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Homebuilders & Building Products

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**BofA Monthly Real Estate Agent Survey**

Traffic Improves, Driven by Better Affordability

- ▶ **Buyer traffic improved from very weak levels.** Our November survey of 3,800 agents in 39 of the largest housing markets pointed to a modest improvement in buyer traffic. Our traffic index improved to 30.5 from 23.6 in October, but still well below agents' expectations (a traffic index of 50 would indicate traffic in line with expectations). We view the improvement in traffic as potentially being an early sign of stabilization and will closely watch future trends in traffic. The majority of respondents noting improved traffic essentially cited the improved affordability from lower mortgage rates and lower home prices. We expect further price declines will be needed to generate enough traffic to work off the supply.
- ▶ **Pricing and time to sell continue to worsen.** Our home price index was 25.6 in November, essentially unchanged from 25.8 in October, but still indicating falling prices as readings below 50 indicate sequentially lower prices. Our time to sell index measured 15.2, up from 11.7 in October, but still pointing to a lengthening in the time needed to sell a home (readings below 50 point to sequential lengthening). Generally we've seen a lengthening time needed to sell a home indicate further price declines.
- ▶ **Greatest improvement in traffic in hardest hit markets, where affordability was most stretched.** Our survey showed the greatest improvement in traffic in markets that experienced the sharpest price declines including Arizona, California, Florida, and Washington, D.C. These were among the worst markets in terms of stretched affordability and are more sensitive to the lower mortgage rates and price declines.
- ▶ **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.**

**Top Picks**

Ticker	Rating	Price	Target
SPF	N	\$23.59	\$22.00
HOV*	N	\$31.90	\$28.00

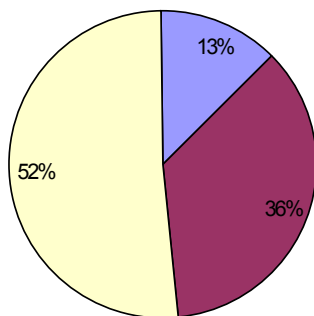
**Least Favorites**

Ticker	Rating	Price	Target
RYL	S	\$47.74	\$35.00

\* New pick.

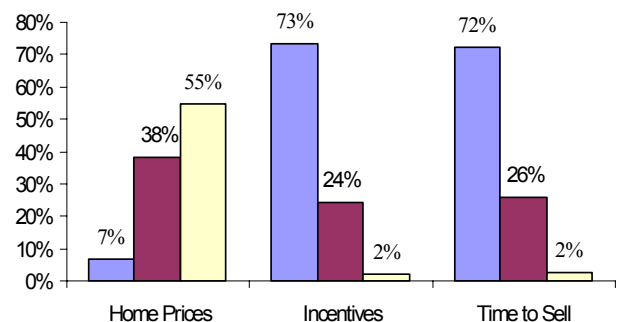
**49% of Agents Saw Traffic At or Above Expectations Compared to 38% in October; 93% Said Prices Were Flat or Lower**

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 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.
- ▶ **Our call today in a nutshell.** Buyer traffic improved in November from weak levels, as our index rose to 30.5 from 23.6 in October. We saw the greatest improvements in the hardest hit markets where affordability was most stretched and more sensitive to lower mortgage rates and price declines. While the improvement is encouraging, our home price index and time to sell index continued to deteriorate, pointing to falling prices and a longer time needed to sell.
- ▶ **Risks to our call.** Interest rates remain the wild-card. A significant decline in mortgage rates would aide 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*

## Traffic Improves From Weak Levels; Prices Continue to Fall

*For those who may be unfamiliar with our survey, we center our indices around 50 so that readings above 50 indicate positive or improving trends and readings below 50 indicate negative or worsening trends. Please see p. 6 for a full description of our survey methodology.*

**Traffic improves, but prices fall.** Our November survey of 3,800 agents in 39 of the largest housing markets pointed to a modest increase in traffic, but continued broad declines in home prices. Our traffic index measured 30.5, up from 23.6 in October, as lower mortgage rates and lower home prices aided affordability. We view the improved traffic as potentially being an early sign of stabilization and will closely watch future traffic trends. Meanwhile, our home price index was essentially unchanged at 25.6 in November from 25.8 in October (readings below 50 indicate sequentially lower prices).

### Our Survey Pointed to Further Deterioration in October, Especially in Pricing

Month	Buyer Traffic Index	Home Price Index	Incentive Index	Home Listings Index	Time to Sell Index	Community Supply Index
Jan-2005	61.1	61.2	31.4	n/a	n/a	29.8
Feb-2005	48.6	65.5	44.9	n/a	n/a	31.8
Mar-2005	52.2	76.2	42.4	n/a	n/a	27.4
Apr-2005	52.3	75.8	45.0	n/a	n/a	24.1
May-2005	45.2	74.8	44.9	n/a	n/a	26.2
Jun-2005	48.3	75.3	41.7	n/a	n/a	27.3
Jul-2005	41.6	67.7	43.7	n/a	n/a	28.5
Aug-2005	39.5	62.3	41.0	28.7	n/a	30.3
Sep-2005	40.3	63.3	41.1	37.6	19.5	28.9
Oct-2005	33.6	47.7	31.0	28.8	19.1	31.2
Nov-2005	28.9	40.5	24.4	27.4	12.7	30.9
Dec-2005	33.7	45.3	24.1	36.8	15.5	32.7
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
<b>Point change</b>	<b>7.0</b>	<b>(0.2)</b>	<b>0.4</b>	<b>10.1</b>	<b>3.5</b>	<b>2.7</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 November, we received responses from 3,800 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

**Traffic improved modestly from weak levels; greatest improvement in markets where affordability was most stretched.** Our traffic index showed early signs of improvement, increasing to 30.5 in November from 23.6 in October. Our survey showed the greatest improvement in traffic in markets that experienced the sharpest price declines such as Arizona, California, Florida, and Washington, D.C. These were among the worst markets in terms of stretched affordability and are likely more sensitive to lower mortgage rates and price declines.

### Early Signs of Improvement as Index Rises to 30.5 in November from 23.6 in October

	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06	Dec-05	Nov-05	Oct-05	Sep-05	Aug-05	Jul-05	Jun-05	
	Traffic Levels [> 50.0: above seasonal expectations/ = 50.0: in-line with expectations/ <50.0: below expectations]																		
Atlanta, GA	30.4	23.9	26.8	23.8	25.0	30.2	42.9	22.7	7.1	57.1	66.7	42.9	35.0	42.9	45.5	43.8	40.0	30.0	
Austin, TX	54.2	57.0	60.2	58.3	75.5	69.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Baltimore, MD	25.0	18.8	33.3	22.2	16.7	18.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Charleston, SC	36.9	35.1	26.2	23.7	29.2	28.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Charlotte, NC	46.5	46.8	47.1	56.1	49.0	51.3	72.2	57.7	55.6	66.7	57.9	68.8	38.9	57.1	50.0	41.7	57.1	59.1	
Chicago, IL	29.9	17.5	16.4	16.3	16.2	17.0	11.1	16.7	31.8	64.3	33.3	10.0	43.2	38.2	33.3	31.8	50.0	30.8	
Cincinnati, OH	21.9	21.4	14.3	25.0	16.7	19.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Columbus, OH	25.8	18.6	30.0	40.0	11.1	20.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Dallas, TX	39.0	30.0	27.0	29.0	39.8	44.3	50.0	33.3	50.0	71.4	77.3	70.0	50.0	62.5	27.8	50.0	54.5	41.7	
Denver, CO	29.7	25.0	17.6	17.2	20.1	20.0	20.0	30.0	35.0	15.0	45.0	30.8	28.6	32.5	50.0	30.8	37.5	30.6	
Detroit, MI	13.0	12.8	5.9	15.5	6.3	10.2	18.2	33.3	22.7	18.8	34.6	32.1	18.8	8.8	27.3	13.6	10.0	22.5	
Fort Myers, FL	19.6	7.7	20.8	11.1	18.0	7.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Houston, TX	45.3	48.5	42.7	50.0	47.7	56.8	70.6	41.2	63.0	77.3	58.7	41.2	38.5	27.8	57.1	36.4	45.8	46.4	
Inland Empire, CA	27.0	24.5	13.0	8.2	16.7	17.2	4.2	15.0	27.8	34.4	25.0	23.3	42.1	26.9	50.0	40.9	58.3	61.1	
Jacksonville, FL	44.1	21.7	25.0	10.7	11.1	9.6	37.5	33.3	35.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Las Vegas, NV	22.2	19.2	16.9	17.3	16.0	20.9	14.3	18.2	29.2	10.0	45.0	18.2	13.3	43.8	33.3	46.7	21.4	43.3	
Los Angeles, CA	25.3	24.0	14.4	11.7	19.2	18.2	10.0	19.2	15.0	27.3	38.9	37.5	27.3	38.5	50.0	30.0	41.7	55.6	
Miami, FL	23.1	13.9	15.0	19.0	11.0	11.1	0.0	33.3	11.1	16.7	7.1	35.0	25.0	13.9	31.3	40.6	33.3	62.5	
Minneapolis, MN	25.0	11.6	10.5	14.4	16.7	12.4	9.7	18.9	25.8	37.9	35.5	31.3	15.1	26.3	23.7	0.0	12.5	23.1	
Nashville, TN	36.0	33.6	39.0	43.1	51.7	52.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
New York-Northern NJ	37.5	18.5	16.7	22.0	25.0	18.4	4.5	22.2	16.7	18.2	31.8	31.8	18.2	11.5	35.7	21.4	46.2	36.7	
Orlando, FL	23.5	21.2	25.0	15.0	15.9	22.0	37.5	26.9	25.0	34.4	20.0	27.3	32.7	55.0	35.7	58.3	65.4	72.7	
Phila.-Southern NJ	34.1	23.5	22.3	26.0	23.5	24.6	6.3	25.0	37.5	40.9	27.3	21.4	8.8	13.3	25.0	50.0	6.3	40.9	
Phoenix, AZ	27.6	16.7	17.4	12.3	16.4	16.6	9.4	13.6	26.7	29.4	38.5	25.0	34.4	30.0	45.0	56.7	70.8	73.1	
Port St. Lucie, FL	18.2	0.0	12.5	16.7	0.0	7.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Portland, OR	25.0	23.9	20.7	22.9	29.9	35.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Raleigh, NC	42.0	37.5	41.0	44.7	44.4	47.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Richmond, VA	28.6	16.7	22.2	28.3	25.9	28.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Sacramento, CA	29.0	15.2	16.7	23.6	19.4	11.2	10.0	16.7	18.8	28.6	16.7	29.2	10.0	20.0	12.5	25.0	22.2	55.0	
San Antonio, TX	49.2	52.6	61.4	55.2	75.0	70.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
San Diego, CA	34.3	17.3	12.1	18.8	14.4	16.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
San Francisco, CA	25.0	15.7	23.1	20.3	10.6	16.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Sarasota, FL	26.3	21.7	22.5	13.8	4.7	12.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Seattle, WA	31.4	34.4	32.1	42.9	41.3	48.6	44.4	52.8	46.2	50.0	54.5	47.2	46.0	54.7	53.6	53.1	67.6	72.7	
Tampa, FL	11.5	5.2	5.9	8.1	13.9	17.8	0.0	6.3	31.3	26.7	37.5	18.2	29.2	50.0	100.0	90.0	62.5	77.3	
Tucson, AZ	26.5	16.1	13.6	14.6	21.8	23.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Virginia Beach, VA	28.0	28.6	21.7	18.1	10.0	23.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Washington, DC	38.0	21.4	15.6	14.9	10.1	12.5	4.2	15.6	25.0	40.9	26.9	33.3	22.7	19.2	20.0	28.6	28.6	31.8	
Wilmington, NC	34.8	21.2	12.5	17.7	8.1	21.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
<b>Total</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>	<b>33.7</b>	<b>28.9</b>	<b>33.6</b>	<b>40.3</b>	<b>39.5</b>	<b>41.6</b>	<b>48.3</b>	
20 Same-Store Markets	30.1	22.6	20.5	21.6	21.9	23.4	22.7	26.3	30.3	38.3	38.9	33.7	28.9	33.6	40.3	39.5	41.6	48.3	

Source: Banc of America Securities LLC estimates.

**Price declines continued in November.** Agents noted sequentially lower home prices (index level below 50) in 90% of the markets we surveyed in November. Agents cited sequentially higher prices in only 10% of the markets (just 4 of the 39 markets) in November relative to October. Our price index fell 0.2 points to 25.6 in November from 25.8 in October, and marked another new low for the index.

**Only Austin, Charlotte, Houston, and San Antonio saw fall/rising prices**

	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06	Dec-05	Nov-05	Oct-05	Sep-05	Aug-05	Jul-05	Jun-05
Home Prices [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]																		
Atlanta, GA	28.0	30.6	40.5	38.0	48.8	57.6	50.0	54.5	66.7	57.1	66.7	64.3	60.0	50.0	77.3	66.7	70.0	80.0
Austin, TX	59.5	68.4	71.0	77.8	87.0	87.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	25.7	21.9	40.0	43.8	16.7	43.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charleston, SC	25.0	34.2	34.5	44.0	43.4	53.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	52.5	51.6	55.3	63.6	74.0	76.7	88.9	73.1	70.6	62.5	63.2	68.8	61.8	50.0	63.6	50.0	64.3	81.8
Chicago, IL	22.0	20.5	21.1	26.7	28.6	39.2	55.6	50.0	58.3	71.4	37.5	40.0	61.4	55.9	66.7	68.2	88.5	73.1
Cincinnati, OH	19.4	20.6	21.4	8.3	33.3	31.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Columbus, OH	26.7	16.2	30.0	30.0	33.3	33.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dallas, TX	28.1	34.1	38.4	42.5	53.2	59.3	66.7	41.7	75.0	71.4	50.0	50.0	54.5	56.3	50.0	50.0	65.0	58.3
Denver, CO	19.7	23.6	25.5	25.3	31.4	30.3	35.0	45.0	30.0	38.9	40.0	26.9	38.1	39.5	55.6	42.3	55.0	52.8
Detroit, MI	7.6	14.1	9.7	14.7	6.8	9.2	22.7	25.0	9.1	16.7	15.4	10.7	3.1	26.5	25.0	30.0	30.0	32.5
Fort Myers, FL	17.4	13.0	16.7	11.1	20.0	16.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Houston, TX	54.9	50.7	56.3	55.1	62.3	68.1	73.5	73.5	61.4	67.5	62.5	50.0	56.3	38.9	57.1	55.0	54.2	65.4
Inland Empire, CA	19.0	19.6	14.1	25.0	24.1	30.6	29.2	42.5	38.0	43.8	52.8	36.7	44.7	46.7	50.0	68.2	75.0	65.0
Jacksonville, FL	23.5	21.7	18.8	25.0	25.9	30.8	45.8	53.1	50.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Las Vegas, NV	26.1	27.0	24.1	24.3	29.1	24.5	21.4	22.7	7.7	15.0	40.0	54.5	26.7	50.0	62.5	60.0	50.0	60.0
Los Angeles, CA	16.7	16.9	16.7	26.9	31.8	36.9	30.0	57.7	55.0	35.0	50.0	50.0	36.4	50.0	80.0	60.0	95.8	94.4
Miami, FL	19.1	16.3	17.2	25.0	26.8	27.2	21.4	45.8	50.0	45.5	62.5	65.0	50.0	69.4	87.5	87.5	77.8	94.1
Minneapolis, MN	15.0	14.5	17.0	24.3	24.0	26.4	21.4	29.5	33.3	33.9	30.3	30.9	27.9	44.7	39.5	30.0	43.8	57.7
Nashville, TN	47.9	45.8	54.8	59.6	0.0	75.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	13.7	20.5	14.4	25.9	24.1	28.7	13.6	27.8	38.9	54.5	40.9	22.7	36.4	29.2	57.1	60.7	53.8	76.7
Orlando, FL	18.6	23.1	25.0	21.1	24.4	34.6	43.8	61.5	38.9	46.9	55.3	50.0	61.5	63.2	92.9	91.7	92.3	100.0
Phila.-Southern NJ	19.2	27.4	25.6	24.3	28.9	36.1	33.3	18.8	50.0	45.5	31.8	35.7	44.1	46.7	57.1	60.0	75.0	68.2
Phoenix, AZ	19.2	15.8	22.3	21.5	22.8	24.9	21.9	36.4	43.3	41.2	53.8	50.0	31.3	45.0	85.0	86.7	79.2	92.3
Port St. Lucie, FL	0.0	0.0	21.4	27.8	25.0	19.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portland, OR	22.0	29.9	34.5	36.4	58.3	67.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	47.9	53.1	61.3	56.3	64.4	67.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Richmond, VA	23.1	21.6	36.0	37.9	34.5	17.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	12.1	4.5	18.4	8.6	16.7	43.5	10.0	16.7	25.0	12.5	16.7	29.2	13.3	10.0	37.5	41.7	55.0	90.0
San Antonio, TX	59.5	78.2	81.4	80.0	87.5	90.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
San Diego, CA	17.3	7.3	11.0	13.8	18.2	23.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	21.9	16.4	22.5	27.2	21.0	39.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	8.3	10.9	16.7	10.3	24.2	17.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Seattle, WA	45.0	35.8	47.4	64.0	68.6	80.5	77.8	83.3	78.6	73.5	68.2	47.2	38.0	56.3	77.6	87.5	85.3	90.9
Tampa, FL	25.0	12.5	17.1	16.2	20.4	25.5	20.0	31.3	43.8	50.0	62.5	72.7	45.5	100.0	100.0	100.0	93.8	95.5
Tucson, AZ	27.0	16.4	27.4	24.3	28.7	36.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	28.0	28.6	20.8	22.2	28.0	39.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Washington, DC	11.5	14.9	15.3	12.5	18.6	19.6	25.0	15.6	53.6	37.5	27.1	50.0	18.2	26.9	43.5	42.9	50.0	77.3
Wilmington, NC	25.6	27.8	10.5	22.6	14.5	46.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total</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>	<b>45.3</b>	<b>40.5</b>	<b>47.7</b>	<b>63.3</b>	<b>61.9</b>	<b>67.7</b>	<b>75.3</b>
20 Same-Store Markets	23.7	23.6	25.7	29.1	32.9	38.6	38.4	43.1	46.5	46.0	46.4	45.3	40.5	47.7	63.3	61.9	67.7	75.3

Source: Banc of America Securities LLC estimates.

**Incentive index points to worsening conditions** – Incentives increased sequentially in each and every market we surveyed. Our incentive index measured 14.5, essentially consistent with 14.0 in October, but still points to a sequential increase (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 decreases whenever possible. In healthier markets, we think homebuilders are using the incentives as typical marketing efforts, in an effort to capture additional volume and market share. However, we think that many builders are focusing their efforts on increasing their volume in what are currently healthy markets, but we see risk of oversupply given the relatively modest declines in building activity compared to sharply lower demand. This is likely in markets such as San Antonio.

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

	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06	Dec-05	Nov-05	Oct-05	Sep-05	Aug-05	Jul-05	Jun-05	
	Incentives > 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month)																		
Atlanta, GA	11.7	13.2	15.5	18.0	16.3	22.7	20.0	36.4	7.1	35.7	40.0	16.7	18.8	28.6	33.3	43.8	50.0	27.8	
Austin, TX	18.3	26.0	25.6	34.3	52.0	45.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Baltimore, MD	15.5	7.1	0.0	12.5	12.5	9.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Charleston, SC	11.3	17.9	9.0	11.1	14.4	16.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Charlotte, NC	19.7	27.8	28.6	34.0	33.9	36.4	50.0	50.0	29.4	37.5	35.3	30.0	50.0	30.0	50.0	33.3	41.7	45.0	
Chicago, IL	15.6	14.1	11.9	14.3	15.7	19.3	33.3	16.7	8.3	33.3	27.8	33.3	23.1	31.3	75.0	30.0	50.0	40.9	
Cincinnati, OH	6.5	7.4	0.0	25.0	0.0	9.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Columbus, OH	12.1	9.4	25.0	25.0	27.8	6.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Dallas, TX	12.3	14.5	11.8	16.0	23.6	23.4	33.3	8.3	16.7	14.3	31.8	20.0	9.1	25.0	38.9	18.8	22.7	27.8	
Denver, CO	21.5	9.3	17.2	10.7	12.0	14.0	22.2	16.7	20.0	27.8	25.0	36.4	10.5	19.4	22.2	30.0	25.0	28.1	
Detroit, MI	12.3	9.5	11.2	11.2	10.0	10.8	13.6	25.0	15.0	14.3	18.2	17.9	9.4	16.7	15.0	11.1	16.7	26.5	
Fort Myers, FL	13.6	10.4	4.5	3.7	4.0	2.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Houston, TX	18.3	20.2	20.9	21.9	25.8	28.1	28.1	20.0	35.7	36.1	23.8	12.5	27.3	31.3	35.7	27.3	25.0	13.6	
Inland Empire, CA	13.0	8.3	3.3	4.6	11.3	9.1	10.0	21.4	12.5	7.1	35.3	26.9	26.7	27.3	25.0	37.5	30.0	21.4	
Jacksonville, FL	15.6	4.5	18.8	10.7	2.0	6.5	4.2	19.4	8.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Las Vegas, NV	20.1	22.2	15.7	4.0	4.6	7.1	0.0	18.2	7.7	5.0	20.0	13.6	16.7	34.4	20.8	30.0	25.0	46.4	
Los Angeles, CA	7.9	14.9	5.6	11.4	16.4	16.5	25.0	14.3	25.0	12.5	35.7	42.9	50.0	41.7	41.7	41.7	41.7	30.0	
Miami, FL	14.0	8.8	7.4	9.6	6.9	5.7	0.0	14.3	16.7	16.7	43.8	50.0	50.0	57.1	50.0	53.8	64.3	57.1	
Minneapolis, MN	18.3	14.3	13.9	11.5	6.3	10.3	13.6	12.8	22.6	17.3	16.2	19.3	15.8	15.8	40.0	20.0	31.3	25.0	
Nashville, TN	11.4	23.2	31.0	28.1	40.0	36.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
New York-Northern NJ	13.0	19.6	11.7	22.4	38.2	30.4	16.7	12.5	21.4	21.4	35.0	8.3	50.0	31.3	75.0	41.7	45.0	50.0	
Orlando, FL	19.1	7.7	7.7	7.9	6.0	2.4	12.5	7.7	0.0	9.4	38.2	18.2	21.7	27.8	28.6	80.0	66.7	61.1	
Phila.-Southern NJ	6.9	9.1	11.5	6.0	15.3	10.4	16.7	0.0	25.0	37.5	25.0	33.3	37.5	35.0	44.4	50.0	50.0	42.9	
Phoenix, AZ	23.1	17.7	12.0	6.4	8.1	5.1	0.0	4.5	3.3	10.0	0.0	25.0	21.4	38.9	61.1	70.0	66.7	62.5	
Port St. Lucie, FL	4.5	5.6	7.1	0.0	0.0	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Portland, OR	10.0	11.4	15.1	20.6	25.3	32.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Raleigh, NC	21.2	23.3	19.2	26.4	32.1	36.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Richmond, VA	3.8	9.7	7.7	18.0	5.6	13.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Sacramento, CA	10.3	10.9	14.3	8.1	2.8	7.5	0.0	10.7	6.3	0.0	16.7	13.6	7.1	22.2	33.3	40.0	50.0	50.0	
San Antonio, TX	23.0	19.4	19.7	31.5	43.8	43.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
San Diego, CA	10.0	3.8	7.3	3.9	5.4	8.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
San Francisco, CA	20.0	1.9	6.0	6.3	10.7	8.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Sarasota, FL	19.4	20.5	11.9	0.0	3.1	3.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Seattle, WA	12.3	14.7	25.0	29.6	33.3	39.9	46.7	53.8	50.0	37.5	43.8	34.6	33.3	45.2	61.8	61.1	83.3	71.4	
Tampa, FL	19.7	12.5	4.5	1.4	5.7	6.9	0.0	18.8	0.0	18.8	31.3	13.6	4.5	50.0	50.0	87.5	56.3	72.7	
Tucson, AZ	13.8	13.4	6.5	0.7	5.2	9.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Virginia Beach, VA	6.3	22.2	10.4	10.3	8.0	4.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Washington, DC	21.2	13.1	11.6	8.2	8.1	7.1	4.2	12.5	7.1	13.6	22.9	15.0	5.6	11.9	20.5	20.0	33.3	33.3	
Wilmington, NC	18.6	28.0	15.8	18.3	9.6	21.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
<b>Total</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>	<b>24.1</b>	<b>24.4</b>	<b>31.0</b>	<b>41.1</b>	<b>41.4</b>	<b>43.7</b>	<b>41.7</b>	
20 Same-Store Markets	15.5	13.7	13.3	12.8	14.4	15.2	16.7	18.8	16.1	20.3	28.3	24.1	24.4	31.0	41.1	41.4	43.7	41.7	

Source: Banc of America Securities LLC estimates.

**Inventories rose, against seasonal trends** – Agents indicated that the inventory of homes for sale rose (index below 50 indicates a sequential increase) in almost all markets, with Austin, San Antonio, and San Francisco being the only exceptions. In contrast with the increase, inventory levels typically decline in November. Our inventory index increased to 31.1 in November from 21.0 in October, as fewer agents saw rising inventories as compared with prior months although the reading below 50 points to a sequential increase. Higher inventories from overbuilding will exacerbate the record inventory of homes for sale. We think this excess inventory makes it unlikely that the market will rebound in the near term, absent a significant improvement in mortgage rates. In addition, the high level of supply will put further pressure on home prices.

**Rising Inventories Likely to Further Pressure Home Prices**

	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06	Dec-05	Nov-05	Oct-05	Sep-05	Aug-05	Jul-05	Jun-05
Homes listed for sale (> 50.0: Fewer homes listed versus prior month/ = 50.0: numbers of listings remained the same / <50.0: more home listings)																		
Atlanta, GA	28.0	20.9	15.6	19.1	12.6	17.2	7.1	22.7	35.7	21.4	20.0	50.0	38.9	50.0	50.0	42.9	n/a	n/a
Austin, TX	55.4	48.0	56.3	55.7	60.4	53.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	18.6	12.9	0.0	5.6	16.7	11.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charleston, SC	23.8	17.0	8.3	8.6	3.8	6.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	47.0	42.7	42.4	44.6	44.0	40.4	37.5	42.3	31.3	54.2	65.8	60.7	50.0	33.3	54.5	41.7	n/a	n/a
Chicago, IL	29.6	15.3	15.9	12.0	19.2	15.4	11.1	8.3	0.0	15.4	43.8	50.0	35.7	52.9	33.3	0.0	n/a	n/a
Cincinnati, OH	17.2	8.6	28.6	4.2	0.0	7.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Columbus, OH	39.3	14.7	20.0	0.0	6.3	4.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dallas, TX	32.1	18.5	25.8	26.3	23.4	22.3	33.3	25.0	0.0	14.3	22.7	30.0	25.0	50.0	62.5	25.0	n/a	n/a
Denver, CO	35.1	18.0	14.6	7.1	2.7	2.3	0.0	5.0	5.0	0.0	45.0	34.6	30.0	40.0	18.8	27.3	n/a	n/a
Detroit, MI	19.6	16.1	13.2	5.6	6.3	4.6	0.0	0.0	4.5	13.3	15.4	26.9	15.6	18.8	12.5	5.6	n/a	n/a
Fort Myers, FL	26.1	13.0	16.7	14.8	22.0	10.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Houston, TX	36.1	45.5	42.6	33.6	30.3	27.9	30.0	44.1	34.1	52.6	38.6	55.9	41.3	27.8	50.0	13.6	n/a	n/a
Inland Empire, CA	22.0	19.6	9.8	6.4	11.4	8.2	4.2	7.9	13.5	3.3	22.2	10.0	23.7	19.2	5.6	30.0	n/a	n/a
Jacksonville, FL	26.5	17.4	25.0	3.8	5.6	7.7	12.5	16.7	19.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Las Vegas, NV	26.7	24.7	17.5	9.6	8.5	9.2	21.4	4.5	3.8	5.0	38.9	50.0	16.7	17.6	16.7	23.3	n/a	n/a
Los Angeles, CA	31.8	21.5	14.0	4.4	11.3	7.8	10.0	15.4	38.9	15.0	16.7	37.5	13.6	13.6	60.0	35.7	n/a	n/a
Miami, FL	14.7	9.3	5.2	14.2	8.0	6.5	0.0	12.5	11.1	4.5	21.4	30.0	33.3	37.5	56.3	54.5	n/a	n/a
Minneapolis, MN	49.3	32.1	19.3	15.6	7.6	5.2	4.2	1.1	7.6	12.1	32.9	37.2	26.7	23.7	28.9	30.0	n/a	n/a
Nashville, TN	29.2	19.0	28.6	25.5	37.1	32.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	26.5	16.7	17.0	8.9	5.6	11.7	0.0	27.8	16.7	31.8	22.7	31.8	22.7	23.1	14.3	35.7	n/a	n/a
Orlando, FL	20.6	16.0	7.1	2.6	5.8	4.5	0.0	11.5	2.9	9.4	13.9	0.0	24.0	20.0	41.7	33.3	n/a	n/a
Phila.-Southern NJ	28.9	14.4	9.5	14.1	12.1	16.4	11.1	0.0	16.7	36.4	36.4	39.3	50.0	40.0	64.3	0.0	n/a	n/a
Phoenix, AZ	39.7	22.7	15.1	12.0	10.5	5.1	0.0	4.5	0.0	2.9	11.5	18.8	9.4	5.0	35.0	4.5	n/a	n/a
Port St. Lucie, FL	20.0	11.1	7.1	5.6	0.0	3.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portland, OR	17.2	12.7	14.5	11.3	15.8	23.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	43.2	29.8	52.5	45.5	39.5	37.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Richmond, VA	17.9	19.4	16.0	20.7	10.7	16.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	45.0	31.3	25.7	11.4	19.4	0.8	5.0	16.7	12.5	6.3	12.5	27.3	3.3	10.0	12.5	33.3	n/a	n/a
San Antonio, TX	50.9	36.5	40.9	43.3	42.2	41.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
San Diego, CA	38.0	20.4	11.0	14.9	4.6	5.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	50.0	23.5	14.7	18.4	8.0	13.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	27.8	26.1	23.8	20.7	21.2	10.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Seattle, WA	29.6	19.1	18.3	26.1	23.8	33.9	55.6	61.1	38.5	47.1	75.0	75.0	50.0	39.1	62.1	65.6	n/a	n/a
Tampa, FL	25.0	5.2	9.1	8.1	12.0	6.4	0.0	0.0	0.0	3.3	18.8	36.4	33.3	21.4	50.0	33.3	n/a	n/a
Tucson, AZ	26.0	10.3	11.3	9.9	12.1	6.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	16.0	16.1	16.7	12.5	8.0	5.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Washington, DC	41.6	29.3	19.4	14.3	10.1	5.4	4.2	3.1	25.0	16.7	16.7	35.0	5.0	13.5	22.9	38.5	n/a	n/a
Wilmington, NC	40.0	22.0	16.7	12.9	12.9	10.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total</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>	<b>36.8</b>	<b>27.4</b>	<b>27.8</b>	<b>37.6</b>	<b>28.7</b>	<b>n/a</b>	<b>n/a</b>
20 Same-Store Markets	31.2	21.7	18.2	14.3	13.8	12.3	11.8	15.7	15.1	18.2	29.5	36.8	27.4	27.8	37.6	28.7	n/a	n/a

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 markets we surveyed. Our time to sell index improved only slightly to 15.2 in November from 11.7 in October, 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. The index was especially low (below 10) in 12 of the 39 markets we surveyed.

**Time to Sell Continues to Lengthen – Pointing to Further Pricing Pressure Ahead**

	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06	Dec-05	Nov-05	Oct-05	Sep-05	Aug-05	Jul-05	Jun-05	
Length of time needed to sell a home [> 50.0; Time to sell decreased/ = 50.0: time to sell remained the same / <50.0: time to sell increased]																			
Atlanta, GA	8.9	8.1	9.4	6.8	12.5	20.8	28.6	13.6	21.4	35.7	25.0	21.4	10.0	25.0	40.9	n/a	n/a	n/a	
Austin, TX	33.0	47.9	49.0	58.5	74.1	80.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Baltimore, MD	7.4	10.9	0.0	0.0	11.1	4.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Charleston, SC	21.4	11.4	2.4	7.9	5.8	12.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Charlotte, NC	25.0	31.3	31.8	35.3	47.3	49.2	77.8	65.4	68.8	58.3	52.6	57.1	41.2	41.7	68.2	n/a	n/a	n/a	
Chicago, IL	8.6	6.7	3.5	4.1	4.2	6.1	11.1	8.3	16.7	42.3	0.0	0.0	22.7	11.8	0.0	n/a	n/a	n/a	
Cincinnati, OH	4.8	7.1	7.1	4.5	0.0	7.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Columbus, OH	16.1	5.7	0.0	0.0	0.0	4.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Dallas, TX	14.3	11.1	14.3	20.3	29.2	36.0	50.0	25.0	37.5	28.6	54.5	50.0	38.9	35.7	25.0	n/a	n/a	n/a	
Denver, CO	21.3	9.8	10.6	8.2	5.0	6.9	15.0	25.0	10.0	11.1	15.0	9.1	19.0	17.5	22.2	n/a	n/a	n/a	
Detroit, MI	9.4	5.4	5.9	8.5	4.6	5.3	9.1	8.3	11.1	3.3	19.2	3.6	3.1	11.8	4.2	n/a	n/a	n/a	
Fort Myers, FL	18.2	10.9	16.7	9.3	8.0	5.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Houston, TX	23.6	29.4	22.9	30.7	33.1	46.2	71.9	38.2	52.4	59.5	32.6	29.4	19.6	11.1	25.0	n/a	n/a	n/a	
Inland Empire, CA	13.0	4.9	7.6	1.8	3.5	4.8	4.2	5.0	5.8	6.3	5.6	0.0	2.6	10.0	16.7	n/a	n/a	n/a	
Jacksonville, FL	18.8	11.9	18.8	0.0	5.6	3.8	4.2	11.8	5.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Las Vegas, NV	17.8	16.5	12.8	8.9	8.1	8.2	0.0	9.1	0.0	0.0	15.0	13.6	3.3	11.8	12.5	n/a	n/a	n/a	
Los Angeles, CA	7.7	5.5	4.2	1.9	6.5	2.5	0.0	0.0	0.0	20.0	16.7	43.8	0.0	7.7	20.0	n/a	n/a	n/a	
Miami, FL	9.6	9.4	8.6	9.8	3.5	2.8	0.0	4.2	0.0	12.5	0.0	10.0	25.0	28.1	37.5	n/a	n/a	n/a	
Minneapolis, MN	18.8	10.5	9.1	8.2	4.4	4.1	4.2	4.7	18.2	15.5	13.2	9.6	3.5	5.3	13.2	n/a	n/a	n/a	
Nashville, TN	16.0	14.4	18.6	22.0	44.7	42.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
New York-Northern NJ	11.0	6.3	4.5	4.4	7.4	7.5	0.0	5.6	0.0	13.6	4.5	0.0	4.5	15.4	7.1	n/a	n/a	n/a	
Orlando, FL	12.9	3.8	7.1	5.3	7.0	0.0	18.8	7.7	0.0	6.3	5.0	4.5	15.4	30.0	14.3	n/a	n/a	n/a	
Phila.-Southern NJ	10.4	8.6	4.1	5.8	2.0	4.5	0.0	0.0	27.8	22.7	13.6	3.6	5.9	7.1	7.1	n/a	n/a	n/a	
Phoenix, AZ	20.0	13.0	11.1	7.8	7.3	6.2	0.0	0.0	3.6	5.9	8.3	0.0	0.0	0.0	30.0	n/a	n/a	n/a	
Port St. Lucie, FL	9.1	0.0	7.1	11.1	0.0	7.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Portland, OR	5.8	4.4	4.4	6.9	11.2	23.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Raleigh, NC	20.3	22.9	32.9	30.4	33.3	47.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Richmond, VA	3.6	2.6	5.8	5.2	1.7	0.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Sacramento, CA	15.0	9.7	15.8	8.6	11.1	4.5	5.0	10.7	12.5	0.0	11.1	12.5	6.7	10.0	0.0	n/a	n/a	n/a	
San Antonio, TX	25.8	33.3	52.9	48.3	79.7	75.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
San Diego, CA	19.2	10.2	6.9	11.5	2.3	7.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
San Francisco, CA	22.3	7.1	7.7	5.2	6.3	8.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Sarasota, FL	16.7	13.0	16.7	12.1	7.6	6.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Seattle, WA	9.0	5.0	9.7	16.4	22.3	34.3	41.7	55.9	34.6	50.0	40.5	27.8	19.6	26.6	42.9	n/a	n/a	n/a	
Tampa, FL	15.8	5.2	5.7	2.7	7.4	4.0	0.0	0.0	12.5	6.3	25.0	10.0	12.5	71.4	0.0	n/a	n/a	n/a	
Tucson, AZ	15.6	5.2	10.4	3.5	10.5	4.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Virginia Beach, VA	8.0	14.3	12.5	9.7	2.0	1.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Washington, DC	18.5	11.5	11.1	6.5	7.8	5.1	0.0	6.3	11.5	20.8	15.4	4.8	0.0	3.8	4.2	n/a	n/a	n/a	
Wilmington, NC	20.0	11.1	8.3	8.1	6.7	11.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
<b>Total</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>	<b>15.5</b>	<b>12.7</b>	<b>19.1</b>	<b>19.5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	
20 Same-Store Markets	14.7	10.6	10.9	9.6	11.4	12.5	16.3	14.5	16.7	20.9	18.6	15.5	12.7	19.1	19.5	n/a	n/a	n/a	

Source: Banc of America Securities LLC estimates.

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

Agents recommend Pulte, WCI Communities, Toll Brothers, and Lennar to their customers. Pulte Homes, WCI Communities, Toll Brothers, and Lennar received the highest percentage of recommendations by agents nationwide. 29.1% of agents (net of positive responses less negative responses) surveyed said they would recommend Pulte, followed by 23.6% for WCI, 23.4% for Toll Brothers, 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	PHM	Pulte Homes	29.1%
2	WCI	WCI Communities	23.6%
3	TOL	Toll Brothers	23.4%
4	LEN	Lennar Corp.	20.0%
5	CTX	Centex Corp.	17.9%
6	DHI	D.R. Horton	17.9%
7	MTH	Meritage Homes	16.0%
8	RYL	Ryland Group	15.1%
9	SPF	Standard Pacific Corp.	13.3%
10	HOV	Hovnanian Enterprises	7.0%
11	NVR	NVR, Inc.	6.9%
12	MDC	MDC Holdings	2.9%
13	CHCI	Comstock Homebuilding	(1.3)%
14	KBH	KB Home	(6.1)%

Source: Banc of America Securities LLC estimates.

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

Market	CTX	CHCI	DHI	HOV	KBH	LEN	MDC	MTH	NMR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	30%	0%	30%	-	16%	-	-	-	-	29%	31%	-	-	-
Austin, TX	25%	-	45%	-	7%	33%	-	42%	-	48%	-	42%	47%	-
Baltimore, MD	-	0%	17%	14%	3%	28%	8%	-	17%	-	22%	-	-	-
Charleston, SC	36%	-	26%	-	14%	24%	-	-	0%	-	21%	-	-	-
Charlotte, NC	26%	1%	35%	17%	12%	21%	-	-	17%	-	25%	10%	29%	-
Chicago, IL	13%	-	9%	4%	18%	12%	2%	-	-	32%	21%	-	21%	-
Cincinnati, OH	0%	-	-	3%	-	-	-	-	13%	0%	28%	-	-	-
Columbus, OH	48%	-	-	3%	-	-	-	-	0%	6%	-	-	-	-
Dallas, TX	23%	-	52%	25%	5%	27%	1%	14%	-	26%	-	23%	27%	-
Denver, CO	22%	-	43%	-	14%	31%	17%	5%	-	31%	38%	22%	23%	-
Detroit, MI	21%	-	-	0%	-	-	-	-	-	51%	-	-	44%	-
Fort Myers, FL	22%	-	17%	4%	13%	22%	-	9%	-	43%	22%	-	-	35%
Houston, TX	16%	-	44%	14%	13%	33%	3%	25%	-	35%	-	-	-	-
Jacksonville, FL	12%	-	12%	-	12%	12%	6%	-	-	47%	24%	12%	29%	18%
Las Vegas, NV	31%	-	31%	-	19%	39%	7%	3%	-	61%	11%	-	57%	-
Los Angeles, CA	14%	-	10%	14%	33%	24%	0%	0%	-	10%	-	14%	14%	-
Miami, FL	-	-	29%	-	-	47%	-	-	-	-	-	7%	-	35%
Minneapolis, MN	30%	-	36%	13%	-	18%	-	-	-	38%	25%	-	12%	-
Nashville, TN	20%	-	-	-	-	-	-	-	-	-	-	-	-	-
New York-Northern New Jersey, NY-NJ	2%	-	6%	12%	-	12%	-	-	4%	15%	-	-	15%	8%
Orlando, FL	20%	-	29%	6%	37%	34%	-	23%	-	46%	20%	0%	26%	-
Philadelphia-Southern NJ	-	-	2%	22%	-	1%	1%	-	21%	41%	-	-	35%	-
Phoenix, AZ	20%	-	35%	9%	11%	26%	17%	36%	-	48%	20%	21%	48%	-
Port St. Lucie, FL	55%	-	27%	-	45%	-	-	-	-	-	-	-	-	-
Portland, OR	-	-	27%	-	-	-	-	-	-	-	-	-	-	-
Raleigh, NC	51%	8%	24%	15%	15%	23%	-	-	1%	24%	-	13%	39%	-
Richmond, VA	20%	0%	-	-	-	-	-	-	13%	-	-	-	-	-
Riverside-San Bernardino, CA	30%	-	22%	24%	44%	36%	10%	-	-	42%	22%	10%	-	-
Sacramento, CA	45%	-	29%	13%	26%	16%	13%	19%	-	39%	3%	16%	10%	-
San Antonio, TX	47%	-	61%	-	23%	41%	-	20%	-	56%	-	-	33%	-
San Diego, CA	23%	-	27%	19%	10%	19%	2%	-	-	23%	10%	29%	13%	-
San Francisco, CA	11%	-	5%	-	-	8%	-	7%	-	28%	-	11%	20%	-
Sarasota, FL	32%	-	-	-	11%	42%	-	-	-	26%	-	0%	-	47%
Seattle, WA	22%	-	31%	-	-	-	-	-	-	-	-	-	-	-
Tampa, FL	13%	-	18%	3%	26%	38%	3%	-	-	36%	28%	15%	-	23%
Tucson, AZ	-	-	44%	19%	21%	52%	13%	40%	-	63%	-	19%	12%	-
Virginia Beach, VA	52%	0%	0%	0%	-	-	-	-	8%	-	-	-	-	-
Washington, DC	39%	3%	9%	16%	5%	13%	5%	-	40%	26%	13%	-	29%	-
Wilmington, NC	15%	0%	-	-	-	-	-	-	2%	-	-	-	-	-
<b>TOTAL</b>	<b>26%</b>	<b>1%</b>	<b>26%</b>	<b>12%</b>	<b>18%</b>	<b>26%</b>	<b>7%</b>	<b>19%</b>	<b>11%</b>	<b>35%</b>	<b>21%</b>	<b>16%</b>	<b>28%</b>	<b>28%</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. 24% 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	CHQ	DHI	HOV	KBH	LEN	MDC	MTH	NMR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	6%	1%	5%	-	19%	-	-	-	-	13%	6%	-	-	-
Austin, TX	12%	-	10%	-	70%	8%	-	3%	-	7%	-	2%	7%	-
Baltimore, MD	-	3%	6%	3%	3%	6%	6%	-	8%	-	14%	-	-	-
Charleston, SC	10%	-	12%	-	17%	7%	-	-	0%	-	12%	-	-	-
Charlotte, NC	9%	1%	6%	3%	23%	3%	-	-	3%	-	7%	0%	5%	-
Chicago, IL	7%	-	0%	1%	4%	4%	1%	-	-	5%	3%	-	2%	-
Cincinnati, OH	6%	-	-	3%	-	-	-	-	3%	0%	13%	-	-	-
Columbus, OH	0%	-	-	0%	-	-	-	-	3%	0%	-	-	-	-
Dallas, TX	23%	-	7%	3%	42%	9%	1%	2%	-	7%	-	1%	3%	-
Denver, CO	8%	-	16%	-	35%	5%	12%	1%	-	8%	3%	3%	0%	-
Detroit, MI	11%	-	-	0%	-	-	-	-	-	9%	-	-	6%	-
Fort Myers, FL	4%	-	9%	30%	26%	13%	-	9%	-	0%	9%	-	-	9%
Houston, TX	11%	-	5%	1%	50%	9%	2%	3%	-	6%	-	-	-	-
Jacksonville, FL	18%	-	35%	-	29%	12%	0%	-	-	0%	0%	0%	0%	0%
Las Vegas, NV	4%	-	11%	-	26%	3%	9%	1%	-	3%	3%	-	2%	-
Los Angeles, CA	4%	-	9%	1%	9%	3%	3%	1%	-	4%	-	3%	0%	-
Miami, FL	-	-	4%	-	-	5%	-	-	-	-	-	2%	-	5%
Minneapolis, MN	14%	-	7%	3%	-	9%	-	-	-	6%	7%	-	3%	-
Nashville, TN	20%	-	-	-	-	-	-	-	-	-	-	-	-	-
New York-Northern New Jersey, NY-NJ	2%	-	2%	2%	-	2%	-	-	4%	4%	-	-	4%	4%
Orlando, FL	9%	-	11%	0%	14%	14%	-	0%	-	6%	9%	3%	0%	-
Philadelphia-Southern NJ	-	-	2%	5%	-	1%	3%	-	5%	8%	-	-	20%	-
Phoenix, AZ	8%	-	10%	8%	37%	5%	4%	3%	-	6%	5%	7%	3%	-
Port St. Lucie, FL	0%	-	0%	-	9%	-	-	-	-	-	-	-	-	-
Portland, OR	-	-	18%	-	-	-	-	-	-	-	-	-	-	-
Raleigh, NC	9%	9%	15%	19%	24%	11%	-	-	0%	24%	-	11%	12%	-
Richmond, VA	13%	0%	-	-	-	-	-	-	13%	-	-	-	-	-
Riverside-San Bernardino, CA	6%	-	0%	8%	14%	0%	0%	-	-	2%	4%	0%	-	-
Sacramento, CA	0%	-	10%	0%	35%	0%	0%	3%	-	0%	3%	0%	3%	-
San Antonio, TX	2%	-	11%	-	36%	6%	-	3%	-	5%	-	-	0%	-
San Diego, CA	8%	-	8%	2%	27%	2%	2%	-	-	6%	0%	4%	0%	-
San Francisco, CA	3%	-	5%	-	-	0%	-	0%	-	3%	-	0%	0%	-
Sarasota, FL	11%	-	-	-	5%	16%	-	-	-	5%	-	0%	-	5%
Seattle, WA	5%	-	6%	-	-	-	-	-	-	-	-	-	-	-
Tampa, FL	13%	-	3%	0%	8%	10%	3%	-	-	10%	5%	0%	-	0%
Tucson, AZ	-	-	8%	2%	40%	0%	4%	6%	-	2%	-	2%	0%	-
Virginia Beach, VA	4%	0%	0%	0%	-	-	-	-	4%	-	-	-	-	-
Washington, DC	10%	6%	9%	11%	2%	11%	14%	-	9%	10%	11%	-	23%	-
Wilmington, NC	7%	2%	-	-	-	-	-	-	0%	-	-	-	-	-
<b>TOTAL</b>	<b>8%</b>	<b>3%</b>	<b>8%</b>	<b>5%</b>	<b>24%</b>	<b>6%</b>	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>2%</b>	<b>4%</b>	<b>4%</b>

Source: Banc of America Securities LLC estimates.

## Summary of Trends in Top 20 New Homebuilding Markets

The key trends seen in the top 20 permit-issuing housing markets are outlined in the table below.

### November Market Summary of Top 20 New Homebuilding Markets

Market	2005	Trend	Market Exposure													
	1-family permits		CHCI	CTX	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	60,952	-	*	2%	3%	*	3%	*	*	*	*	4%	7%	*	*	*
Austin, TX	17,076	+	*	2%	4%	*	3%	5%	*	6%	*	2%	3%	*	*	*
Charlotte, NC	19,348	=	6%	2%	1%	*	1%	*	*	*	9%	1%	3%	*	*	*
Chicago, IL	36,728	-	*	2%	3%	4%	*	4%	*	*	*	5%	7%	*	2%	*
Dallas, TX	49,322	-	*	7%	6%	5%	4%	5%	*	10%	*	2%	5%	7%	0%	*
Denver, CO	17,586	-	*	1%	6%	*	4%	3%	10%	*	*	1%	4%	4%	*	*
Fort Myers, FL	22,211	-	*	1%	*	12%	*	4%	*	*	*	3%	*	*	*	19%
Houston, TX	51,134	=	*	*	5%	11%	7%	12%	*	11%	*	3%	8%	*	*	*
Jacksonville	18,610	-	*	1%	4%	*	2%	1%	7%	*	*	3%	*	*	*	6%
Las Vegas, NV	30,358	-	*	3%	5%	*	10%	4%	20%	5%	*	8%	4%	*	4%	*
Los Angeles, CA	16,399	-	*	0%	2%	4%	2%	1%	1%	*	*	0%	*	2%	*	*
Miami, FL	23,076	-	*	*	*	*	*	3%	*	*	*	*	*	*	*	8%
Minneapolis	17,181	-	*	3%	2%	2%	*	2%	*	*	*	2%	5%	*	*	*
NY-NJ	19,994	-	*	0%	0%	2%	*	0%	*	*	0%	1%	*	*	8%	4%
Orlando, FL	26,520	-	*	*	2%	*	5%	3%	*	*	*	4%	5%	*	*	*
Phoenix, AZ	53,964	-	*	5%	11%	*	5%	4%	17%	23%	*	12%	5%	16%	7%	*
Inland Empire, CA	45,792	-	*	4%	6%	13%	7%	8%	5%	2%	*	5%	6%	8%	0%	*
Seattle, WA	17,704	-	*	1%	1%	*	*	*	*	*	*	*	*	*	*	*
Tampa, FL	27,425	-	*	*	*	5%	2%	6%	*	*	*	3%	5%	12%	*	6%
Washington, DC	25,315	-	94%	3%	0%	10%	*	3%	8%	*	27%	2%	3%	*	23%	4%

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

November Market Trends	
Traffic	
Home Prices	
Incentives	

Agents see a modest pickup in traffic in November, but buyers remain extremely cautious.

First time buyers have become aggressive with their negotiating.

## Atlanta, GA – Prices Fall as Sellers Become More Anxious; Agents See Modest Pickup in Traffic

(60,952 single-family permits in 2005, largest homebuilding market in the country)

**Agents see the “market picking up a little” from very low base.** Agents saw traffic pick up modestly in November compared to October, but it remained far below agents’ expectations. Our traffic index improved to 30.4 in November from 23.9 in October. Agents said buyers were lured by price reductions and lower mortgage rates, although the threat of further price declines increased buyer hesitation and the large inventory of homes for sale decreased their urgency to step back in.

**Buyers’ make offers 20% below asking price.** Home prices declined in Atlanta for the fifth consecutive month, with our index falling to 28.0 in November from 30.6 in October. This was the lowest reading for pricing in Atlanta since our survey began. Agents said that more buyers realize it’s a “buyers’ market” and typically make offers 20% below their asking price, pressuring home prices. In additions, the agents attribute the price weakness to the large buildup in inventory and lower demand from stretched affordability and buyers’ fear of further price declines. A longer time needed to sell a home in November will likely continue to pressure prices as sellers become more anxious. Our time to sell index measured 8.6 in November (essentially unchanged from 8.1 in October).

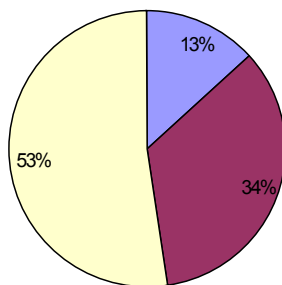
Comments from real estate agents:

- ▶ “There are more homes on the market here each day, but fewer inquiries.”
- ▶ “Home prices are still too high in an unstable environment.”
- ▶ “All listings are taking longer to sell.”

**Ryland and Pulte Homes have the most exposure.** Ryland has the greatest exposure to Atlanta with approximately 6% of 2004 net sales, followed by Pulte Homes with 4%.

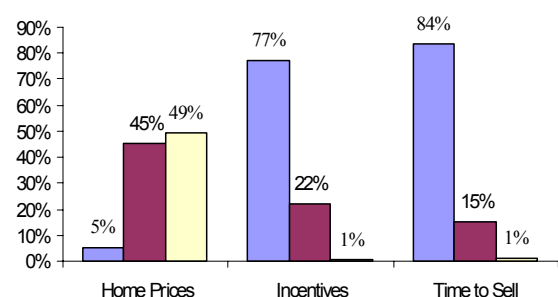
### Price Declines More Apparent; Large Inventory and Lack of Buyers Makes Further Weakness Likely

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

**Higher investor demand is contributing to healthy traffic and price appreciation.**

**Longer time needed to sell may limit price appreciation.**

## Austin, TX – Investor Activity Fuels In-Line Demand; High Construction Moderates Price Increases

(17,076 single-family permits in 2005, 19th largest market in the country)

**Investor activity fuels continued strong traffic.** Austin remained one of the strongest markets we surveyed in November with buyer traffic measuring 54.2, down from 57.0 in October. Agents noted that “investors are lurking” and are fueling the strong traffic levels. While investor interest is a positive in the short term, it could lead to price declines and destabilization in market conditions if overbuilding occurs in response to false demand.

**Price appreciation moderates.** Home prices continued to rise in Austin, but our index points to a flattening of pricing trends, likely due to the high level of construction. Our price index came in at 59.5 in November, down from 68.4 in October (any reading above 50 signals rising prices). Homebuilders also increased incentives to capture volume, with our index falling to 18.3 in November from 26.0 in October. Our time to sell index fell to 33.0 in November from 47.9 in October. The longer time needed to sell a home may lead pricing trends to reverse course.

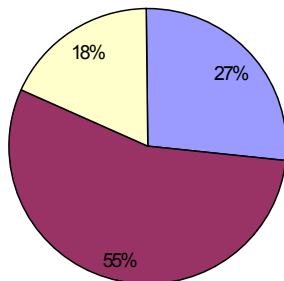
Comments from real estate agents:

- ▶ “Traffic is healthy due to affordability, low inventory, and a solid local economy.”
- ▶ “Job growth and investor demand are contributing to a strong local housing market.”

**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%.

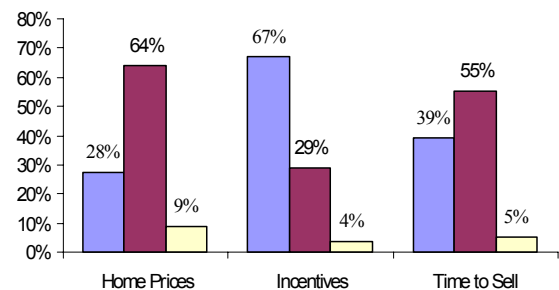
### Strongest Demand and Price Appreciation of the Top 39 Markets in November

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.

November Market Trends	
Traffic	↔
Home Prices	↔
Incentives	👉

## Charlotte, NC – An Uneventful Month; Traffic, Pricing, and Inventories Essentially Unchanged

(19,348 single-family permits in 2005, 14th largest market in the country)

**Traffic remains in-line with expectations.** Traffic met agents' expectations in November, with our index unchanged at 46.5 in November from 46.8 in October. Some agents did indicate that traffic showed a modest seasonal increase. Other agents noted a rebound in relocation traffic, which was offset by less demand from families having trouble selling their current homes. We expect fairly stable demand in the coming months due to the area's healthy job growth and relative affordability.

**Prices and inventories remain stable.** Home prices were flat for the second consecutive month in November, as our price index was up only marginally to 52.5 from 51.6 in October. Prices have leveled off (price index near 50) in Charlotte due to a balanced of supply and demand. Inventories stayed flat sequentially with our home listing index at 47.0, near a neutral 50.0 reading. Stable traffic and inventory trends should lead to moderate price appreciation in the coming months.

Comments from real estate agents:

- ▶ "Homes remain affordable in Charlotte."
- ▶ "Potential relocations are finding it difficult to sell their current homes."

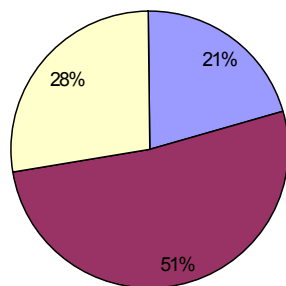
**NVR, Comstock, Ryland, and Hovnanian have the most exposure.** NVR has the greatest exposure to Charlotte with approximately 10% of 2004 net sales, followed by Comstock (8%), and then Ryland and Hovnanian with approximately 3% each.

Traffic nearly in-line with expectations.

Charlotte will likely experience flat to slightly higher prices due to stable inventory and traffic trends.

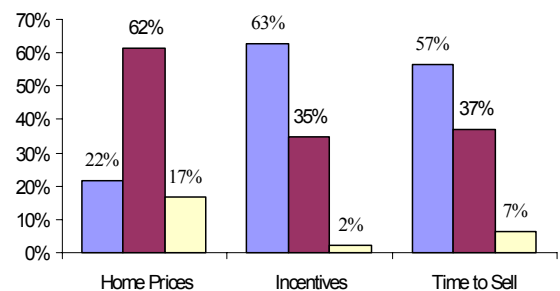
### Market Conditions (Traffic, Pricing, and Inventories) Appear Stable in Charlotte

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

Agents pointed to lower mortgage rates and lower home prices as the driver of traffic.

Price trends continue to deteriorate. If affordability and traffic levels continue to improve, it could help to stabilize pricing trends.

## Chicago, IL – Traffic Improves Due to Better Affordability; Prices Continue to Decline from High and Rising Inventories

(36,728 single-family permits in 2005, 6th largest market in the country)

**Traffic improves but continues to fall short of expectations.** Traffic levels remained below agents' expectations in November, although agents noted an improvement compared with October. Our traffic index increased to 29.9 in November from 17.5 in October (a reading of 50 indicates traffic in-line with expectations). Agents attributed the improvement to better affordability, resulting from lower rates and price declines. However, buyer traffic was still below the expectations of agents due to fears of further price declines and still stretched affordability. One agent said most buyers remained "on the fence" and understood that there was no urgency given the large inventory of homes for sale.

**Home prices decline; longer time to sell should continue to pressure prices near term.** Home prices fell in Chicago for the sixth consecutive month as our index measuring 22.0, up slightly from 20.5 in October (but still pointing to sequentially lower prices). In addition, the time needed to sell a home increased in November, likely leading to continued pressure on home prices in the near term. One agent noted that inventory may be understated because potential sellers are choosing not to list their homes at this time due to weak demand. Our time to sell index was essentially unchanged at 8.6 from 6.7 in October. 86% of agents saw an increase in the time needed to sell a home in October, 12% said the time to sell was unchanged, and just 2% said it took less time to sell a home. However, improving affordability and traffic levels should help to stabilize pricing.

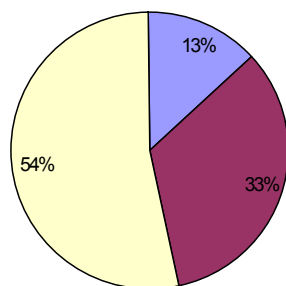
Additional comments from real estate agents:

- "There is no urgency from buyers and not enough demand for the inventory on the market."

**Ryland, Lennar, and Hovnanian have the most exposure.** Ryland has the greatest exposure to Chicago with approximately 7% of 2004 net sales in the market, followed by Lennar Corp. and Hovnanian with 4% of sales.

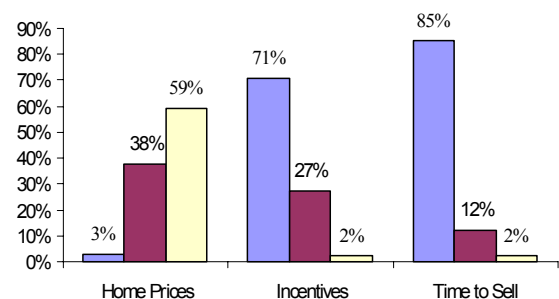
### Traffic Levels Improved, but Remain Weak; Home Prices and Incentives Continued to Worsen

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.

November Market Trends	
Traffic	↔
Home Prices	↔
Incentives	👉

## Dallas, TX – Incremental Supply Exceeds Demand, Pressures Home Prices

(49,322 single-family permits in 2005, 4th largest market in the country)

**Traffic improves slightly but falls short of agents' expectations.** Traffic fell short of agents' expectations for the sixth consecutive month, although slightly improved compared with October. Our index increased to 39.0 in November from 30.0 in October. Agents blamed the weak traffic on buyer caution in reaction to negative media reports and a lack of urgency due to an oversupply of homes for sale. In addition, agents continued to see more investors than buyers looking for primary residences. One agent said, "I have several investor clients but no other buyers." Investor demand is a short-term positive since it pushes prices higher but could lead to overbuilding and price declines over time as markets become oversupplied by building to an unsustainable level of investor demand.

**More agents see price declines.** Our price index reached its lowest point in November, falling to 28.1 from 34.1 in October, indicating that even more agents saw falling prices. Agents said that homebuilders are acting as price leaders by offering more aggressive discounts to capture volume and reduce their inventory. In addition, the time needed to sell a home continued to lengthen in November as incremental supply exceeded incremental demand. Our time to sell index measured 14.3, up slightly from 11.1, but still well below a neutral reading of 50. The longer time needed to sell a home should add pressure to home prices in the coming months.

Additional comments from real estate agents:

- ▶ "Sellers have yet to become realistic about price declines."
- ▶ "There has not been much change over the past month. The market seems to be very flat right now, with many clients choosing to wait until next year before making any decisions."

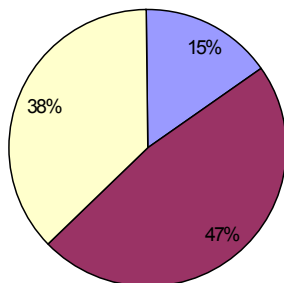
**Centex, Ryland and D.R. Horton have greatest exposure.** Centex has the greatest exposure to Dallas, capturing 9% of its 2004 sales in the market, followed by Ryland and D.R. Horton with 8% each.

"No one will pull the trigger."

Longer time to sell should continue to pressure home prices.

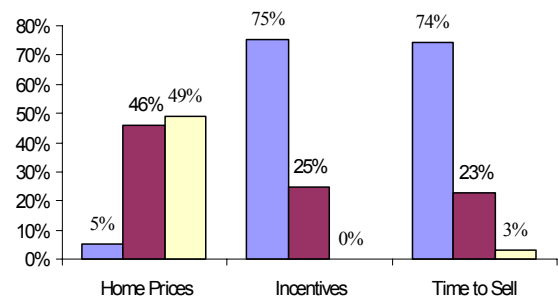
### Prices Continue to Decline as New Supply Exceeds the Incremental Demand

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Denver, CO – Sluggish Economy and Lack of Urgency Drive Weak Traffic and Price Declines

(17,586 single-family permits in 2005, 17th largest market in the country)

**Traffic remains weak due to continued sluggish job growth and a lack of buyer urgency.** Our traffic index measured 29.7 in November, up slightly from 25.0 in October, but remaining far below agents' expectations. 56% of agents reported weaker than expected traffic, 29% said traffic met expectations, and 15% said traffic exceeded expectations. Agents said that the area's sluggish job growth and a lack of buyer urgency hurt sales efforts. Agents that noted an improvement in traffic attributed the increase to more investors looking to find foreclosures. We do not view more investor activity as a positive since the homes will eventually be added back to supply. Traffic in Denver has been weak since we began our survey in January 2005 and we suspect many homebuilders will need to take asset write-downs in Denver given the prolonged weakness.

**Foreclosures add to the current glut of supply and pressure home prices.**

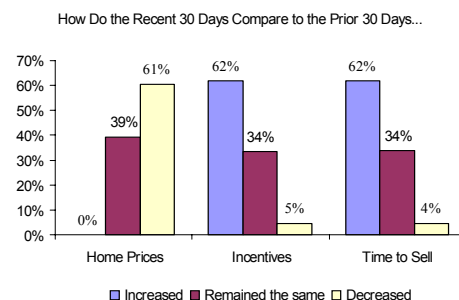
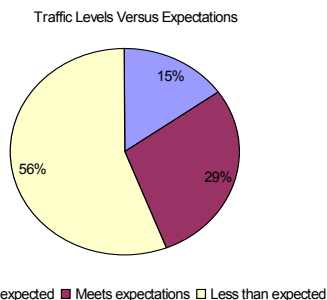
**High inventories and weak traffic pressure home prices.** Home prices continued to decline in November, according to agents, as our price index fell to 19.7 from 23.6 in October. Agents attributed the price decline to the oversupply of homes for sale, noting that "there is already too much inventory and foreclosures are only making it worse." Agents noted that homebuilders increased incentives in an attempt to spur sales. Our incentive index measured 21.5 (up from 9.3), but still indicating rising incentives (index below 50). We do not expect pricing trends to stabilize in the near term as the time needed to sell continues to increase. Our time to sell index measured 21.3 in November (up from 9.8), far below a neutral reading of 50.0. We think prices will need to come down further in order to alleviate the supply-demand imbalance.

Additional comments from real estate agents:

- ▶ "There is too much inventory and many foreclosures. No need for buyers to hurry to make a decision."
- ▶ "Buyers are only looking for super deals and are taking their time because they know they are in the driver's seat."

**MDC Holdings and D.R. Horton have greatest exposure.** MDC Holdings has the greatest exposure to Denver with approximately 12% of 2004 sales, followed by D.R. with approximately 6% of 2004 sales.

### Further Price Declines Are Likely Necessary To Reduce the Excess Inventory



Source: Banc of America Securities LLC.

November Market Trends	
Traffic	↔
Home Prices	↔
Incentives	👎

**“There is a huge amount of inventory on the market.”**

**Longer time needed to sell is a negative indicator for future pricing, although better traffic is a positive early sign.**

## Ft. Myers, FL – No Sign of Stabilization, Despite Favorable Seasonal Trends

(22,211 single-family permits in 2005, 12th largest market in the country)

**Traffic improves from very weak levels.** “Snowbirds have yet to return,” according to one agent, but traffic did increase modestly from very weak levels in October. Traffic remained far below most agents in November, with an index reading of 19.6 (up from 7.7 in October). Agents said that sellers remained on the sidelines, expecting prices to decline further. However, lower asking prices seemed to drive the modest increase in traffic compared with October. We view the improvement in traffic as a positive but believe further price cuts are necessary to bring affordability back to an acceptable level to generate sufficient demand.

**Pricing, incentives, and time to sell continue to deteriorate.** Home prices and incentives continued to worsen in November, with our indices reading of 17.4 (up from 13.0) and 13.6 (up from 10.4), respectively. In addition, our survey points to higher inventories and a longer time to sell compared to October’s record levels, pointing to further price declines in the coming months. Our time to sell index measured 18.2 in November, as 68% of agents saw the time to sell increase in November, 27% said there was no change, and 5% said it took less time to sell a home. However, if traffic trends continue to improve, it will eventually help to work through the excess inventories and stabilize pricing trends.

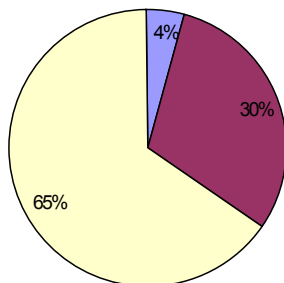
Comments from real estate agents:

- ▶ “Nothing has changed in the last month except that the seasonal buyers and tourists are starting to return. Also, many people have decided not to list their homes because of the pricing environment.”
- ▶ “Traffic has increased slightly from last month, but is measurably below what is typical for November.”

**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.

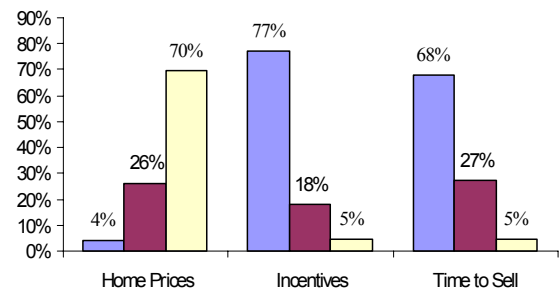
### Prices and Incentives Continue to Deteriorate; Traffic Improves from a Weak Level Last Month

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

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

**An easy entitlement process has allowed supply to keep pace with demand, leading to only modest price appreciation.**

## Houston, TX – Market Shrugs Decline in Oil Prices; Continued Healthy Traffic and Modest Price Appreciation

(49,322 single-family permits in 2005, 3rd largest market in the country)

**“No significant changes”; traffic remains in-line with expectations.** Traffic was essentially unchanged at a level modestly below agents' expectations in November. Our traffic index measured 45.3 in November, down from 48.5 in October. Several agents noted that traffic has not changed from October. Agents attributed the healthy traffic levels to the strong local economy, despite Houston's exposure to the oil industry and the recent decline in oil prices, and its relative affordability.

**Agents see modest price appreciation.** Our price index pointed to modestly higher home prices in November compared with October, with our index rising to 54.9 from 50.7. The majority of agents (53%) reported flat prices, while 29% said prices increased and 19% said prices declined. Price appreciation in Houston tends to be modest as homebuilders quickly adjust supply to any change in demand. The time to sell also lengthened again in November, likely a result of higher inventories, as our index fell to 23.6 from 29.4 in October. A longer time needed to sell may indicate flat prices ahead in Houston.

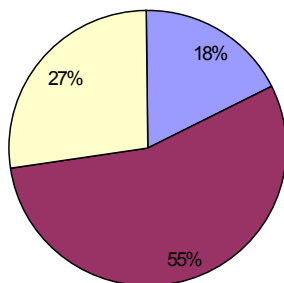
Additional comments from real estate agents:

- ▶ “Good fundamentals, including job growth, affordability, and a strong local economy continue to support a solid housing market.”
- ▶ “There are lots of people relocating to Houston.”

**Lennar Corp., Hovnanian, and KB Home have the most exposure to Houston with approximately 12%, 9%, and 8%, respectively, of their 2004 unit sales.**

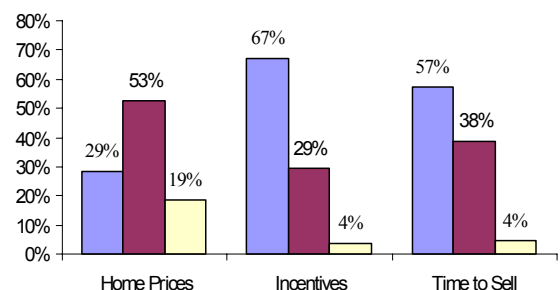
### Traffic Met Expectations; Longer Time Needed to Sell Will Limit Price Appreciation

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

**“Traffic has increased and seems to be getting better.”**

**Continued improvements in traffic are needed to work off the market's excess inventories.**

## Jacksonville, FL – “Buyers Seem Ready to Buy”; Improved Traffic

(18,610 single-family permits in 2005, 15th largest market in the country)

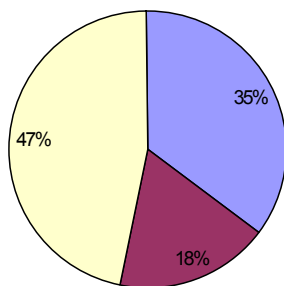
**Traffic improves sharply; agents see buyers coming off the sidelines.** Our traffic index improved in November with an index reading of 44.1, up meaningfully from 21.7 in October. While the improvement may be partially explained by lowered expectations due to the prolonged weakness in the market or a seasonal pick-up, agents said that the increase was primarily attributable to pent-up demand coming back into the market, lured by lower prices and builder incentives. One agent said, “A few past buyers have returned from the sidelines.” 47% of agents said traffic fell short of expectations, 35% said traffic exceeded expectations, and 18% said it met expectations.

**Prices, incentives, and time to sell lengthen.** Home prices and incentives deteriorated in November, with our indices measuring 23.5 (from 21.7) and 15.6 (from 4.5), respectively. In addition, the time to sell continued to lengthen into November and should continue to pressure home prices in the near-term. Our time to sell index came in at 18.8 in November (up from 11.9 in October), but still well below the stable level of 50. While the recent increase in traffic is a positive sign, we believe traffic still remains depressed and further improvements are necessary to work off the markets' excess supply and stabilize pricing trends.

**Lennar Corp., Hovnanian, and KB Home have the most exposure to Jacksonville with approximately 12%, 9%, and 8%, respectively, of their 2004 unit sales.**

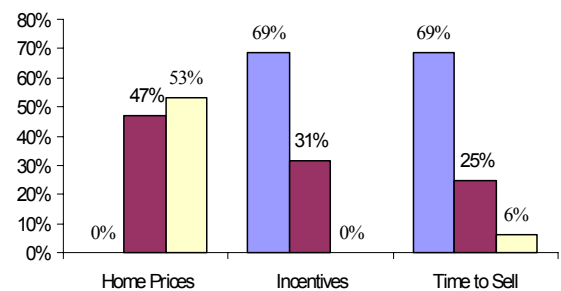
### Improvement in Traffic is Not Sufficient to Stabilize Pricing or Inventories

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

November Market Trends	
Traffic	
Home Prices	
Incentives	

**“I had about 6 buyers per week in prior months, now I’m down to 1 per week this month.”**

**Agents said existing home inventories are especially high and continue to worsen.**

## Las Vegas, NV – Buyers Wait Patiently for Prices to Decline Further

(30,358 single-family permits in 2005, 7th largest market in the country)

**No improvement in traffic, far short of expectations.** Traffic continued to disappoint agents again, as our traffic index was nearly unchanged at 22.2 (up from 19.2 in October). Agents said a lack of affordability remained the key issue, and buyers waited on the sidelines for further price declines. In addition, the excess supply of homes for sale has reduced buyers’ urgency. We believe the slowdown will be prolonged as the market slowly works through the glut of inventory in Las Vegas. We believe additional price corrections will be necessary to stimulate demand.

**“Large resale inventory continues to hamper the market... hard to compete with high new home incentives.”** Home prices and incentives continued to worsen in November, led by aggressive price cuts by builders. Our price and incentive indices were nearly unchanged at 26.1 (from 27.0 in October) and 20.1 (down from 22.2), respectively. Agents were troubled by an increase in investor resale listings on top of an already large amount of supply. Typical builder incentives in November reached as high as over \$100,000 in buyer incentives and up to 15% in agent commissions. In addition, the time needed to sell a home lengthened even more, with our index measuring 17.8 (up slightly from 16.5, but still showing sequential worsening – index below 50). High inventories and a longer time to sell should pressure home prices further in the coming months.

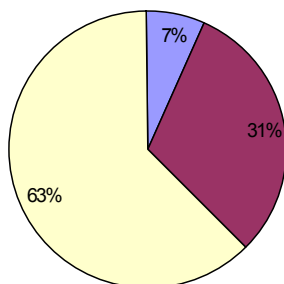
Additional comments from real estate agents:

- ▶ “I have been working with several buyers, but none of them seem willing to enter into a contract. It seems like they are waiting for prices to drop further.”
- ▶ “The market is flooded with homes.”

**KB Home and Pulte have most exposure to Vegas.** KB Home has the greatest exposure to Las Vegas with 11% of 2004 net sales, followed by Pulte with 7%.

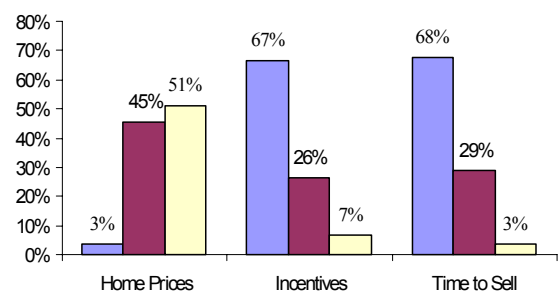
### Builders Increase Incentives, But Buyers Wait Patiently from the Sidelines

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

An oversupply of homes and lack of interest from buyers led prices lower.

## Los Angeles, CA – Demand Remains Soft

(16,399 single-family permits in 2005, 20th largest market in the country)

**Buyers are hesitant to step in while prices decline.** Homebuyer traffic fell short of agents' expectations in November, as our index was nearly unchanged at 25.3 (up from 24.0 in October). Traffic in L.A. has failed to meet expectations (a reading of 50 indicates traffic in-line with expectations) for 14 consecutive months. Agents attributed the continued weakness to buyer hesitancy from fear of further price declines. However, we would not be surprised to see an increase in traffic if affordability continues to improve.

**“Too much inventory, not enough demand.”** The longer time to sell from prior months fueled continued price declines, according to our survey, and buyers continue to wait on the sidelines for prices to fall further. Our price index was flat at 16.7 (from 16.9 in October), the 7<sup>th</sup> consecutive month with a reading below 50.0. Incentives also deteriorated in November, with our index measuring 7.9 (from 14.9 in October). We expect pricing to continue to decline in coming months based on the longer time to sell in November, which has been an accurate predictor for future pricing trends. 85% of agents say the time to sell increased and 15% said it took the same time to sell a home, giving our index a value of 7.7.

Additional comments from real estate agents:

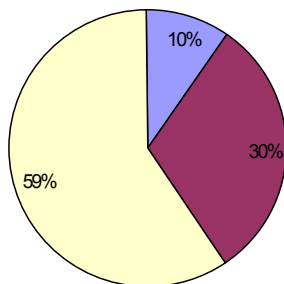
- ▶ “Clients are concerned about buying and losing equity right away if prices continue to decline. Even those that would like to buy are choosing to rent instead.”
- ▶ “Heavy promotion and incentives from homebuilders have taken a toll on the resale market.”

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

Approximately 3% of Hovnanian's 2004 sales come from L.A., the most among the large builders, followed by 2% from KB Home, Standard Pacific, and MDC Holdings.

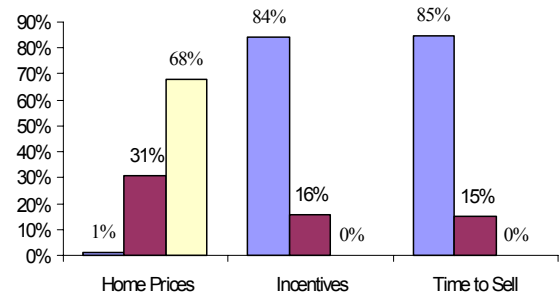
### Prices and Incentives Worsened and A Longer Time Needed to Sell Points to Further Weakness

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

**“We are seeing more buyer traffic than October, but not nearly as much as previous years. Offers are coming in much lower than asking prices (\$40-50,000 less) even when homes are priced ‘below the market.’ insurance and taxes are still a problem.”**

## Miami, FL – Buyers Looking for Discounted Homes; Home Prices Likely Have Further Downside

(23,076 single-family permits in 2005, 11th largest market in the country)

**Traffic up compared with October, but still disappointing.** Our traffic index improved to 23.1 in November from 13.9 in October, but remained below agents’ expectations. Agents attributed the improvement to the improved affordability from price declines and lower mortgage rates. However, sellers that are attempting to hold onto their asking price are learning that the strategy will not lead to a sale in this environment. Agents also noted potential market hurdles in the coming months, notably rising property taxes and insurance costs. We believe further declines in home prices will be necessary to correct for the sharp deterioration in affordability that occurred in recent years and work down the oversupply.

**Houses sit on the market longer as buyers watch prices.** A growing supply of inventories and continued weak traffic led to lower prices and a longer time needed to sell in November compared with October. Our price index increased slightly to 19.1 from 16.3 in October, but indicated falling prices (any reading below 50) for the 7<sup>th</sup> consecutive month. Feedback agents received from a majority of their clients suggest buyers continue to wait for further price declines. Our time to sell index measured 9.6 (up from 9.4), as 83% of agents saw a longer time to sell, 15% said it took the same time, and 2% said it took less time. This should continue to pressure home prices.

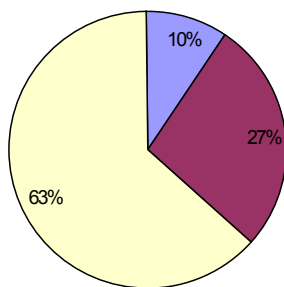
Additional comments from real estate agents:

- ▶ “We have a high level of inventory... homes that are also taking a longer time to sell... buyers believe that home prices will continue to fall so are hesitant to buy now.”

**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 2004 sales, respectively.

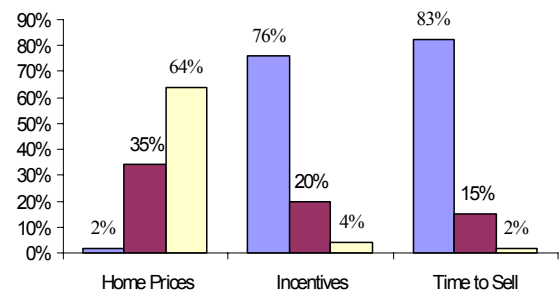
### 83% of Agents Said Time to Sell a Home Lengthened, 15% Said it Took the Same Time, and 2% Said it Took Less Time

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Minneapolis, MN – Agents Trim Expectations, But Traffic Continues to Disappoint

(17,181 single-family permits in 2005, 18th largest market in the country)

**Traffic disappoints agents; index improves from lowered expectations.** Our traffic index improved to 25.0 in November from 11.6 in October (both below agents expectations as measured by a reading of 50.0), but agents indicated the improvement was primarily a function of lowered expectations rather than more traffic. Expectations declined due to not only the prolonged slowdown in Minneapolis, but also due to seasonality. Agents said buyer traffic was weak due to buyers’ hesitancy to step into the market while home prices are falling and a lack of qualified buyers due to stretched affordability. With plenty of inventory to choose from, people “don’t seem to be in any hurry to buy.”

**Large supply, longer time needed to sell pressures home prices.** Home prices continued to decline in Minneapolis due to sluggish demand and rising inventories, according to our survey. Our price index remained nearly unchanged at 15.0 in November (up from 14.5 in October). The time needed to sell a home also lengthened—a negative indicator for future prices. Our time to sell index measured 18.8 in November (up from 10.5 in October). We believe a further price correction is needed to solve the area’s strained affordability and work off the excess supply.

Additional comments from real estate agents:

- ▶ “There are a lot of homes on the market to choose from, but buyers are nervous and waiting for prices to go down more.”
- ▶ “There are a limited number of qualified buyers and they are waiting for prices to bottom.”

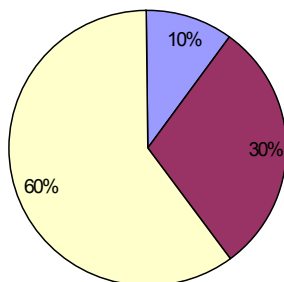
**Ryland, D.R. Horton, Centex, and Lennar have the greatest exposure.** Ryland has the greatest exposure to Minneapolis with approximately 4% of 2004 net sales, followed by D.R. Horton, Centex and Lennar with 3% each.

**There is a lack of urgency due to the significant inventories and hesitancy to step in while prices are falling.**

**Prices are likely to fall in the coming months.**

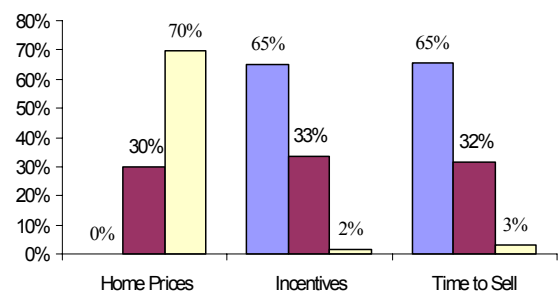
### Our Traffic Index Improved, Due Primarily to Lowered Expectations

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

**Stretched affordability limits the potential pool of homebuyers.**

**Time to sell lengthened—a negative indicator of future pricing—as buyers wait for prices to fall.**

## New York-Northern NJ – More Buyers Looking, But Not Yet Buying

(19,994 single-family permits in 2005, 13th largest market in the country)

**“Buyers are tired of waiting - sellers are willing to make deals and lower prices a bit more.”** Our traffic index improved to 37.5 in November from 18.5 in October, disappointing fewer agents than in October but still falling short of expectations. Agents attributed the improvement in traffic to pent-up demand as buyers begin to bite at reduced prices and sellers’ willingness to negotiate. Affordability remains a key concern for agents and price declines are likely needed to bring demand in-line with supply.

**More agents see price declines.** Our home price index reached its lowest point since we began our survey, falling to 13.7 in November from 20.5 in October. Agents said home prices were pressured by higher inventories, and buyers expect more declines in the coming months. In addition, our time to sell index reached 11.0 in November (up from 6.3 in October) and indicates a longer time needed to sell a home. We expect higher inventories and the longer time to pressure sellers to lower prices in the near term.

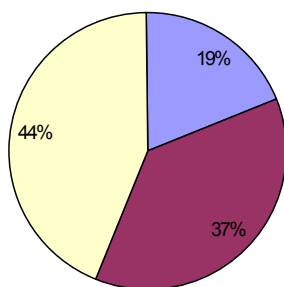
Additional comments from real estate agents:

- ▶ “Buyers are taking their time making decisions due to declining prices and growing inventories.”
- ▶ “Prices are still too high for most people to afford.”

**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 2004 sales in the area with 5% each.

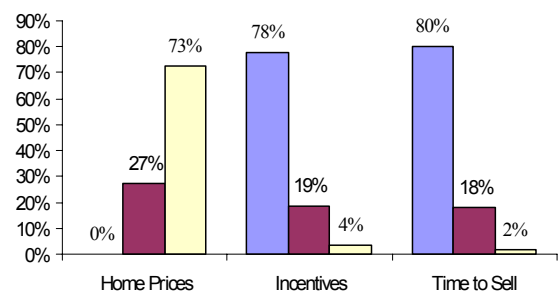
### Our Price Index reached its Lowest Point in November Since We Started Our Survey

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

**Additional price reductions are likely needed to stimulate traffic and clear the inventory overhang in Orlando.**

## Orlando, FL – Few Snowbirds Returned in November

(26,520 single-family permits in 2005, 9th largest market in the country)

**No improvement in traffic, unlike other Florida markets.** Traffic levels in Orlando fell short of agents' expectations for the 13<sup>th</sup> consecutive month and showed no sign of improvement as our index measured 23.5 in November, essentially unchanged from 21.2 in October. We believe trends in Orlando may lag other Florida markets, which exhibited weakness several months before Orlando. Buyers held on to a "wait and see" attitude, according to agents, due to a lack of urgency from huge amounts of inventory and negative sentiment from falling prices. In addition, agents noted that few "snowbirds" returned to the market compared with typical seasonal patterns.

### Homes sit on the market longer—a negative indicator of future pricing trends.

Our price index reached its lowest point since our survey began at 18.6 in November, down from 23.1 in October. More agents noted price declines than in any prior month: 63% of agents said prices fell and the remaining 37% said prices were flat. Inventories and the time needed to sell a home (our index measured 12.9 in November) worsened, evidence of further declines in home prices.

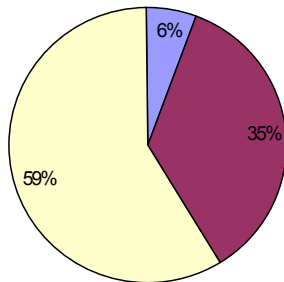
Additional comments from real estate agents:

- ▶ "There is too much inventory and prices are still too high."

**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.

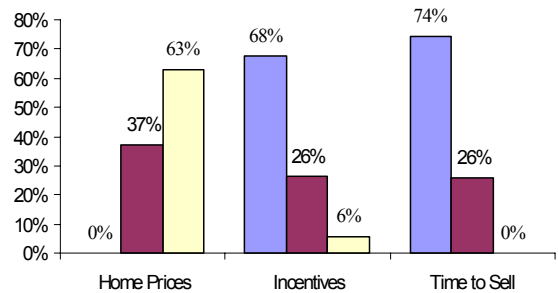
### No Stabilization in Inventories or Time Needed to Sell a Home

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

**“I have sensed an increase in activity, but not like a typical November.”**

**“High levels of inventory, a lack of investors, and unrealistic seller expectations are all contributing to slower traffic.”**

## Phoenix, AZ –Traffic Improved, But Buyer Base Still Small Due to Stretched Affordability

(53,964 single-family permits in 2005, 2<sup>nd</sup> largest market in the country)

**Buyers find bargains.** Traffic picked up in November compared to October, but fell short of agents’ expectations. Our traffic index increased to 27.6 from 16.7 in October. Several agents attributed the improvement in traffic to buyers’ sense that it is a “buyers’ market” and sellers are more willing to negotiate. However, traffic remained weak due to the limited base of potential buyers, whittled down from a sharp reduction in affordability in recent years. We believe further price cuts are needed to bring demand closer to supply and work down the glut of inventory caused by the exit of investors. A common response among agents was that “buyers are still waiting to see whether prices drop further,” and “inventory levels remain too high.”

**Prices continue to fall; price cuts too little to stabilize inventories.** Our price index measured 19.2 in November, up from 15.8 in October, and points to continued price deterioration. Incentives also continued to worsen as our index reached 23.1 (up from 17.7). A longer time to sell a home in November indicates further price declines, as our index measured 20.0 (up from 13.0), but still well below 50.

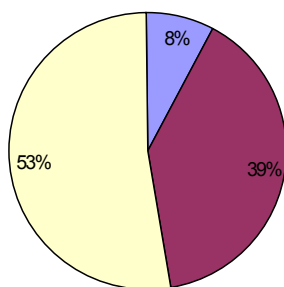
Additional comments from real estate agents:

- ▶ “Even though excess inventory is forcing prices lower, they have not fallen enough to encourage prospective buyers to ‘get off the fence’.”
- ▶ “Home prices are still unrealistic—sellers are living in the past!”

**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 2004 unit sales in the area, followed by Meritage (18%), Pulte (16%), D.R. Horton (11%) and Toll (10%).

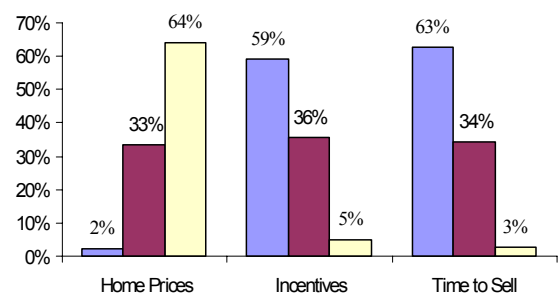
### Further Price Cuts Needed to Aid Affordability and Stimulate Traffic

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

**“There is uncertainty regarding future home prices. Most think they will go lower.”**

**“Sellers do not want to lower prices and buyers are waiting on the sidelines for price declines.” We think the buyers are winning this stand-off as prices fell again in November.**

## Riverside-San Bernardino, CA (Inland Empire) – A Struggle Over Prices... Buyers Likely to Win

(45,792 single-family permits in 2005, 5th largest market in the country)

**“Very few showing and very few sales for the month.”** Traffic was nearly unchanged in November compared with October and fell short of agents’ expectations for the 14<sup>th</sup> consecutive month. Our traffic index measured 27.0, up from 24.5 in October. The lower rates and home prices were not enough to stimulate demand, according to agents. Agents also said buyers feel prices are still too high and are waiting on the sidelines for prices to fall further.

**Higher inventories and time needed to sell indicates pressure on prices.** Prices fell for the 9<sup>th</sup> consecutive month in the Inland Empire, with our price index unchanged at 19.0 in November from 19.6 in October. The length of time needed to sell a home also continued to increase in November as few buyers were looking for homes and even fewer potential buyers were willing to sign contracts. Our time to sell index measured 13.0 (up from 4.9 in October) We view the time needed to sell a home as a leading indicator of future pricing trends, and expect the longer time to sell to lead to even larger price declines. Price declines in the Inland Empire will have a substantial impact on homebuilders’ margins as it represents one of the largest markets in California for new home construction.

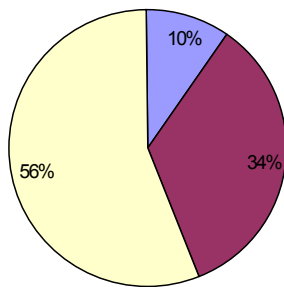
Additional comments from real estate agents:

- ▶ “Buyers are either not looking or are interested but can’t sell their existing homes.”
- ▶ “The market has continued to drop throughout the second half of 2006.”

**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%).

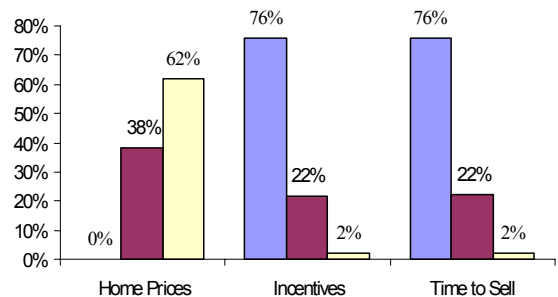
### Price Declines Hurt Buyer Sentiment, Traffic

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

Seattle is still in the early stages of a slowdown.

Prices flattened, but should decline as sellers give in to pressures from rising inventory, longer time to sell.

## Seattle, WA – Price Cuts Needed to Bring Back Buyers

(17,704 single-family permits in 2005, 16th largest market in the country)

**“Virtually no traffic” – a negative leading indicator.** Traffic disappointed agents for the 5<sup>th</sup> consecutive month in November as our traffic index reached its lowest point at 31.4, down from 34.4 in October. Traffic appeared to have worsened from October as agents see “virtually no traffic.” Stretched affordability is the biggest challenge in Seattle, according to agents, as price declines have been limited compared to other markets. Agents said there is a growing disconnect between buyers and sellers, leading to weaker than expected traffic. Buyers believe prices are near a peak and likely to decline, yet sellers view the slowdown as seasonal and expect prices to rise in the spring. We believe price declines are necessary to stimulate demand and work through the excess inventories. We think Seattle is still in the early stages of a slowdown and likely has some time before demand stabilizes.

**Prices reach temporary plateau.** Prices almost stabilized in November after declining in October, which was the first decline we had seen in Seattle. Our price index reading was neutral at 45.0; up from 35.8 in October (an index of 50 suggests flat pricing). We believe prices will have another leg down due to declining traffic, rising inventories, and a longer time needed to sell a home. Our time to sell index measured 9.0 in November, up from 5.0 in October, and has registered a weak level below 10 in each of the past three months. 84% of agents said it is taking longer to sell a home, 14% said time to sell was unchanged, and just 2% said it took less time to sell a home.

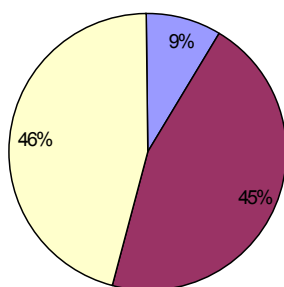
Additional comments from real estate agents:

- ▶ “We are entering a stronger buyer’s market.”
- ▶ “Sellers are not adjusting prices enough.”

**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.

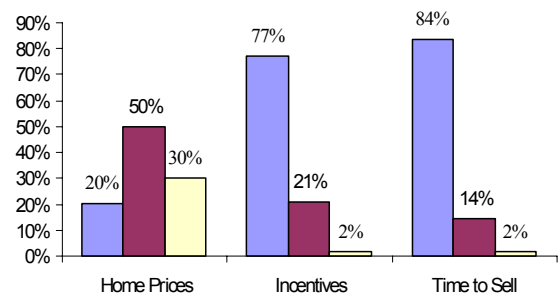
### Prices Stable in November, But Buyers Expect Declines in Coming Months

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

November Market Trends	
Traffic	
Home Prices	
Incentives	

Agents blame low traffic on falling prices and stretched affordability.

No sign of pricing stabilization as time to sell lengthens.

## Tampa, FL – Few Buyers, Further Price Declines

(27,425 single-family permits in 2005, 8th largest market in the country)

**Weak traffic led by stretched affordability (taxes, insurance, and home prices).** Our traffic index improved to 11.5 in November from 5.2 in October, but remained far below agents’ expectations. Agents attributed the weakness to stretched affordability and cited concerns over rising real estate taxes and insurance costs. We believe affordability needs to improve before buyers reenter the market, likely in the form of a price correction.

**Prices fall following higher inventories and a longer time needed to sell.** Home prices in November fell for the 9<sup>th</sup> consecutive month in Tampa, although our price index improved modestly to 25.0 from 12.5 in October. An excess of new homes in the area also forced builders to become more aggressive with pricing and incentives. Our incentive index increased to 19.7 from 12.5 in October, but any reading below 50 points to higher incentives. However, buyers have not yet responded to lower prices. In addition, the time to sell lengthened again in November and points to further price declines in the coming months.

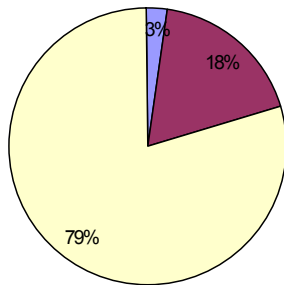
Additional comments from real estate agents:

- ▶ “High taxes and insurance costs, along with buyers waiting for further price reductions, are resulting in lower than expected traffic levels.”
- ▶ “There is a huge inventory, buyer uncertainty regarding price stability, and potential buyers are unable to sell their existing homes.”

**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.

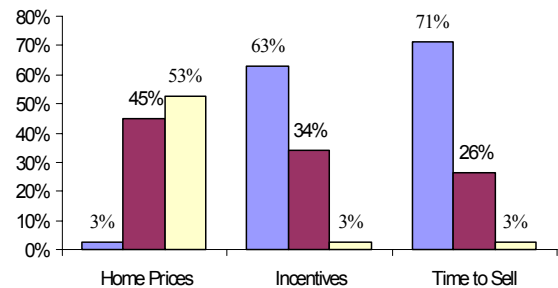
### Traffic Still Weak as Prices Fall, Incentives Increase, and Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

**Buyers have waited long enough for prices to come down and are willing to get out and start looking due to better affordability (lower rates and prices)."**

## Washington, D.C. –Traffic Improves Dramatically

(25,315 single-family permits in 2005, 10th largest market in the country)

**“Price reductions in housing have drawn buyers, helping to offset the changes in the market.”** Our traffic index improved to 38.0 in November from 21.4 in October and 15.6 in September. While traffic remained shy of expectations, many agents cited an improvement in traffic compared to prior months. 48% of agents said traffic was below expectations, 28% of agents said it met expectations, and 24% said it exceeded expectations. Agents said the improvement was noticeable at open houses, which attracted more lookers. Some comments from agents include: “Buyers are seeing that the market is at or near the bottom and jumping in”; “Lower home prices and interest rates have improved affordability and helped bring traffic back”; “There is pent-up demand here.” We view the improved traffic positively, although further price cuts are likely needed to reduce the glut of supply.

**Prices declines likely to continue on heels of longer time to sell, but better traffic may mark stabilization further out.** Our price index fell to 11.5 in November from 14.9 in October, indicating sequentially lower prices. However, if traffic continues to improve, it should help to stabilize inventories and pricing in 2007. Our time to sell index improved to 18.5 in November from 11.5 in October, but continued to point to deterioration in the time needed to sell and home prices in the near term.

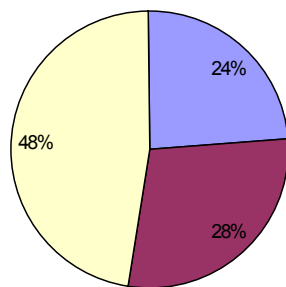
Additional comments from real estate agents:

- ▶ “Prices have dropped significantly, interest rates are attractive, inventory is starting to shrink, and buyers are shopping for a deal.”
- ▶ “Buyer confidence is stronger here.”

**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 2004 sales. Washington represented 11% of Toll Brothers’ sales and 8% of Hovnanian’s sales.

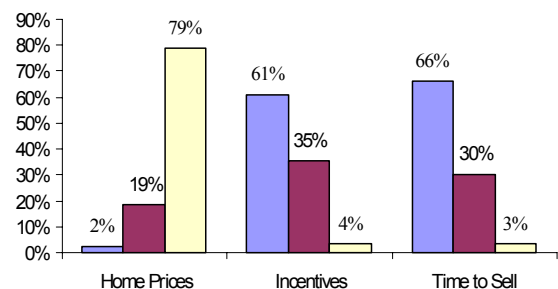
### Traffic Improves as Buyers Sense the Bottom is Near

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

## **Additional Key Housing Markets**

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Baltimore, MD

(8,448 single-family permits in 2005, 40th largest market in the country)

**Traffic improved but fell short of expectations.** Our traffic index improved to 25.0 in November from 18.8 in October, but still points to lower than expected traffic. Agents said that traffic was still weak, although the decline in mortgage rates sparked better traffic compared to September. 61% of agents said traffic was below expectations, 28% said it was in-line with expectations, and 11% said it exceeded expectations.

**Pricing and incentives continued to deteriorate.** Our price index rose to 25.7 in November from 21.9 in October but continued to fall well short of a neutral reading of 50. 51% of agents said prices were lower, 46% said they were unchanged, and 3% of agents said prices were higher than in October. Our incentive index measured 15.5 in November compared to 7.1 in October, still indicating higher incentives.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index fell to 7.4 in November from 10.9 in October. 85% of agents reported a longer time needed to sell a home and 15% said it took the same time.

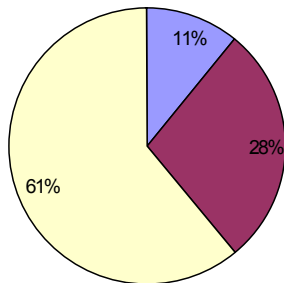
Comments from real estate agents:

- ▶ “Housing prices are still too high for prospective buyers.”
- ▶ “Buyers are thinking and looking more by themselves before coming to an agent. Then, they take longer to make a decision because of the increased inventory available to them.”

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

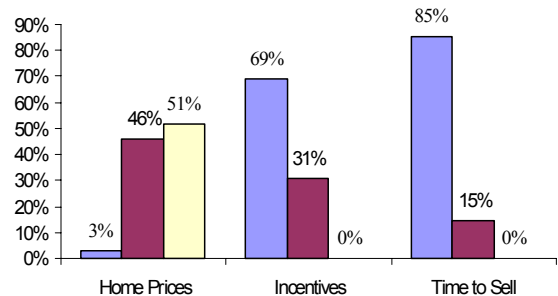
### Traffic Below Expectations, Prices and Incentives Increase, Time to Sell increases in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Charleston, SC

(8,448 single-family permits in 2005, 40th largest market in the country)

**Traffic fell short of expectations.** Our traffic index was essentially unchanged at 36.9 in November, up from 35.1 in October. Agents said that buyers are scared that prices may continue to fall. 50% of agents said traffic met expectations, 38% said it was below expectations, and 12% of agents said it exceeded their expectations. While traffic is light of expectations, some agents noted that people seem more willing to buy if they see a good deal. Therefore, further price reductions may stimulate demand.

**Lower prices, higher incentives.** Our price index fell to 25.0 in November from 34.2 in October, as 57% of agents said prices declined, 36% said prices were unchanged, and 7% said prices increased compare to 30 days ago. Agents also saw higher incentives in November, with our incentive index reading 11.3, down from 17.9. 78% of agents said incentives increased, while 22% said incentives were unchanged from October.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index improved to 21.4 in November from 11.4 in October, but remained well short of a neutral reading of 50. 64% of agents said it took longer to sell a home, 29% said it took the same length of time, and 7% said it took less time.

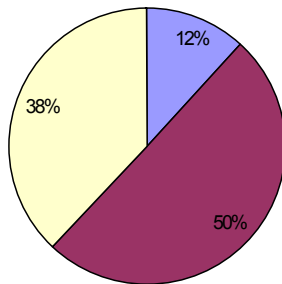
Comments from real estate agents:

- ▶ “Buyers seem to be waiting for further price reductions before buying.”
- ▶ “Prices have been falling for much of the year and are now becoming more realistic for prospective buyers.”

**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.

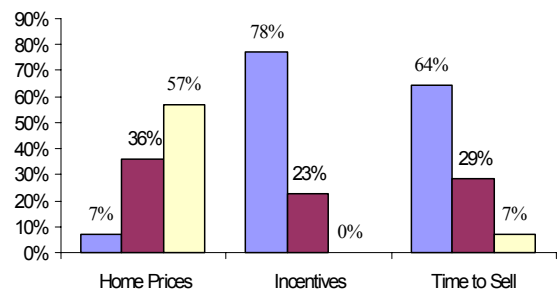
### Traffic Falls Short of Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Cincinnati, OH

(10,752 single-family permits in 2005, 35th largest market in the country)

**Traffic fell short of expectations.** Our traffic index was flat at 21.9 in November from 21.4 in October. Agents said that potential buyers have no urgency due to the high and rising inventories and price declines. 63% of agents said traffic was below expectations, 31% said it met expectations, and 6% said it was better than expected. In addition, the sluggish local job market and bloated inventories continue to limit demand.

**Prices and incentives worsen.** Our price index was nearly unchanged at 19.4 from 20.6 in October, indicating a sequential price decline (readings below 50 point to falling prices). 71% of agents said prices declined, 19% said prices were unchanged, and 10% said prices increased as compared with October. In addition, agents said builders continue to increase incentives. Our incentive index fell slightly to 6.5 in November from 7.4 in October. 87% of agents said incentives increased and 13% said builders used fewer incentives.

**Longer time to sell should pressure home prices.** Our time to sell index measured 17.2 in November, as 69% of agents noted a longer time needed to sell a home, 28% said the length of time was unchanged, and just 3% said time to sell a home decreased. We view the longer time to sell as a negative indicator of future pricing trends, as sellers must reduce prices in order to move inventory.

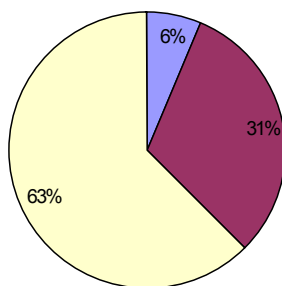
Comments from real estate agents:

- ▶ “Buyers are out there but have no urgency to make a decision... I have no sales this month.

**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.

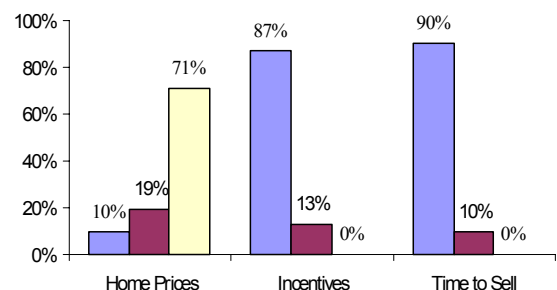
### Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Columbus, OH

(8,908 single-family permits in 2005, 38th largest market in the country)

**Traffic below expectations.** Traffic improved relative to October but continued to disappoint agents in November. Agents believe the recent price declines have sparked the increase in traffic, as homebuyers view it as a buyers market. Our index increased to 25.8 from 18.6 in October. 58% of agents said traffic was below expectations, 32% said it was in-line with expectations and 10% said it exceeded expectations.

**Pricing and incentives worsened.** Our price index increased to 26.7 in November from 16.2 in October, falling short of a neutral reading of 50 and pointing to sequentially lower prices. Prices will not likely find a trough until traffic gets closer to agents' expectations and the time needed to sell stabilizes, in our opinion. 53% of agents said prices were unchanged from October and 47% said prices declined. Agents also noted higher incentives compared to October, with our incentive index measuring 12.1 in November. 76% of agents said incentives increased from October, and 24% said incentives were unchanged.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index came in at 16.1 in November, as 68% of agents said it is taking longer to sell a home and 32% said it is taking the same length of time. We expect the longer time needed to sell to pressure home prices in coming months, as sellers become more aggressive in order to attract buyers.

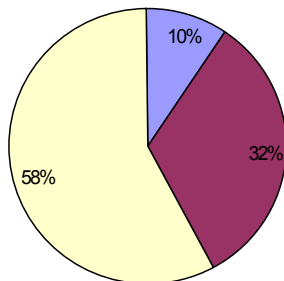
Comments from real estate agents:

- ▶ “There is a lack of buyers here and too many homes on the market.”

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

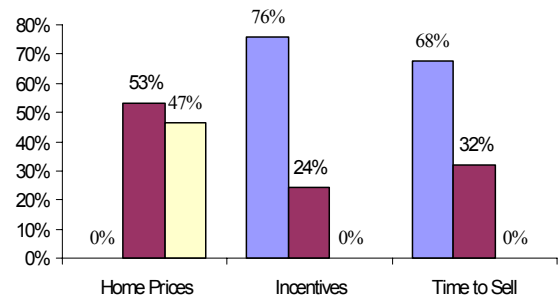
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Detroit, MI

(13,668 single-family permits in 2005, 26th largest market in the country)

**“More listings, no buyers”.** Our traffic index was unchanged at 13.0 in November from 12.8 in October, as 81% of agents noted weaker than expected traffic levels, 11% of agents said traffic was in-line with expectations, and only 7% said it exceeded their expectations. Local economic woes continue to afflict Detroit’s housing market. Agents said buyers have not responded to the price declines due to fear of job losses.

**Pricing and incentives worsen.** Our price index fell to 7.6 in November from 14.1 in October, as 85% of agents said that prices fell and 15% of agents said prices were flat compared to 30 days ago. In addition, incentives increased in November with our index measuring 12.3. 75% of agents said incentives increased, and 25% said incentives were unchanged.

**Time to sell lengthened – a negative indicator for future pricing trends.** Our time to sell index reached 9.4 in November, as 83% of agents said it is taking longer to sell a home, 16% said it is taking the same length of time, and just 1% said it is taking less time to sell a home. Unfortunately, we still see no sign of price stabilization at this time.

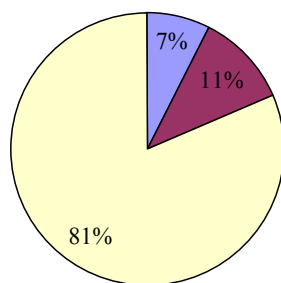
Comments from real estate agents:

- ▶ “Increased inventory, employment instability, and a general economic slowdown in Detroit are contributing to lower traffic levels.”

**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.

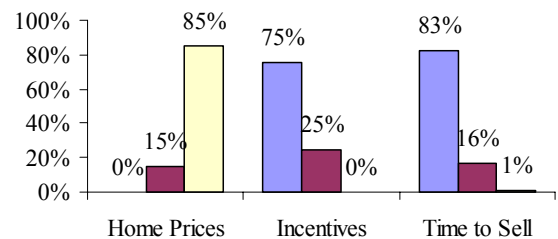
### Traffic Falls Short of Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Nashville, TN

(14,063 single-family permits in 2005, 24th largest market in the country)

**Traffic falls short of expectations as market transitions.** Our traffic index measured 36.0 in November (up from 33.6 in October) as the Nashville market continues its transition to a buyer's market. 48% of agents said traffic met expectations, 40% said it was below expectations, and 12% said it exceeded expectations.

**Home prices flat in November.** Home prices were essentially flat in Nashville as our price index measured 47.9 in November—the second consecutive month of flat prices. We believe rising inventories and a lengthening time needed to sell a home over the past four months has restrained the market's pricing power and future price appreciation should be limited. 63% of agents said prices were unchanged as compared with October, 21% said prices declined, and 17% said prices increased.

**Longer time needed to sell should pressure home prices in the coming months.** Our time to sell index measured 16.0 in November, indicating a longer time needed to sell a home as compared with October. 72% of agents said it is taking longer to sell a home, 24% said it is taking the same length of time, and 4% said it is taking less time.

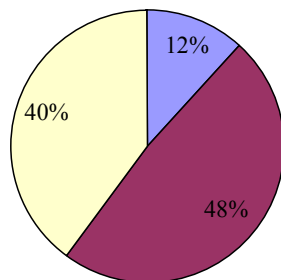
Comments from real estate agents:

- ▶ "Some houses are just priced too high, and customers don't seem motivated to move. There is some interest from investors, but not many deals."

**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.

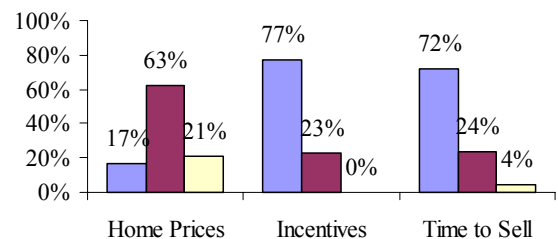
### Traffic Below Expectations, Prices Flat, Incentives and Time to Sell Increased in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Philadelphia, PA-Southern NJ

(15,090 single-family permits in 2005, 22nd largest market in the country)

**Traffic better but short of expectations.** Traffic improved relative to October but continued to fall short of expectations again in November. Our traffic index improved to 34.1 from 23.5 in October, as 46% of agents said traffic was in-line with expectations, 43% said it was below expectations, and 11% said it exceeded expectations. Agents said that price declines helped spark increased traffic as buyers sensed it became more of a ‘buyers market.’

**Prices and incentives worsen.** Home prices and incentives continued to deteriorate in November, showing no signs of stabilization. However, we would expect prices to stabilize if traffic trends continue to improve and work down excess inventories. Our price index fell to 19.2 from 27.4 in October, as 64% of agents said prices declined, 34% said prices were unchanged, and just 2% said prices increased. Our incentive index also declined, coming in at 6.9 in November from 9.1 in October. 88% of agents said incentives increased and 11% said incentives were unchanged, and 1% said incentives decreased.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index measured 10.4 in November, as 79% of agents said it is taking longer to sell a home and 21% said it is taking the same length of time. The longer time needed to sell should continue to pressure on home prices in coming months.

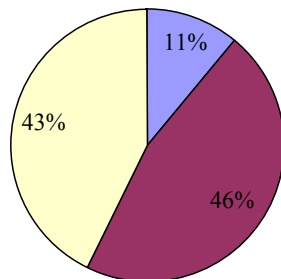
Comments from real estate agents:

- ▶ “There is a large inventory and fewer buyers. Maybe the buying frenzy and rising prices over the past few years depleted the pool of buyers.”

**Toll Brothers, NVR, and Hovnanian have the greatest exposure.** Toll Brothers has the most exposure to the Philadelphia-Southern NJ market, as it represented approximately 9% of the company’s 2005 sales, followed by NVR and Hovnanian at 6% and 3% of sales, respectively.

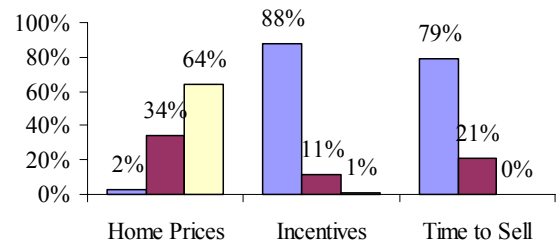
### Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Port St. Lucie, FL

(9,112 single-family permits in 2005, 37th largest market in the country)

**Traffic improves but remains far below expectations.** Our traffic index measured 18.2 in November, up from 0.0 in October, as 73% of agents said traffic fell short of their expectations, 18% said it was in-line with expectations, and 9% said it exceeded expectations. Agents began to see a trickle of buyers entering the market, although there was clearly no urgency due to the high inventories.

**100% of agents saw price declines.** Home prices continued to fall in November with every agent we surveyed saying prices declined as compared with October. In addition, incentives also worsened in November, as our index came in at 4.5. 91% of agents said incentives increased and 9% said they were unchanged. While traffic improved sequentially from very weak levels, traffic does not appear sufficient to stabilize pricing or inventories.

**Longer time needed to sell points to further price weakness.** Our time to sell index measured 9.1 in November, as 82% of agents said it is taking longer to sell a home and 18% said it is taking the same time.

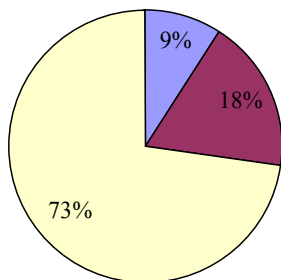
Comments from real estate agents:

- “Buyers feel no urgency to buy and have adopted a ‘wait and see’ approach. They expect prices will drop further.”

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

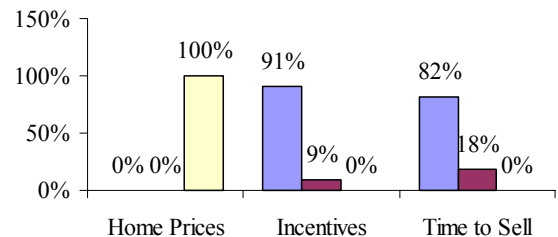
### Traffic Below Expectations, Pricing and Incentives Worsen, Longer Time Needed to Sell in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Portland, OR

(12,728 single-family permits in 2005, 28th largest market in the country)

**Traffic fell short of expectations.** Our traffic index was nearly unchanged at 25.0 in November, up from 23.9 in October, reflecting continued disappointing traffic (any reading below 50 indicates traffic below expectations). 55% of agents said traffic fell short of expectations, 40% said it was in-line with expectations, and 5% of agents said traffic exceeded their expectations. Agents said that buyers are confused about the future direction of home prices and are hesitant to buy due to fear of price declines.

**Home prices and incentives deteriorate.** Prices continued to fall in November, measured by our price index at 22.0 (down from 29.9 in October). 59% of agents said prices declined, 37% said prices were unchanged, and just 2% said prices increased. Agents also noted higher incentives as compared with October, likely in response to slowing sales. Our incentive index measured 10.0, as 80% of agents said incentives increased from October, and 20% said incentives were unchanged.

**Nearly all agents noted longer time needed to sell a home.** Our time to sell index measured 5.8 in November, as 90% of agents said it is taking longer to sell a home, 8% said it is taking the same length of time, and only 2% said it is taking less time. We view the time needed to sell a home as a good indicator of future pricing trends.

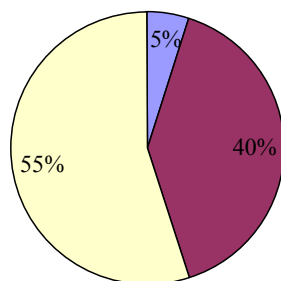
Comments from real estate agents:

- ▶ “High home prices have strained affordability.”
- ▶ “Clients believe home prices will continue to decline.”

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

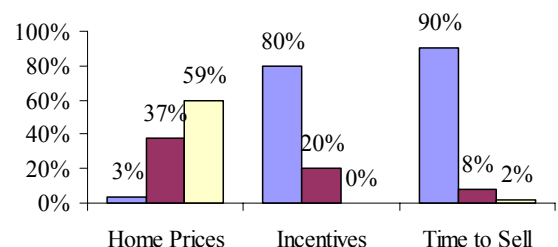
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Raleigh, NC

(13,946 single-family permits in 2005, 25th largest market in the country)

**Traffic improved to just modestly below agents' expectations.** Agents said that buyer traffic improved to just shy of their expectations as our traffic index measured 42.0 in November (up from 37.5 in October). 47% of agents said traffic was in-line with expectations, 35% said traffic fell short of expectations, and 19% said it exceeded expectations. Agents attributed the improvement to price reductions and more buyers relocating.

**Home prices flat – signaling a shift to a buyer's market.** Home prices in Raleigh were flat in November, as higher inventories and disappointing traffic gradually reduced the area's price appreciation. Our price index fell to 47.9 in November from 53.1 in October and 61.3 in September. 63% of agents said prices were unchanged, 21% said prices declined, and 16% said prices increased. In addition, incentives worsened in November, with our index measuring 21.2. 59% of agents said incentives increased from 30 days ago, 40% said incentives were unchanged, and just 1% said incentives declined. We believe homebuilders are pricing more aggressively relative to the resale market to boost volume.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index fell to 20.3 in November from 22.9 in October, as 61% of agents said it is taking longer to sell a home, 38% said it is taking the same length of time, and only 1% said it is taking less time.

Comments from real estate agents:

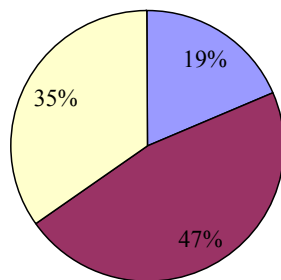
- ▶ "Homes are staying on the market longer and new homes are not selling as fast, even with higher incentives."

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

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

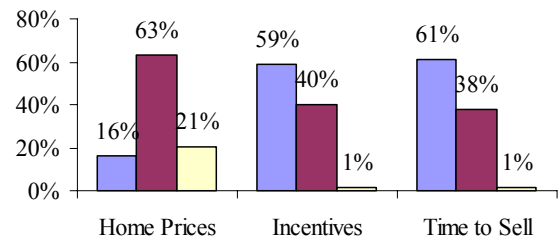
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Richmond, VA

(8,827 single-family permits in 2005, 39th largest market in the country)

**Traffic remains far below expectations.** Our traffic index improved to 28.6 in November from 16.7 in October, but remains below expectations. One agent saw an increase in buyers entering the market to “low ball” an offers, but few agents saw improvement at current price levels. 50% of agents said traffic fell short of expectations, 43% said it was in-line with expectations, and 7% said it exceeded expectations.

**Pricing and incentives worsen.** Home prices fell in Richmond, as our price index measured 23.1 in November (from 21.3 in October). 62% of agents said prices declined sequentially, 31% said prices were unchanged, and 8% said prices increased. In addition, nearly all agents said incentives increased as compared with 30 days ago. Our incentive index fell to 3.8 in November from 9.7 in October, as 92% of agents said incentives increased and 8% said incentives were unchanged. We believe further price declines are likely given the continued weak traffic and high and rising inventory level.

**Nearly all agents noted an increased in the time needed to sell a home.** Our time to sell index remained extremely low for the 6th consecutive month, coming in at 3.6 in November (from 2.6 in October). 93% of agents said it is taking longer to sell a home, while 7% said it is taking the same time to sell a home. A longer time to sell should further pressure home prices in future months.

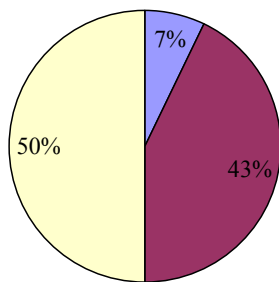
Comments from real estate agents:

- “There is increased inventory and falling prices.”

**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.

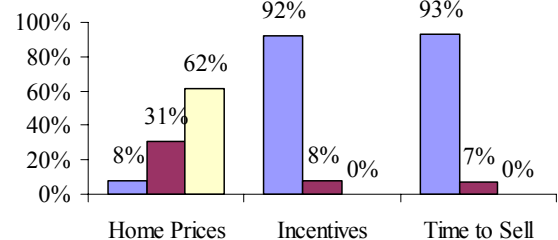
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Sacramento, CA

Homebuilders & Building Products  
Daniel Oppenheim, CFA 212.847.5733

(15,755 single-family permits in 2005, 21st largest market in the country)

**Traffic short of expectations, but modest improvement.** Traffic remained weak in November, although it disappointed fewer agents than in October. Our traffic index improved to 29.0 from 15.2 in October, as 62% of agents said traffic was below expectations, 19% said traffic was in-line with expectations, and 19% said it exceeded expectations. Agents said buyers' increasingly view it as a "buyers' market" as a result of recent price declines, although most continue to fear further price declines. However, traffic trends typically precede changes in pricing trends by several months, potentially an early sign of stabilization.

**Pricing and incentives deteriorate.** Our price index rose to 12.1 in November from 4.5 in October, but still points to sequentially lower prices. 76% of agents said prices declined, while 24% said prices remained unchanged. Our incentive index was unchanged at 10.3 from 10.9 in October, as 79% of agents said incentives increased relative to September and 21% said incentives were unchanged. We expect write-downs of land for many homebuilders in Sacramento.

**Length of time needed to sell a home increased – further price erosion likely.** Our time to sell index increased modestly to 15.0 in November from 9.7 in October, indicating a longer time needed to sell compared to 30 days ago (a 50 level would suggest that the time needed to sell was unchanged). 70% of agents said it is taking longer to sell a home, and 30% said it is taking the same length of time to sell a home.

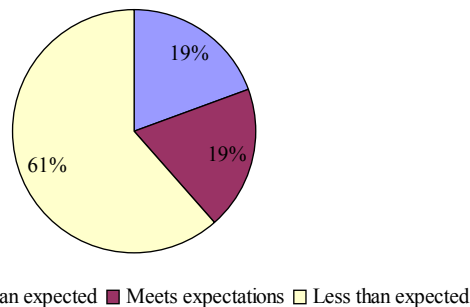
Comments from real estate agents:

- ▶ "Buyers are less aggressive, choosing instead to rent."
- ▶ "Investors continue to flood the market with homes, but buyers are fearful of paying too much in a declining market."

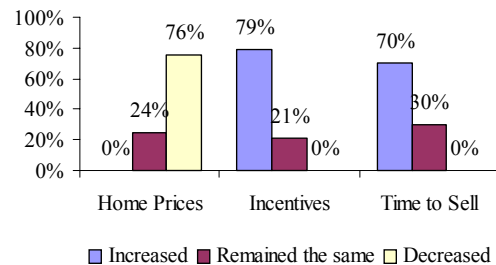
**Meritage, Hovnanian, and Lennar have the greatest exposure.** Meritage has the most exposure to the Sacramento market, as it represented approximately 7% of the company's 2005 sales. Sacramento represented 6% of Hovnanian's sales and 5% of Lennar's sales.

**Traffic Below Expectations, Prices Fall, Incentives Increase, Time to Sell Lengthens in November**

Traffic Levels Versus Expectations



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



Source: Banc of America Securities LLC.

November Market Trends	
Traffic	↔
Home Prices	👍
Incentives	👎

## San Antonio, TX

(14,622 single-family permits in 2005, 23rd largest market in the country)

**Traffic remains in-line with agents' expectations.** Traffic remained relatively healthy in November, in-line with agents' expectations, as our index fell to 49.2 from 52.6 in October. 55% of agents said traffic was in-line with expectations, 23% said it was below expectations, and 22% said it exceeded expectations. Our traffic index has gradually deteriorated over the past four months from 75.0 in July. Agents attributed the deterioration to lower affordability from the area's run-up in home prices this year.

**Prices rise, but appreciation moderates.** San Antonio had the highest price index of any market we surveyed (tied with Austin) for the sixth consecutive month, but the area's price appreciation appears to be moderating. Our price index fell to 59.5 in November from 78.2 in October, as 38% of agents said prices were flat, 37% of agents said prices increased, and 17% said prices declined. In addition, incentives increased as builders remained aggressive to capture volume in November, with our incentive index coming in at 23.0.

**Longer time needed to sell may pressure home prices.** Our time to sell index fell to 25.8 in November from 33.3 in October indicating a longer time needed to sell a home for the second consecutive month (a level of 50 indicates length of time needed to sell a home was unchanged). 55% of agents said it is taking a longer time to sell a home, 39% said it is taking the same time, and just 6% said it is taking 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.

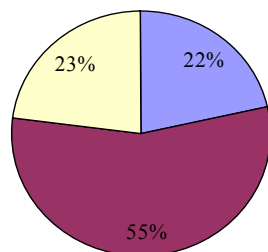
Comments from real estate agents:

- ▶ "San Antonio has affordable pricing compared to other markets."
- ▶ "Continued job and population growth is helping traffic meet expectations."

**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.

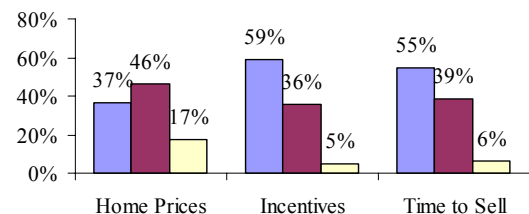
### Traffic Meets Expectations, Prices Increase, Incentives Worsen, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## San Diego, CA

(7,485 single-family permits in 2005, 45-50th largest market in the country)

**Traffic remains below expectations.** Agents noted a recent pickup in buyer traffic although it remained below their expectations. Our traffic index improved to 34.3 in November from 17.3 in October. 47% of agents said traffic was below expectations, 37% said it was above expectations, and 16% said it was in-line with expectations. The recent up-tick in traffic is likely attributable to better affordability from price declines and lower interest rates. However, continued price declines may erode consumer sentiment over the coming months.

**Pricing and incentives worsen.** Our price index increased to 17.3 in November from 7.3 in October, but points to declining prices (any reading below 50 signals sequentially lower prices). 69% of agents said prices declined, 27% said prices were unchanged, and 4% said prices were higher as compared with 30 days ago. Meanwhile, our incentive index measured 10.0 in November, with 82% of agents reporting increased incentives in November, 16% noting the same level of incentives, and just 2% citing lower incentives.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index measured 19.2 in November (from 10.2 in October). 63% of agents said it is taking longer to sell a home, 35% said it is taking the same length of time, and 2% said it is taking less time. In addition, agents noted that some buyers are pulling their homes off the market to wait for the Spring selling season. A surge of inventories in the Spring could lead to another leg down in pricing.

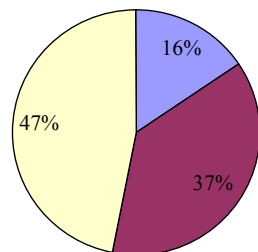
Comments from real estate agents:

- ▶ “Prices are falling. Buyers are waiting for the other shoe to drop.”

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

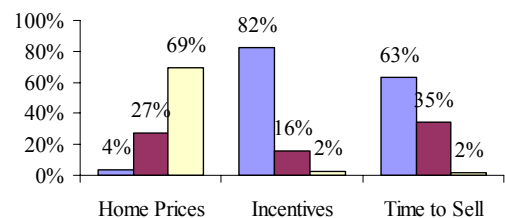
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Increases in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## San Francisco, CA

(7,485 single-family permits in 2005, 45-50th largest market in the country)

**Incremental buyers see value, but traffic still short of expectations.** Traffic continued to fall short of agents' expectations although it improved modestly from October. Our traffic index measured 25.0 in November, up from 15.7 in October. 53% of agents said traffic fell short of expectations, 44% said it was in-line with expectations, and 3% said it was above expectations. Agents said that more buyers were out looking for good values, although most buyers have avoided entering the market for fear of further price declines.

**Pricing and incentives worsened.** Our price index came in at 21.9 in November from 16.4 in October, indicating sequentially lower prices (any reading below 50 indicates falling prices). 62% of agents noted lower prices as compared with October, 33% said prices were unchanged, and 5% said prices increased. In addition, our incentive index measured 20.0 in November, as 70% of agents said incentives increased from October, 20% said incentives were unchanged, and 10% said incentives decreased.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index improved to 22.3 in November from 7.1 in October, but points to a longer time needed to sell a home. 61% of agents said time to sell increased, and 34% said it is taking the same length of time, and just 5% said it is taking less time to sell a home.

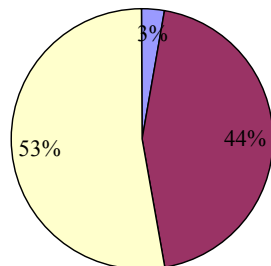
Comments from real estate agents:

- ▶ “I have a sense that many prospective buyers may be inclined to wait until the beginning of next year before making a decision.”
- ▶ “Buyers are waiting for prices to drop. New homebuilders are price leaders.”

**Toll Brothers, Standard Pacific, and Meritage have the greatest exposure.** Toll Brothers has the most exposure to the San Francisco market, as it represented approximately 6% of the company's 2005 sales. San Francisco represented 6% of Standard Pacific's sales and 3% of Meritage's sales.

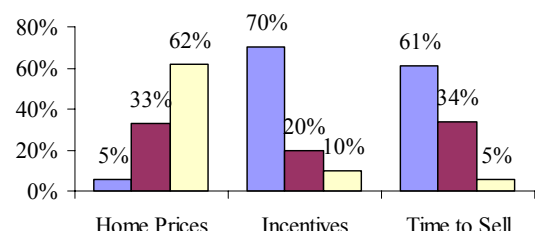
### Traffic Below Expectations, Prices Decrease and Incentives Increase, Time to Sell Increases in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Sarasota, FL

(11,636 single-family permits in 2005, 32nd largest market in the country)

**Traffic falls short of expectations.** Our traffic index was slightly higher at 26.3 in November, up from 21.7 in October. One agent said “Traffic is up but not to where it had been the last three November.” Despite the slight increase, traffic remained well short of agents’ expectations (a level of 50 indicates that traffic meets expectations). 68% of agents said traffic was below expectations, 21% said it exceeded expectations, and 11% said it was in-line with expectations.

**Prices decline, incentives increase.** Our price index fell to 8.3 in November from 10.9 in October, indicating sequentially lower prices. 83% of agents said prices declined, and 17% said prices were unchanged. In addition, homebuilders increased incentives in November, as our index measured 19.4. 61% of agents said incentives increased, and 39% said they were unchanged as compared with 30 days ago.

**Longer time needed to sell should pressure home prices further.** Our time to sell index measured 16.7 in November, up slightly from 13.0 in October, as 67% of agents said it is taking longer to sell a home and 33% said it is taking the same length of time.

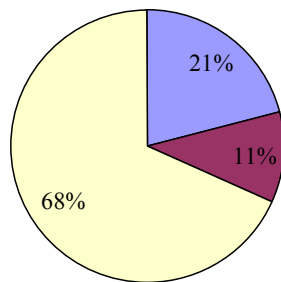
Comments from real estate agents:

- ▶ “November is the beginning of heightened seasonal activity, but traffic is lower than usual.”
- ▶ “Buyer traffic is way down, and some sellers are deciding not to list homes until Spring.”

**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.

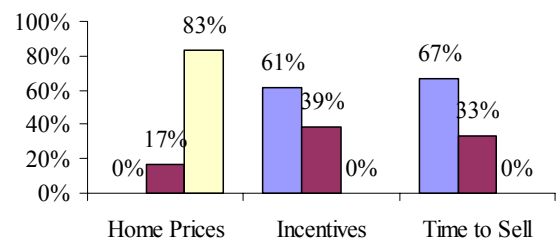
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Tucson, AZ

(11,006 single-family permits in 2005, 33rd largest market in the country)

**Agents see “slight improvement”; traffic remains well below expectations.** Agents pointed to slightly higher traffic in November relative to October with our traffic index reaching 26.5, up from 16.1 in October. However, traffic remained well short of agents’ expectations (a reading of 50 suggests traffic in-line with expectations). 53% of agents said traffic was below expectations, 41% said it was in-line with expectations, and 6% said it exceeded expectations. Several agents began to see more traffic as a result of the improved affordability in recent months, stemming from both price declines and lower mortgage rates.

**Pricing and incentives worsen.** Our price index measured 27.0 in November, up from 16.4 in October but indicating sequentially lower prices. 52% of agents said prices declined over the past 30 days, 42% said prices were flat, and 6% said prices increased. Our incentive index was unchanged at 13.8 in November from 13.4 in October, indicating higher incentives as 79% of agents said incentives increased, 15% said they were unchanged, and 6% said incentives were decreased.

**Longer time needed to sell a home should continue to pressure home prices.** Our time to sell index came in at 15.6 in November, as 69% of agents said it is taking longer to sell and 31% said it is taking the same length of time. Buyers continue to wait on the sidelines as prices fall and inventories remain high.

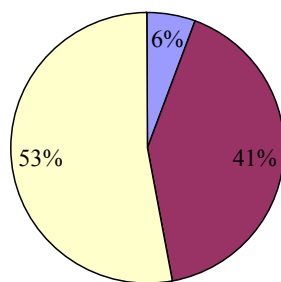
Comments from real estate agents:

- ▶ “There is excess inventory and little demand.”
- ▶ “Low traffic levels are a result of lack of buyer confidence and expectation of further price declines.”

**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.

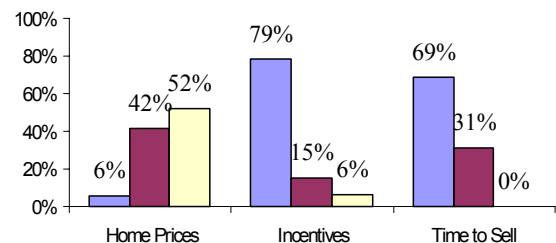
### Traffic Below Expectations, Prices Down, Incentives Up, Time to Sell Increased in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Virginia Beach, VA

(7,571 single-family permits in 2005, 46th largest market in the country)

**Traffic fell short of expectations.** Our traffic index was nearly unchanged at 28.0 in November, down from 28.6 in October, indicating traffic fell below agents' expectations. 48% of agents said traffic was below expectations, 48% said it was in-line with expectations, and 4% said it exceeded expectations. Agents continue to note weak demand at higher price points, but more traffic at the entry-level price range.

**Pricing and incentive trends continue to deteriorate.** Our price index was unchanged at 28.0 from 28.6 in October. 48% of agents said prices declined, 48% said prices were unchanged, and 4% said prices increased. In addition, nearly all agents noted higher incentives as compared with October, with our incentive index falling to 6.3 from 22.2. 88% of agents said incentives increased, while 12% said incentives were unchanged from last month.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index registered an extremely low 8.0 in November, down from 14.3 in October. 84% of agents said it took longer to sell a home and 16% said it took the same time to sell a home. The longer time needed to sell should negatively pressure home prices in the coming months.

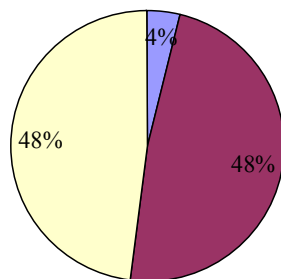
Comments from real estate agents:

- ▶ “Traffic only met expectations because I lowered my expectations!”
- ▶ “Buyers are not in a rush to purchase.”

**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.

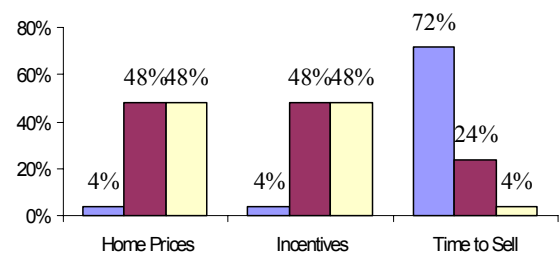
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in November

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.

November Market Trends	
Traffic	
Home Prices	
Incentives	

## Wilmington, NC

(7,950 single-family permits in 2005, 45th largest market in the country)

**Traffic up, but still well below expectations.** Traffic fell short of expectations again in Wilmington, although it improved relative to October. The pickup appears to occur primarily near the city center, while the coastal areas remained weak. One agent attributed the improved traffic to the recent decline in mortgage rates, based on client feedback. Our traffic index improved to 34.8 in November from 21.2 in October. 50% of agents said traffic was below expectations, 30% said it was in-line with expectations, and 20% said it was above expectations.

**Pricing and incentives worsen.** Our price index fell slightly to 25.6 in November from 27.8 in October, indicating sequentially lower prices. 56% of agents said prices declined in November, 37% said prices were unchanged, and 7% said prices increased. In addition, our incentive index fell to 18.6 in November from 28.0 in October, as 67% of agents said incentives increased, 28% said incentives were unchanged, and 5% said builders used fewer incentives than in October.

**Length of time needed to sell a home increased – a negative indicator for future pricing trends.** Our time to sell index came in at 20.0 in November, indicating a longer time needed to sell a home. 66% of agents said time to sell increased, 27% said it is took the same length of time, and 7% said it took less time to sell a home.

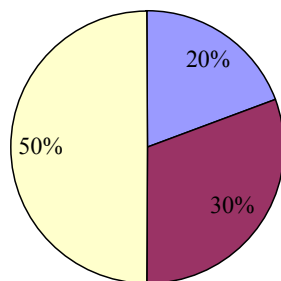
Comments from real estate agents:

- ▶ “We are seeing some properties taken off the market due to worsening conditions, and price reductions on those remaining.”
- ▶ “The feedback that I received from clients: interest rates dropped and I have been waiting to move up to a larger home.”

**The Wilmington market represented less than 1% of sales of any homebuilder in our coverage universe.**

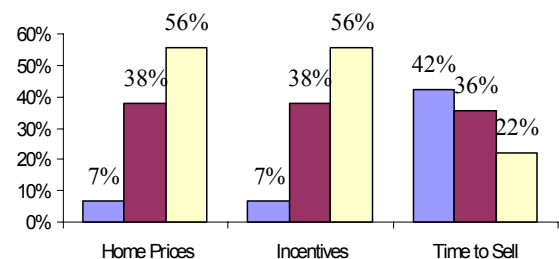
### Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in November

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 11/28/2006	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	4.95	\$56	\$2.12	-\$0.65	\$0.45	n/a	2.3	NM	11.0	N/A	0.51	\$6.00	0.0%	21.2%
CTX	Centex Corp.	Neutral	52.87	6,275	9.50	5.90	1.80	0.35	5.6	9.0	29.4	NM	1.28	57.00	0.3%	8.1%
DHI	D.R. Horton	Neutral	25.39	7,950	4.82	3.43	1.15	0.41	5.3	7.4	22.0	NM	1.29	27.00	2.4%	8.7%
HOV	Hovnanian Enterprises	Neutral	33.18	1,564	7.05	5.00	2.75	0.40	4.7	6.6	12.1	NM	1.11	39.00	0.0%	17.5%
KBH	KB Home	Neutral	49.10	4,484	9.34	7.95	2.80	0.50	5.3	6.2	17.5	NM	1.27	55.00	2.0%	14.1%
LEN	Lennar Corp.	Neutral	49.92	6,326	8.32	6.50	3.60	1.15	6.0	7.7	13.9	43.4	1.34	53.00	1.3%	7.5%
MDC	MDC Holdings Inc	Neutral	55.45	2,473	10.74	6.00	1.50	(1.00)	5.2	9.2	37.0	NM	1.17	58.00	1.8%	6.4%
MTH	Meritage Homes Corp	Neutral	44.96	1,230	9.30	9.55	3.00	0.15	4.8	4.7	15.0	NM	1.20	48.00	0.0%	6.8%
NVR	NVR Inc	Neutral	565.00	1,230	86.29	86.45	44.00	7.50	6.5	6.5	12.8	NM	3.43	605.00	0.0%	7.1%
PHM	Pulte Homes	Neutral	31.08	7,912	5.49	3.55	1.55	0.45	5.7	8.8	20.1	NM	1.22	35.00	0.5%	13.1%
RYL	Ryland	Neutral	49.14	2,146	9.06	7.04	3.55	0.75	5.4	7.0	13.8	65.4	1.54	46.00	1.0%	(5.4)%
SPF	Standard Pacific	Buy	23.26	1,502	6.30	3.95	1.30	(0.35)	3.7	5.9	17.9	NM	0.82	29.00	0.7%	25.4%
TOL	Toll Brothers	Neutral	30.90	4,811	4.77	4.21	2.25	1.20	6.5	7.3	13.7	25.8	1.56	36.00	0.0%	16.5%
WCI	WCI Communities Inc	Neutral	18.29	765	3.93	2.40	(0.17)	(0.75)	4.7	7.6	NM	NM	0.72	19.00	0.0%	3.9%
	Average			\$3,480					5.5	7.6	19.5	NM	1.34		1.0%	10.4%

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

## REG AC - ANALYST CERTIFICATION

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

## IMPORTANT DISCLOSURES

### Banc of America Securities LLC (BAS) and Banc of America Securities Limited (BASL) Stock Rating System

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

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

Source for volatility: Bloomberg.

### Rating Distribution\*

#### Global Coverage

Coverage Universe	Companies	Pct.	Investment Banking Clients	Companies	Pct.**
Buy	355	40	Buy	285	80
Hold	490	55	Hold	367	75
Sell	42	5	Sell	33	79

#### Consumer Sector

Coverage Universe	Companies	Pct.	Investment Banking Clients	Companies	Pct.**
Buy	68	35	Buy	57	84
Hold	119	61	Hold	90	76
Sell	8	4	Sell	7	88

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

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As of 11/01/2006.

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