanged at 27.5 in February (from 26.9 in January), but still pointed to a lengthening time to sell (readings below 50). We think this metric may be even more important than the inventory, as a lengthening time to sell has historically indicated weakening conditions, whereas there is some seasonality to inventory trends.

**Time to Sell Continues to Lengthen – Further Near-Term Pricing Pressure**

	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	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	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	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
Charleston, SC	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	11.3	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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
<b>Total</b>	<b>27.5</b>	<b>26.9</b>	<b>19.5</b>	<b>15.2</b>	<b>11.7</b>	<b>12.5</b>	<b>11.7</b>	<b>14.0</b>	<b>15.7</b>	<b>16.3</b>	<b>14.5</b>	<b>16.7</b>	<b>20.9</b>	<b>18.6</b>
20 Same-Store Markets	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, WCI, Horton, and Lennar

**Agents recommend Toll Brothers, Pulte, WCI Communities, D.R. Horton, and Lennar to their customers.** Toll Brothers, Pulte, WCI Communities, D.R. Horton, and Lennar received the highest percentage of recommendations by agents nationwide. 28.3% of agents (net of positive responses less negative responses) surveyed said they would recommend Toll Brothers, followed by 26.3% for Pulte, 24.2% for WCI, 20.8% for D.R. Horton, and 20.0% for Lennar. 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.

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

Rank	Ticker	Company Name	Net Recommendation
1	TOL	Toll Brothers	28.3%
2	PHM	Pulte Homes	26.3%
3	WCI	WCI Communities	24.2%
4	DHI	D.R. Horton	20.8%
5	LEN	Lennar Corp.	20.0%
6	CTX	Centex Corp.	19.5%
7	SPF	Standard Pacific Corp.	16.0%
8	MTH	Meritage Homes	15.7%
9	RYL	Ryland Group	14.6%
10	HOV	Hovnanian Enterprises	9.5%
11	NVR	NVR, Inc.	6.9%
12	MDC	MDC Holdings	5.8%
13	CHCI	Comstock Homebuilding	(1.4)%
14	KBH	KB Home	(10.2)%

Source: Banc of America Securities LLC estimates.

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

Market	CTX	CHCI	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	19%	2%	38%	-	9%	-	-	-	-	26%	23%	-	-	-
Austin, TX	30%	-	55%	-	10%	50%	-	50%	-	40%	-	45%	55%	-
Baltimore, MD	-	0%	13%	53%	7%	13%	20%	-	53%	-	33%	-	-	-
Charleston, SC	32%	-	24%	-	12%	12%	-	-	0%	-	12%	-	-	-
Charlotte, NC	37%	5%	42%	19%	14%	21%	-	-	21%	-	16%	21%	30%	-
Chicago, IL	21%	-	12%	4%	7%	14%	4%	-	-	37%	30%	-	28%	-
Cincinnati, OH	5%	-	-	5%	-	-	-	-	10%	0%	14%	-	-	-
Columbus, OH	48%	-	-	11%	-	-	-	-	4%	4%	-	-	-	-
Dallas, TX	35%	-	48%	35%	10%	29%	4%	15%	-	29%	-	23%	29%	-
Denver, CO	15%	-	36%	-	9%	24%	27%	6%	-	24%	33%	30%	24%	-
Detroit, MI	28%	-	-	5%	-	-	-	-	-	50%	-	-	43%	-
Fort Myers, FL	36%	-	36%	9%	14%	32%	-	9%	-	50%	32%	-	-	41%
Houston, TX	15%	-	46%	22%	12%	49%	5%	27%	-	44%	-	-	-	-
Jacksonville, FL	27%	-	27%	-	19%	8%	12%	-	-	38%	15%	15%	35%	19%
Las Vegas, NV	34%	-	45%	-	23%	38%	11%	19%	-	57%	15%	-	49%	-
Los Angeles, CA	16%	-	16%	21%	33%	23%	4%	3%	-	16%	-	13%	13%	-
Miami, FL	-	-	16%	-	-	53%	-	-	-	-	-	5%	-	43%
Minneapolis, MN	29%	-	32%	16%	-	11%	-	-	-	30%	27%	-	13%	-
Nashville, TN	0%	-	-	-	-	-	-	-	-	-	-	-	-	-
New York-Northern New Jersey, NY-NJ	16%	-	6%	29%	-	6%	-	-	2%	20%	-	-	32%	6%
Orlando, FL	27%	-	24%	3%	27%	36%	-	9%	-	33%	21%	3%	30%	-
Philadelphia-Southern NJ	-	-	20%	44%	-	20%	12%	-	24%	44%	-	-	48%	-
Phoenix, AZ	20%	-	34%	4%	4%	26%	16%	30%	-	53%	24%	26%	44%	-
Port St. Lucie, FL	50%	-	17%	-	33%	-	-	-	-	-	-	-	-	-
Portland, OR	-	-	24%	-	-	-	-	-	-	-	-	-	-	-
Raleigh, NC	54%	8%	23%	0%	15%	38%	-	-	0%	31%	-	23%	54%	-
Richmond, VA	50%	0%	-	-	-	-	-	-	33%	-	-	-	-	-
Riverside-San Bernardino, CA	25%	-	30%	18%	37%	33%	3%	-	-	28%	24%	24%	-	-
Sacramento, CA	31%	-	18%	21%	15%	38%	13%	21%	-	38%	10%	15%	13%	-
San Antonio, TX	39%	-	39%	-	17%	26%	-	13%	-	22%	-	-	26%	-
San Diego, CA	31%	-	47%	22%	31%	27%	6%	-	-	18%	10%	25%	18%	-
San Francisco, CA	17%	-	6%	-	-	15%	-	8%	-	32%	-	9%	22%	-
Sarasota, FL	14%	-	-	-	7%	43%	-	-	-	29%	-	0%	-	50%
Seattle, WA	16%	-	34%	-	-	-	-	-	-	-	-	-	-	-
Tampa, FL	22%	-	10%	2%	21%	31%	2%	-	-	38%	38%	16%	-	12%
Tucson, AZ	-	-	40%	3%	3%	37%	11%	34%	-	49%	-	20%	29%	-
Virginia Beach, VA	31%	0%	0%	0%	-	-	-	-	0%	-	-	-	-	-
Washington, DC	28%	1%	14%	22%	2%	13%	5%	-	23%	35%	12%	-	38%	-
Wilmington, NC	13%	0%	-	-	-	-	-	-	0%	-	-	-	-	-
<b>TOTAL</b>	<b>27%</b>	<b>2%</b>	<b>27%</b>	<b>16%</b>	<b>16%</b>	<b>27%</b>	<b>10%</b>	<b>19%</b>	<b>14%</b>	<b>33%</b>	<b>22%</b>	<b>18%</b>	<b>32%</b>	<b>29%</b>

Source: Banc of America Securities LLC estimates.

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

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

Market	CTX	CHCI	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	6%	4%	4%	--	32%	--	--	--	--	13%	9%	--	--	--
Austin, TX	10%	--	0%	--	55%	5%	--	0%	--	15%	--	0%	5%	--
Baltimore, MD	--	0%	0%	0%	0%	7%	0%	--	20%	--	13%	--	--	--
Charleston, SC	4%	--	12%	--	16%	8%	--	--	0%	--	12%	--	--	--
Charlotte, NC	7%	5%	7%	14%	37%	12%	--	--	5%	--	9%	2%	5%	--
Chicago, IL	5%	--	2%	4%	9%	2%	2%	--	--	5%	2%	--	0%	--
Cincinnati, OH	5%	--	--	0%	--	--	--	--	5%	0%	10%	--	--	--
Columbus, OH	7%	--	--	0%	--	--	--	--	0%	0%	--	--	--	--
Dallas, TX	13%	--	10%	2%	44%	8%	2%	6%	--	4%	--	4%	0%	--
Denver, CO	3%	--	15%	--	33%	12%	12%	0%	--	6%	3%	3%	0%	--
Detroit, MI	18%	--	--	3%	--	--	--	--	--	13%	--	--	0%	--
Fort Myers, FL	0%	--	5%	18%	14%	23%	--	9%	--	9%	0%	--	--	0%
Houston, TX	10%	--	2%	0%	41%	7%	0%	0%	--	5%	--	--	--	--
Jacksonville, FL	15%	--	8%	--	19%	12%	12%	--	--	8%	8%	4%	4%	12%
Las Vegas, NV	4%	--	17%	--	30%	6%	17%	4%	--	4%	6%	--	4%	--
Los Angeles, CA	2%	--	2%	0%	5%	2%	1%	0%	--	3%	--	2%	3%	--
Miami, FL	--	--	5%	--	--	8%	--	--	--	--	--	3%	--	4%
Minneapolis, MN	13%	--	11%	7%	--	5%	--	--	--	14%	14%	--	13%	--
Nashville, TN	0%	--	--	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	2%	--	1%	7%	--	2%	--	--	0%	2%	--	--	4%	0%
Orlando, FL	12%	--	12%	0%	18%	12%	--	0%	--	3%	9%	0%	6%	--
Philadelphia-Southern NJ	--	--	0%	12%	--	4%	0%	--	4%	4%	--	--	0%	--
Phoenix, AZ	7%	--	3%	7%	43%	7%	1%	6%	--	4%	6%	3%	0%	--
Port St. Lucie, FL	17%	--	0%	--	33%	--	--	--	--	--	--	--	--	--
Portland, OR	--	--	18%	--	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	15%	8%	38%	46%	38%	31%	--	--	8%	23%	--	8%	23%	--
Richmond, VA	0%	0%	--	--	--	--	--	--	33%	--	--	--	--	--
Riverside-San Bernardino, CA	6%	--	0%	4%	22%	4%	4%	--	--	4%	3%	3%	--	--
Sacramento, CA	5%	--	8%	10%	28%	0%	0%	3%	--	0%	10%	3%	0%	--
San Antonio, TX	0%	--	9%	--	30%	0%	--	0%	--	9%	--	--	0%	--
San Diego, CA	4%	--	4%	2%	12%	6%	0%	--	--	6%	2%	2%	2%	--
San Francisco, CA	2%	--	6%	--	--	2%	--	0%	--	2%	--	2%	0%	--
Sarasota, FL	36%	--	--	--	21%	14%	--	--	--	7%	--	0%	--	7%
Seattle, WA	11%	--	5%	--	--	--	--	--	--	--	--	--	--	--
Tampa, FL	5%	--	0%	2%	10%	3%	0%	--	--	9%	2%	2%	--	3%
Tucson, AZ	--	--	3%	3%	54%	3%	3%	11%	--	3%	--	3%	0%	--
Virginia Beach, VA	0%	0%	0%	0%	--	--	--	--	0%	--	--	--	--	--
Washington, DC	6%	4%	3%	7%	2%	3%	7%	--	14%	6%	9%	--	10%	--
Wilmington, NC	0%	6%	--	--	--	--	--	--	0%	--	--	--	--	--
<b>TOTAL</b>	<b>7%</b>	<b>3%</b>	<b>7%</b>	<b>6%</b>	<b>26%</b>	<b>7%</b>	<b>4%</b>	<b>3%</b>	<b>7%</b>	<b>6%</b>	<b>7%</b>	<b>2%</b>	<b>4%</b>	<b>4%</b>

Source: Banc of America Securities LLC estimates.

## 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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**Prospective buyers sense no urgency and feel prices can go lower due to the area's high inventory.**

**Agents began to see worse credit quality among first-time buyers.**

## Atlanta, GA – Dip in Confidence Keeps Buyers Inside

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

**Excess inventory making buyers hesitate.** Traffic fell short of agents' expectations in February after it met expectations in January. Our traffic index decreased to 37.7 from 50.5 in January. Agents blamed the lighter traffic primarily to lower buyer confidence due higher inventory at the start of the Spring season, but also unusually cold weather on a few weekends, leading one agent to say "There was one week of very cold weather, when no one was venturing out for Sunday open houses." Sellers will likely need to lower prices to begin to work of the excess inventory, in order to increase buyers' confidence and restore a sense of urgency.

**Home prices continue to fall; first-time buyer credit worsens.** Home prices fell in Atlanta, continuing the trend started in July. Our price index was unchanged at 37.7 from 35.6 in January, still indicating lower prices relative to the prior month. In addition, agents noted deteriorating credit quality among first-time homebuyers. We have not yet seen the deteriorating credit impact buyers' ability to qualify for mortgages, although tighter lending standards for first-time homebuyers could lead to another leg down in buyer traffic and home prices.

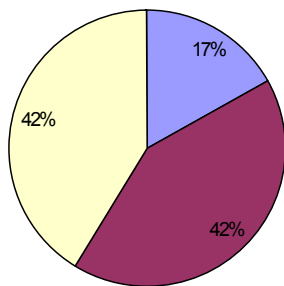
Comments from real estate agents:

- ▶ "It is a huge buyers' market, but consumer confidence is way down."

**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%.

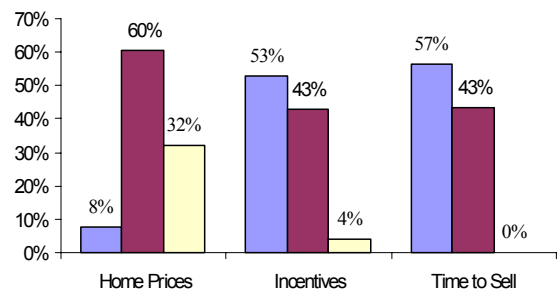
### Price Reductions Likely Needed to Work Through Inventory and Stimulate Traffic

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**“It seems like clients we serve seem to feel that the market is improving, and they are anxious to get it on the action.”**

**More agents see higher home prices and leading indicators point to continued price appreciation.**

## Austin, TX – More Buyers “Anxious to Get in on the Action”

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

**Buyers follow the rising prices and jump on the bandwagon.** Traffic improved from strong levels and exceeded agents’ expectations in February with an index reading of 70.0, up from 54.8 in January. Buyers are aware that home prices are rising and want to “get in on the action,” according to our survey. Austin is supported by strong job growth and buyer relocations from outside of the state. However, speculative buying from optimism that home price appreciation could lead to oversupply in the long term.

**Price appreciation accelerates.** Our home price index soared to 82.5 in February from 65.9 in January. A higher price index reading likely indicates that the appreciation was sharper or more widespread since more agents agreed in the direction of prices compared to last month. 70% of agents said home prices increased in February relative to January, while 25% said home prices did not change. The price outlook looks positive in the near-term based on strong leading indicators, a shorter time needed to sell and a lower number of home listings in each of the prior two months.

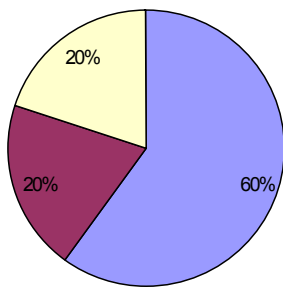
Comments from real estate agents:

- ▶ “Large in-flux of relocations; especially Californians.”
- ▶ “Job growth is strong – people in the city are optimistic.”

**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%.

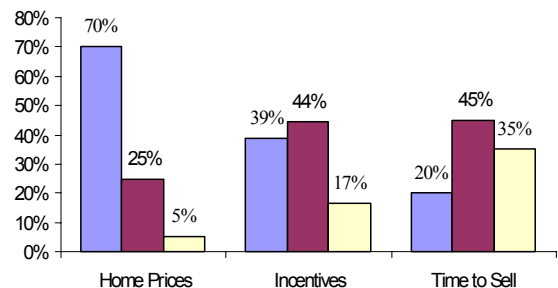
### Leading Home Price Indicators Look Positive in the Near-Term, But Supply Can Quickly Catch up to Demand

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.



February Market Trends	
Traffic	
Home Prices	
Incentives	

**“Traffic is healthy, with the typical seasonal increase.”**

**Home prices are likely to increase modestly in coming months.**

## Charlotte, NC – Solid Traffic; Steady Price Appreciation

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

**Traffic slightly above expectations.** Agents indicated that traffic was slightly ahead of expectations in February. Our sense is that traffic remains healthy due to buyer relocations to Charlotte amid solid job growth and relatively high affordability. Our traffic index was essentially flat at 57.1 in February (from 58.8 in January), slightly ahead of expectations in both months. We expect healthy demand to continue in the coming months.

**Prices rise, steady “time to sell” points to further price appreciation.** Overall, agents pointed to rising home prices as our price index measured 58.3 in February (readings above 50 indicate sequentially higher prices) and essentially unchanged from 57.5 in January. Home prices have risen consistently in Charlotte over the past year, with our survey indicating flat/rising prices in every month. In addition, inventory levels and the time needed to sell a home remained steady in February, a good indication that home prices will continue to appreciate in coming months. Our time to sell index increased to 50.0 from 45.5 in January, indicating no change in the time to sell from the prior month.

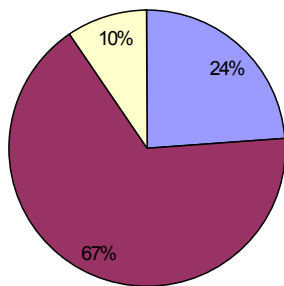
Comments from real estate agents:

- ▶ “Continued interest in relocation to this area; some clients could not sell their current home last year, and are still looking here and trying to make the move.”
- ▶ “Our market is remaining strong because more buyers are moving here than any other area in the Southeast.”

**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.

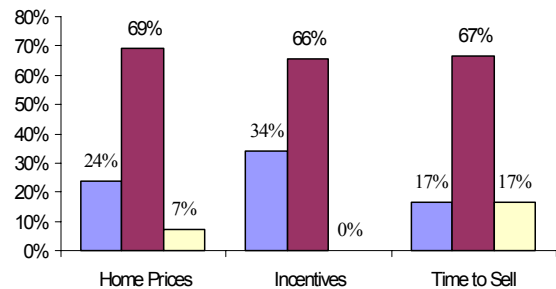
### Traffic Slightly Above Agents' Expectations; Leading Indicators Point to Continued Price Appreciation

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

Buyers stayed inside due to cold weather in February.

A higher percentage of agents indicated that they saw price declines in February.

## Chicago, IL – Traffic Affected by Bad Weather; Prices Fall

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

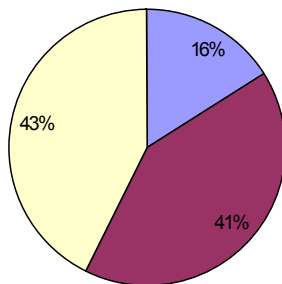
**Cold weather hurts traffic.** Traffic fell sharply in February after brief signs of stabilization in January. However, the weather makes it difficult to gauge whether the disappointing traffic represents weak demand or was simply a function of the weather. Our traffic index fell to 36.6 in February from 52.3 in January, with readings below 50 indicating that traffic fell below expectations. Agents remained optimistic that the recovery had not been derailed, but that the deterioration in traffic was weather related.

**Sellers lower prices.** Home prices fell again in February with our price index falling to 32.5 in February from 41.4 in January. We expect further price declines in the coming months due to higher inventory levels and a lengthening time needed to sell a home. While the decline in traffic may be temporary, it will likely hurt home prices, as we expect buyers to have little urgency as they see the inventory of homes for sale. Our time to sell index worsened in February to 15.2 from 19.8, with readings below 50 indicating a lengthening time needed to sell.

**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.

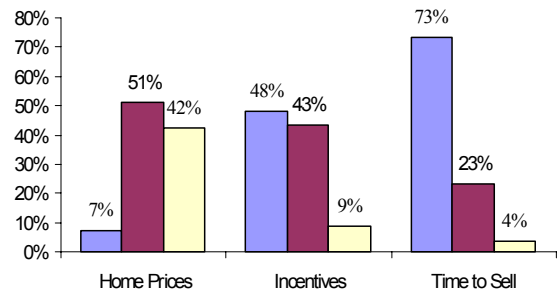
### Traffic and Pricing Fell After Signs of Stability in January, But Decline May be Weather-Related

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

Investor demand may be cooling as home prices trend lower.

Higher listings point to further price declines.

## Dallas, TX – Inventory Growing; Prices Continue to Fall

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

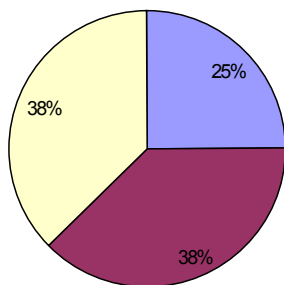
**Traffic falls modestly below agents’ expectations; fewer out of state buyers.** Traffic worsened in February as our index fell to 43.8 from 56.9 in January, just modestly below agents’ expectations (measured by a reading of 50.0). Agents cited fewer out of state buyers and lower confidence due to an increase in foreclosures. A few agents also mentioned the cold and rainy weather, although this did not appear to have a noticeable impact.

**Home prices trend lower; supply continues to worsen.** Home prices fell modestly in Dallas as supply exceeds demand and continues to worsen. Our price index measured 38.4, up from 36.8 in January, but well below 50, with 50 indicating flat prices sequentially. Our time to sell index, a good measure of future pricing trends, pointed to further deterioration with a reading of 30.4 (up from 25.0 in January, but well below 50, which would indicate an unchanged time to sell). Homebuilders need to remain disciplined with construction in order to help stabilize home prices. However, we believe homebuilders may continue to push for volume.

**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.

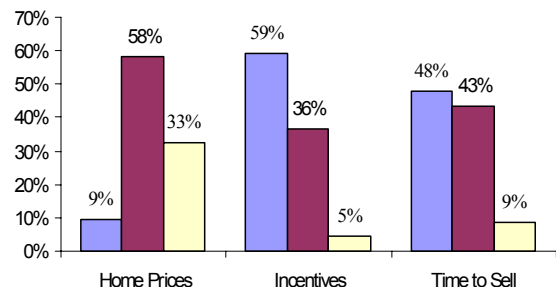
### Prices Continue to Decline as Buyers Become More Hesitant

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**“The winter blizzards are done, it's warm and people are finally out shopping.”**

## Denver, CO – Traffic Increases after Snowstorms Pass

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

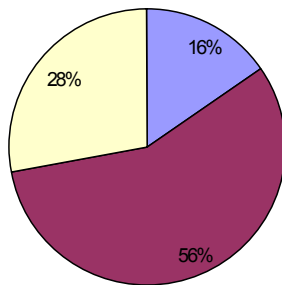
**Buyers out looking as the snow begins to melt.** Traffic improved in February but remained below agents' expectations. Our traffic index increased to 43.8 from 30.5 in January, back near the 40.1 reading of December (before the snowstorms hit).

**Still finding a floor on pricing; profitability likely challenging for homebuilders.** Agents saw further declines in home prices in February. Our price index reached 33.3, up modestly from 29.5 in December, but still well below 50 (50 indicates flat prices sequentially). We do not expect home prices to stabilize in the near term given continued weak traffic in February and high inventory levels. Inventory and the time to sell a home worsened in February. Our time to sell index measured 30.4 (up from 23.8 in January, but below 50, indicating a lengthening of the time needed to sell a home).

**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. with approximately 6% of sales.

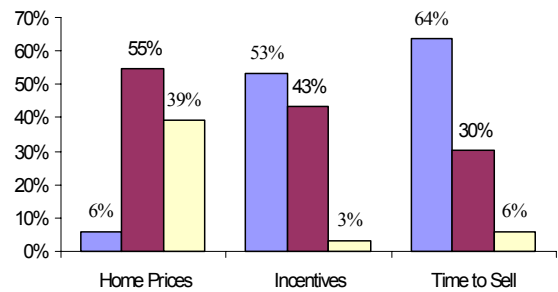
### Traffic Rebounded from Low Levels in January, but Prices Continue to Decline

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Ft. Myers, FL - Signs of Recovery Fade; Few Sales Except for Bargains

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

**Traffic dives after glimpse of recovery in January.** Buyer traffic fell sharply, far below agents' expectations in February with an index reading of 20.5 (down from 40.9 in January). February's results are discouraging in that traffic has faded as the prime selling season has progressed, with demand sated in the early part of the selling season. Agents attributed the weak traffic to low confidence due to fears of further price declines and a lack of urgency due to the high inventory levels. One agent commented: "the perception is that the longer they wait, the lower the price will be." In addition, the inventory of homes for sale is so severe that it would likely take over a year to work through the inventory at the current pace of sales. Another agent noted that "The supply-demand is worse than it has ever been in southwest Florida."

**Home prices fall; time to sell, inventory levels worsen.** Home prices continued to fall in February. Our price index increased to 19.0 from 4.5, signaling that fewer agents saw falling prices, but the majority still noted declines. 71% of agents said home prices fell (down from 91%), 19% said prices did not change (up from 9%), and 10% said prices increased (no agents said prices increased in January). We think that future price declines are needed to work off the excess inventory. In addition, home listings and the time to sell have not stabilization, which will further pressure home prices. Our time to sell index fell to 15.9 from 22.7 in January.

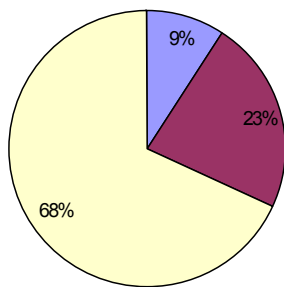
**WCI Communities and Hovnanian have the most exposure.** WCI has the greatest exposure to Fort Myers with approximately 22% of 2005 net sales, followed by Hovnanian with 11% following its 2005 acquisition of First Homebuilders of Florida.

Traffic faltered after sharp increase in January.

Prices likely to decline further.

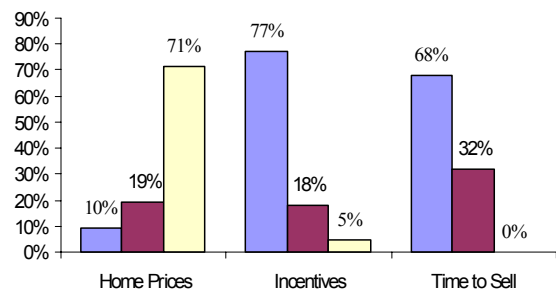
### No Evidence of Recovery in February

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.

February Market Trends	
Traffic	↔
Home Prices	👍
Incentives	👎

**Traffic remains near agents' expectations and has been stable for most of the year.**

**Prices appreciation modestly in February, but builders increase incentives to capture volume.**

## Houston, TX – Continued Stability in Price and Traffic

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

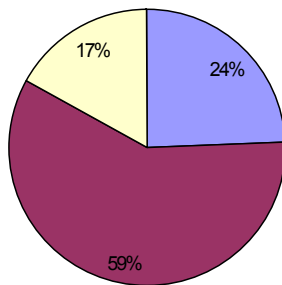
**No noticeable change in traffic; traffic remains in-line with expectations.** Our traffic index stood at 53.7, in-line with 52.5 and 52.7 in January and December, respectively, slightly above expectations (measured at 50). This is consistent with the general trend over the past six months. Traffic has remained steady due to healthy employment growth and relatively high affordability.

**Home prices show modest appreciation; less deterioration seen in time to sell.** Home prices continued a modest upward trend in February with our index essentially unchanged at 57.5 (from 57.6 in January). The time needed to sell a home, an indicator of future pricing, lengthened in February, although our index increased to 39.7 from 33.3 in January, indicating that fewer agents saw a lengthening of the time needed to sell a home. Despite the modest price appreciation, homebuilders continued to increase incentives to chase volume. Our incentive index fell to 24.3 from 28.7 in January, with index readings below 50 pointing to rising incentives. We think homebuilders are increasing efforts to generate sales in Houston due to declining sales in other markets and recent weakness in Dallas.

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

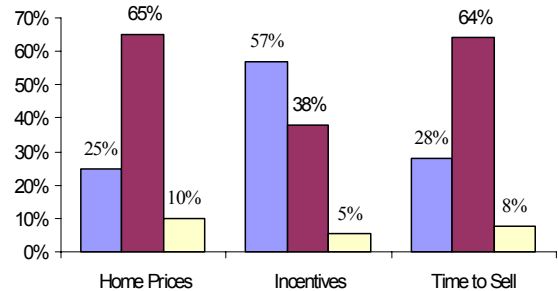
### Traffic In-line with Expectations; Agents See Rising Home Prices

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**Lower prices are needed to stimulate traffic and work off the excess inventory.**

**Longer time to sell and higher listings will continue to negatively pressure home prices.**

## Jacksonville, FL – Buyers ‘Wait and See’, Watch Prices Go Lower

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

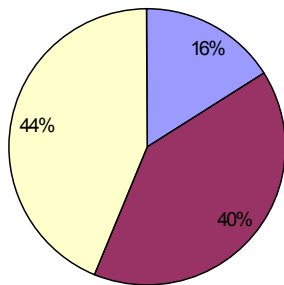
**Traffic continues to disappoint; buyers fear further price declines.** Once again, agents saw traffic fall below their expectations, although we did hear that more buyers were looking relative to January, which is the normal seasonal trend. Our traffic index was essentially unchanged at 36.0 (from 35.7 in January). Agents noted that there were “not as many Northerners as usual”, likely an issue of confidence and low affordability, and the fear that prices will continue to decline. Agents said that sellers still are unwilling to negotiate unless they need to move immediately. We expect the gridlock between buyers and sellers to continue until sellers’ expectations are significantly reduced given the large overhang of inventory.

**Home prices continue to deteriorate as supply problem gets worse.** Home prices and incentives deteriorated in February. Our home price index increased to 32.0 from 28.6 in January, but still indicated sequentially lower prices. In addition, our survey continues to show a buildup in home listings and a lengthening time to sell. The time to sell index was unchanged at 16.7 from 14.3 in January (far short of a neutral reading of 50.0). We believe sellers’ expectations are too high and price cuts are needed to reduce the excess supply of homes for sale. We expect more listings to continue to hit the market through Florida’s prime selling season, another barrier for price stabilization.

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

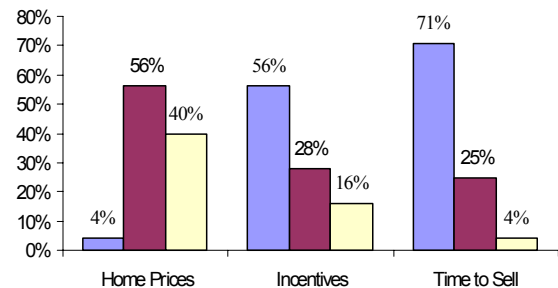
### Sellers’ Expectations Appear Too High Based on the Buildup of Inventory

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**Traffic not yet translating into purchases due to the gap between buyer and seller expectations.**

**“We are #2 in foreclosed homes, which are drawing people who are looking but waiting for the bottom of the market.”**

## Las Vegas, NV – Tighter Lending Standards Hurt Traffic

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

**Traffic (modestly below expectations) hurt by tighter lending standards, fear of further price declines.** Our buyer traffic index was slightly lower in February at 39.4 (from 43.9 in January), modestly below agents’ expectations. Agents said that tighter lending standards in Las Vegas following the recent increase in foreclosures is hurting traffic for entry-level homes. In addition, buyers fear further price declines from looking at the high inventory of homes for sale and the recent downward trend in home prices. By contrast, those agents that said buyer traffic increased primarily attributed it to investors purchasing foreclosed properties or bargain shoppers. However, we believe most sellers have not yet significantly reduced prices and the increased level of traffic has yet to translate into sales.

**Home listings on the rise; prices continue to fall.** Home prices continued to worsen in February as our index fell slightly to 25.5 from 29.0 in January. In addition, the number of homes listed for sale increased in February, with our index reading 35.9 (from 68.3 in January), Our time to sell index fell to 27.7 from 31.0, another sign that prices will likely head lower.

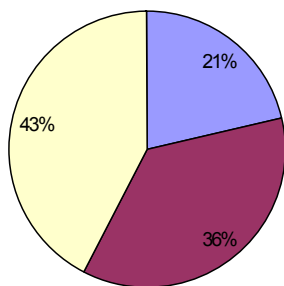
Additional comments from real estate agents:

- ▶ “There are tighter restrictions on home financing.”
- ▶ “We still have over 20,000 listings for sale.”

**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%.

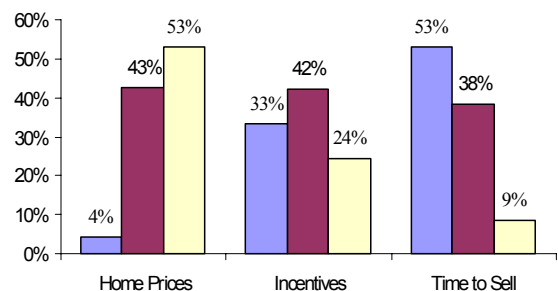
### Those Buying Are Mostly Investors or Finding Bargains; Most Sellers are Still Unrealistic

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.



February Market Trends	
Traffic	
Home Prices	
Incentives	

Home prices may be closer to a bottom as buyers are beginning to step in.

## Los Angeles, CA – Increased Traffic Helps Stabilize Prices

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

“Buyers are looking again and deals are happening.” Traffic met agents’ expectations again in February as our index measured 48.0 (consistent with 47.2 in January). Agents said that sellers’ have lowered expectations and buyers increasingly believe the market has bottomed. However, despite more optimism in general, there are still a significant number of buyers who are waiting on the sidelines for further price declines. We think further price declines will be needed to work off the excess supply of inventories, although the improved traffic and increased construction discipline should help to limit the price decline.

**Home prices flatten in February, but further modest declines seem likely.** Home prices leveled off in February, as our price index increased to 45.2 from 33.3 in January (a reading of 50 suggests flat prices). Higher traffic, in-line with agents’ expectations in each of the past two months, and better construction discipline helped to prevent inventories from increasing too quickly, although listings increased, consistent with seasonal trends. While prices are likely to fall further in the coming months as the oversupply of inventory is reduced, we think the declines will be modest and continued improvement in traffic should help to relieve pricing pressure.

Additional comments from real estate agents:

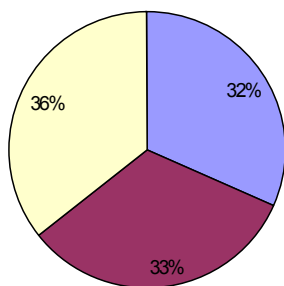
- ▶ “Buyers believe they can find deals and that the market has bottomed out.”
- ▶ “Market is rebounding a bit.”

**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.

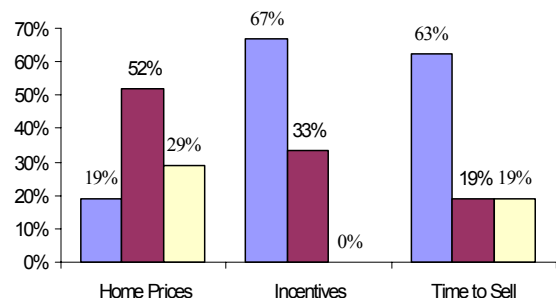
### Home Prices Leveled Off in February, But Further Modest Price Declines Are Likely

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**Traffic remains weak, with no signs of improvement.**

**“Buyers are waiting for prices to drop even further.”**

## Miami, FL – More Pricing Weakness to Come

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

**“Buyer traffic is slower than usual.”** Our traffic index fell to 21.6 in February from 25.8 in January and has remained around the same level since November, as traffic continues to fall well short of agents’ expectations. Agents said demand remains low as rising inventories, falling prices, and high insurance costs/property taxes keep buyers on the sidelines. We suspect it will take significantly lower prices in order to relieve the current affordability crunch and spur demand in Miami.

**Inventories continue to rise as seller expectations remain too high.** Home prices fell again in February, but have yet to find a bottom as overwhelming inventory levels pressure sellers and buyers remain elusive. Our price index measured 20.9 in February, unchanged from 20.0 in January, with any reading below 50 signaling sequentially lower prices. We think prices will remain under pressure as buyers stick to the sidelines and sellers work to reduce record inventories.

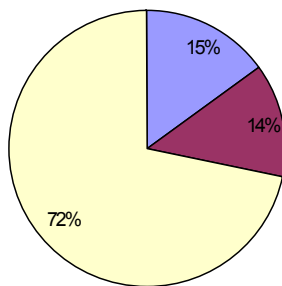
Additional comments from real estate agents:

- ▶ “Lenders have increased their qualifying criteria”
- ▶ “There has been no change. Traffic remains lower than expected.”

**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.

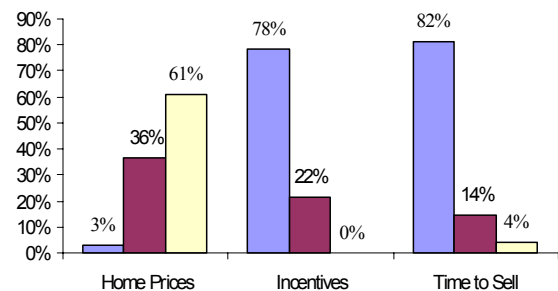
### Further Price Declines are Needed to Spur Demand and Work Through Excess Inventory

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**Buyer confidence remains shaky as prices fall further.**

## Minneapolis, MN – Traffic Slips as Falling Prices Hurt Buyer Confidence

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

**Losing momentum as traffic disappoints agents.** Our traffic index declined in February after improving sharply from November through January. Traffic fell short of agents' expectations as our index came in at 37.5 (from 49.3 in January). Agents said nervous buyers and a stretch of cold weather contributed to weaker than expected traffic levels. While sellers have adjusted their pricing in recent months, we believe affordability remains stretched in Minneapolis following the sharp run-up in prices over the past several years, and think further price declines are necessary to bring supply and demand back in balance.

**Increased listings at start of Spring likely to pressure prices further.** Following what is likely a normal seasonal pattern, inventories rose sharply in February after stabilizing in December and January, as sellers re-listed properties ahead of the prime selling season. Our home listings index fell to 29.6 from 52.0 in January (readings below 50 signal rising inventory levels). Higher inventories, along with a longer time needed to sell a home (our time to sell index fell to 27.3 from 35.6 in January), are likely to further pressure home prices as sellers must become more aggressive to attract buyers.

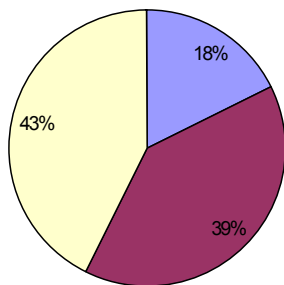
Additional comments from real estate agents:

- ▶ “Buyers remain nervous as values fall.”
- ▶ “There is still a lack of buyer confidence in the market.”

**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.

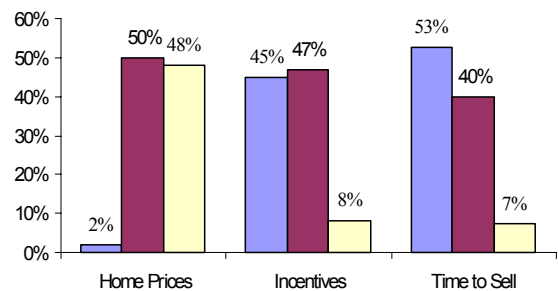
### Traffic Falls Short of Expectations as Inventories Rise, Prices Decline

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

February Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## New York-Northern NJ – Lower Pricing Draws Buyers’ Attention

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

**Demand is there for homes priced appropriately.** Our traffic index was slightly lower at 46.4 in February from 53.5 in January, but traffic remained in-line with expectations. Agents did note increased buyer activity in response to lower asking prices as buyers who have been waiting on the sidelines are ready to jump back into the market, but at the right price. They say the key to higher traffic levels seen over the past 60 days is more aggressive pricing from sellers, which has given buyers more confidence in negotiations. However, buyers remain picky with plenty of inventory to choose from, and we think prices may need to come down even further to keep demand at healthy levels and work down the excess supply of homes.

**Price declines accelerate again as inventories rise.** Home prices continued to fall in February, as our price index declined to 34.0 from 40.8. The rate of declines appears to have accelerated again after slowing in January, as a growing number of agents reported lower prices this month. We think pricing in the New York metro area continues to be driven by inventory levels, and see risk of additional price declines throughout the spring as sellers re-list homes taken off the market in winter. Our February homes listed for sale index indicated rising inventories for the second consecutive month after temporarily stabilizing in December, as our index was unchanged at 29.5 from 32.6 in January (any reading below 50 suggests higher inventories).

Additional comments from real estate agents:

- ▶ “Sellers are finally pricing their homes more appropriately!”
- ▶ “There is pent-up demand here.”

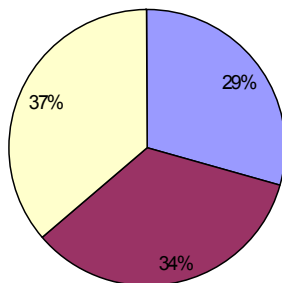
**Toll Brothers and Hovnanian have the greatest exposure.** Toll Brothers and Hovnanian have the most exposure to the New York-Northern NJ area market and hold a significant supply of land to fuel their growth in the area. Toll Brothers and Hovnanian generated the largest percentage of 2005 sales in the area with 5% each.

Buyers search for deals

Additional price declines are likely as sellers compete with growing inventories.

### Lower Pricing Continues to Drive Traffic

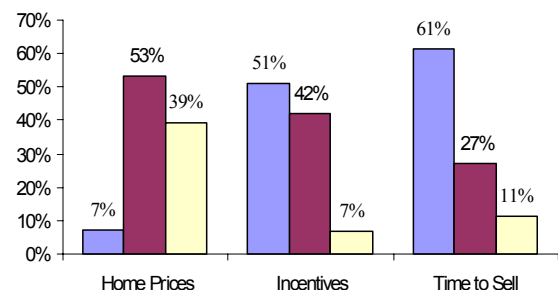
Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

Source: Banc of America Securities LLC.

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



■ Increased ■ Remained the same □ Decreased

February Market Trends	
Traffic	
Home Prices	
Incentives	

**“Most buyers think the bottom is yet to come.”**

**There is likely further downside to prices in Orlando given the large and growing supply of homes for sale.**

## Orlando, FL – Another Leg Down in Traffic and Pricing

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

**Buyers “sense that pricing may not have bottomed” and move back to the sidelines.** Buyer traffic dropped after improving closer to agents’ expectations in January. Our traffic index fell to 25.8 from 45.7, the steepest decline in traffic aside from Ft. Myers, FL and the Inland Empire, CA. Agents said that buyers returned to the sidelines after sensing that prices are likely to decline further given the glut of inventory. In addition, buyers continue to have difficulty selling their current residence to move into a new home. Surprisingly, investors appear to be among the first to step in given the recent price declines, according to our survey. This will eventually lead to more homes on the market.

**Price declines accelerate; home listings and time to sell get rise sharply.** Home prices continued to fall and a larger percentage of agents noted falling prices than in January, as our index dropped to 15.6 from 34.8. 69% of agents said prices fell compared with January, while 31% said prices were unchanged. We expect prices to fall throughout Florida’s key selling season as buyers become more anxious and inventory continues to rise. Inventories and the time to sell increased in February as our home listings index measured 11.7 (from 47.7 in January) and time to sell index measured 11.3 (from 15.8 in January).

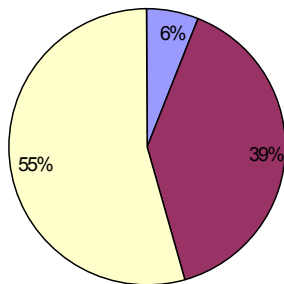
Additional comments from real estate agents:

- ▶ “Glut of homes puts buyers on sidelines waiting for bottom.”
- ▶ “Buyers think home prices will drop and will wait for it to happen.”

**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.

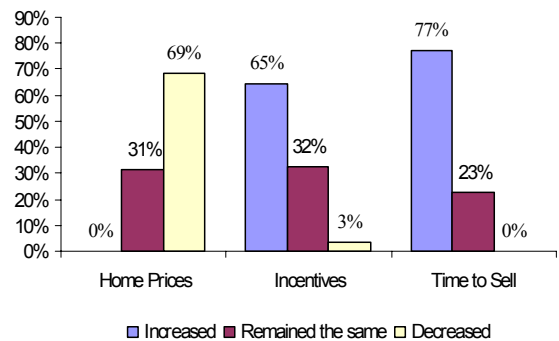
### Rising Inventories and Longer Time to Sell Should Lead to Lower Prices

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



Source: Banc of America Securities LLC.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**Buyers are not motivated; sellers still have unrealistic price expectations.**

## Phoenix, AZ – Market Still Shaky Due to Fragile Confidence

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

**Buyer confidence still shaky; traffic softens in February.** Buyer traffic fell below agents' expectations in February with our traffic index measuring 35.5 (from 41.6 in January). Agents attributed the decline to lower buyer confidence due to fear of further price declines and a gap between buyer and seller expectations. One agent explained that "There is no motivation by the buyers, and many sellers are not pricing their homes correctly." We expect traffic to be volatile in the coming months given fragile consumer sentiment and the likelihood of continued price declines.

**Prices continue to fall; higher inventory will likely lead to further pressure on home prices.** Home prices continued to decline in February with our price index at 22.1 (from 30.1 in January). We do not expect home prices to stabilize in coming months since inventory levels continue to increase from record levels and the time needed to sell increased. Our time to sell index fell to 25.4 from 33.8 with readings below 50 indicating a longer time to sell). While higher traffic levels could help limit the severity of the decline, builders must also remain disciplined in limiting the growth of supply.

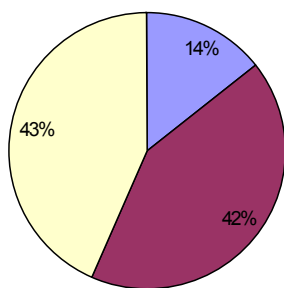
Additional comments from real estate agents:

- ▶ "Buyers are back, but taking their time."
- ▶ "Homes price under \$250,000 are getting more activity than past 6 months."

**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%).

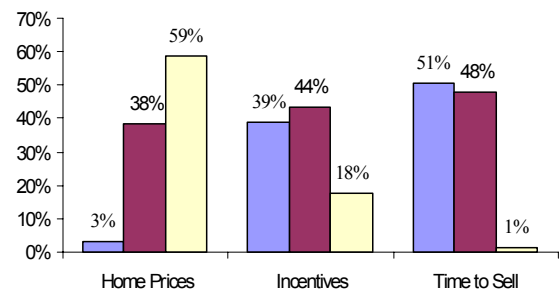
### Traffic Fell Further Below Agents' Expectations; Higher Inventories Portent Further Price Declines

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**"I had to start prospecting for new clients door-to-door like I used to do in the middle 90s."**

**Tighter lending criteria will likely slow demand, and lead to another leg down in pricing.**

## Riverside-San Bernardino, CA (Inland Empire) – Lending Criteria Tighten

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

**Traffic index halved; lending standards tighten.** Our traffic index in the Inland Empire fell more than in any other market we surveyed. Traffic fell sharply below agents' expectations with an index reading of 26.5 (from 50.0 in January). Agents said tighter lending standards hurt affordability and buyers remain leery out of fear of price declines. One agent that noted tighter lending standards said, "Pay option loan programs and 100% financing have nearly been eradicated." Another agent said, "There are a lot tougher criteria for 100% financing." These tougher financing criteria decreases affordability, therefore lower rates or home prices are likely needed to bring affordability back in balance.

**Deterioration in prices and incentives continue; inventory levels worsen.** Lower traffic levels and higher inventories continued to negatively pressure home prices in February. Our price index measured 26.9 (from 21.0 in January), with readings below 50.0 pointing to sequentially lower prices. In addition, inventory levels continued to worsen in February and the time needed to sell increased. Our time to sell index fell to 11.7 from 27.4. 80% of agents said the time to sell increased, 17% said there was no change, and 3% said the time to sell improved. Tougher lending criteria could exacerbate inventory levels in coming months by slowing demand, particularly for entry level homes. This may lead to another leg down in the Inland Empire.

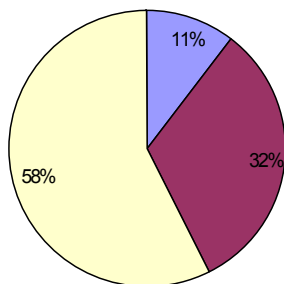
Additional comments from real estate agents:

- ▶ "Buyers who were only looking previously are now making offers."
- ▶ "Buyers are taking advantage of lower prices and attractive interest rates."

**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%).

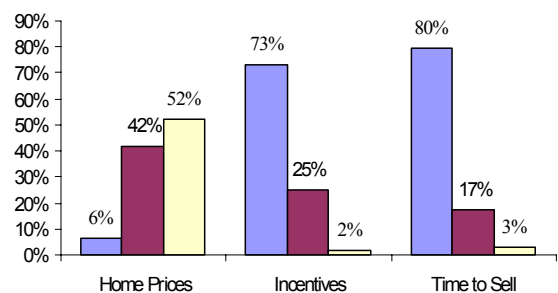
### Traffic Fell Far Below Expectations as Buyers Face Tighter Lending Criteria

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.

February Market Trends	
Traffic	↔
Home Prices	👍
Incentives	👎

Improved buyer confidence is leading to a slow pick-up in demand, according to agents.

## Seattle, WA – Potentially Firming as Traffic and Pricing Improve, But Risk Over Next Few Months

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

**“More buyers are looking to get back into the market.”** Traffic levels improved in February relative to January, as agents noted increased buyer activity with our index rising to 50.0 from 37.2. Agents said buyers are starting to respond to stable prices and low rates, and noted the appearance of pent-up demand as Spring approaches. While we are encouraged by early signs of a rebound in demand, we think pricing remains too high given the stretched affordability in Seattle, and think modest declines are likely necessary to stabilize demand and work through excess inventories.

**Stable home prices for the fourth consecutive month.** Home prices were modestly higher in February and have been relatively flat for the past four months, according to agents, as our index was unchanged at 57.0 from 55.6 in January (a level of 50 suggests flat prices). A strong local economy and relatively modest supply have supported prices, but inventories continued to rise and time to sell lengthened again in February, with our indices at 14.9 and 32.0, respectively—negative indicators for future pricing. We see risk of lower prices in the coming months as sellers are pressured to move inventory, although continued improvement in traffic would help to limit potential declines.

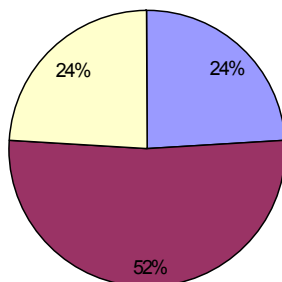
Additional comments from real estate agents:

- ▶ “The overall market is slower than last year, but is better this month than last month.”
- ▶ “I am seeing more activity on listings this month”

**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.

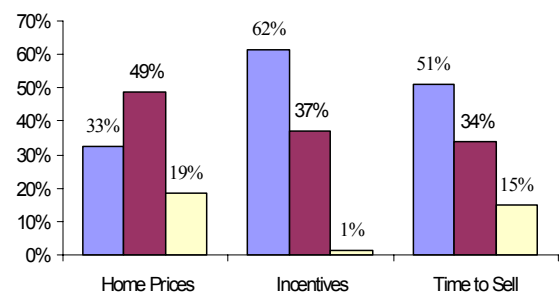
### Agents See Early Signs of Stabilization as Traffic and Pricing Improve

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.



February Market Trends	
Traffic	
Home Prices	
Incentives	

## Tampa, FL – Profitability Likely to Be Challenging in '07 as Prices Continue to Fall

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

**Rising inventory, falling prices keep buyers nervous.** Our traffic index fell to 16.4 in February from 31.4 in January, as agents said buyers continue to hold out for better deals as prices fall and inventories rise. Agents also noted high insurance and property taxes as primary deterrents to buyers, as housing costs remain out of reach for many potential buyers despite recent price declines. We think conditions will continue to deteriorate throughout '07 as record inventories and stretched affordability push prices even lower, while buyers wait on the sidelines for signs of stabilization.

“There are no buyers.”

“Buyers are just not ready to make a move with prices still going down.”

**Price declines accelerate as sellers become more aggressive in the face of overwhelming inventories.** Our price index reached its lowest point since October at 20.9. In addition, incentives continued to deteriorate, with our index falling to 15.7 from 21.2 in January, as builders attempt to liquidate inventory. However, inventories continued to increase and time to sell lengthened as compared with January, with our indices registering extremely low readings of 9.8 and 10.7, respectively. We still see no signs of stabilization in Tampa as rising inventories, longer time to sell, and weak demand continue to pressure pricing.

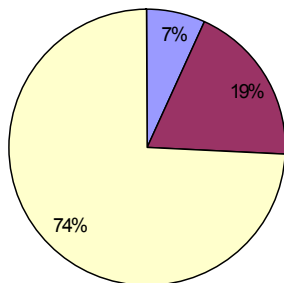
Additional comments from real estate agents:

- ▶ “Sellers and builders are drastically reducing prices.”
- ▶ “Buyers remain skittish with home prices falling.”

**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.

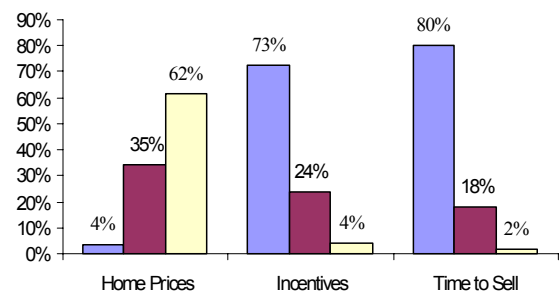
### Weak Conditions Persist in Tampa, With No Sign of Stabilization in Demand or Pricing

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

February Market Trends	
Traffic	
Home Prices	
Incentives	

**“After 12 months the shock of falling home values has evolved into reality. Now buyers and sellers are much closer in the assessment of a property’s value, which is leading to shorter days on the market and lower inventory.”**

## Washington, D.C. – Traffic Holds Up, Home Prices Begin to Find a Floor

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

**Buyers come back in when sellers price more realistically.** Traffic continued to improve despite cold weather, exceeding agents’ expectations for the 2<sup>nd</sup> consecutive month. Agents said the traffic quality is high. According to one of those agents “Despite extreme cold and ice we have received offers on listings that have had very few showings.” In addition, agents noted buyers step back in that were previously on the sidelines, lured by more realistic pricing and more confident that prices are nearing a bottom. Our traffic index measured 60.3 in February, down from 68.0 in January, but still above expectations at a time when agents expect traffic to improve.

**Prices continue to slip, but begin to find a floor.** Our price index increased for the third consecutive month to 36.0 in February from 26.3 in January and a low of 11.5 in November, but remained below 50, indicating sequentially lower prices. One agent noted that “Both buyers and sellers are on more of an even playing field, with similar mind set in searching for a fair deal.” It is encouraging to hear that the gap between buyer and seller expectations has reduced and the market can begin to work off the inventory. Another positive sign was that agents pointed to inventory levels almost holding still (index of 43.9, but down from 53.0 in January) and an improved time to sell index (45 in February, up from 36.5 in January).

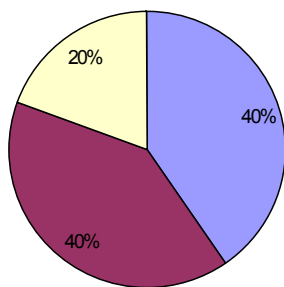
Additional comments from real estate agents:

- ▶ “Buyers feel we have reached the bottom in DC and they’re coming back into the market before prices rise again.”

**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.

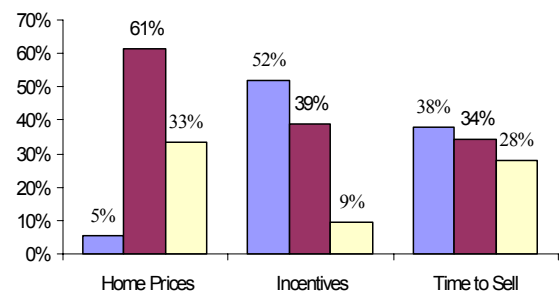
### Continuing to See Positive Signs in D.C.

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.

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## **Additional Key Housing Markets**

February Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## Baltimore, MD

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

**Traffic in-line with expectations.** Our traffic index fell to 50.0 in February from 65.6 in January, but traffic remains in-line with agents' expectations. 47% of agents said traffic met expectations, 27% said it was above expectations, and 27% said it fell short of expectations.

**Pricing and incentives worsened.** Our price index improved to 40.0 in February from 31.3 in January, but indicated sequentially lower prices for the ninth consecutive month (readings below 50 indicate falling prices). 47% of agents said prices were lower than in January, 27% said they were unchanged, and 27% said they were higher. Our incentive index came in at 35.0 in February, as 50% of agents said incentives were unchanged, 40% said they were higher, and 10% said they were lower compared to January.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index improved to 30.0 in February from 12.5 in January, but remains well short of a neutral reading of 50. 47% of agents said it took longer to sell a home, 47% said the time to sell was unchanged, and 6% said it took less time to sell a home.

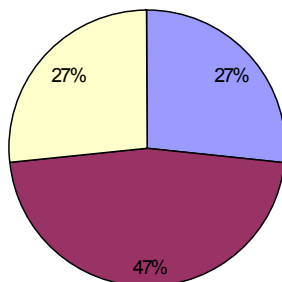
Comments from real estate agents:

- ▶ “Showings have picked up, but the buyers seem to still be hesitant to submit offers and are taking their time to carefully assess what home they want to buy as they still have an abundant supply of homes to choose from.”
- ▶ “It is more of a buyer's market with pricing getting better.”

**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.

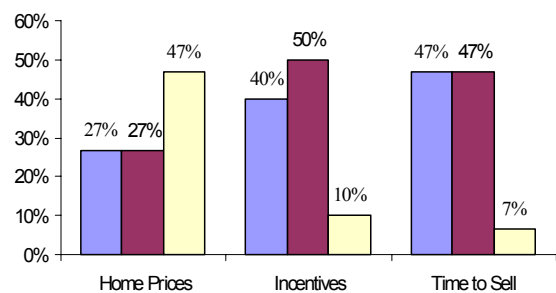
### Traffic In-Line With Expectations, Prices Fall, Incentives and Time to Sell Worsen in February

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.

February Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## Charleston, SC

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

**Traffic in-line with agents' expectations.** Our traffic index fell modestly to 46.0 in February from 55.4 in January, but traffic still met agents' expectations. 44% of agents said traffic was in-line with expectations, 32% said it was below expectations and 24% said it exceeded expectations. Agents said pent-up demand and a seasonal pick-up continued to drive healthy traffic levels in February.

**Prices and incentives worsen.** Our price index fell slightly to 35.4 in February from 41.7 in January, pointing to sequentially lower prices (a level of 50 suggests flat prices). 71% of agents said prices were unchanged, and 21% said prices declined. Incentives also worsened in February, with our incentive index unchanged at 22.9 (from 22.7 in January). 54% of agents said incentives were higher, while 46% said incentives were flat.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index reached 36.0 in February as 48% of agents said it took longer to sell a home, 32% said it took the same length of time, and 20% said it took less time.

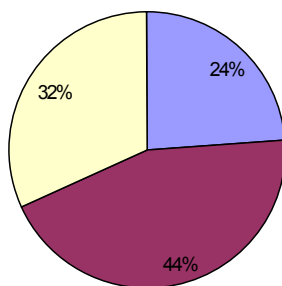
Comments from real estate agents:

- ▶ "Buyers who had waited are now out looking."

**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.

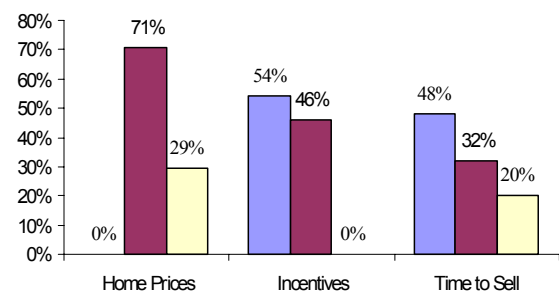
### Traffic Meets Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in February

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.

February 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 fell to 31.0 after jumping to 61.1 in January, as 62% of agents said traffic fell short of expectations, 24% said it was more than expected, and 14% said it met expectations. Agents said a string of bad weather and continued lack of buyer urgency negatively impacted traffic levels.

**Pricing and incentives continue to deteriorate.** Our price index measured 31.0 in February (nearly unchanged from 27.8 in January) indicating falling prices (any reading below 50 points to sequentially lower prices). 52% of agents said prices were unchanged, 43% said prices declined, and just 5% said prices were higher. Our incentive index measured 23.7 in February, as 53% of agents said incentives increased and 47% said incentives were unchanged.

**Longer time to sell should pressure home prices.** Our time to sell index measured 16.7 in February, as 71% of agents said it took longer to sell a home, 24% said the time to sell was unchanged, and just 5% said it took less time to sell a home as compared with 30 days ago. We view the longer time needed to sell as a negative indicator of future pricing trends, as sellers will be pressured to lower prices the longer their home stays on the market.

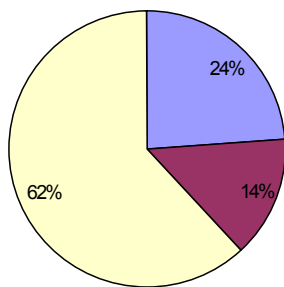
Comments from real estate agents:

- ▶ “There has been bad weather throughout February but also a slower overall market than this time last year.”

**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.

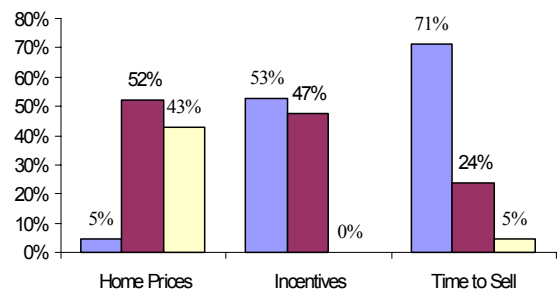
### Traffic Below Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## Columbus, OH

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

**Traffic improves; in-line with expectations.** Traffic was in-line with agents' expectations in February, as our traffic index improved to 50.0 from 40.0 in January. 41% of agents said traffic met expectations, 30% said it was below expectations, and 29% said it exceeded expectations.

**Pricing and incentives worsened.** Our price index improved to 25.9 in February from 10.0 in January, but still points to falling prices (readings below 50 indicate sequentially lower prices). 52% of agents said prices were unchanged, while 48% said prices were lower. Incentives also worsened, as our index fell to 18.8 from 30.0 in January. 63% of agents said incentives were higher than in January, 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 fell slightly to 25.0 in February from 30.0 in January, as 54% of agents said it took longer to sell a home, 42% said it took the same length of time and 4% said it took less time. We think the longer time needed to sell will pressure home prices in coming months as sellers become more aggressive in order to move inventory.

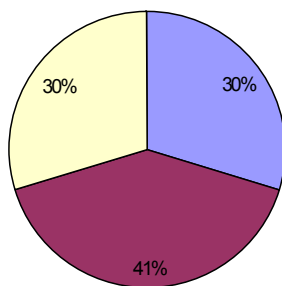
Comments from real estate agents:

- ▶ “Buyers are out looking for bargains.”

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

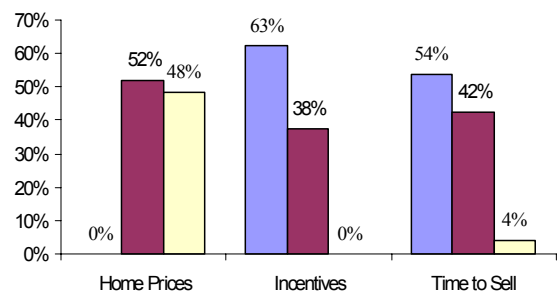
### Traffic Meets Expectations, Pricing and Incentives Deteriorate, Time to Sell Worsens in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Detroit, MI

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

**Traffic fell short of expectations.** Our traffic index fell to 18.8 in February from 41.7 in January, indicating traffic below agents' expectations. 73% of agents said traffic was below expectations, 18% said it met expectations, and 9% said it exceeded their expectations.

**Pricing and incentives deteriorate further.** Our price index came in at 18.4 in February (from 11.9 in January), as prices continue to fall in Detroit. 66% of agents said that prices declined, 32% of agents said prices were unchanged, and just 2% said prices were higher. Incentives also increased in February, with our index falling to 21.4 from 27.9 in January. 63% of agents said incentives increased, 31% said incentives were unchanged, and 6% said incentives decreased.

**Nearly all agents note longer time needed to sell.** Our time to sell index came fell to 6.8 in February from 21.4 in January, as 86% of agents said it took longer to sell a home and 14% said time to sell was unchanged. We view the longer time needed to sell a home as a negative indicator of future pricing.

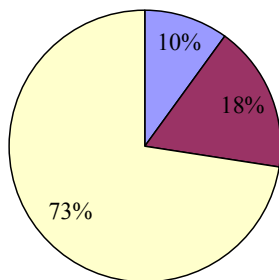
Comments from real estate agents:

- ▶ "Our phones are dead."
- ▶ "Buyers continue to fear weak economic conditions in Detroit."

**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.

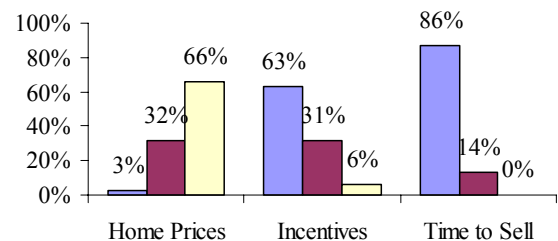
### Traffic Below Expectations, Pricing and Incentives Deteriorate, Time to Sell Lengthens in February

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.



February 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 fell to 33.3 in February from 46.5 in January, indicating traffic below agents' expectations. 67% of agents said traffic met expectations, while 33% said it fell short of expectations.

**Prices rise, incentives flat.** Home prices rose in Nashville after being flat for the previous three months, as our price index increased to 66.7 in February from 47.6 in January. However, we think high inventories and a longer time needed to sell will pressure pricing in the coming months. 67% of agents said prices were flat compared with December, and 33% said prices increased. Our incentive index measured 50.0, as 100% of agents said incentives were unchanged.

**Time to sell continues to lengthen – a negative indicator for future pricing.** Our time to sell index measured 33.3 in February, as 67% of agents said the time to sell was unchanged, and 33% said it took longer to sell a home.

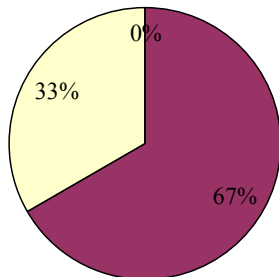
Comments from real estate agents:

- ▶ "Job growth is slowing."

**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.

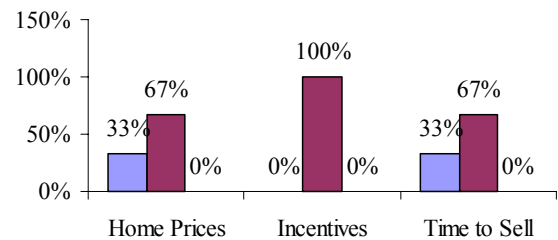
### Traffic Below Expectations, Prices Increase, Incentives Flat, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## Philadelphia, PA-Southern NJ

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

**Traffic in-line with expectations.** Traffic in February was consistent with December and January, meeting agents' expectations for the third consecutive month. Our traffic index was unchanged at 50.0 from 51.6 in January, as 34% of agents said traffic met expectations, 33% said it exceeded expectations, and 33% said it was below expectations. Agents said traffic is beginning to pick up as pricing becomes more attractive.

**Prices and incentives worsened.** Our price index fell modestly to 25.0 in February from 34.2 in January, indicating sequentially lower prices (a reading of 50 suggests flat pricing). We would expect prices to begin to stabilize if traffic continues to improve and excess inventories are reduced. 50% of agents said prices were lower, and 50% said prices were unchanged as compared with January. Incentives also worsened in February, as our index was unchanged at 20.5 from 19.2 in January. 68% of agents said incentives increased, 23% said incentives were unchanged, and 9% said incentives decreased.

**Length of time needed to sell a home increased.** Our time to sell index fell to 14.6 in February from 21.3 in January, as 71% of agents said it took longer to sell a home and 29% said the time to sell was unchanged. The longer time needed to sell a home should pressure home prices in the coming months, but we would expect to see the time to sell begin to stabilize if improving traffic trends continue.

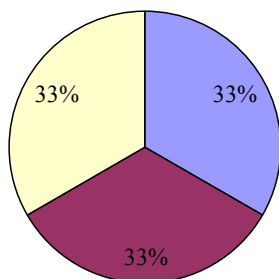
Comments from real estate agents:

- ▶ "Buyers seem to be feeling better about the market."
- ▶ "Buyers have decided to go for it if they find a good deal."

**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.

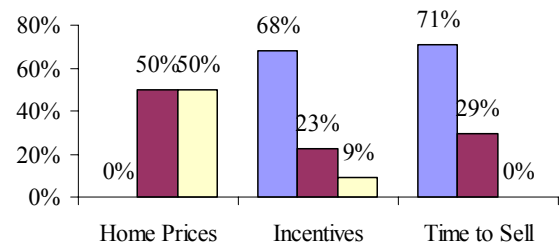
### Traffic In-line With Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Port St. Lucie, FL

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

**Traffic weakens, falls short of expectations.** Our traffic index slipped to 16.7 in February after jumping to 57.1 in January, indicating traffic below agents' expectations. 67% of agents said traffic fell short of expectations, while 33% said it was in-line with expectations. Agents said buyers remain concerned about inventory levels and low affordability.

**Every agent notes lower prices, higher incentives.** Home prices continued to fall in February, as every agent noted lower prices compared to January. Our pricing index measured 0.0, down from 14.3 in January, as 100% of agents said prices declined. Agents also said incentives worsened in February, as our index fell to 0.0 from 25.0 in January, with 100% of agents reporting higher incentives.

**Rising inventories, falling prices lead to longer time needed to sell.** Our time to sell index came in at 0.0 in February (from 21.4 in January), as 100% of agents said it is taking longer to sell a home.

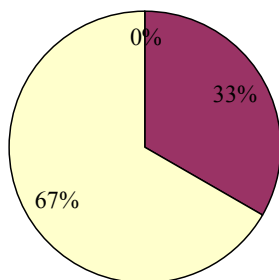
Comments from real estate agents:

- ▶ "The current oversupply is pressuring prices."
- ▶ "High taxes and insurance costs are leading to lower than expected traffic."

**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.

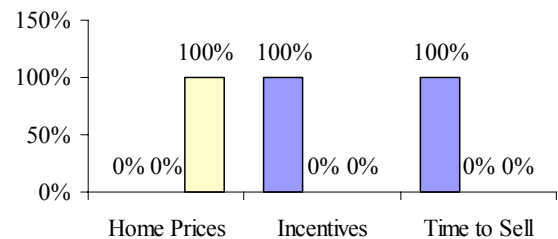
### Weak Traffic, Pricing and Incentives Worsen, Time Needed to Sell Lengthens in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Portland, OR

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

**Traffic falls short of expectations.** Traffic worsened in February after two months of improvement, falling short of agents' expectations with our traffic index reading 40.2 in February from 48.1 in January. 41% said traffic was in-line with expectations, 39% said it was below expectations, and 20% said traffic exceeded expectations. Agents said buyers remain hesitant.

**Prices and incentives deteriorate.** Prices were slightly lower in February, as our price index was essentially unchanged at 46.1 from 44.3 in January (any reading below 50 suggests falling prices). 57% said prices were unchanged, 25% of agents said prices declined, and 18% said prices increased. Incentives also worsened in February, as our incentive index fell to 21.6 from 29.6 in January. 61% of agents said incentives increased, 34% said incentives were unchanged, and 5% said incentives were lower as compared with 30 days ago.

**Time needed to sell lengthened – a negative indicator for future pricing.** Our time to sell index came in at 16.7 in February, down from 27.9 in January, as 69% of agents said time to sell increased, 29% said time to sell was unchanged, and 2% said it took less to sell a home. We view the longer time needed to sell a home as a negative indicator of future pricing trends.

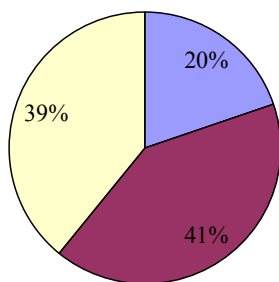
Comments from real estate agents:

- ▶ “Buyers are in no hurry to act, and appear to be waiting and watching for market signals.”
- ▶ “Buyers are still waiting for prices to drop further.”

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

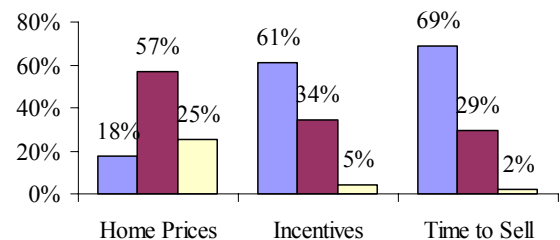
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## Raleigh, NC

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

**Traffic met agents' expectations.** Our traffic index came in at 46.2 in February (unchanged from 55.3 in January), indicating traffic levels in-line with agents' expectations for the second consecutive month. Traffic in Raleigh has remained healthy, likely due to strong local job growth. 38% of agents said traffic was below expectations, 31% said it was above expectations, and 31% said it was in-line with expectations.

**Prices down, incentives worsen.** Home prices in Raleigh were modestly lower for the third consecutive month in February, as our price index came in at 42.3, down from 44.7 in January. 69% of agents said prices were unchanged, 23% said prices declined and 8% said prices increased. Incentives increased in February, as our index was unchanged at 31.8 from 30.0 in January. 46% of agents said incentives were higher, 45% said they were unchanged, and 9% said incentives were lower as compared with January.

**Length of time needed to sell a home increased.** Our time to sell index measured 33.3 in February (unchanged from 33.8 in January), as 50% said the time to sell was unchanged, 42% of agents said it took longer to sell a home, and 8% said it took less time to sell a home.

Comments from real estate agents:

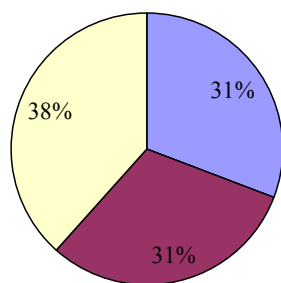
- ▶ "Traffic is healthy as the selling season begins."

**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.

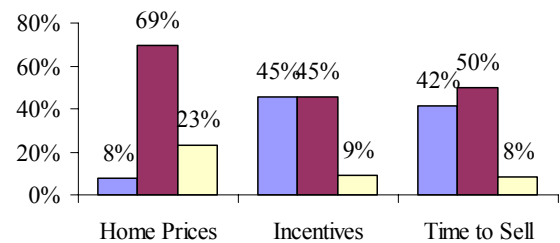
### Traffic In-Line With Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Richmond, VA

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

**Traffic below expectations.** Our traffic index fell to 33.3 in February from 42.9 in January, indicating traffic fell short of agents' expectations. 50% of agents said traffic was below expectations, 33% said it was in-line with expectations, and 17% said it was above expectations.

**Prices and incentives worsen.** Our price index fell to 16.7 in February from 50.0 in January, indicating prices fell this month after temporarily flattening in January. We believe prices are likely to fall in the coming months as inventories rise and time to sell lengthens. 67% of agents said prices declined, while 33% said prices were unchanged. Incentives also worsened, with our index coming in at 33.3 in February. 50% of agents said incentives increased, 33% said incentives were unchanged, and 17% said incentives were lower.

**Time to sell decreases, but likely to lengthen in coming months.** Our time to sell index came in at 58.3 in February as 50% of agents said time to sell was unchanged, 33% said it decreased, and 17% said it took longer to sell a home. We view the longer time needed to sell a home as a negative indicator of future pricing trends.

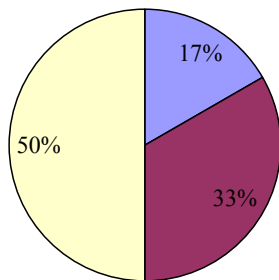
Comments from real estate agents:

- ▶ "The market remains slow as buyers are still unmotivated."

**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 Centex' sales.

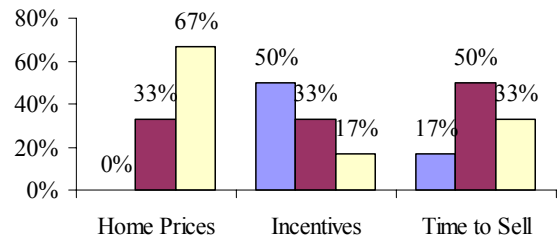
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Sacramento, CA

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

**Traffic weakens, falls short of agents' expectations.** Traffic came in below expectations in February after meeting them in December and January, as our traffic index fell to 42.3 from 48.3. 39% of agents said traffic was in-line with expectations, 38% said traffic was below expectations, and 23% said it was better than expected. Agents said buyers were discouraged by high inventory levels and falling prices.

**Pricing and incentives deteriorate.** Our price index fell to 16.7 in February from 28.6 in January, pointing to sequentially lower prices (readings below 50 suggest falling prices). 69% of agents said prices declined, 28% said prices were flat, and just 3% said prices were higher as compared with January. Our incentive index came in at 24.2, indicating higher incentives (any reading below 50), as 55% of agents said incentives increased, 42% said incentives were unchanged, and 3% said incentives were lower.

**Longer time needed to sell should pressure home prices.** The time needed to sell a home lengthened in February, with our index at 23.1 (down from 31.5 in January). 59% of agents said it took longer to sell a home, 36% said the time to sell was unchanged, and 5% said it took less time to sell a home. The longer time needed to sell a home should continue to pressure prices in the coming months as sellers work to unload inventory.

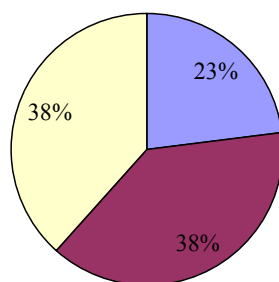
Comments from real estate agents:

- ▶ "Buyers have so many homes to choose from, sellers need to price aggressively to even attract any traffic."
- ▶ "There is too much inventory. I don't even notice the buyers."

**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.

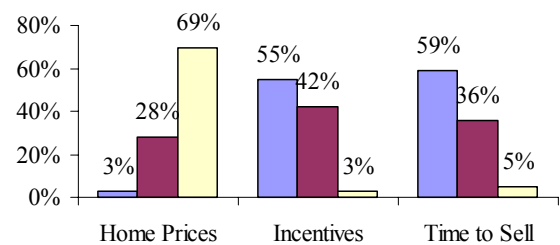
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	↔
Home Prices	👍
Incentives	👎

## San Antonio, TX

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

**Traffic improves, meets agents' expectations.** Traffic was in-line with agents' expectations in February, as our index improved to 54.3 from 43.5 in January. 39% of agents said traffic was in-line with expectations, 35% said it was above expectations, and 26% said it fell short of expectations. Despite the improvement, we have seen a gradual decline in our traffic index over the past several months, and think traffic may slow in the coming months as inventories build.

**Prices increase, incentives worsen.** Prices increased in San Antonio after flattening out for the past two months, as our index rose to 60.9 in February from 54.8 in January. However, we see risk of flat/slightly lower prices in coming months as a result of rising inventories and a longer time needed to sell. 43% of agents said prices were flat, 39% said prices increased, and 18% said prices declined. Incentives continued to worsen in February, as our incentive index measured 37.0. 48% of agents said incentives were unchanged, 39% said incentives increased, and 13% said builders used fewer incentives compared to January,

**Longer time needed to sell may pressure home prices.** Our time to sell index improved to 43.1 in February from 27.4 in January, but still indicates a longer time needed to sell a home (a reading of 50 suggests time needed to sell was unchanged). 65% of agents said the time needed to sell a home was unchanged, 26% said it took longer time to sell a home, and 9% said it took less time. We see continued risk that homebuilders may overbuild or sell too many homes to investors, especially as most homebuilders are not requiring significant deposits.

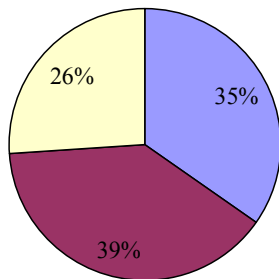
Comments from real estate agents:

- ▶ "Affordable housing costs continue to attract buyers."

**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.

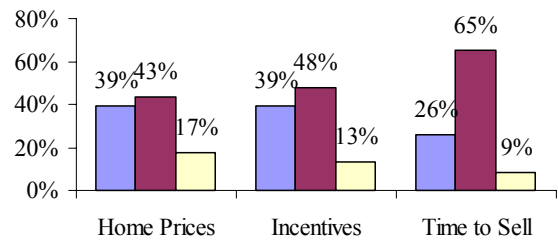
### Traffic In-Line With Expectations, Prices Increase, Incentives Worsen, Time to Sell Lengthens in February

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.



February Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

## San Diego, CA

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

**Traffic in-line with expectations.** Traffic met agent's expectations for the third consecutive month in San Diego, as our traffic index was essentially unchanged at 46.9 in February from 48.5 in January. 37% of agents said traffic met expectations, 35% said it was below expectations, and 28% said it exceeded expectations. Relatively attractive interest rates and lower prices have likely spurred buyer interest in recent months.

**Pricing and incentives worsen.** Despite the improvement in traffic since November, prices continued to fall in February. Our price index was unchanged as 34.4 from 33.3 in January, as 56% of agents said prices were unchanged, 38% said prices were lower, and 6% said prices were higher than in January. In addition, incentives continued to worsen in February, as our incentive index came in at 22.1 from 20.3 in January. 58% of agents said incentives increased, 40% said they were unchanged and just 2% said they were lower.

**Length of time needed to sell a home increased – a negative indicator for future pricing.** Our time to sell index measured 36.2 in February (from 33.3 in January), as 47% of agents said it took longer to sell a home, 34% said it took the same time, and 19% said time to sell decreased.

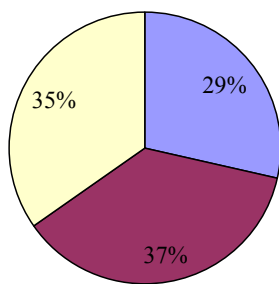
Comments from real estate agents:

- ▶ “The market is becoming stronger, with more pending sales and fewer listings. I think more buyers may begin to commit in next 60 days.”
- ▶ “Buyers are looking for deals, and sellers are feeling the pressure.”

**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.

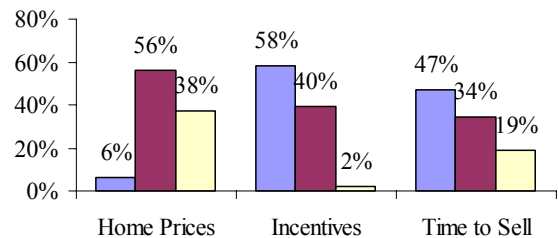
### Traffic In-line With Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## San Francisco, CA

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

**Traffic modestly higher than expectations.** Traffic continued to strengthen in February, beating agents' expectations as our index improved to 56.9 in February from 53.4 in January. 49% of agents said traffic was in-line with expectations, 32% said it exceeded expectations, and 19% said it fell short of expectations. Agents continued to cite lower prices and rates as main reasons for the pick up in buyer activity.

**Prices flat, incentives worsen.** Our price index improved to 47.7 in February from 39.8 in January, suggesting prices were flat as compare with 30 days ago. 48% of agents said prices were unchanged from January, 28% said prices declined, and 24% said prices increased. We think it may be a bit early to call a bottom on pricing in San Francisco given the high inventory and low affordability, and would not be surprised to see prices decline again in the coming months. In addition, incentives worsened in February, as our index fell slightly to 20.2 from 23.2 in January. 64% of agents said incentives increased, 31% said incentives were unchanged, and 5% said incentives decreased.

**Longer time to sell should pressure home prices.** Our time to sell index improved modestly to 44.3 in February from 36.6 in January, but still indicates a longer time needed to sell a home compared with 30 days ago (any reading below 50 suggests a longer time needed to sell). 39% of agents said time to sell increased, 33% said it was unchanged, and 28% said it took less time to sell a home.

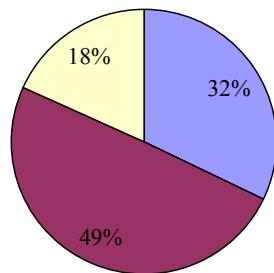
Comments from real estate agents:

- ▶ "We are seeing increased activity as buyers come back into the market."
- ▶ "Buyer confidence has increased."

**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.

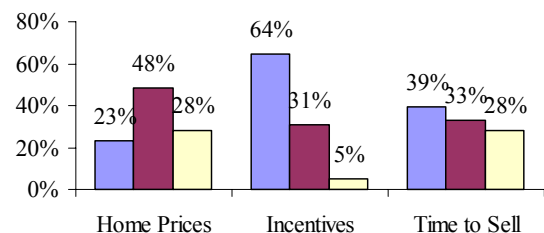
### Traffic Beats Expectations, Prices Flat, Incentives Worsen, Time to Sell Increases in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Sarasota, FL

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

**Traffic still below agents expectations.** Our traffic index was unchanged at 28.6 in February from 29.4 in January, as traffic remains below agents' expectations (a level of 50 suggests traffic in-line with expectations). 57% of agents said traffic was below expectations, 29% said it was in-line with expectations, and 14% said it exceeded expectations.

**Prices decline, incentives increase.** Our price index fell to 3.8 in February from 8.8 in January, and has come in at extremely low levels (readings below 10) for three of the past four months. 92% of agents said prices declined, and just 8% said prices were unchanged compared to January. In addition, incentives continued to deteriorate in February, as our index fell to 10.7 from 34.4 in January. 79% of agents said incentives increased, while 21% said they were unchanged.

**Time needed to sell continues to lengthen.** Our time to sell index was unchanged at 25.0 in February from 23.5 in January, as 57% of agents said it took longer to sell a home, 36% said time to sell was unchanged, and 10% said time to sell decreased.

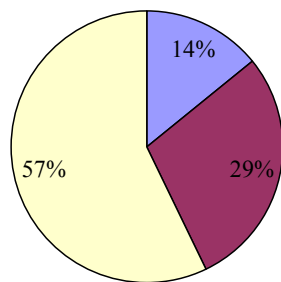
Comments from real estate agents:

- ▶ "There is too much inventory and buyers are waiting for prices to drop further."

**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.

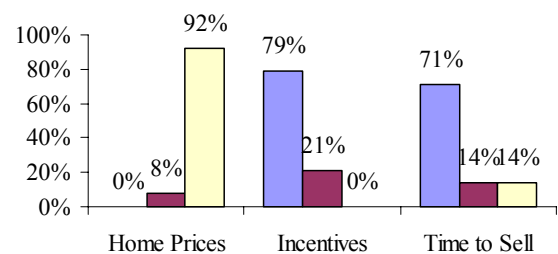
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Tucson, AZ

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

**Traffic well short of expectations.** Our traffic index fell to 24.3 in February from 34.4 in January, suggesting traffic remains well below agents' expectations (a reading of 50 indicates traffic in-line with expectations). 63% of agents said traffic was below expectations, 26% said it met expectations and 11% said it exceeded expectations.

**Pricing and incentives deteriorate.** Our price index was unchanged at 29.4 in February from 30.0 in January, as prices continue to fall in Tucson (any reading below 50 indicates sequentially lower prices). 47% of agents said prices were lower, 47% said they were unchanged, and 6% said prices increased as compared with 30 days ago. Incentives also worsened, with our incentive index coming in at 43.9 in February as 45% of agents said incentives were unchanged, 34% said they were higher, and 21% said incentives decreased.

**Time needed to sell continues to lengthen – a negative indicator for future pricing.** Our time to sell index improved to 30.0 in February from 12.0 in January, but still indicates a longer time needed to sell a home (a level of 50 would suggest the time needed to sell was unchanged). 52% of agents said it took longer to sell a home, 37% said it took the same length of time, and 11% said it took less time to sell a home.

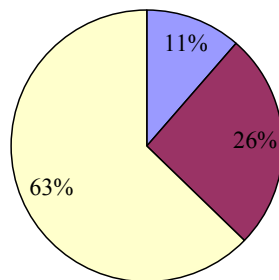
Comments from real estate agents:

- ▶ “Buyers continue to wait in anticipation of further price declines.”
- ▶ “There is still on overabundance of inventory, and builders are offering large incentives to move homes.”

**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.

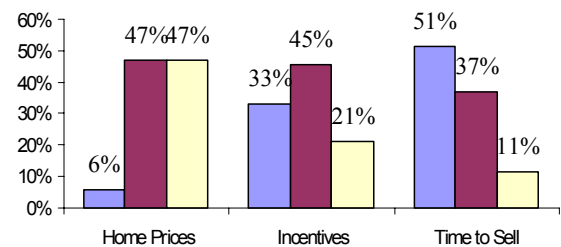
### Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Virginia Beach, VA

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

**Traffic exceeds expectations for second month.** Traffic remained strong in February, beating agents' expectations for the second consecutive month as our traffic index was nearly unchanged at 59.4 from 62.5 in January. 44% of agents said traffic exceeded expectations, 31% said it was in-line with expectations, and 25% said it was below expectations.

**Prices down, incentives up.** Our price index improved to 43.8 in February from 28.0 in January, but indicated sequentially lower prices (any reading below 50) as 75% of agents said prices were flat, 19% said prices declined, and 6% said prices were higher. Incentives also deteriorated, as our incentive index measured 37.5 in February. 50% of agents said incentives increased, 38% said they were unchanged, and 12% said builders used fewer incentives than in January.

**Length of time needed to sell a home stable due to strong traffic.** Our time to sell index improved to 46.9 in February from 34.0 in January, essentially a neutral level as strong traffic helps to stabilize time to sell. 38% of agents said time to sell increased, 31% said it was unchanged, and 31% said it took less time to sell. We would expect continued improvement in traffic and the time needed to sell to help prices to stabilize over the coming months, although rising inventories remain a risk.

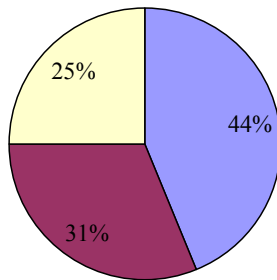
Comments from real estate agents:

- ▶ "Attractive interest rates and improving buyer confidence is helping traffic."
- ▶ "Buyers are becoming more active."

**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.

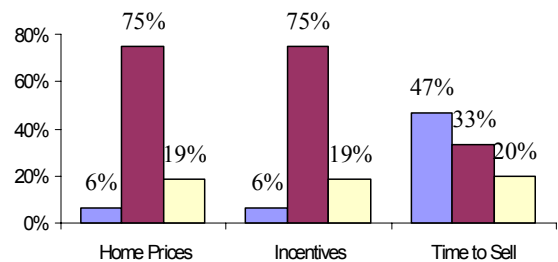
### Traffic Exceeds Expectations, Prices and Incentives Worsen, Time to Sell Flat in February

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.

February Market Trends	
Traffic	
Home Prices	
Incentives	

## Wilmington, NC

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

**Traffic beats agents' expectations again.** Traffic remained strong in February, exceeding agents' expectations for the second consecutive month. Our traffic index was unchanged at 59.4 from 59.3 January, as 44% of agents said traffic was in-line with expectations, 38% said it exceeded expectations, and 18% said it fell short of expectations.

**Prices fall, incentives flat.** Our price index improved to 37.5 in February from 28.8 in January, but points to sequentially lower prices (any reading below 50 suggests falling prices). 63% of agents said prices were unchanged, 31% said prices declined, and just 6% said prices increased. Incentives were flat in February, as our index jumped to 46.4 from 27.3 in January. 79% of agents said incentives were unchanged, 14% said incentives were higher, and 7% said incentives decreased.

**Time needed to sell a home continues to lengthen.** Our time to sell index came in at 36.7 in February, indicating a longer time needed to sell a home. 60% of agents said the time to sell was unchanged, 33% said it took longer to sell a home, and 7% said it took less time to sell.

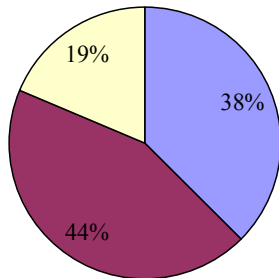
Comments from real estate agents:

- ▶ "Lower prices have drawn buyers back into the market."

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

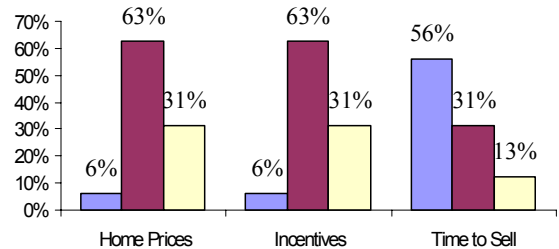
### Traffic Exceeds Expectations, Prices Fall, Incentives Flat, Time to Sell Lengthens in February

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.

**Homebuilding Industry Comparative Valuation**

Ticker	Company Name	Rating	Price 3/1/2007	Market Cap. (Millions)	BAS Estimates				P/E				P/BV	Target Price	Dividend Yield	Total Return Potential
					2005	2006	2007	2008	2005	2006	2007	2008				
CHCI	Comstock Homebuilding	Neutral	5.98	\$80	\$2.12	(0.60)	\$0.45	n/a	2.8	NM	13.3	N/A	0.6	\$7.00	0.0%	17.1%
CTX	Centex Corp.	Neutral	47.28	5,647	9.50	3.05	0.80	0.49	5.0	15.5	59.1	NM	1.1	57.00	0.3%	20.9%
DHI	D.R. Horton	Neutral	25.67	8,056	4.82	3.27	1.36	0.41	5.3	7.9	18.9	NM	1.3	27.00	2.3%	7.5%
HOV	Hovnanian Enterprises	Buy	31.56	1,492	7.05	2.07	1.40	0.40	4.5	15.2	22.5	NM	1.1	40.00	0.0%	26.7%
KBH	KB Home	Neutral	50.14	4,481	9.34	5.82	2.80	0.50	5.4	8.6	17.9	NM	1.3	55.00	2.0%	11.7%
LEN	Lennar Corp.	Neutral	49.25	6,270	8.32	3.64	1.90	0.05	5.9	13.5	25.9	NM	1.4	50.00	1.3%	2.8%
MDC	MDC Holdings Inc	Neutral	50.97	2,306	10.74	4.67	1.50	(1.00)	4.7	10.9	34.0	NM	1.1	58.00	2.0%	15.8%
MTH	Meritage Homes Corp	Neutral	38.73	1,013	9.30	8.26	1.00	0.15	4.2	4.7	38.7	NM	1.0	48.00	0.0%	23.9%
NVR	NVR Inc	Neutral	689.25	3,913	86.29	88.05	44.00	7.00	8.0	7.8	15.7	NM	4.2	735.00	0.0%	6.6%
PHM	Pulte Homes	Neutral	30.05	7,693	5.49	2.66	0.50	0.45	5.5	11.3	60.1	NM	1.2	35.00	0.5%	17.0%
RYL	Ryland	Neutral	48.56	2,067	9.06	7.84	3.55	0.75	5.4	6.2	13.7	NM	1.5	49.00	1.0%	1.9%
SPF	Standard Pacific	Buy	25.50	1,647	6.30	1.76	1.30	(0.35)	4.0	14.5	19.6	NM	0.9	32.00	0.6%	26.1%
TOL	Toll Brothers	Neutral	29.85	4,611	4.77	4.17	1.10	1.20	6.3	7.2	27.1	24.9	1.4	32.00	0.0%	7.2%
WCI	WCI Communities Inc	Neutral	20.98	878	3.93	0.86	(0.35)	(0.75)	5.3	24.4	NM	NM	0.8	22.00	0.0%	4.9%
	Average			\$3,582					5.6	10.7	31.7	NM	1.2		1.0%	11.8%

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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<u>Coverage Universe</u>	<u>Companies</u>	<u>Pct.</u>	<u>Investment Banking Clients</u>	<u>Companies</u>	<u>Pct.**</u>
Buy	356	39	Buy	294	83
Hold	509	56	Hold	380	75
Sell	37	4	Sell	30	81

**Consumer Sector**

<u>Coverage Universe</u>	<u>Companies</u>	<u>Pct.</u>	<u>Investment Banking Clients</u>	<u>Companies</u>	<u>Pct.**</u>
Buy	71	35	Buy	64	90
Hold	128	63	Hold	94	73
Sell	3	1	Sell	3	100

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BAS (United States)  
Banc of America Securities LLC

9 West 57th Street  
New York, New York 10019  
Tel. Contact: 212-583-8000

600 Montgomery Street  
San Francisco, California 94111  
Tel. Contact: 415-627-2000

100 North Tryon Street  
Charlotte, North Carolina 28255  
Tel. Contact: 888-279-3457

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BASL (United Kingdom)  
Banc of America Securities Limited

5 Canada Square  
London E14 5AQ, England  
Tel. Contact: +44 20 7174 4000

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BASAL (Hong Kong)  
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