

Monthly Survey of Real Estate Agents

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CHANNEL CHECK

Pricing Gains Steam at End of Spring

- **Home prices continue recent move higher; traffic stays above expectations:** Our May survey of real estate agents pointed to continued strength in home prices, with traffic and inventory levels also suggesting that the momentum will last beyond the Spring season. Traffic exceeded the expectations of agents for the fourth consecutive month, and our price index pointed to sequentially higher prices for the second straight month.
- **Price index reaches 62.4, as more markets show pricing strength:** Our home price index reached 62.4, up from 56.9 in April, as agents noted rising prices in most markets, as readings above 50 point to sequentially higher prices. Agents indicated flat or rising prices in nearly 80% of the markets we surveyed. Austin, Denver, Ft Myers, Las Vegas, Miami, Orlando, Phoenix, Sacramento, San Francisco, Sarasota, and Washington, D.C. were the leading markets in terms of pricing trends.
- **Traffic remains above expectations as market transitions to Summer:** Our buyer traffic index registered 59.8 in May, down slightly from 63.5 in April, but still ahead of expectations (any reading above 50). There were many trends at work in April with quite a few markets seeing improved traffic, while others experienced modest declines due to economic fears and others saw slight declines as investors waited for more foreclosure inventory. We think traffic levels remain healthy enough to continue the market's recovery through the summer. June will be an interesting month to watch, as headlines in late May and early June will test the confidence of buyers.
- **Low inventory levels likely to aid home prices, support buyer urgency. Inventory drops, although it would normally rise in April:** Our time to sell index remained firmly in positive territory at 69.5 in May, with levels above 50 pointing to reduced time needed to sell a home. A declining time to sell a home is typically one of the most bullish indicators for pricing, which will likely keep buyers active, as the threat of higher prices will likely lead many buyers to act sooner. In contrast, the expectation of lower prices, which prevailed through much of the past several years, helped buyers develop their patience. Our home listings index was nearly unchanged at 66.6 in May, down less than one point from 67.2 in April, with levels above 50 pointing to declining inventory.

DISCLOSURE APPENDIX CONTAINS ANALYST CERTIFICATIONS AND THE STATUS OF NON-US ANALYSTS. FOR OTHER IMPORTANT DISCLOSURES, visit www.credit-suisse.com/researchdisclosures or call +1 (877) 291-2683. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

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

Pricing Gains Steam at End of Spring

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

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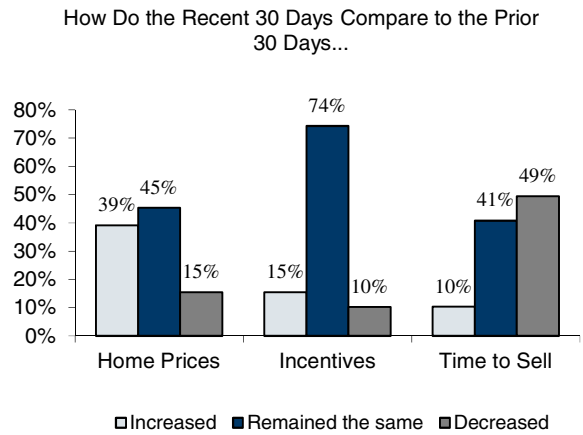
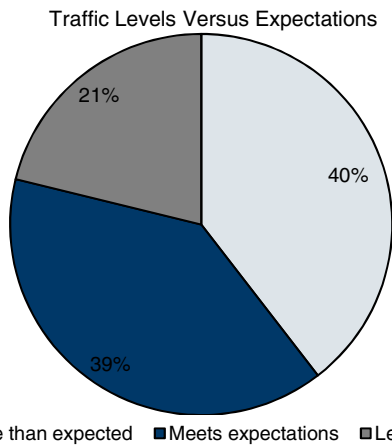
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Exhibit 1: Pricing Trends Continue Momentum, as Time to Sell Remains Strong though Index Falls Slightly in May

Month	Buyer Traffic Index	Home Price Index	Incentive Index	Home Listings Index	Time to Sell Index
Jan-2010	43.5	35.0	41.8	51.3	39.4
Feb-2010	41.4	35.7	41.9	46.1	42.9
Mar-2010	43.1	39.9	42.9	39.5	45.8
Apr-2010	48.7	43.4	43.1	38.2	49.1
May-2010	31.5	38.9	41.2	42.0	42.6
Jun-2010	19.1	32.1	43.7	38.9	29.6
Jul-2010	16.9	26.8	40.7	36.3	23.6
Aug-2010	17.0	22.9	37.1	30.0	19.1
Sep-2010	17.9	22.0	38.4	28.2	18.8
Oct-2010	16.3	20.5	36.6	35.5	20.0
Nov-2010	22.1	21.6	34.1	41.3	21.5
Dec-2010	29.1	23.0	39.5	51.2	23.1
Jan-2011	39.1	26.9	40.4	41.0	29.2
Feb-2011	42.0	29.6	38.3	35.1	32.7
Mar-2011	37.5	30.6	40.5	38.8	36.2
Apr-2011	36.8	32.6	43.5	38.3	40.1
May-2011	31.8	27.4	38.1	40.0	31.6
Jun-2011	28.8	29.7	38.7	45.8	34.5
Jul-2011	31.9	29.4	39.2	51.0	34.5
Aug-2011	26.9	26.7	37.6	52.8	31.4
Sep-2011	24.8	27.8	37.8	53.7	32.5
Oct-2011	29.0	28.7	38.4	59.9	34.3
Nov-2011	32.5	30.7	39.0	61.2	34.7
Dec-2011	37.1	30.6	38.7	68.0	37.7
Jan-2012	49.8	37.6	41.5	62.7	45.5
Feb-2012	62.3	41.0	43.4	63.6	55.9
Mar-2012	63.0	50.2	44.0	62.9	62.0
Apr-2012	63.5	56.9	45.7	67.2	70.9
May-2012	59.8	62.4	47.4	66.6	69.5
Point change	(3.7)	5.6	1.8	(0.6)	(1.4)

Source: Credit Suisse

Exhibit 2: Traffic Index Dips Slightly May, but Index Remains at Levels Indicating Better than Expected Traffic



Source: Credit Suisse

Survey Methodology

We survey real estate agents, as we believe agents provide an accurate assessment of local housing market trends in both the new and existing home markets. We view an understanding of the existing home market as crucial to homebuilders as it represents over 90% of total sales, and trends in the existing home market often dictate trends in the new home market.

Each month, we survey agents about trends in buyer traffic levels, home prices, incentives, inventory levels, and the length of time needed to sell a home. In May, we received responses from 900 real estate agents across the country. We review responses and calculate an index for each of the questions with levels above 50 indicating positive trends, levels below 50 indicating worsening trends, and a level of 50 indicating a neutral trend.

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

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

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

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

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

Exposure to Key New Home Markets

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

Exhibit 3: Summary of Homebuilders' Exposure to Top 20 New Home Markets

Market	2011 1-Family Permits	Market Exposure (% of 2010 Closings)											
		BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	6,239	-	3%	-	-	-	-	-	-	3%	4%	-	-
Austin, TX	6,242	-	5%	-	7%	4%	-	8%	-	4%	3%	9%	-
Charlotte, NC	4,890	-	2%	-	2%	2%	-	-	5%	2%	5%	6%	-
Chicago, IL	4,157	-	2%	3%	-	1%	-	-	-	2%	6%	-	-
Dallas, TX	14,000	6%	14%	8%	-	4%	-	17%	-	5%	7%	-	4%
Denver, CO	3,595	-	2%	-	4%	1%	16%	4%	-	1%	-	-	-
Houston, TX	22,738	10%	6%	21%	10%	14%	-	19%	-	5%	11%	-	2%
Inland Empire, CA	3,453	2%	3%	5%	8%	3%	6%	6%	-	4%	-	13%	1%
Jacksonville, FL	3,245	-	3%	-	4%	2%	6%	-	-	1%	3%	-	2%
Las Vegas, NV	3,858	4%	3%	-	8%	3%	15%	-	-	2%	7%	-	4%
Los Angeles, CA	4,521	5%	-	-	6%	3%	-	-	-	-	-	7%	2%
Miami, FL	4,295	-	2%	-	-	5%	-	-	-	1%	-	-	-
Minneapolis, MN	3,750	-	1%	-	-	3%	-	-	-	2%	5%	-	-
NY - Northern NJ	5,993	-	1%	12%	-	2%	-	-	-	1%	-	-	14%
Orlando, FL	4,554	3%	3%	-	4%	4%	-	8%	-	2%	6%	-	2%
Phoenix, AZ	7,389	7%	4%	-	3%	2%	10%	12%	-	6%	-	-	5%
San Antonio, TX	4,322	3%	6%	-	9%	2%	-	7%	-	5%	7%	-	1%
Seattle, WA	6,068	-	2%	-	-	-	9%	-	-	1%	-	-	6%
Tampa, FL	4,514	4%	2%	-	2%	6%	-	-	-	1%	8%	10%	1%
Washington, DC	9,277	13%	-	12%	-	4%	8%	-	19%	6%	6%	-	15%
Total Exposure to Top 20	127,100	56%	64%	62%	67%	66%	70%	81%	24%	55%	77%	45%	59%

Source: Company data, Builder Online, Credit Suisse estimates

Exhibit 4: Summary of Homebuilders' Exposure to Additional Key New Home Markets

Market	2011 1-Family Permits	Market Exposure (% of 2010 Closings)											
		BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Baltimore, MD	3,269	4%	-	2%	-	3%	3%	-	11%	-	5%	-	2%
Boston, MA	3,280	-	-	-	-	-	-	-	-	0%	-	-	1%
Charleston, SC	2,640	4%	1%	-	2%	2%	-	-	-	2%	5%	-	-
Cincinnati, OH	2,490	-	-	-	-	-	-	-	5%	-	-	-	-
Columbus, OH	2,432	-	-	-	-	-	-	-	1%	-	-	-	-
Detroit, MI	2,854	-	-	-	-	-	-	-	-	1%	-	-	2%
Fort Myers, FL	1,256	-	1%	-	-	2%	-	-	-	2%	-	-	2%
Kansas City, KS	2,352	-	-	-	-	-	-	-	-	-	-	-	-
Nashville, TN	4,138	5%	-	-	-	-	-	-	2%	2%	-	-	-
Phila.-Southern NJ	4,586	4%	1%	6%	-	-	-	-	7%	1%	-	-	10%
Portland, OR	3,133	-	1%	-	-	-	-	-	-	1%	-	-	-
Raleigh, NC	4,738	-	1%	2%	2%	3%	-	-	-	2%	-	8%	4%
Richmond, VA	2,382	-	-	-	-	-	-	-	5%	1%	-	-	-
Sacramento, CA	1,873	2%	-	-	-	2%	-	2%	-	2%	-	4%	-
San Diego, CA	2,245	-	0%	-	1%	1%	-	-	-	-	-	3%	1%
San Francisco, CA	1,907	-	-	-	4%	1%	-	-	-	2%	-	5%	4%
Sarasota, FL	1,836	-	1%	1%	1%	2%	-	-	-	1%	3%	-	-
St. Louis, MO	3,327	-	-	-	-	-	-	-	-	2%	-	-	-
Tucson, AZ	1,438	-	2%	1%	1%	4%	8%	5%	-	0%	-	2%	-
Virginia Beach, VA	2,941	-	-	-	-	1%	-	-	1%	0%	-	-	-
Total Exposure to Next 20	55,117	19%	7%	12%	11%	19%	11%	8%	33%	20%	12%	22%	25%

Source: Company data, Credit Suisse estimates

Atlanta, GA – Affordability Remains Key Driver; Prices Continue to Stabilize

(6,239 single-family building permits in 2011, 6th largest market in the country)

Traffic unchanged, still slightly better than expectations. Our buyer traffic index was essentially unchanged at 55 in May vs. 56 in April, indicating traffic levels slightly above agents' expectations (a reading of 50 would suggest traffic in-line with expectations). This was the 5th consecutive month of traffic in-line with or better than expectations, driven primarily by the extremely favorable affordability. Agents noted that buyers are incentivized by the all-time low mortgage rates coupled with the sharply lower home prices (which have been heavily impacted by the clearing of foreclosures). In addition, inventory levels have come down, adding some urgency. One agent said that buyers don't want to miss out, noting, "Prices are rising and buyers trying to time the bottom of the market are entering the market." On the flip side, one agent noted fatigue among buyers chasing distressed deals, saying, "We are selling new homes. People seem tired of the hassles." This should benefit homebuilders. Additionally, another agent sounded a slight tone of caution based on slowing late in the month, noting, "Traffic levels remain spotty. Late May usually slows and we seem to be feeling that pressure late in the month."

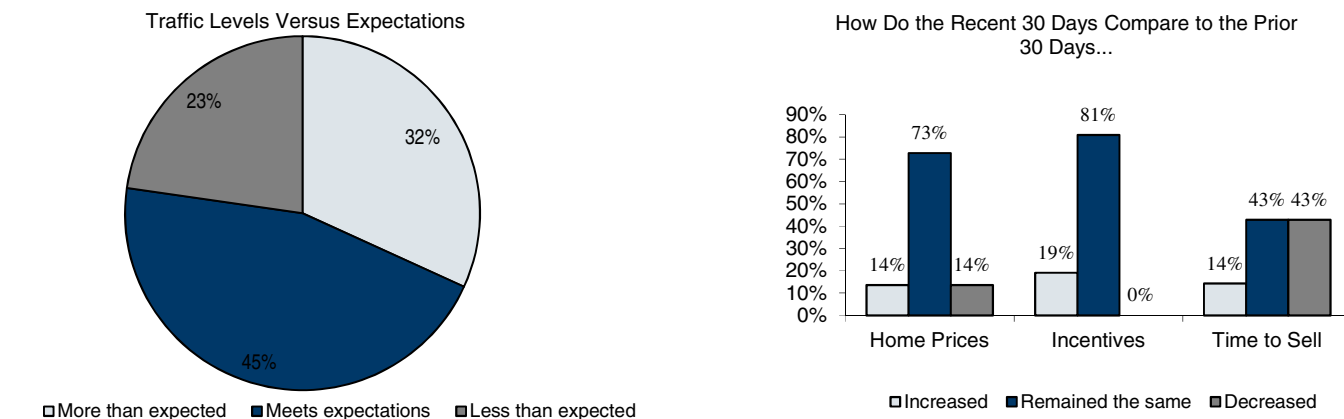
Home prices continue stabilization process. Home prices remained stable in May, as our home price index improved to 50 from 47 in April, in-line with a neutral reading of 50 (readings of 50 point to flat prices sequentially). The recent stabilization has been aided by declining inventory levels, a trend which continued in May. Our home listings index showed reduced inventory with the index jumping to 84 in May from 68 in April, with any reading above 50 pointing to falling inventory. It also took less time to sell a home, as our time to sell index improved to 64 in May from 63 in April, with readings above 50 indicating less time needed to sell a home over the past 30 days. We view the lower inventory and shorter time to sell as positive leading indicators for home prices.

Comments from real estate agents:

- "Worry about rate increases; precipitous drop in inventory, especially at lower price points. Good homes getting multiple offers."
- "Still seeing ridiculous underwriting standards on qualified purchasers jeopardizing offers."

Ryland, Pulte and D.R. Horton have the most exposure. Ryland has the greatest exposure to Atlanta, which represents approximately 4% of its net sales, followed by Pulte Group and D.R. Horton with 3% each.

Exhibit 5: Falling Inventory and Time to Sell Should Help to Support Prices



Source: Credit Suisse

May Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎

"Values have stabilized for now. Summer will be interesting..."

Austin, TX – Shifting to a Seller’s Market as Demand and Pricing Continue to Improve

(6,242 single-family permits in 2011, 5th largest market in the country)

Traffic well above expectations as job growth spurs demand. Buyer traffic improved again in May, as our traffic index surged to 76 from 68 in April, close to the highest level since we began surveying the market in 2006 (readings above 50 point to traffic above agents’ expectations). While the low mortgage rates are helping, agents suggested the health of the local economy is probably the bigger factor. One agent commented, “We are in a boom again. People are moving to Austin for jobs. Moving up or down is also a spur to the market. First time homebuyers are now making the move. Bottom line the economy has improved!” Another agent noted, “We have a tight inventory of both sales and rentals so buyers are rushing out to see any new listings as soon as they come on the market. We’re experiencing lots of multiple offers and probably the rising rents along w/ the incredibly low rates are driving buyers into the market faster than in recent years.” One agent said new homes are also benefitting, noting, “There is interest in new homes that are selling in the \$120-150K bracket,” though also commenting, “It is alarming that we are now seeing USDA financing within the city limits.”

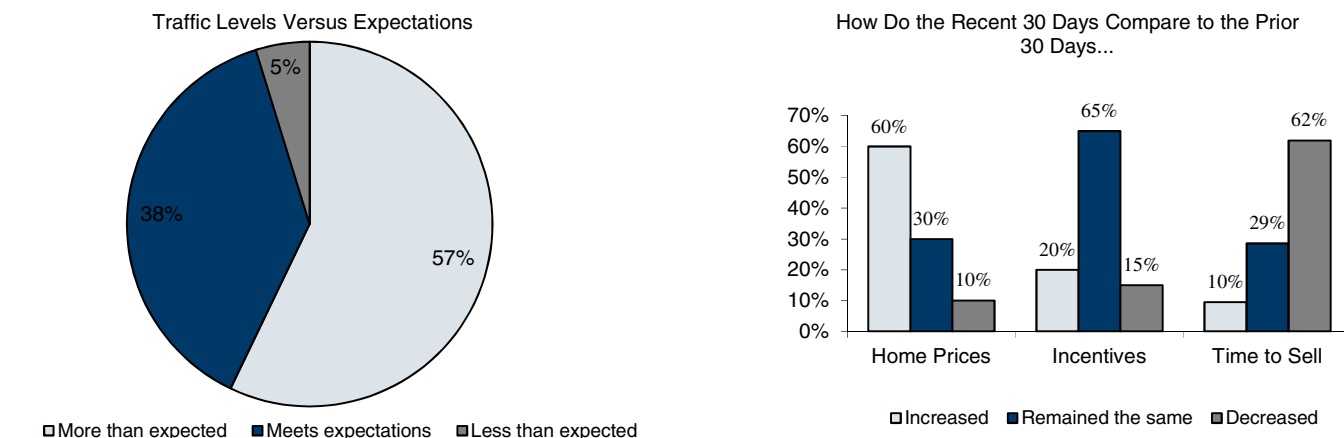
Prices rise on better demand. Our home price index increased to 75 in May from 63, well into positive territory as any reading above 50 points to higher prices over the last 30 days. Meanwhile, inventory also improved in May, as our home listings index fell to 57 from 61 in April, but remained above a neutral reading of 50. In addition, our time to sell index came in at 76 in May (from 80 in April), well above a neutral reading of 50, pointing to a shorter length of time needed to sell a home (a positive leading indicator for pricing).

Comments from real estate agents:

- “We are exactly on track with last year but with a bit of an increase in ‘tire kickers’ who look at property, know the mortgage rates are the lowest in their lifetime, but won’t pull the trigger yet.”
- “Low interest rates, lowest inventory in years. Seeing multiple offers again.”

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

Exhibit 6: Improving Demand Leading to Higher Home Prices



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔️

“Lower rates, pent up demand.”

Charlotte, NC – Unevenness in Traffic Continues as Market Tries to Find Better Footing

(4,890 single-family permits in 2011, 9th largest market in the country)

Traffic slightly below expectations. Our buyer traffic index fell to 46 in May from 62 in April, coming in just a hair below a neutral reading of 50, pointing to traffic levels slightly below agents’ expectations for this time of. This also continues the choppy trend in traffic seen since the beginning of this year, as the market tries to find its footing. As one agent noted, this is the “typical May slowdown but less traffic than normal. The local economy is better but still on the mend.” Agents said that availability of credit remains an issue which has offset the benefit of favorable affordability levels. One agent commented, “Most people think they can’t get a loan.” Agents also blamed appraisers for being overly conservative, even in multiple bidding situations. Nevertheless, some buyers are still able to take advantage. One agent said, “It’s slowed a bit, but there are more serious cash buyers.” Some agents also said the lower inventory levels are spurring activity. One agent noted, “Fewer listings on the market is driving buyers to get in the market.”

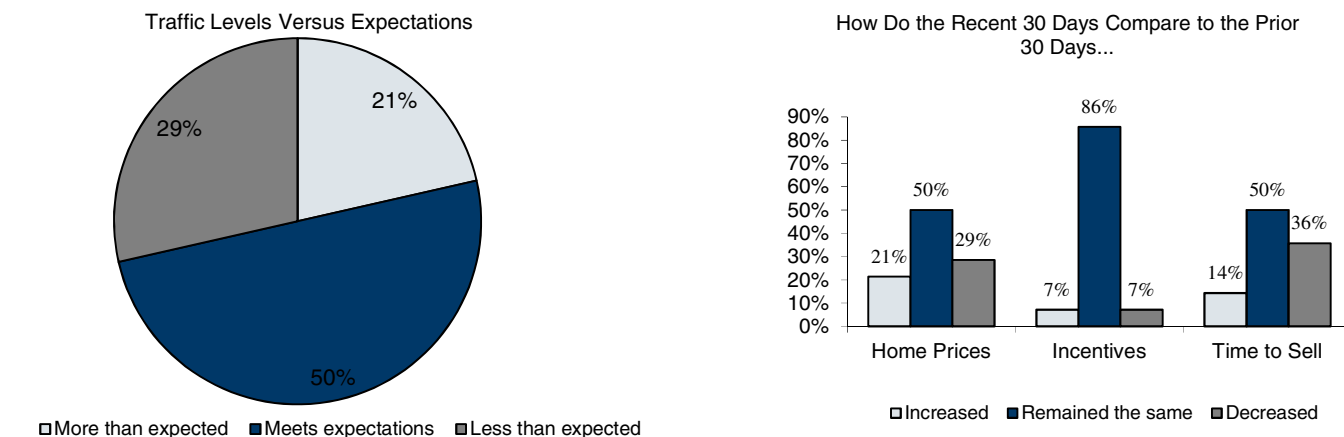
Prices move toward stabilization. Home prices were essentially flat sequentially in May, as our home price index improved to 46 from 42 in April, close to a neutral reading of 50. Inventory levels declined further in May, which helped the trend in home prices. Our home listings index improved to 69 in May from 50 in April, indicating lower inventory levels over the past 30 days (any reading below 50). In addition, it took less time to sell a home in May – normally a positive indicator – as our time to sell index was unchanged at 61 (vs. 62 in April), with readings above 50 pointing to a shorter length of time needed to sell.

Comments from real estate agents:

- “Buyers anxious to move after too many years of waiting.”
- “Low interest rates and buyers feeling they miss out on deals are spurring activity and multiple bidding in areas.”

Standard Pacific, NVR and Ryland have the most exposure. Standard Pacific has the greatest exposure to Charlotte with approximately 6% of sales. NVR and Ryland each have approximately 5% exposure to Charlotte. DHI, KBH, LEN, and PHM each have 2%.

Exhibit 7: Falling Inventory Helps to Support Prices



Source: Credit Suisse

Chicago, IL – Traffic Unchanged at Healthy Levels as Low Rates and Lower Prices Prove Tempting

(4,157 single-family permits in 2011, 17th largest market in the country)

Traffic remains above expectations. Buyer traffic in May was consistent with levels seen in April, as our buyer traffic index came in at 59 (from 61 in April), still indicating traffic levels above agents' expectations for this time of year (any reading above 50). Affordability continued to be the main theme among agent comments, as many noted the low interest rates as a driving factor of the improvement. One agent noted, "Increased optimism. Sellers finally lowering prices to the point where it is compelling." Several others had similar comments. First-time buyer demand was solid, according to another agent who said, "People are tired of renting, rates are as good as they'll get." Another commented that homes are, "Cheaper to buy than rent." Investors also remained active. One agent noted, "Demand for rental housing; investors are purchasing condos and other properties to rent."

Price pressure persists. Home prices fell further in May, as our home price index came in at 34 (from 33 in April), indicating lower home prices over the past 30 days (any reading below 50). Agents indicated the declines were driven by motivated sellers looking to close deals. That said, one agent noted, "The best properties are starting to be hard to find." Overall, inventory levels were flat for the month, as our home listings index fell to a neutral reading of 52 in May from 57 in April. The higher demand and flat inventory levels led to a shorter length of time needed to sell a home in May, as our time to sell index came in at 55 (vs. 64 in April), with readings above 50 pointing to a reduced time to sell. This should help to support home prices, though further work is needed to clear the foreclosure/short sale inventory.

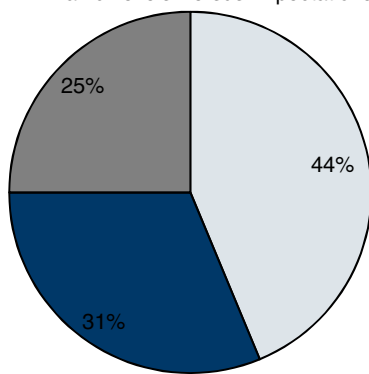
Comments from real estate agents:

- "People taking advantage of low interest rates and people targeting distressed sellers and estate sales!"
- "Buyer interest in doing something now with low interest rates."

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

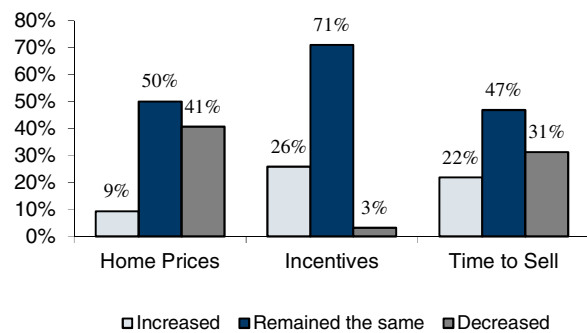
Exhibit 8: Sellers Lower Prices, See Increased Demand

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: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

"Prices and interest rates are right."

Dallas, TX – Traffic Down Modestly vs. April, but Still Above Agents’ Expectations

(14,000 single-family permits in 2011, 2nd largest market in the country)

Traffic moderates but remains at healthy levels. Our buyer traffic index fell to 56 in May from 67, pointing to a modest slowing in traffic levels sequentially, though overall levels remained above agents’ expectations for this time of year (any reading above 50). This is the 5th straight month of traffic meeting or exceeding agents’ expectations, though we’ll watch next month closely to see if the decline this month is just a blip or may be the start of a trend. Agents who had positive comments this month noted more optimism and improved confidence among buyers, and that the prices and rates are right. One agent commented, “People are in the market again after the downturn. They are not afraid to move and prices are realistic. Sellers understand that the market has made an adjustment.” Another agent said, “Affordability is up and inventory is down.” On the other hand, some caution emerged later in the month, with one agent noting, “The feeling that the economy is getting worse. People feel the danger of incurring debt at this time.”

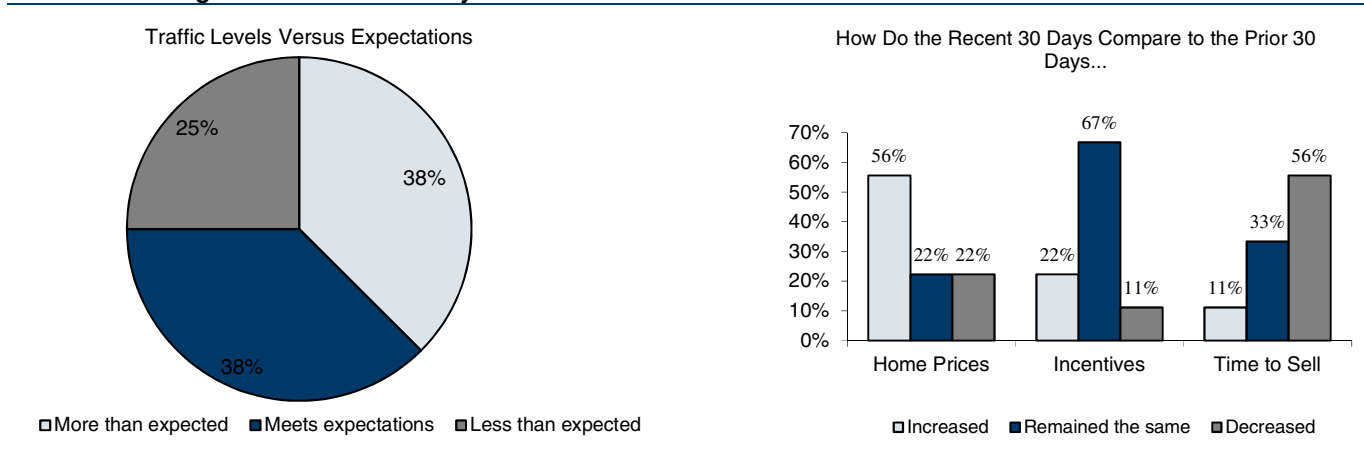
Prices up and shorter time to sell bodes well for coming months. Home prices continued to improve in May, as our home price index was came in at 67, down modestly from 72 in April but well above a neutral reading of 50 (any reading above 50 indicates higher home prices over the past 30 days). Inventory levels flattened out, as our home listings index slipped to 50 in May from 67 in April, in-line with a neutral reading, though we think inventory levels remain manageable. Additionally, our time to sell index remained at 72 in May, with any reading above 50 pointing to a shorter length of time needed to sell a home over the past 30 days. We view the shorter time to sell as a positive indicator for near term trends in home prices.

Comments from real estate agents:

- “Low interest rates, corporate relocation.”
- “Foreclosure and short sales hurting comps for buyers seeking conventional financing.”

Meritage, D.R. Horton and Hovnanian have the greatest exposure. Meritage has the greatest exposure to Dallas, which represents 17% of its sales, followed by D.R. Horton at 14% and Hovnanian at 8%. Dallas represents 6% of sales for Beazer.

Exhibit 9: Firming Home Prices Give Buyers Confidence



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

“Our business environment is healthier, which helps too.”

Denver, CO – Low Inventory Levels Continue to Create Sense of Urgency, Higher Prices

(3,595 single-family permits in 2011, 22nd largest market in the country)

Traffic improves further as buyers snap up remaining inventory. Buyer traffic continued to improve in May, as our buyer traffic index increased to 74 from 70 in April, pointing to traffic levels well above agents' expectations (readings above 50 indicate better than expected traffic). Agent predominantly cited the combination of low mortgage rates and tight supply conditions as the drivers for the strong traffic levels. One agent noted, "Lower inventory, about 40% less this month compared to last year same time." Another agent cited, "Low inventory, low interest rates and an improvement in the local economy." Another agent agreed that the improving confidence is helping to unlock buyer interest, commenting, "Buyers have more confidence in the general economy. Lots of pent up demand." Nevertheless, some agents continued to complain of unreasonable lending standards and appraisers being slow to adjust to the improving market. One agent noted, "We are in a rising market with multiple offers, often above list. Appraisals are nightmares."

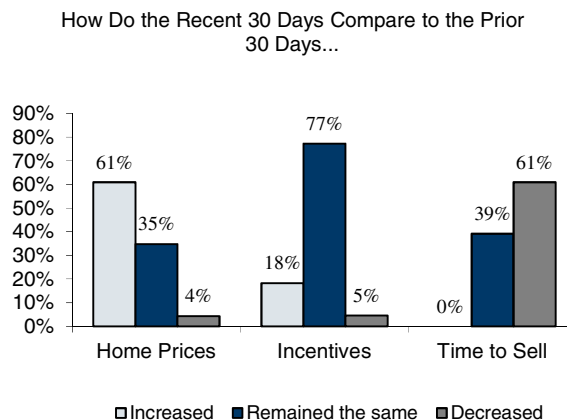
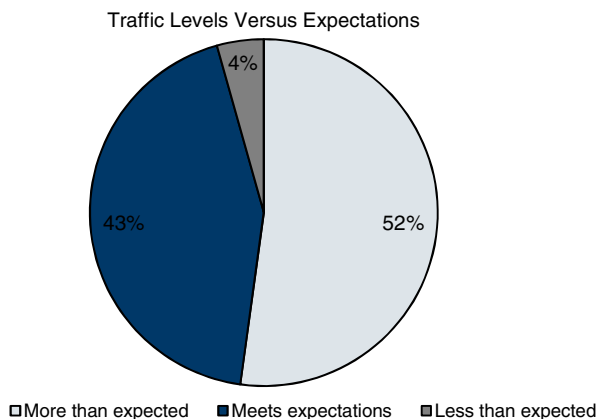
Nearly all agents note flat or rising home prices. Home prices continued to move higher in May, as our home price index increased to 78 from 76 in April, with any reading above 50 indicating increased home prices over the past 30 days. This is the third straight month of higher pricing for the region and the highest level seen in our index since our survey began in 2005. Inventory levels continued to trend lower, as our home listings index came in at 57 in May, down from 67 in April but still above a neutral reading of 50 (any reading above 50 indicates sequentially lower inventories). The length of time needed to sell a home continued to shrink, as our time to sell index came in at 80 in May (from 87 in April), well above a neutral reading of 50, boding well for future pricing trends.

Comments from real estate agents:

- "Buyers want to buy and are buying, not waiting. Inventory is very low."
- "FHA is getting ridiculous with fees for loans."

MDC Holdings has the greatest exposure. MDC Holdings has the greatest exposure to Denver, which generates approximately 16% of its sales, followed by KB Home and Meritage at 4% each. D.R. Horton has approximately 2% exposure.

Exhibit 10: Tight Supply and a Shorter Time to Sell Should Lead to Higher Prices in Coming Months



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👎

"Let's face it, these rates are OBSCENE."

Houston, TX – Traffic and Pricing Hold Steady as Local Economic Strength Gives Buyers Confidence

(22,738 single-family permits in 2011, largest market in the country)

Traffic moderates but remains in-line with expectations for late spring. Traffic levels appeared to fade modestly in May vs. April, but remained consistent with/slightly better than agents' expectations for this time of year. Our buyer traffic index fell to 53 from 63, compared with a neutral reading of 50. This marks the fifth consecutive month of traffic in-line with or better than agents' expectations. Agents noted that the combination of low mortgage rates, rising rents and the health of the local economy are continuing to support demand. According to one agent, "Rising apartment rents are pushing renters into buying and with record low inventory and continued buyer demand, multiple offers and offers over asking price are not uncommon in my near downtown area." Another agent noted, "Continued migration to Houston area and relatively strong local economy." A third agent cited, "Low interest rates...fewer homes on the market for sale." However, some agents said buyers still are having a hard time qualifying for loans. One cited, "Not having the down payments," despite the low FHA requirements these days.

Prices and inventory levels stable in May. Our home price index retrenched in May, falling to 50 from 69 in April (which had been the first reading of higher pricing since 2007), but still pointed to flat home prices over the past 30 days (a reading of 50 indicates stable pricing). Home prices in Houston have now been stable or higher in our index since December. Inventory levels were also stable in May (our home listings index fell to a neutral level of 50 from 66 in April), though it took less time to sell a home. Our time to sell index inched up to 68 in May from 66 in April, with readings above 50 pointing to a shorter length of time needed to sell a home. We typically view this as a positive leading indicator for home prices.

Comments from real estate agents:

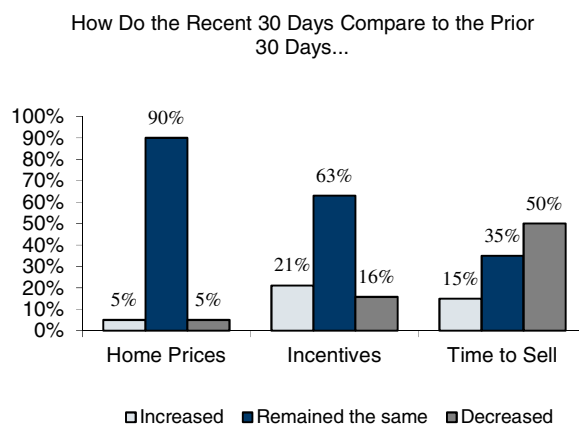
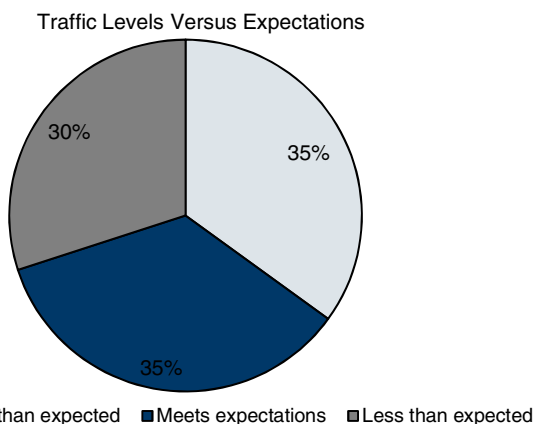
- "Some increase in investor buyers."
- "Lenders requirements have continued to increase and processors and underwriters are taking longer."

Hovnanian, Meritage and Lennar have the greatest exposure. Houston represents approximately 21% of sales for Hovnanian, 19% of sales for Meritage, 14% for Lennar, and 11% of sales for Ryland. KBH and BZH each have 10% exposure and DHI has 6%.

Exhibit 11: Traffic In-Line, Home Prices and Inventories Flat

May Market Trends	
Traffic	↔
Home Prices	↔
Incentives	↔

"No investors...all buyers that have housing needs."



Source: Credit Suisse

Jacksonville, FL – Buyers Interest is Strong but Getting to the Closing Table Remains Tough

(3,245 single-family permits in 2011, 27th largest market in the country)

Traffic slows a bit but remains above expectations; closings are the challenge. Traffic fell modestly in May as compared with levels in April, but remained above agents' expectations for this time of year. Our buyer traffic index fell back to 55 from 67, while readings above 50 point to traffic above expectations. Traffic has now met or exceeded agents' expectations for five straight months. Low end demand appears to remain the strongest, according to agents. One agent noted, "Foreclosures are getting multiple offers in they are under \$200,000. Upper range homes are getting fewer showings." Another cited, "Increased consumer confidence." However, multiple agents said that lack of buyer interest is not an issue; rather, the challenge is getting them approved for loans and to the closing table. One agent commented, "Buyer traffic and demand remains stronger than expectations for spring 2012. Everything priced right is selling in less than a week, many times with multiple offers. The bad news is that the fallout rate has increased from 8% to almost 30%! Worse yet is that it is mostly because of underwriting in the last week prior to closing." Another agreed, saying, "Traffic is the same but the quality of the credit is poor resulting in fewer sales."

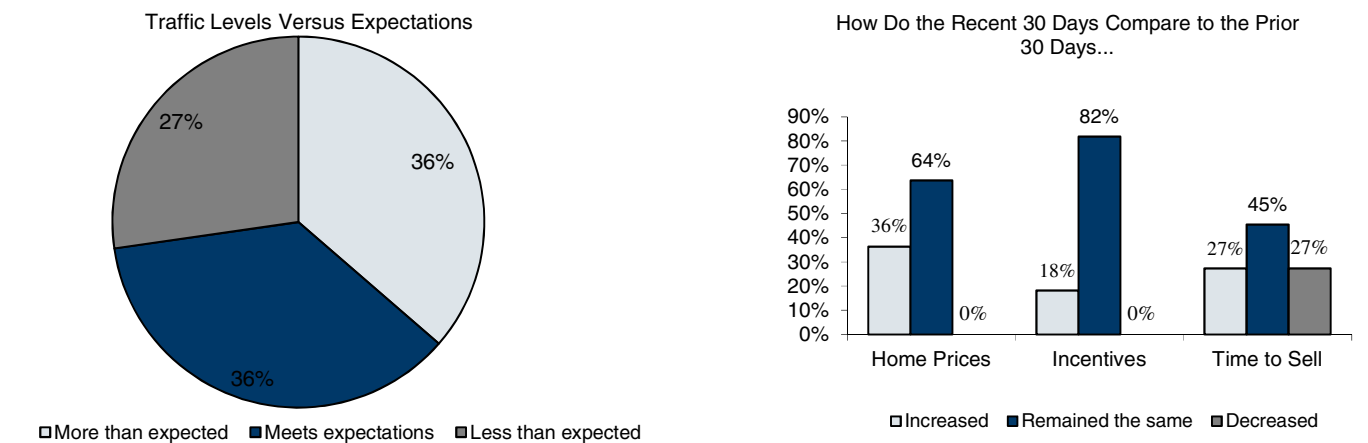
Prices improve as inventory falls. Agents indicated that home prices improved in May, a somewhat surprising turn after falling in April, as our home price index jumped to 68 from 33, with readings above 50 pointing to sequentially higher prices. We're a bit skeptical seeing such a big jump, especially with more foreclosures to come to market, so we will watch this closely next month. Lower inventory levels likely helped, as our home listings index came in at a solid 73, down modestly from 83 in April but well above a neutral reading of 50. Meanwhile, the length of time needed to sell a home was unchanged in May, as our time to sell index fell to a neutral level of 50 from 60 in April.

Comments from real estate agents:

- "Steady but not overly busy."
- "Appraisers having trouble keeping up with the market change."

MDC Holdings and KB Home have the most exposure. Jacksonville represents approximately 5% of sales for MDC, 4% for KB Home, 3% for D.R. Horton, and LEN and TOL each at 2%.

Exhibit 12: Buyers are Still Having Difficulties with Qualifications and Appraisals, According to Agents



Source: Credit Suisse

May Market Trends	
Traffic	↔
Home Prices	👍
Incentives	👎

"People seem to have more cash available."

Las Vegas, NV – Traffic Remains Solid but Buyers are Frustrated by Stalled Distressed Pipeline

(3,858 single-family permits in 2011, 19th largest market in the country)

Traffic falls slightly in May but remains at healthy levels; buyers want more low-end inventory. Our buyer traffic index fell to 65 in May from 80 in April, indicating a slight downtick in traffic levels sequentially, but overall levels remain above agents' expectations (any reading above 50). This was the sixth straight month of in-line with or better than expected traffic. Agents widely noted strong demand, but some said that sales have been held back by a lack of inventory. Specifically, the state laws slowing the foreclosure pipeline were blamed, as both potential owner occupants and investors have a strong desire for low-end inventory at rock bottom prices. One agent noted, "Government intervention has killed the market." Another cited, "No inventory. Above-list multiple cash offers." A third agent commented, "Buyers and investors alike have fully awakened to the Las Vegas housing market." Several agents saw the lack of inventory as a more temporary issue as the foreclosures will eventually come to market, though in the meantime builders may have an opportunity to gain share. "Currently inventory is very low pushing prices and offers higher, at the current pace MLS should be out of inventory in 60 days. This will be good for new construction," according to one agent.

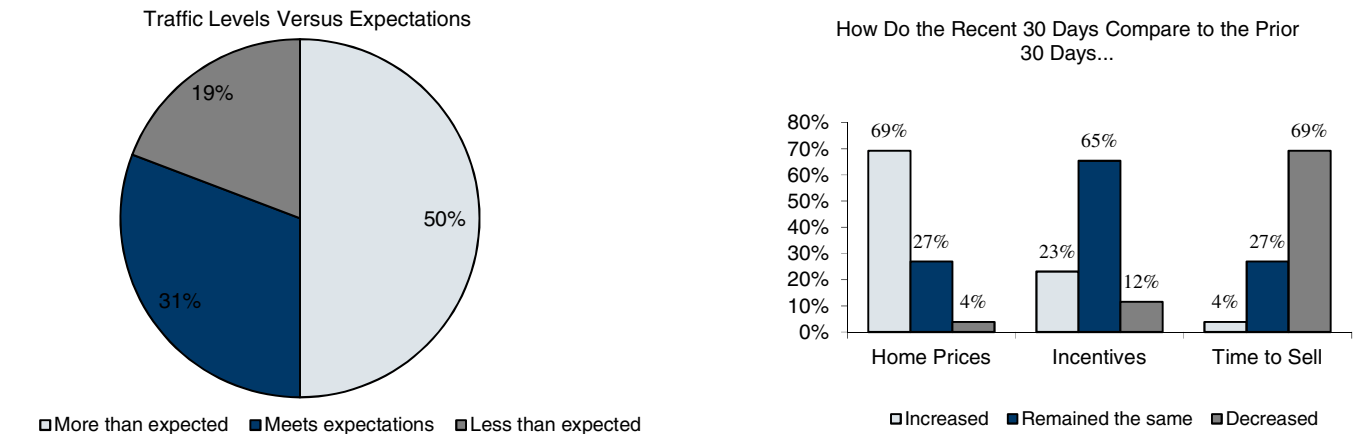
Prices continue to rise as distress is slow to come to market. Our home price index increased to 83 in May from 79 in April, pointing to higher home prices for the third straight month (readings above 50). Inventory levels continued to fall, as our home listings index came in at 89 (from 88 in April), with readings above 50 pointing to lower inventories. The healthy demand and lack of inventory contributed to a shorter time needed to sell in May, a positive for near-term pricing, as our time to sell index came in at 83 (from 88 in April), well above a reading of 50. Despite the positive trends, we do remain concerned that the bloated foreclosure pipeline could eventually be a renewed weight on the market.

Comments from real estate agents:

- "Had two builders this week increase their prices."
- "Buyers feel that they can get a deal now, however, they're coming out of the woodwork with credit scores that are challenging."

MDC Holdings and KB Home have most exposure to Vegas. MDC has the greatest exposure to Las Vegas, which generates 15% of its sales, followed by KB home with 8% and Ryland at 7%. Las Vegas represents 4% of sales for BZH and TOL each.

Exhibit 13: Prices Rise Further as Demand Remains Solid and Listed Inventory is Tight



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

"Severe lack of REO properties to sell."

Los Angeles, CA – Lack of Inventory Adds Urgency

(4,521 single-family permits in 2011, 13th largest market in the country)

Traffic continues to exceed expectations, with demand across price points. Our buyer traffic index was essentially unchanged at 61 in May from 62 in April, pointing to traffic levels above agents' expectations (any reading above 50) for the fourth consecutive month. Low mortgage rates are certainly helping to encourage buyers, according to agents, while the dwindling supply is adding urgency. Investors and first-time homebuyers remained active. One agent noted, "I'm seeing a lot of investors trying to buy lower priced condos because they know the prices are very low and interest rates will never be lower. Seeing many multiple offers on these homes. Also higher price homes moving very well." Another agent also mentioned stronger demand higher up the chain, which would be a positive for the market as demand broadens out, commenting, "High end market moving briskly with multiple offers. Price seems to be stable from last year."

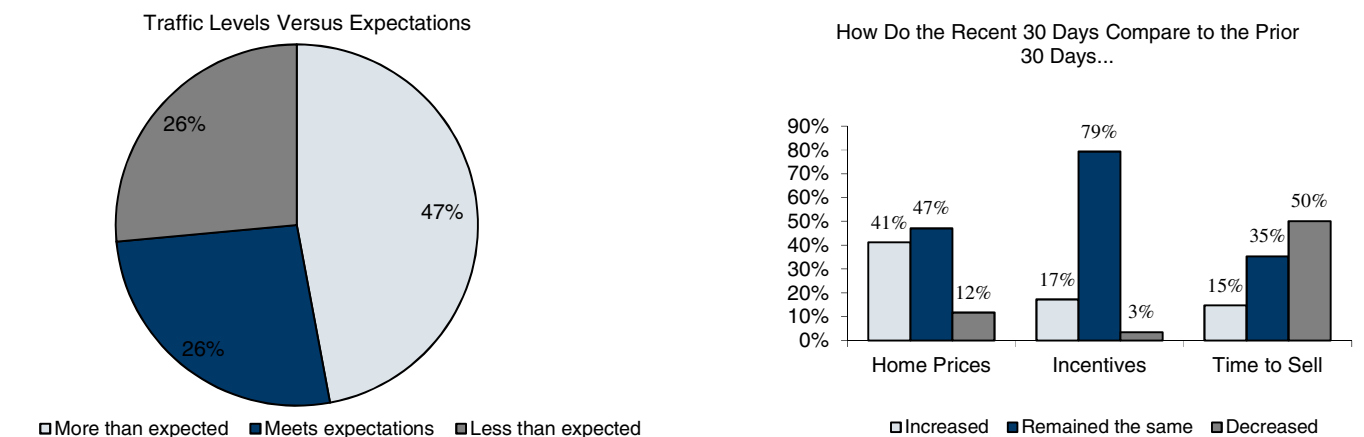
Home prices also continue to improve, which should aid confidence. Home prices increased again in May (the second straight month of improvement), as our home price index rose to 65 from 58 in April, with readings above 50 indicating sequentially higher prices. Agents cited the better demand but gave much of the credit to the falling inventory levels. Our home listings index improved to 68 in May from 56 in April, well above a neutral reading of 50, indicating sequentially lower inventories. It also took less time to sell a home in May, a positive leading indicator for home prices, as our time to sell index increased to 68 from 60 in April (readings above 50 point to a shorter length of time needed to sell).

Comments from real estate agents:

- "Loan rates below 4% are compelling. Banks keep changing rules about lending to people with a history that includes foreclosures & bankruptcy. Many back in market to buy, fewer having success due to competition for home purchases. Little inventory to speak of. Fed mandate for lenders to keep people in their homes & work with them is affecting the supply demand balance. Banks are also controlling the resale market by strategically releasing their homes already acquired through foreclosure & the homes they allow to be sold through short sale."

Standard Pacific and KB Home have the most exposure. Approximately 7% of sales for Standard Pacific come from L.A., and 6% for KB Home. L.A. represents 5% of sales for Beazer and 3% for Lennar.

Exhibit 14: Demand Improving at Both the Low End and High End



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👎
Incentives	👎

"Confidence is returning."

Miami, FL – Foreign Investors Remain Active, Driving Demand and Absorbing Low Inventory Levels

(4,295 single-family permits in 2011, 16th largest market in the country)

Affordability and lack of supply drive better demand and urgency in May. Traffic remained above agents' expectations in May, as our traffic index came in at 57 (from 61 in April), above a neutral reading of 50 (points to traffic exceeding expectations). Agents heavily attributed May's traffic levels to low inventory, investor activity, and a growing sentiment that prices have stabilized. This is similar to commentary from our April survey. One agent highlighted, "Foreign buyers with cash are continuing to show interest." Another agent mentioned, "The continued absorption of inventory is quickly putting upward pressure on prices, driving urgency and more buyers to start looking." Affordability remains at very favorable levels and agents noted that buyers wanted to take advantage. One agent commented, "Buyers are looking for homes with low prices and are eager to lock in interest rates." Another agent noted, "Buyers know how much a deal interest rates are right now. Buyer activity is strong."

Pricing moves higher. Prices improved further in May, as our home price index increased to 74 from 72 in April, coming in above a neutral reading of 50, suggesting sequentially higher prices. Inventories trended lower again in May, as our home listings index came in at 81 (from 85 in April), pointing to lower inventory levels over the past month. In addition, our time to sell index pointed to increased urgency in Miami, as it came in at 77 (from 71 in April), pointing to a reduced time to sell over the past 30 days. We view the lower inventories and time to sell as positive indicators for future pricing. However, we remain concerned over the level of shadow foreclosure inventory not currently held for sale.

Comments from real estate agents:

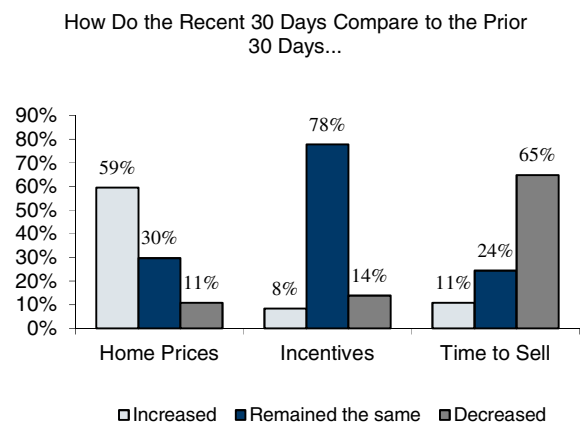
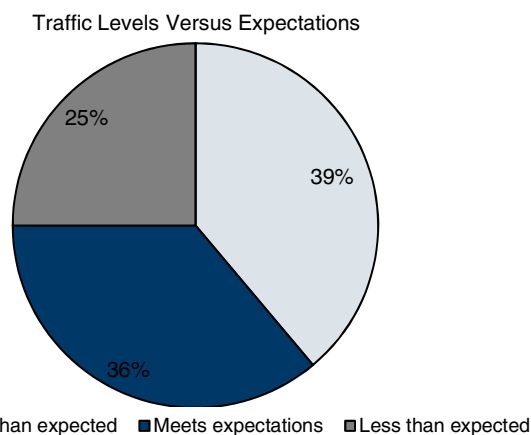
- "Many buyers have been waiting for the bottom and have now started to enter the market."
- "Rising prices and a shortage of inventory are turning skeptics and into believers. Buyers are beginning to think a recovery is under way."

Lennar has the most exposure. Lennar has the greatest exposure to Miami, representing 5% of its sales, followed by D.R. Horton at 2%.

Exhibit 15: Traffic and Pricing Trends Remain Strong

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔

"Miami is an investor driven market."



Source: Credit Suisse

Minneapolis, MN – Low Inventory Creates a Competitive Environment for Buyers

(3,750 single-family permits in 2011, 20th largest market in the country)

Traffic continues to exceed expectations. Agents pointed to better than expected traffic in May, as our traffic index came in at 65 (from 68 in April), remaining above a neutral reading of 50 (readings above 50 indicate traffic exceeded agents' expectations for this time of year). Low inventories, low interest rates and improved confidence all helped drive traffic in May. As inventories continued to fall, agents stressed that urgency in the market increased. One agent noted, "Buyers are becoming frantic to make purchases while the good inventory lasts. Homes are selling fast and often with multiple offers." Another agent mentioned, "There is a scarcity of desired properties and homes that are in good condition. This is spurring demand as buyers can't afford to be as patient as they were in the past." Several agents also highlighted low interest rates and the affordability it creates for buyers. One agent mentioned, "Buyers feel pressed to purchase while interest rates and prices make the cost of a home so attractive," especially as one agent highlighted that "rents are still going up."

Low inventories and buyer urgency drive prices higher. Our home price index improved further in May, as it increased to 65 from 58 in April, above a neutral reading of 50, suggesting higher prices over the past month. Meanwhile agents suggested that inventory continued to trend lower in May, as our home listings index came in at 85 (from 94 in April), well above a neutral reading of 50, pointing to sequentially lower inventory levels. This, in combination with increased demand has led to faster sales, as our time to sell index came in at 87 (from 76 in April), well above a neutral reading of 50, pointing to less time needed to a sell a home over the past month. We view the lower inventories and time to sell as positives for future pricing.

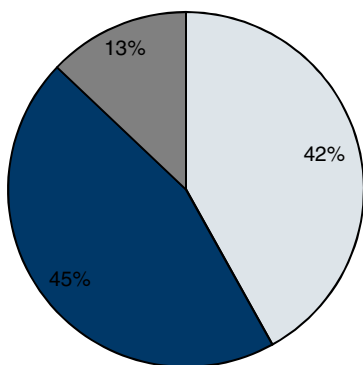
Comments from real estate agents:

- "There is a rush to try and get something while prices are still near the bottom."
- "I believe the 'fear factor' in buyers is not as prevalent anymore. They feel more secure in their jobs."

Ryland, Lennar and Pulte have the greatest exposure. Ryland has the greatest exposure to Minneapolis, which generates approximately 5% of its sales, followed by Lennar at 3% and Pulte at 2%.

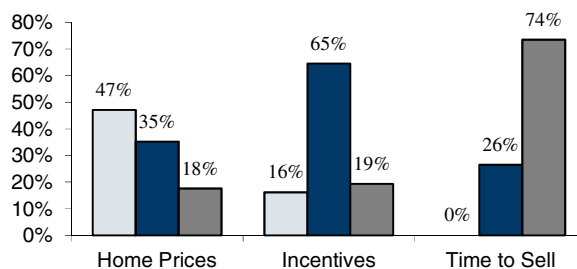
Exhibit 16: Agents Point to Higher Prices in May

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔

"Prices are firming and interest rates are low."

New York-Northern NJ – Uncertainty about the Economy, Prices Keep Buyers on the Fence

(5,993 single-family permits in 2011, 8th largest market in the country)

Traffic remains below expectations in May, but agents highlight pockets of demand.

Traffic missed expectations again in May, as our buyer traffic index came in at 41 (from 40 in April), with readings below 50 pointing to traffic short of agents' expectations for this time of year. Agents continued to voice buyers' concerns over the economy and the direction of prices. One agent mentioned, "We continue to hear instances of job losses. This only drives more market uncertainty." Another agent highlighted, "Buyers feel very little job security. I think this is at the root of the weaker traffic." While overall traffic remained below expectations, there were still agents who saw good activity in May. Those who saw better traffic attributed it to low interest rates and mixed sentiments on home prices. One agent noted, "Mortgages rates are so low now and when you compare buying to the cost of renting many buyers feel compelled to purchase." Another agent noted, "Some buyers think the worst of the economy is behind us." The positive commentary provide a more complex picture than the overall reading might imply, though economic and price concerns continue to weigh on the market.

Inventory trends point to further pricing pressure. Agents indicated that prices fell further in May, as our home price index fell to 30 from 34 in April, with readings below 50 pointing to sequentially lower prices. Meanwhile, inventories continued to trend higher, which we think will add to future pricing pressure. Our home listings index came in at 37 in May (from 31 in April), still below a neutral reading of 50, which points to higher inventories over the past month. In addition, agents suggested the time to sell inched higher in May, also a negative for future pricing. Our time to sell index came in at 43 (from 45 in April), just short of a neutral reading of 50, pointing to an increased time to sell.

Comments from real estate agents:

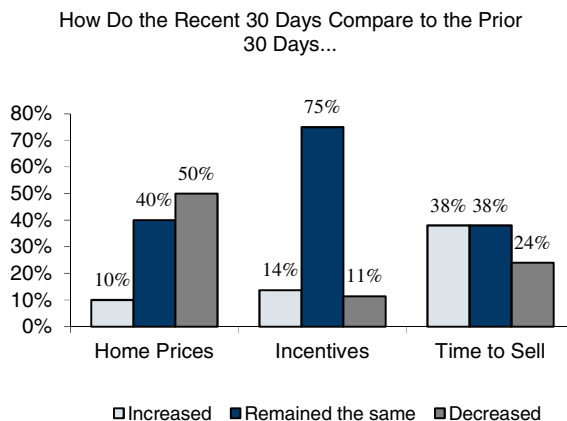
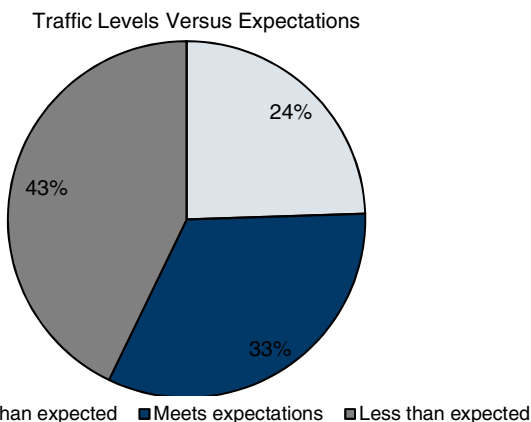
- "Homebuyers are doubtful about a market recovery."
- "Although interest rates are extremely low, buyers want economic security before moving forward."

Toll Brothers and Hovnanian have the greatest exposure. Toll Brothers has the greatest exposure to the New York-Northern NJ area market, which represents approximately 14% of its sales, followed by Hovnanian with 12%.

Exhibit 17: Rising Inventories and Weak Demand Drag Down on Pricing

May Market Trends	
Traffic	👎
Home Prices	👎
Incentives	↔

"April was a great month, but May has been a little slower."



Source: Credit Suisse

Orlando, FL – Prices Gain Momentum as Low Inventories Encourage Buyers to Bid Higher

(4,554 single-family permits in 2011, 12th largest market in the country)

Traffic levels meet expectations again in May. Buyer traffic was in-line with expectations in May, as our traffic index came in at 53 (unchanged from April), in-line with a neutral reading of 50. This points to traffic meeting expectations for this time of year. Agents noted that low inventories and favorable affordability kept buyers in the market in May. Low inventories helped to create urgency as agents highlighted that buyers did not want wait on the sidelines only to see preferred listings sold to other buyers, wanting to take advantage before it was too late. At the same time, affordability continues to drive demand, as one agent mentioned, “Interest rates and prices are still very attractive. Buyers understand this won’t last forever.” Meanwhile, confidence in home prices appears to be the deciding factor for some buyers, as expectations that prices have stopped falling have led buyers to ultimately pull the trigger. One agent mentioned, “I think traffic is great because people are more confident that prices aren’t going to fall further.”

Prices rise further as inventory continues to fall. Home prices continued to increase in May, as our home price index improved to 77 from 69 in April, above a neutral reading of 50, pointing to sequentially higher prices. Meanwhile, agents indicated that inventory levels continued to decline, as our home listings index came in at 84 (from 88 in April), well above a neutral reading of 50, indicating lower inventories over the past month. Our time to sell index came in at 81 (from 72 in April), also above a neutral reading of 50, indicating less time needed to sell a home. We view the lower inventories and time to sell as positives for pricing.

Comments from real estate agents:

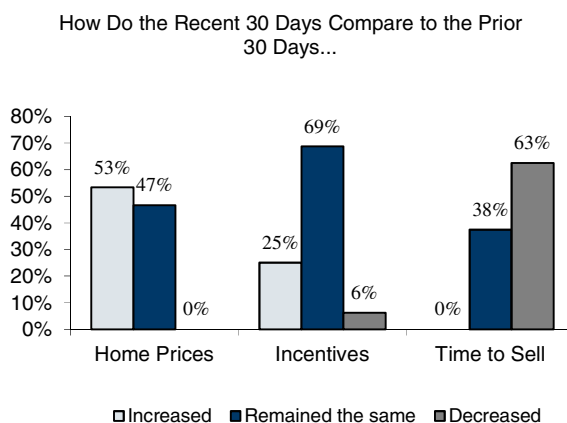
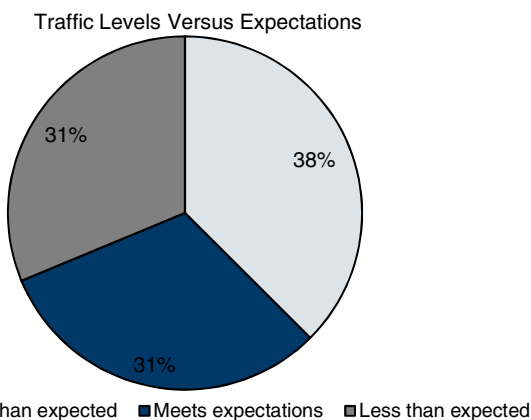
- “Buyers are beginning to realize that we may have already passed the bottom.”
- “Buyers are continuing to show strong interest with prices at these levels.”

Meritage and Ryland have the greatest exposure. Meritage generates approximately 9% of its sales in Orlando, followed by Ryland at 6%. The market represents approximately 4% of sales for Lennar and KB Home.

Exhibit 18: Inventories Fall Further, Helping Fuel Urgency

May Market Trends	
Traffic	↔
Home Prices	👍
Incentives	👎

“Cash investors are willing to pay up because of the lack of inventory.”



Source: Credit Suisse

Phoenix, AZ – Buyers Move Quickly as Low Inventory Drives Pricing Higher

(7,389 single-family permits in 2011, 4th largest market in the country)

Traffic remains strong in May. Traffic continued to exceed expectations in May, as our buyer traffic index came in at 74 (from 78 in April), remaining above a neutral reading of 50, pointing to traffic greater than agents' expectations. Agents stressed that low inventory remained the primary driver of demand in May, continuing the same trend seen over the past several months. The low selection of homes drives buyers into the market, as previously patient buyers feel the urgency to act soon or lose out on price and/or availability. One agent mentioned, "Word is out that prices are rising quickly." Another agent noted, "There is a very low inventory of homes in Phoenix. Many buyers are competing for the same homes." Better economic activity and increased confidence has added to this dynamic, as lower supply has been met with increased demand. One agent highlighted, "There has been a rise in confidence. Consumers believe the market has finally turned." Another noted, "Buyers sense that the local economy is rebounding and are more comfortable entering the market."

Prices climb higher in May. Agents indicated that prices moved higher again in May, as our home price index came in at 96 from 97 in April, remaining well above a neutral reading of 50 (points to sequentially higher prices). This marks eight consecutive months of stable or higher pricing for the region. Meanwhile, inventories continued to decline, as our home listings index came in at 88 (from 94 in April), remaining well above a neutral reading of 50, which suggests sequentially lower inventories. Agents noted that urgency remained strong, as our time to sell index came in at 83 (from 92 in April), also well above a neutral reading of 50, pointing to less time needed to sell over the past month. Despite the improvement, we remain concerned about shadow foreclosure inventory not currently held for sale.

Comments from real estate agents:

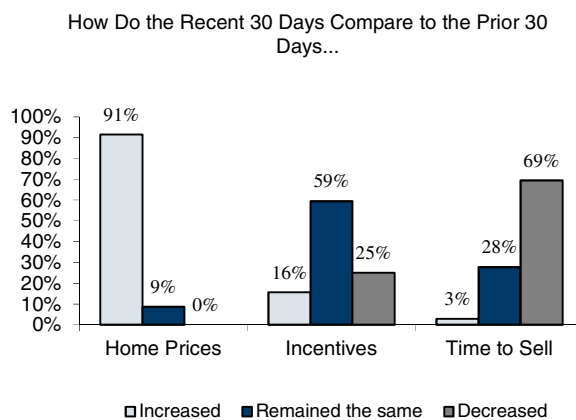
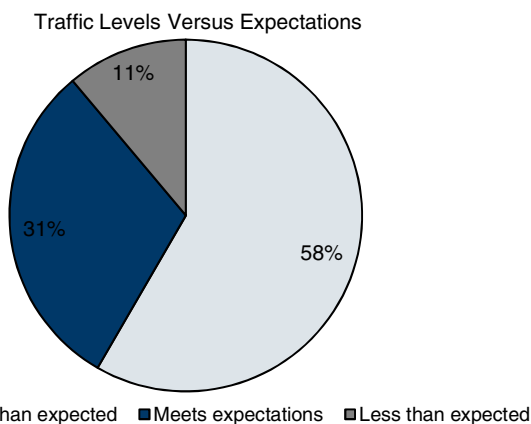
- "Lack of inventory has forced buyers to get off the fence or miss the bottom."
- "There is a lot of competition between investors and owner-occupants."

Meritage and MDC Holdings have the greatest exposure. MTH has the largest exposure to Phoenix, which represents approximately 12% of total company sales, followed by MDC (10%), BZH (7%), PHM (6%), TOL (5%), DHI (4%), and KBH (3%).

Exhibit 19: Lack of Supply and Increased Demand on Better Confidence Help Keep Phoenix Market Strong

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔

"Buyers are trying to get in before prices go higher."



Source: Credit Suisse

Riverside-San Bernardino, CA (Inland Empire) – Traffic Higher as Low Inventories Push Urgency

(3,453 single-family permits in 2011, 23rd largest market in the country)

Traffic exceeds expectations as buyers jump off the fence. Traffic increased and exceeded expectations in May, as our buyer traffic index increased to 73 from 54 in April, with readings above 50 pointing to better than expected traffic for this time of year. This marks the region’s highest traffic index reading since early 2009. Agents noted that positive trends that started to take hold in April gained additional momentum in May. These include buyers’ more positive outlook on the economy, better sentiment toward home prices, and increased urgency partially driven by a falling inventory. One agent mentioned, “Buyers are concerned about the low level of inventory. There aren’t enough homes to go around and we’re starting to see multiple offers on properties, forcing some people out of the market.” Low interest rates also helped fuel demand. Agents voiced buyers desire to take advantage of affordability. One agent highlighted, “People are looking to lock in low interest rates while prices are still low.”

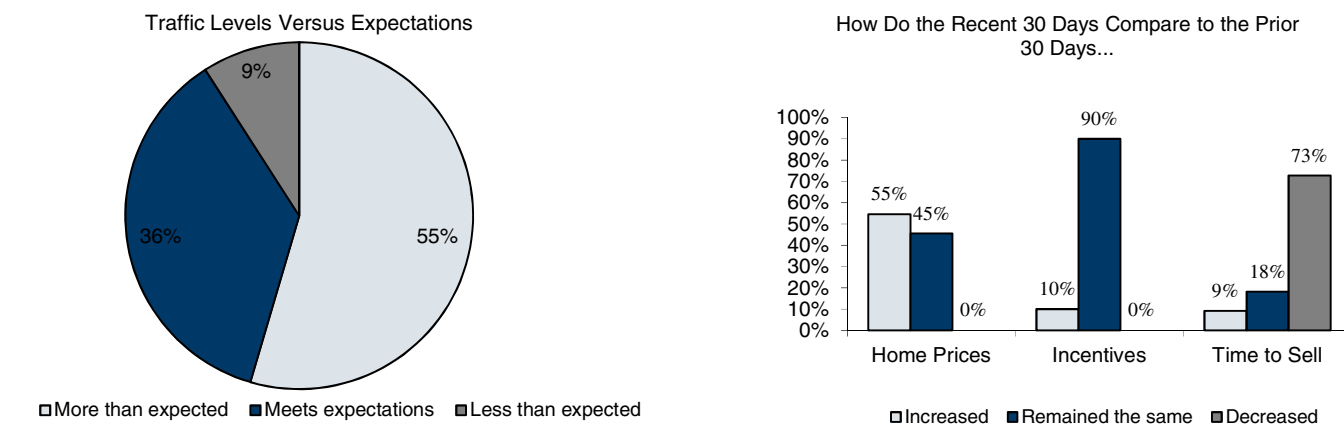
Price index increases sharply as inventories continue to fall. Agents pointed to a sharp improvement in pricing in May, as our home price index increased to 77 from 46 in April, above a neutral reading of 50, pointing to higher prices over the past month. Inventories continued to fall in May, as our home listings index came in at 91 (from 81 in April), coming in well above a neutral reading of 50, pointing to sequentially lower inventories, a positive for pricing. Agents indicated that buyers became more urgent in May, as our time to sell index came in at 82 (from 69 in April), further above a neutral reading, with readings greater than 50 pointing to less time to sell, another positive for pricing.

Comments from real estate agents:

- “The mood and market have changed. Buyers are willing to step up right now.”
- “We’re seeing multiple offers for homes priced under \$325K and condos priced under \$200K.”

Standard Pacific, KB Home, MDC and Meritage have the greatest exposure. Standard Pacific generates approximately 13% of its sales in the region, followed by KB Home (8%), MDC and Meritage (6%), Hovnanian (5%), and Pulte (4%).

Exhibit 20: Low Inventories Help Drive a Sharp Improvement in Pricing Trends in May



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔

“The number of days on the market is getting low and lower.”

San Antonio, TX – Affordability and Higher Rental Rates Push Buyers into For-Sale Market

(4,322 single-family permits in 2011, 15th largest market in the country)

Traffic above expectation as buyers look for value. Traffic remained strong in May, as our traffic index came in at 64 (from 65 in April), above a neutral reading of 50, which points to better than expected traffic for this time of year. Agents highlighted that buyers continued to find the market attractive due to low interest rates, low prices and a better outlook on the economy. One agent noted, “Interest rates are still a key reason why people are looking to buy.” Another agent mentioned, “Sellers are becoming more reasonable with their asking prices and buyers feel better signing contracts if the sellers are willing to negotiate.” In addition to interest rates and prices, agents also noted a shift of buyers from the rental market to the for-sale market, as the cost of renting continues to rise. One agent mentioned, “Buyers are coming out of the woodwork talking about how their rents are becoming too expensive. Buying a home is starting to make more sense to them.”

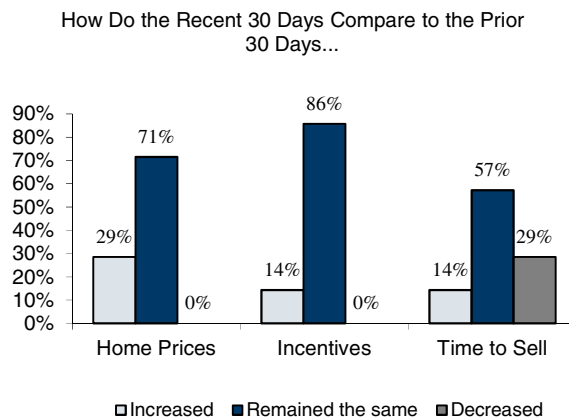
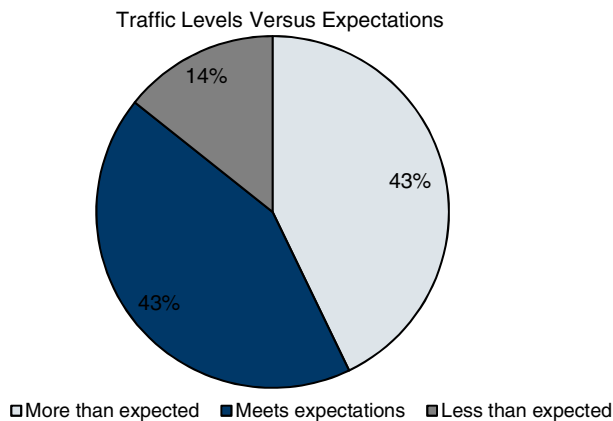
Pricing continues positive momentum. Agents pointed to higher prices in May, as our home price index came in at 64 from 55 in April, above a neutral reading of 50, indicating higher prices over the past month. Meanwhile, inventories edged higher as our home listings index came in at 43 (from 45 in April), just short of a neutral reading of 50, pointing to sequentially higher inventory levels. We view this as a slight negative for pricing; however, agents suggested the time to sell decreased in May, indicating urgency, which we view as a positive for pricing. Our time to sell index came in at 57 (from 55 in April), with readings above 50 pointing to less time to sell.

Comments from real estate agents:

- “I think there has been pent-up demand that is finally getting released.”
- “Buyers often mention affordability when they walk through the door.”

KB Home, Ryland and Meritage and have the greatest exposure. KB Home has the most exposure to the San Antonio market, as it represents approximately 9% of its sales. San Antonio represents 7% of sales for Ryland and Meritage each, 6% of sales for D.R. Horton and 5% of sales for Pulte.

Exhibit 21: Pricing Moves Higher as Demand Continues to Improve



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👎

“There is more optimism about the economy.”

Seattle, WA – Homebuyer Confidence Remains Strong in Housing and the Economy

(6,068 single-family permits in 2011, 7th largest market in the country)

Traffic above expectations on confidence and affordability. Traffic came in above agents' expectations again in May, as our traffic index increased to 80 from 61 in April, with readings above 50 pointing to traffic better than agents' expectations for this time year (fourth consecutive month). Agents cited a combination of low rates, low inventories and improved buyer confidence in our May survey. One agent highlighted, "Confidence is getting better and buyers are excited." Another agent mentioned, "Interest rates are very attractive and will eventually go higher, but buyers aren't sure when that will come so they want secure rates now." This is similar to commentary from our April survey, in which buyers wanted to take advantage of affordability, as they felt more comfortable about their job security. In May one agent also mentioned, "Buyers are scared they're going to miss out. With inventories and interest rates this low they don't want to lose something they have their sights on." Another noted, "Sentiment on housing has turned positive and buyers have responded well."

Pricing trends remain positive. Prices continued to increase in May, as our home price index increased to 70 from 58 in April, with readings above 50 pointing to sequentially higher prices. Pricing trends remain strong on the back of lower inventories, as our home listings index came in at 88 (from 92 in April), pointing to lower inventories over the past month (readings above 50). In addition, our time to sell index came in at 90 (from 92 in April), above a neutral reading of 50, pointing to a reduced time to sell over the past month. We view the lower inventories and time to sell as positives for future pricing.

Comments from real estate agents:

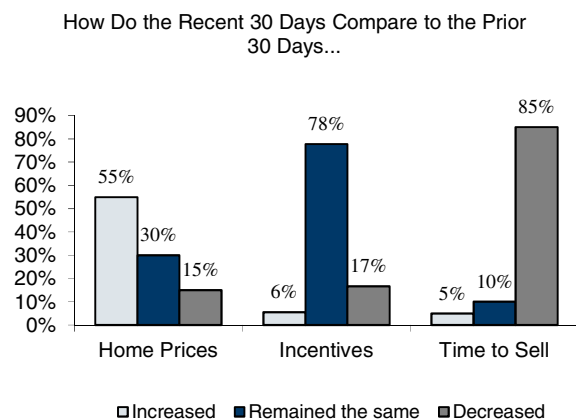
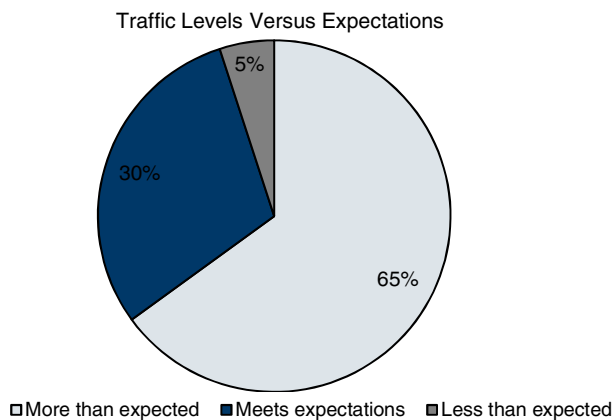
- "Buyer confidence is very strong at a time when inventories are extremely low."
- "Buyers feel that prices have bottomed out. They feel better about the direction of home prices."

MDC, D.R. Horton and Pulte have the most exposure to Seattle. MDC generates approximately 9% of its sales in Seattle, followed by D.R. Horton at 2% and Pulte Group at 1%.

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👍

"Low inventory has done wonders for urgency."

Exhibit 22: Inventories Remain Low, Helping Reduce the Time to Sell and Increase Home Prices



Source: Credit Suisse

Tampa, FL – Buyers’ Urgency on Low Inventories Fuels Traffic and Prices in May

(4,514 single-family permits in 2011, 14th largest market in the country)

Traffic improves in May as buyers feel more urgency. Agents indicated that traffic remained above expectations in May, as our buyer traffic index came in at 68 from 58 in April, above a neutral reading of 50 (readings above 50 point to traffic greater than agents’ expectations). Choppy traffic seems to be the norm in Tampa, as our traffic index has remained relatively volatile over the past few months, though the overall trend continues to be positive (traffic has exceeded expectations in each of the past four months). Agents highlighted that low interest rates and less available inventory continued to spark urgency in May, with potential buyers feeling pressure to enter the market before supply falls further. One agent mentioned, “There are now more buyers than properties for sale. Folks see this situation and don’t want to miss out.” Another agent noted, “Buyers are seeing less inventory and their motivation has increased.” Expensive and increasing rental rates also pushed buyers into the for-sale market, as one agent commented, “Long term renters are now getting off the fence and looking for deals.”

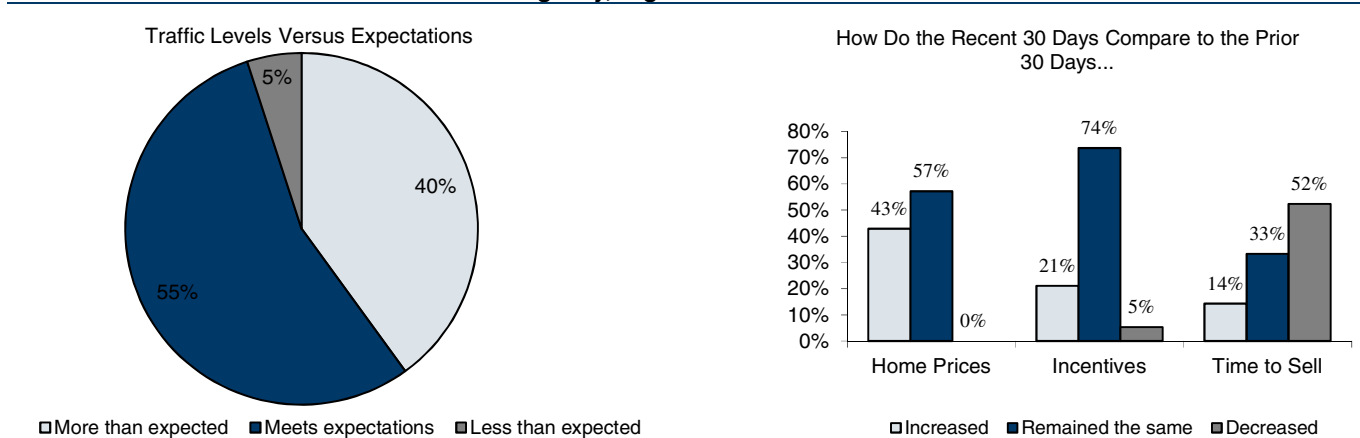
Prices improve on lower inventories, increased urgency. Agents suggested that prices were higher in May, as our home price index increased to 71 from 47 in April, with readings above 50 pointing to sequentially higher prices (the first such reading for Tampa since 2005). Meanwhile, inventories continued to provide support, as our home listings index came in at 74 (from 82 in April), above a neutral reading of 50 (points to lower inventories). Our time to sell index also pointed to a reduced time to sell, as it came in at 69 (from 66 in April), above a neutral reading of 50 (less time to sell).

Comments from real estate agents:

- “Home prices seem to have stabilized and buyers are beginning to act.”
- “Supply is very tight and inventory is quickly getting absorbed.”

Standard Pacific and Ryland have the most exposure. Tampa contributes to approximately 10% of Standard Pacific’s net sales, followed by 8% for Ryland, 6% Lennar and 4% for Beazer.

Exhibit 23: Low Inventories Drive Increased Urgency, Higher Prices



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👎

“Rates are low and the economy continues to improve.”

Washington, D.C. – Fence-Sitters Become Active in the Market as Homes Receive Multiple Offers

(9,277 single-family permits in 2011, 3rd largest market in the country)

Traffic remains strong with the help of low inventories and greater urgency. Agents indicated that traffic was better than expected in May, as our buyer traffic index came in at 68 (from 68 in April), with readings above 50 pointing to traffic above agents' expectations for this time of year. Several factors contributed to the strong traffic agents observed in May, including favorable affordability, improved confidence and increased urgency driven in part by lower inventory levels. One agent highlighted, "The trends in May are similar to what we saw in April. Buyers are getting off the fence due to high rental rates, better home pricing, low interest rates, low inventory, and increased confidence." Another agent noted, "The market in northern Virginia is very strong. Fence-sitters are no longer sitting. We're also beginning to see contracts with escalation clauses." More agents are also seeing multiple offers on homes, as one commented, "I'm seeing multiple-offers on good single-family homes in Arlington under \$700,000." Another agent mentioned, "There is more urgency to buy. I've also been seeing a lot more first-time homebuyers."

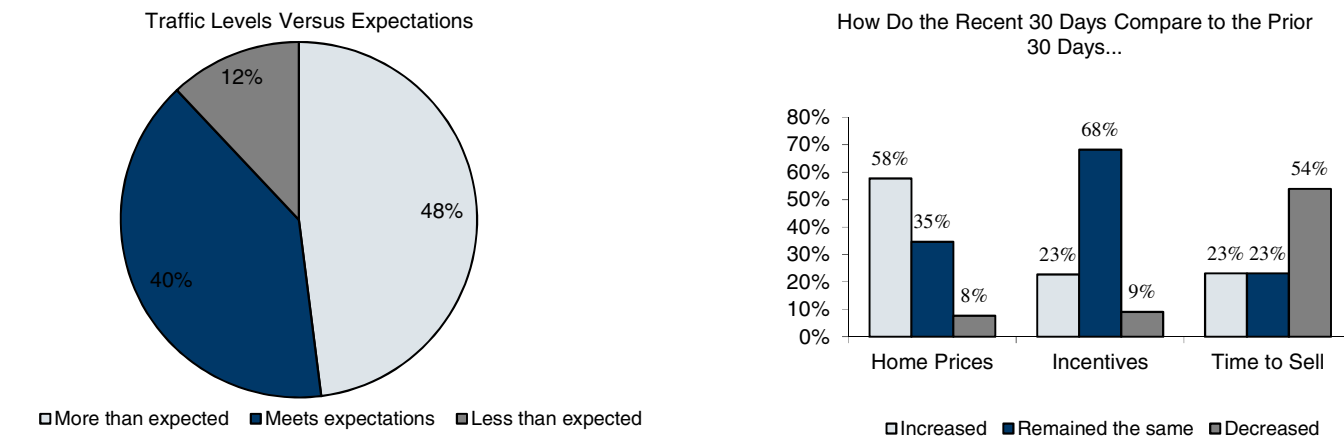
Pricing trends remain positive through May. Agents indicated that prices continued to improve in May, as our home price index came in at 75 (from 73 in April), pointing to higher prices over the past month (readings above 50). May inventory levels likely aided this improvement, as our home listings index came in at 60 (from 50 in April), coming in above a neutral reading of 50, pointing lower inventories over the past month, which we view as a positive for pricing. Meanwhile, our time to sell index came in at 65 (from 70 in April), remaining above a neutral reading of 50, pointing to a reduced time to sell. We also view this as a positive for future pricing.

Comments from real estate agents:

- "Low interest rates and high rental rates have continued to spark demand."
- "Lack of inventory is leading to multiple offers and quick decisions."

NVR and Toll Brothers have the greatest exposure. NVR and Toll Brothers have the most exposure to Washington, D.C., as it represents approximately 19% and 17% of each company's sales, respectively. D.C. accounts for 13% of Hovnanian's and Beazer's sales.

Exhibit 24: Pricing Continues to Improve as Inventories and Time to Sell Fall



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👎

"More young buyers are making the leap."

Additional Key Housing Markets

Baltimore, MD

(3,269 single-family permits in 2011, 26th largest market in the country)

Traffic below expectations. Traffic fell short of expectations in May, as our traffic index came in at 35 (from 45 in April), below a neutral reading (readings lower than 50 indicate traffic did not meet agents' expectations). 43% of agents said traffic was below expectations, 43% said it met expectations, and 13% said it was above expectations.

Prices decrease, incentives increase. Home prices were lower in May, as our home price index came in at 43 (from 45 in April), just short of a neutral reading of 50 (lower prices). 86% of agents said prices were unchanged and 14% said prices were lower. Meanwhile, incentives moved higher in May, as our incentive index came in at 36 (from 40 in April), short of 50 (readings below 50 suggest higher incentives). 71% of agents said incentives were unchanged and 29% said they were higher.

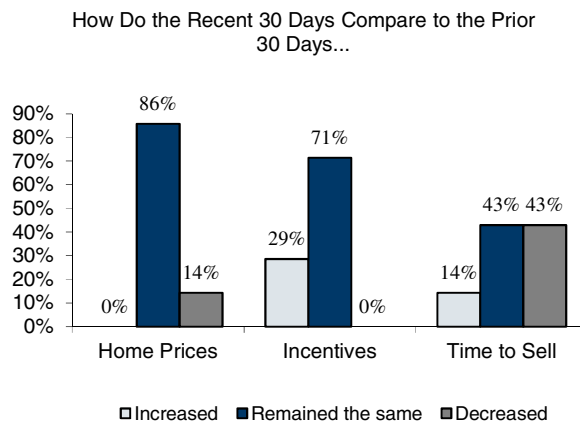
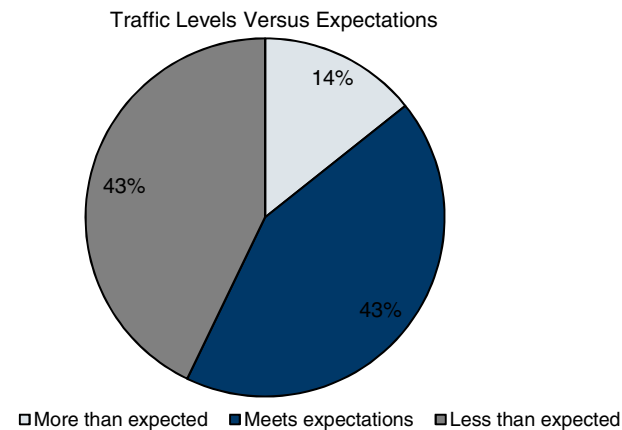
Less time needed to sell a home in May. Our time to sell index came in at 64 in May (from 55 in April), coming in above a neutral reading of 50, suggesting a reduced time to sell (readings greater than 50 point to a reduced time to sell). 43% of agents said the time to sell decreased, 43% said the time to sell was unchanged, and 13% said the time to sell increased. We view the reduced time needed to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Buyers need more job security."
- "Seems like buyers are taking a bit of breather right now. Uncertainty is creeping back into the market."

NVR and Ryland have the greatest exposure. NVR has the most exposure to Baltimore, as it represents approximately 11% of the company's sales. Baltimore represented 5% of Ryland's sales, and 4% of Beazer's sales.

Exhibit 25: Traffic Below Expectations, Lower Prices, Higher Incentives, Reduced Time to Sell in May



Source: Credit Suisse

Boston, MA

(3,280 single-family permits in 2011, 25th largest market in the country)

Traffic above expectations. Traffic was above agents' expectations again in May, as our traffic index came in at 60 (from 81 in April), exceeding a neutral reading of 50 (readings greater than 50 indicate traffic exceeded agents' expectations). 46% of agents said traffic was above expectations, 27% said it was met expectations, and 27% said it was below expectations.

Higher prices, reduced incentives. Home prices were higher in May, as our price index came in at 63 (from 58 in April), above a neutral reading (readings greater than 50 indicate sequentially higher pricing). 47% of agents said prices were unchanged, 40% said they were higher, and 13% said they were lower. Sellers reduced incentives in May, as our incentive index came in at 68 (from 55 April), above a neutral reading of 50 (readings above 50 suggest reduced incentives). 64% of agents said incentives were unchanged and 36% said they were lower.

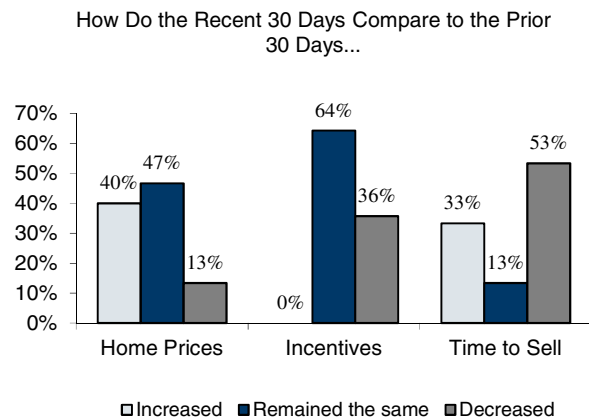
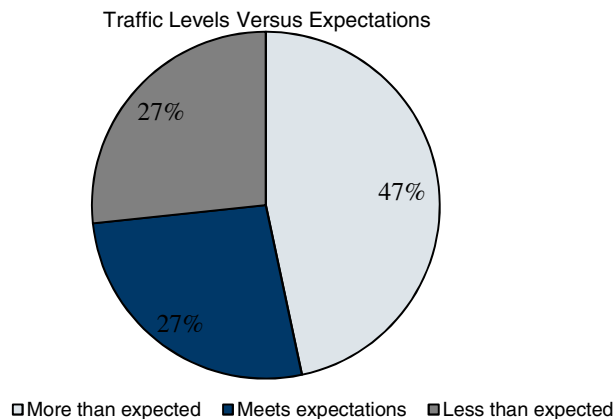
Less time needed to sell a home in May. Our time to sell index came in at 60 in May (from 75 in April), above a neutral reading of 50, pointing to a reduced time to sell over the past 30 days (readings greater than 50 indicate a reduced time to sell). 54% of agents said the time to sell decreased, 33% said the time to sell increased, and 13% said the time to sell was unchanged. We view the decreased time to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Affordability has kept a solid foundation of buyers interested."
- "Inventory levels are still low enough to keep urgency in the market."

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

Exhibit 26: Traffic Above Expectations, Higher Prices, Reduced Incentives, Less Time to Sell in May



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👍

Charleston, SC

(2,640 single-family permits in 2011, 34th largest market in the country)

Traffic meets expectations. Buyer traffic met agents' expectations in May, as our traffic index came in at 50 (from 67 in April), pointing to traffic in-line with agents' expectations (readings of 50). 34% of agents said traffic met expectations, 33% said it was above expectations, and 33% said it fell below expectations.

Lower prices, unchanged incentives. Home prices were lower in May, as our home price index came in at 25 (from 63 in April), pointing to sequentially lower prices (readings below 50 indicate lower prices). 50% of agents said prices were lower and 50% said they were unchanged. Meanwhile, incentives were flat in May, as our incentive index came in at 50 (unchanged from April), in-line with a neutral reading (a reading of 50 indicates flat incentives over the last 30 days). 100% of agents said incentives were unchanged.

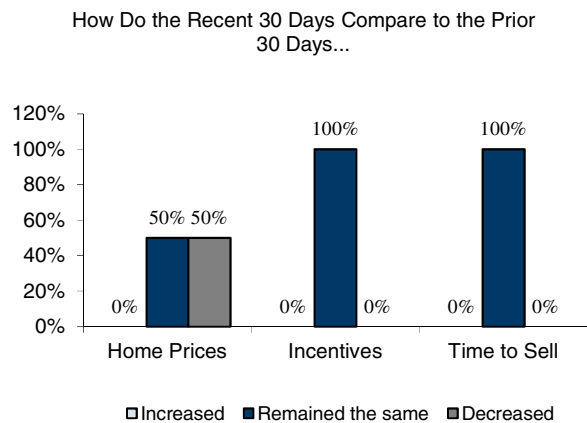
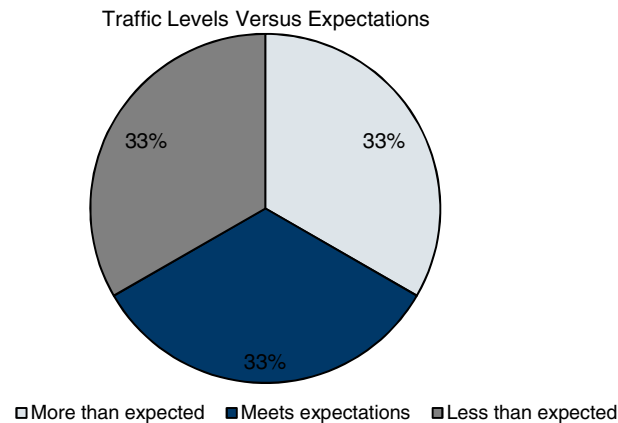
Unchanged time needed to sell a home in May. Our time to sell index came in at 50 in May (from 75 April), in-line with a neutral reading of 50, indicating an unchanged time to sell over the past month (readings of 50). 100% of agents said the time to sell was unchanged. We view the unchanged time to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Buyers have not been showing as much enthusiasm as they have in recent months."
- "Lower rates have kept some buyers in the market, but May was still weaker."

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

Exhibit 27: Traffic Meets Expectations, Lower Prices, Flat Incentives, Unchanged Time to Sell in May



Source: Credit Suisse

May Market Trends	
Traffic	↔
Home Prices	↓
Incentives	↔

Cincinnati, OH

(2,490 single-family permits in 2011, 35th largest market in the country)

Traffic above expectations. Our buyer traffic index came in at 64 in May from 81 in April, still above a neutral reading of 50, pointing to traffic exceeding expectations (a reading greater than 50 suggests traffic was above expectations). 57% of agents said traffic exceeded expectations, 29% said it was below expectations, and 14% said it met expectations.

Prices higher, incentives unchanged. Home prices were higher in May, as our price index came in at 58 (from 50 in April), coming in above a neutral reading of 50, indicating sequentially higher home prices (readings above 50). 83% of agents said prices were unchanged and 17% said they were higher. Meanwhile, sellers held incentives steady in May, as our incentive index came in at 50 (unchanged from April) in-line with a neutral reading of 50 (readings of 50 suggest flat incentives). 72% of agents said incentives were unchanged, 14% said they were higher, and 14% said they were lower.

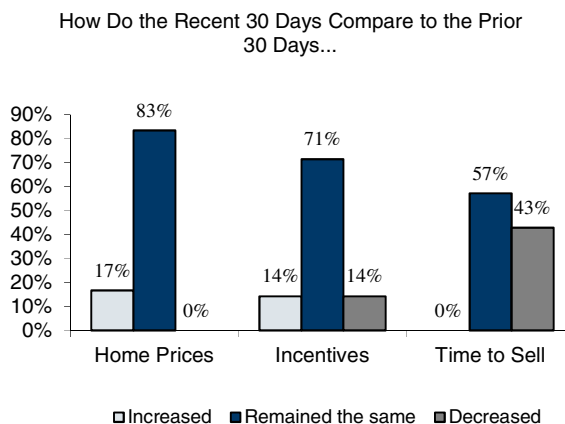
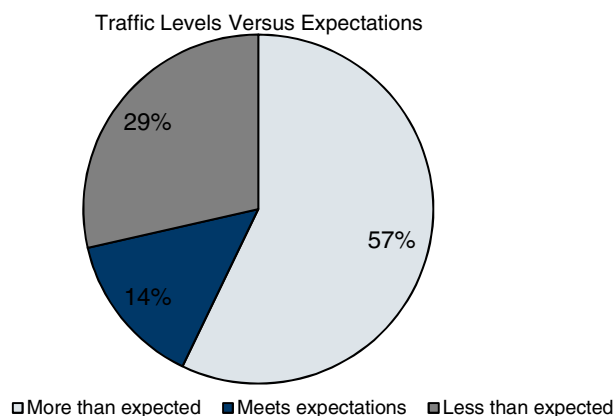
Less time needed to sell a home in May. Our time to sell index came in at 71 in May (from 94 in April), pointing to a reduced time to sell over the past 30 days (readings above 50 indicate a reduced time to sell). 57% of agents said the time to sell was unchanged and 43% said the time to sell decreased. We view the decreased time to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Inventory is down, as are days on the market. Nice homes are getting multiple offers."
- "Well priced homes are selling well. Buyers are more comfortable with making commitments for the right price."

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

Exhibit 28: Traffic Above Expectations, Prices Higher, Incentives Flat, Reduced Time to Sell in May



Source: Credit Suisse

Columbus, OH

(2,432 single-family permits in 2011, 36th largest market in the country)

Traffic exceeds expectations. Buyer traffic was above agents' expectations in May, as our traffic index came in at 61 (from 60 in April), with readings greater than 50 pointing to traffic above agents' expectations. 56% of agents said traffic met expectations, 33% said it was above expectations, and 11% said it was below expectations.

Prices higher, incentives increase. Prices were higher in May, as our price index came in at 63 (from 50 in April) with readings above 50 indicating sequentially higher home prices. 75% of agents said prices were unchanged and 25% said they were higher. Meanwhile, sellers increased incentives in May, as our incentive index came in at 25 (from 40 in April), short of a neutral reading of 50 (readings lower than 50 indicate increased incentives). 50% of agents said incentives were higher and 50% said they were unchanged.

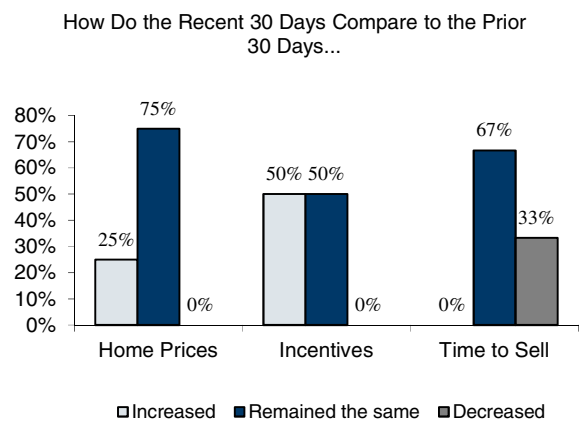
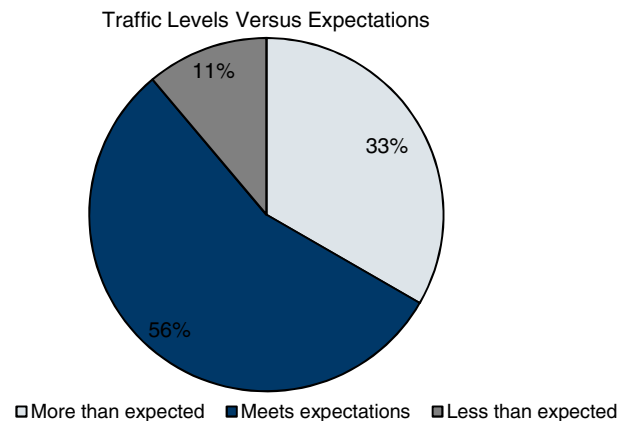
Decreased time needed to sell a home in May. Our time to sell index came in at 67 in May (from 60 in April), pointing to a decreased time to sell over the past 30 days (readings above 50 suggest a reduced time to sell). 67% of agents said the time to sell was unchanged and 33% said the time to sell decreased. We believe the decreased time to sell is a positive indicator for future pricing trends.

Comments from real estate agents:

- "Sellers are more realistic about pricing."
- "There is a sense that interest rates won't be this low next year. Buyers also feel a bit more secure with their jobs."

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

Exhibit 29: Traffic Above Expectations, Higher Prices and Incentives, Reduced Time to Sell in May



Source: Credit Suisse

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👎

Detroit, MI

(2,854 single-family permits in 2011, 52nd largest market in the country)

Traffic exceeds expectations. Buyer traffic was above agents' expectations in May, as our traffic index came in at 69 (from 56 in April), suggesting traffic exceeded expectations (readings greater than 50 point to traffic above expectations). 54% of agents said traffic was above expectations, 31% said it met expectations, and 15% said it was below expectations.

Prices higher, incentives flat. Home prices increased in May, as our price index came in at 81 (from 66 in April), above a neutral reading of 50 (readings greater than 50 suggest sequentially higher prices). 62% of agents said prices were higher and 38% said they were unchanged. Meanwhile, incentives were unchanged, as our incentive index came in at 54 (from 68 in April), in-line with a neutral reading of 50 (readings of 50 suggest flat incentives). 92% of agents said incentives were unchanged and 8% said they were lower.

Less time needed to sell a home in May. Our time to sell index came in at 89 in May (from 69 in April), above of a neutral reading of 50, indicating a reduced time to sell over the past 30 days (readings above 50). 77% of agents said the time to sell decreased and 23% said the time to sell was unchanged. We view the reduced time to sell as a positive indicator for future pricing trends.

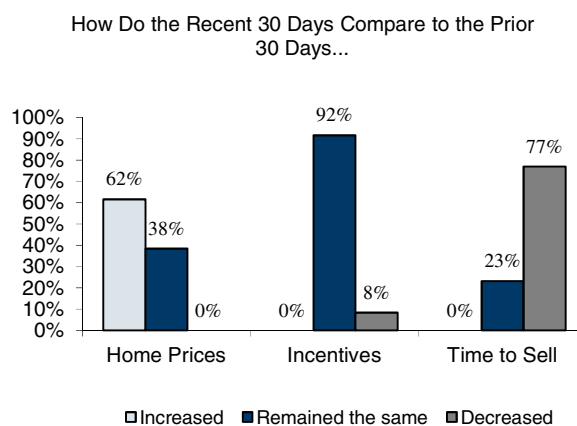
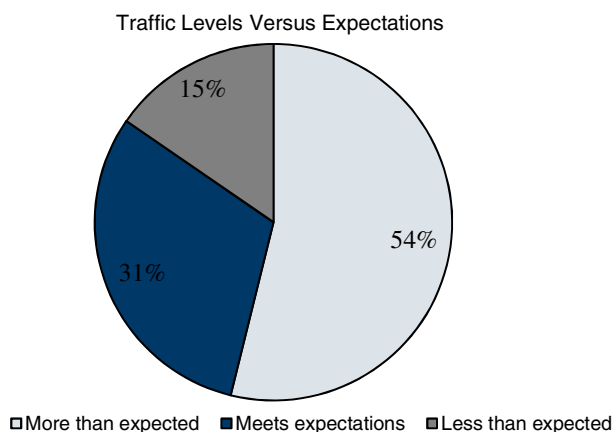
Comments from real estate agents:

- "We are continuing to see multiple offers for homes that are in good condition."
- "There is some pent-up demand from buyers who believe we have hit the bottom."

Toll Brothers has the greatest exposure. The Detroit market represents approximately 2% of sales for Toll Brothers.

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔

Exhibit 30: Traffic Above Expectations, Higher Prices, Flat Incentives, Reduced Time to Sell in May



Source: Credit Suisse

Ft. Myers, FL

(1,256 single-family permits in 2011, 71st largest market in the country)

Traffic in-line with expectations. Buyer traffic met agents' expectations in May, as our traffic index came in at 46 (from 38 in April), in-line with a neutral reading of 50 (readings of 50 point to traffic meeting agents' expectations). 46% of agents said traffic met expectations, 31% said it was below expectations, and 23% said it was above expectations.

Prices higher, incentives increase. Agents indicated home prices were higher in May, as our home price index came in at 83 (from 87 in April), well above a neutral reading of 50, indicating sequentially higher home prices (readings greater than 50). 67% of agents said prices were higher and 33% said they were unchanged. Meanwhile, incentives increased in May, as our incentive index came in at 42 (from 50 in April), short of a neutral reading (readings short of 50 indicate higher incentives). 50% of agents said incentives were unchanged, 33% said they were higher, and 17% said they were lower.

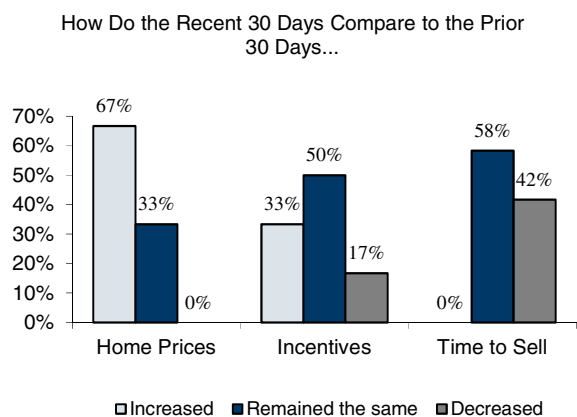
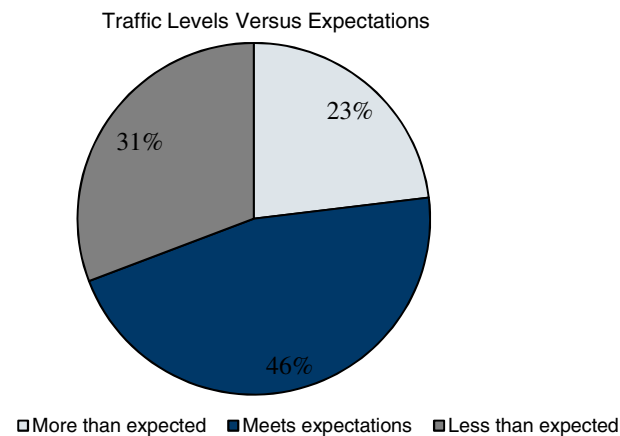
Less time needed to sell a home in May. Our time to sell index came in at 71 in May (from 81 in April), exceeding a neutral reading of 50, suggesting a reduced time to sell over the past 30 days (readings above 50 point to less time to sell). 58% of agents said the time to sell decreased over the past 30 days and 42% said the time to sell was unchanged. We view the decreased time to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Lower-end homes are moving quickly and there is very little inventory in that price range."
- "Rental rates are increasing and buyers feel ok with the idea that home prices may have stopped falling."

Pulte, Toll and Lennar have the most exposure. Pulte, Toll and Lennar have the greatest exposure to Ft. Myers, which accounted for approximately 2% of each company's sales, followed by D.R. Horton at 1%.

Exhibit 31: Traffic Meets Expectations, Higher Prices, Higher Incentives, Less Time to Sell in May



Source: Credit Suisse

Nashville, TN

(4,138 single-family permits in 2011, 18th largest market in the country)

Traffic exceeds expectations. Buyer traffic came in above agents' expectations in May, as our traffic index came in at 63 (from 75 in April), above a neutral reading of 50 (readings greater than 50 point to traffic above agents' expectations). 75% of agents said traffic was in-line with expectations and 25% said it was above expectations.

Prices higher, incentives flat. Home prices were higher in May, as our home price index came in at 56 (from 58 April), coming in above a neutral reading of 50, indicating sequentially higher home prices (readings greater than 50). 62% of agents said prices were unchanged, 25% said they were higher, and 13% said they were lower. Meanwhile, incentives were flat in May, as our incentive index came in at 50 (from 46 in April) in-line with a neutral reading of 50 (readings of 50 indicate unchanged incentives). 100% of agents said incentives were unchanged.

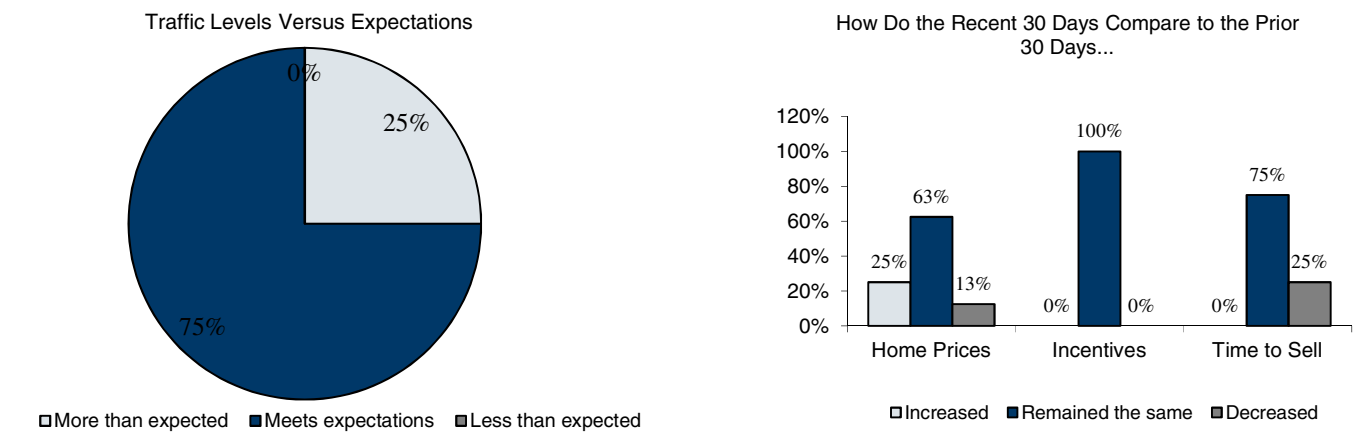
Less time needed to sell a home in May. Our time to sell index came in at 63 in May (from 75 in April), above a neutral reading of 50, suggesting a reduced time to sell over the past 30 days (readings greater than 50). 75% of agents said the time to sell was unchanged over the past 30 days and 25% said the time to sell decreased. We view the decreased time to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Consumers are feeling better about our local economy. Homes that are move-in ready or priced aggressively are selling well."
- "Buyers are more confident and don't want to miss out on these very low interest rates."

Beazer, Pulte and NVR have the greatest exposure. Beazer generates approximately 5% of its sales in Nashville. Pulte and NVR each have approximately 2% their sales from Nashville.

Exhibit 32: Traffic Above Expectations, Higher Prices, Flat Incentives, Reduced Time to Sell in May



Source: Credit Suisse

Philadelphia, PA-Southern NJ

(4,586 single-family permits in 2011, 11th largest market in the country)

Traffic in-line with expectations. Buyer traffic met agents' expectations in May, as our traffic index came in at 45 (from 41 in April), in-line with a neutral reading of 50 (readings of 50 indicate traffic met expectations). 38% of agents said traffic was below expectations, 34% said it met expectations, and 28% said it exceeded expectations.

Prices decline, incentives flat. Home prices fell again in May, as our price index came in at 32 (from 36 in April), remaining short of a reading of 50 (readings short of 50 indicate sequentially lower home prices). 50% of agents said prices were unchanged over the past 30 days, 43% said they were lower, and 7% said they were higher. Meanwhile, incentives were flat in May, as our incentive index came in at 52 (from 42 in April), in-line with a neutral reading of 50 (readings of 50 point to flat incentives). 77% of agents said incentives were unchanged, 14% said they were lower, and 9% said they were higher.

Unchanged time needed to sell a home in May. Our time to sell index came in at 52 in May (from 46 in April), in-line with a neutral reading of 50, pointing to an unchanged time to sell over the past 30 days (readings of 50). 39% of agents said the time to sell was unchanged, 32% said the time to sell decreased, and 29% said the time to sell increased. We view the unchanged time needed to sell as a positive indicator for future pricing trends.

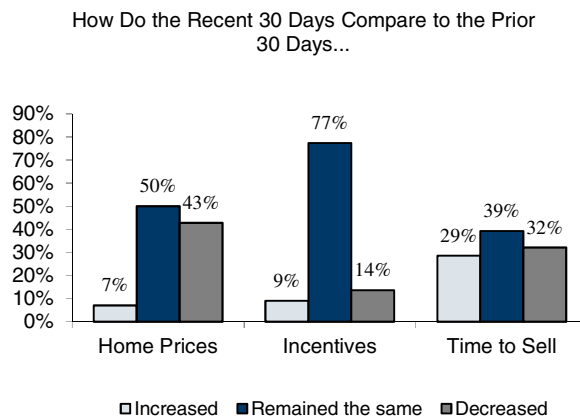
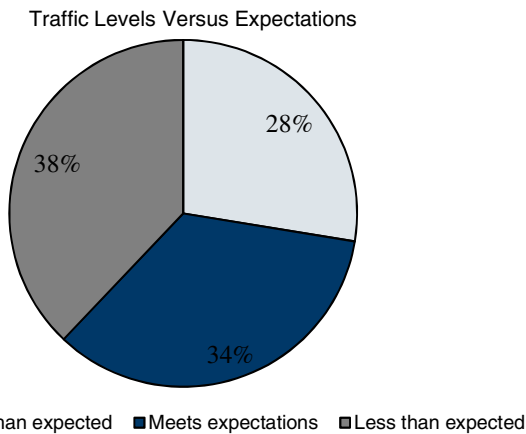
Comments from real estate agents:

- "There is more confidence in the market. Buyers feel that job security has improved."
- "First-time buyers are showing a lot more interest."

Toll Brothers and NVR have the greatest exposure. Toll Brothers generates approximately 11% of its sales in the Philadelphia-Southern NJ market, followed by NVR at 7%, Hovnanian at 6%, and Beazer at 4%.

Exhibit 33: Traffic Meets Expectations, Lower Prices, Flat Incentives, Unchanged Time to Sell in May

May Market Trends	
Traffic	↔
Home Prices	⬇️
Incentives	↔



Source: Credit Suisse

Portland, OR

(3,133 single-family permits in 2011, 29th largest market in the country)

Traffic above agents' expectations. Buyer traffic exceeded agents' expectations in May, as our traffic index came in at 60 (from 56 in April), above a neutral reading of 50 (readings greater than 50 suggest traffic exceeded agents' expectations). 40% of agents said traffic was above expectations, 40% said it was in-line with expectations, and 20% said it was below expectations.

Higher prices, flat incentives. Home prices were higher in May, as our price index came in at 68 (from 53 in April), coming in above a neutral reading of 50 (readings greater than 50 point to sequentially higher prices). 50% of agents said prices were unchanged, 43% said prices were higher, and 7% said they were lower. Sellers held incentives steady in May, as our incentive index came in at 50 (from 53 in April), in-line with a neutral reading of 50 (readings of 50 suggest flat incentives). 86% of agents said incentives were unchanged, 7% said they were lower, and 7% said they were higher.

Less time needed to sell a home in May. Our time to sell index came in at 83 in May (from 86 in April), coming in above a neutral reading, suggesting a reduced time to sell over the past 30 days (readings greater than 50 point to a reduced time to sell). 73% of agents said the time to sell decreased, 20% said the time to sell was unchanged, and 7% said the time to sell increased. We view the decreased time to sell as a positive indicator for future pricing trends.

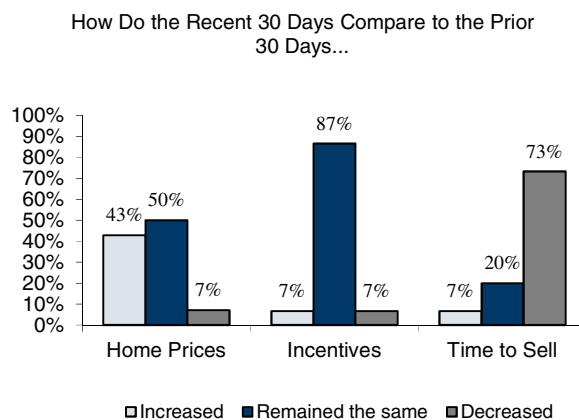
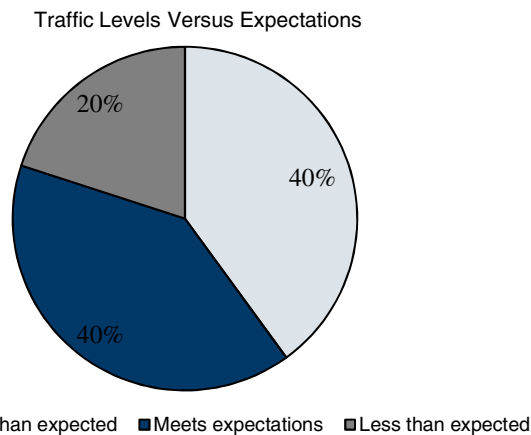
Comments from real estate agents:

- "Interest rates are exceptionally low and buyers think the housing market has reached its bottom."
- "Buyers finally realize that the market is turning and they want lock in the best prices and terms now."

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

Exhibit 34: Traffic Above Expectations, Prices Higher, Incentives Unchanged, Reduced Time to Sell in May

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	↔



Source: Credit Suisse

Raleigh, NC

(4,738 single-family permits in 2011, 10th largest market in the country)

Traffic just short of expectations. Buyer traffic fell short of agents' expectations in May, as our traffic index came in at 43 (from 50 in April), just shy of a neutral reading of 50 (readings lower than 50 indicate traffic did not meet agents' expectations). 42% of agents said traffic was below expectations, 29% said it met expectations, and 29% said it exceeded expectations.

Unchanged price and incentives. Home prices were flat in May, as our price index came in at 50 (from 67 in April), in-line with a neutral reading of 50, suggesting sequentially unchanged prices. 42% of agents said prices were unchanged, 29% said they were lower, and 29% said they were higher. Meanwhile, incentives were flat in May, as our incentive index came in at 50 (from 100 in April), with readings of 50 pointing to flat incentives. 72% of agents said incentives were unchanged, 14% said they were higher, and 14% said they were lower.

Less time needed to sell a home in May. Our time to sell index came in at 71 in May (from 100 in April), above a neutral reading of 50, suggesting a reduced time to sell over the past 30 days (readings greater than 50 suggest a reduced time to sell). 57% of agents said the time to sell was unchanged and 43% said the time to sell decreased. We view the reduced time needed to sell as a positive indicator for future pricing trends.

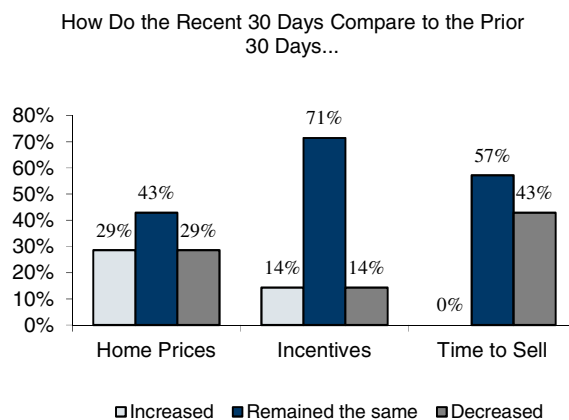
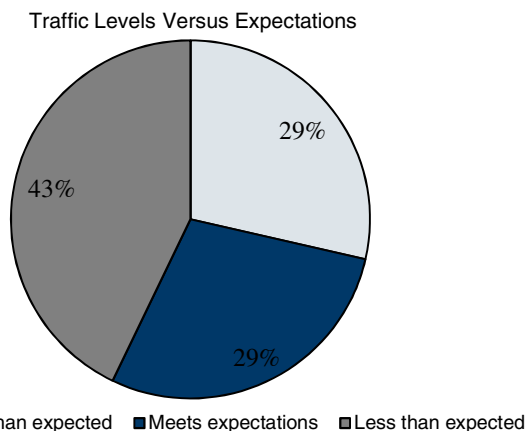
Comments from real estate agents:

- "Interest rates are leading to increased demand, but some buyers are finding the lending criteria to be tough."
- "Pricing is still uncertain. There are buyers on both sides of the fence, with some thinking they'll fall and others thinking that this is the bottom."

Standard Pacific has the greatest exposure. Standard Pacific has the most exposure to the Raleigh market, as it represents approximately 8% of the company's sales. Raleigh represents 4% of sales for Toll Brothers and 3% of sales for both Lennar and Hovnanian.

Exhibit 35: Traffic Below Expectations, Prices and Incentives Flat, Less Time to Sell in May

May Market Trends	
Traffic	↓
Home Prices	↔
Incentives	↔



Source: Credit Suisse

Richmond, VA

(2,382 single-family permits in 2011, 38th largest market in the country)

Traffic meets expectations. Our buyer traffic index came in at 50 in May (from 100 in April), coming in-line with a neutral reading, suggesting traffic met agents' expectations (readings of 50). 34% of agents said traffic met expectations, 33% said it was below expectations, and 33% said it exceeded expectations.

Prices lower, incentives higher. Home prices were lower in May, as our price index came in at 33 (from 50 in April), short of a neutral reading, indicating sequentially lower prices (readings below 50 indicate lower prices over the last 30 days). 67% of agents said prices were unchanged and 33% said they were lower. Meanwhile, sellers increased incentives in May, as our incentive index came in at 33 (unchanged from April), short of a neutral reading of 50, suggesting increased incentives over the past 30 days. 67% of agents said incentives were unchanged and 33% said they were higher.

Less time needed to sell a home in May. Our time to sell index came in at 67 in May (from 100 in April), above a neutral reading, suggesting a reduced time to sell over the past 30 days (readings above 50 point to a reduced time to sell). 67% of agents said the time to sell was unchanged and 33% said the time to sell was lower. We view the decreased time needed to sell as a positive indicator for future pricing trends.

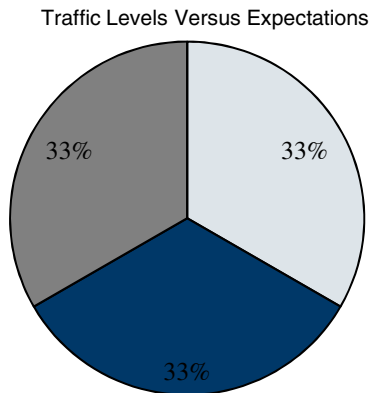
Comments from real estate agents:

- "We are getting multiple offers over the asking price. A lot of these are all cash offers."
- "Demand is still strong on affordability and a better sentiment about the economy."

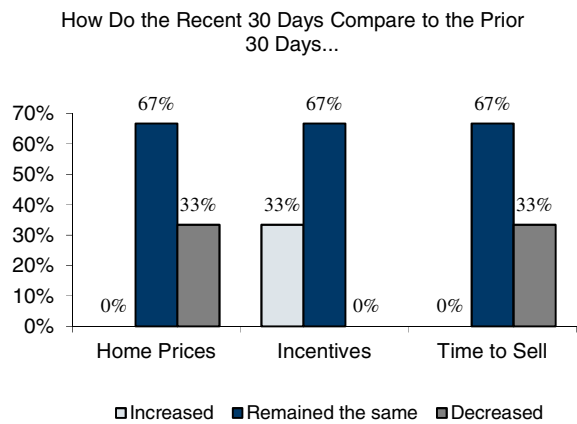
NVR and Pulte have the greatest exposure. NVR has the most exposure to the Richmond market, as it represents approximately 5% of the company's sales. Richmond represents 1% of sales for Pulte.

Exhibit 36: Traffic in-line with Expectations, Prices Lower, Incentives Higher, Less Time to Sell in May

May Market Trends	
Traffic	↔
Home Prices	👎
Incentives	👎



■ More than expected
 ■ Meets expectations
 ■ Less than expected



■ Increased
 ■ Remained the same
 ■ Decreased

Source: Credit Suisse

Sacramento, CA

(1,873 single-family permits in 2011, 47th largest market in the country)

Traffic above expectations. Our buyer traffic index came in at 89 (from 73 in April) above a neutral reading of 50, suggesting traffic exceeded agents' expectations (readings greater than 50). 78% of agents said traffic exceeded expectations and 22% of agents said traffic met expectations.

Prices higher, incentives lower. Home prices increased in May, as our home price index came in at 90 (from 68 in April), above a neutral reading of 50, indicating sequentially higher prices. 80% of agents said prices were higher and 20% said they were unchanged. Meanwhile, incentives were lower in May, as our incentive index came in at 56 (from 35 in April), above a neutral reading, with readings greater than 50 pointing to reduced incentives. 62% of agents said incentives were unchanged, 25% said they were lower, and 13% said they were higher.

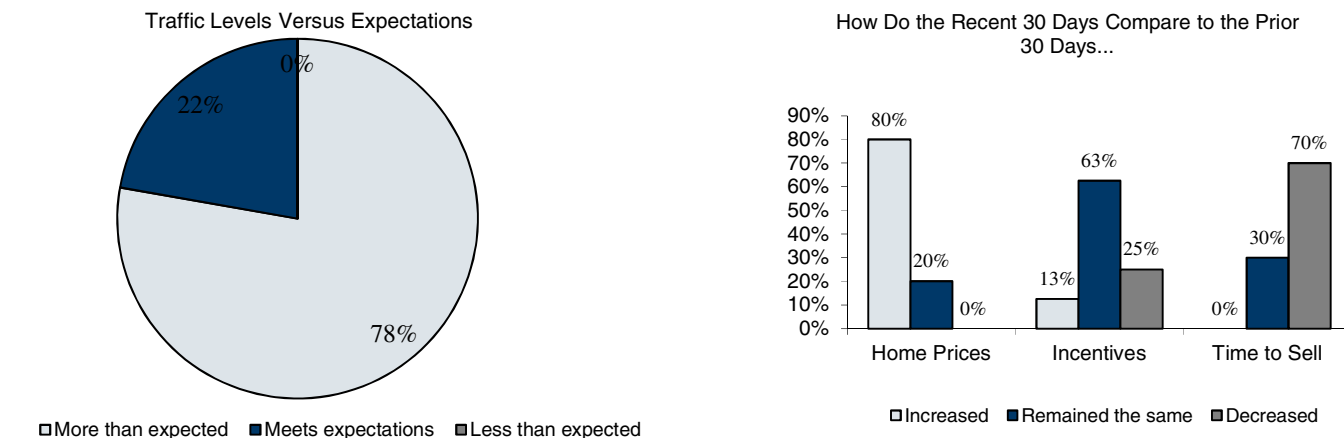
Less time needed to sell a home in May. Our time to sell index came in at 85 (from 82 in April), coming in above a neutral reading of 50, pointing to a reduced time to sell over the past 30 days (readings above 50 suggest less time to sell). 70% of agents said the time to sell decreased and 30% said the time to sell was unchanged. We view the reduced time needed to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "The dramatic decline in inventory has caused buyers to run out and get something before its too late. We are seeing multiple offers on our listings."
- "Cash buyers are very active."

Standard Pacific has the greatest exposure. The Sacramento market represents approximately 4% of sales for Standard Pacific, followed by BZH, LEN, MTH, and PHM each at 2%.

Exhibit 37: Traffic Above Expectations, Higher Prices , Lower Incentives, Less Time to Sell in May



Source: Credit Suisse

San Diego, CA

(2,245 single-family permits in 2011, 53rd largest market in the country)

Traffic exceeds expectations. Buyer traffic was above expectations in May, as our traffic index came in at 64 (from 67 in April), above a neutral reading of 50 (readings greater than 50 point to traffic exceeding agents' expectations). 50% of agents said traffic met expectations, 39% said it exceeded expectations, and 11% said it was below expectations.

Higher prices, increased incentives. Home prices increased in May. Our price index came in at 77 (from 57 in April), above a reading of 50 (readings greater than 50 point to sequentially higher prices). 53% of agents said prices were higher and 47% said they were unchanged. Meanwhile, incentives edged higher in May, as our incentive index came in at 44 (unchanged from April), coming in short of a neutral reading of 50 (readings lower than 50 point to increased incentives). 88% of agents said incentives were unchanged and 12% said they were higher.

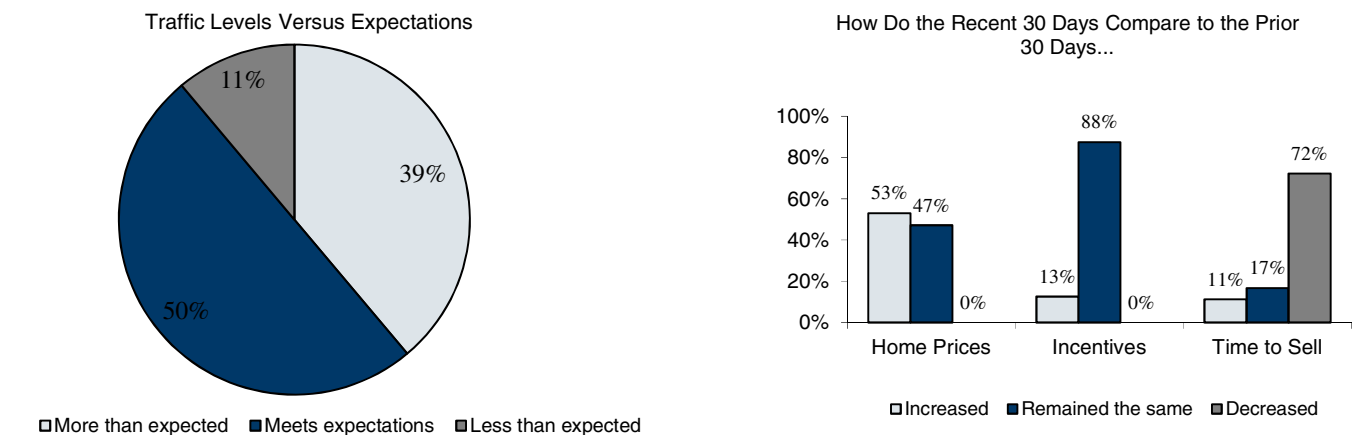
Reduced time needed to sell a home in May. Our time to sell index came in at 81 in May (from 79 in April), above a neutral reading of 50, pointing to a decreased time to sell over the last 30 days (readings above 50). 72% of agents said the time to sell decreased, 17% said the time to sell was unchanged, and 11% said the time to sell increased. We view the unchanged time needed to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "Home prices are rising and that has buyers getting more excited about the market."
- "Inventory is very low and with buyers wanting to take advantage of affordability there is upward pressure on demand and prices."

Standard Pacific has the greatest exposure. Standard Pacific has the most exposure to the San Diego market, as it represents approximately 3% of the company's sales. San Diego represents 1% of sales for KB Home, Lennar, and Toll Brothers.

Exhibit 38: Traffic Above Expectations, Higher Prices, Increased Incentives, Reduced Time to Sell in May



Source: Credit Suisse

San Francisco, CA

(1,907 single-family permits in 2011, 46th largest market in the country)

Traffic exceeds expectations. Buyer traffic was above agents' expectations in May, as our traffic index came in at 68 (from 84 in April), above a neutral reading of 50 (readings greater than 50 point to traffic exceeding expectations). 52% of agents said traffic was above expectations, 32% said it met expectations, and 16% said it was below expectations.

Prices higher, incentives flat. Home prices were higher in May, as our price index came in at 89 (from 74 in April), above a neutral reading of 50 (readings greater than 50 suggest sequentially higher prices). 84% of agents said prices were higher over the past 30 days, 8% said they were unchanged, and 8% said they were lower. Meanwhile, incentives were flat in May, as our incentive index came in at 53 (from 47 in April), in-line with a neutral reading, pointing to flat incentives. 75% of agents said incentives were unchanged, 15% said they were lower, and 10% said they were higher.

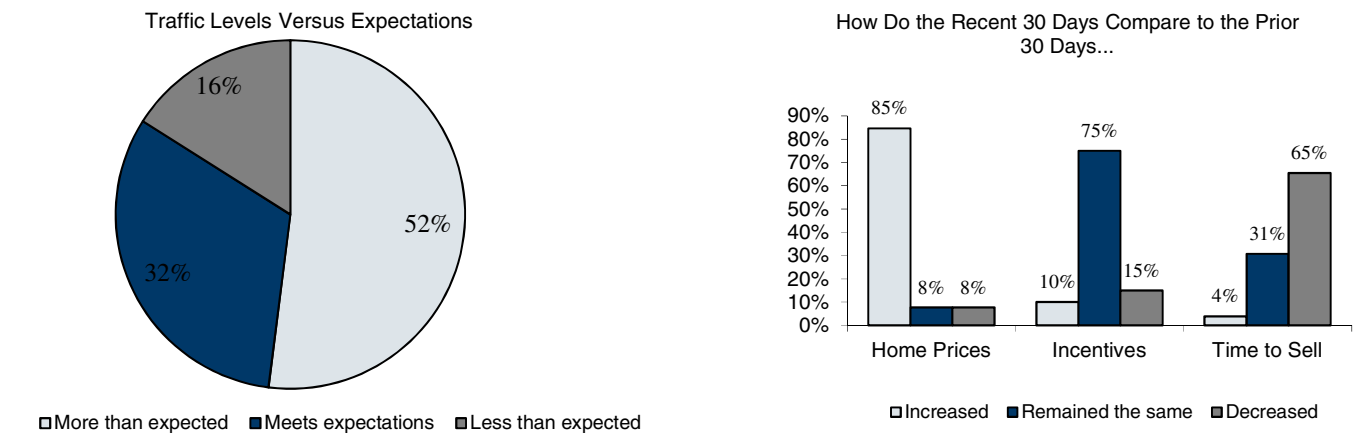
Less time needed to sell a home in May. Our time to sell index came in at 81 in May (from 85 in April), coming in above a neutral reading of 50, suggesting a reduced time to sell over the last 30 days (readings above 50 indicate a reduced time to sell). 65% of agents said the time to sell decreased, 31% said the time to sell was unchanged, and 4% said the time to sell increased. We view the reduced time needed to sell as a positive indicator for future pricing trends.

Comments from real estate agents:

- "There is a lack of inventory, low interest rates, and a fear of rising prices."
- "Perception becomes the reality and buyers are worried they will be priced out of the market."

Standard Pacific has the greatest exposure. Standard Pacific has the most exposure to the San Francisco area, which represents approximately 5% of company sales. San Francisco represents 4% of sales for both KBH and PHM, followed by PHM at 2%.

Exhibit 39: Traffic Above Expectations, Prices Higher, Incentives Flat, Less Time to Sell in May



Source: Credit Suisse

Sarasota, FL

(1,836 single-family permits in 2011, 55th largest market in the country)

Traffic above expectations. Buyer traffic exceeded agents' expectations in May as our traffic index came in at 67 (from 71 in April), above a neutral reading of 50 (readings greater than 50 point to traffic above agents' expectations). 50% of agents said traffic met expectations, 42% said it exceeded expectations, and 8% said it was below expectations.

Prices higher, incentives increase. Home prices were higher in May, as our price index came in at 82 (from 75 in April), above a neutral reading, indicating sequentially higher prices (readings greater than 50). 64% of agents said prices were higher and 36% said they were unchanged. Meanwhile, incentives were higher in May, as our incentive index came in at 44 (from 41 in April), just short of a neutral reading of 50 (readings lower than 50 indicate higher incentives). 67% of agents said incentives were unchanged, 22% said incentives were higher, and 11% said they were lower.

Less time needed to sell a home in May. Our time to sell index came in at 73 in May (from 83 in April), above a neutral reading of 50, pointing to a reduced time to sell over the past 30 days (readings above 50). 55% of agents said the time to sell decreased, 36% said the time to sell was unchanged, and 9% said the time to sell increased. We view the decreased time to sell as a positive indicator for future pricing trends.

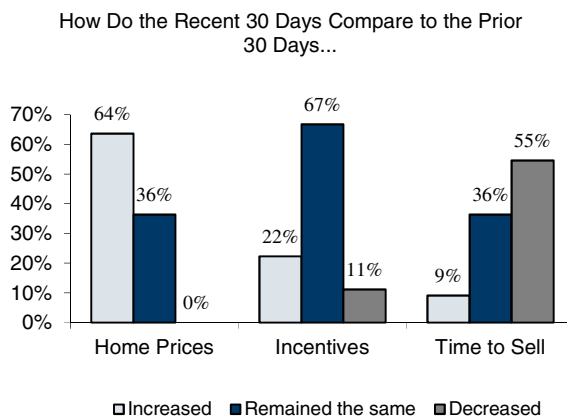
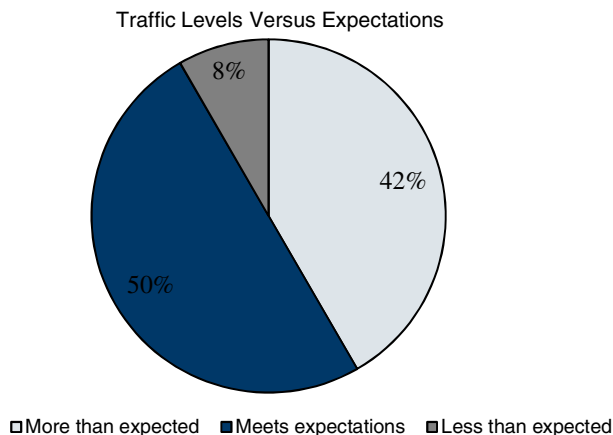
Comments from real estate agents:

- "People feel the market has bottomed and is on the way up."
- "Prices are stabilizing."

Ryland and Lennar have the greatest exposure. Sarasota represents 3% of sales for Ryland, followed by Lennar at 2%.

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👎

Exhibit 40: Traffic Above Expectations, Prices Increase, Incentives Higher, Less Time to Sell in May



Source: Credit Suisse

St. Louis, MO

(3,327 single-family permits in 2011, 24th largest market in the country)

Traffic below expectations. Buyer traffic remained below agents' expectations in May, as our traffic index came in at 33 (from 40 in April), short of neutral reading of 50 (readings below 50 point to traffic below expectations). 67% of agents said traffic met expectations, and 33% said it was below expectations.

Lower prices and incentives. Home prices fell in May, as our price index came in at 33 (from 30 in April), short of a neutral reading of 50 (readings lower than 50 point to sequentially lower prices). 67% of agents said prices were unchanged and 33% said they were lower. Meanwhile, sellers reduced incentives in May, as our incentive index came in at 67 (from 20 in April), above a neutral reading of 50, suggesting lower incentives over the past month (readings greater than 50). 67% of agents said incentives were unchanged and 33% said they were lower.

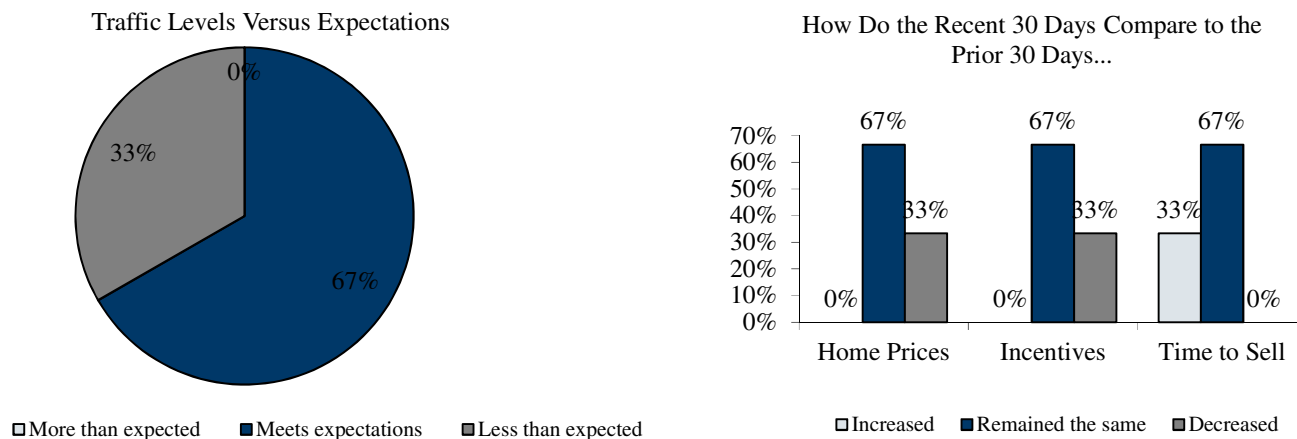
Longer time needed to sell a home in May. Our time to sell index came in at 33 (from 40 in April), below a neutral reading of 50, pointing to an increased time to sell over the last 30 days (readings lower than 50). 67% of agents said the time to sell was unchanged and 33% said the time to sell increased. We view the longer time needed to sell as a negative indicator for future pricing trends.

Comments from real estate agents:

- "There is better demand, but that has been restricted to homes under 200k."
- "Rates are still good and some buyers are simply tired of waiting. Others are still being patient."

Pulte has the greatest exposure. St. Louis represents 2% of sales for Pulte.

Exhibit 41: Traffic Below Expectations, Lower Prices, Reduced Incentives, Increased Time to Sell in May



Source: Credit Suisse

Tucson, AZ

(1,438 single-family permits in 2011, 50th largest market in the country)

Traffic above expectations. Buyer traffic exceeded expectations in May, as our traffic index came in at 71 (from 60 in April), above a neutral reading of 50 (readings greater than 50 suggest traffic exceeded agents' expectations). 50% of agents said traffic was above expectations, 43% said it was in-line with expectations, and 7% said it was short of expectations.

Prices higher, incentives lower. Home prices increased in May, as our home price index came in at 68 (from 60 in April), above a neutral reading of 50, suggesting higher prices over the last 30 days (readings above 50 point to higher prices). 50% of agents said prices were unchanged, 43% said they were higher, and 7% said they were lower. Meanwhile, incentives were higher in May, as our incentive index came in at 57 (from 33 in April), above a neutral reading of 50, with readings above 50 pointing to reduced incentives. 86% of agents said incentives were unchanged and 14% said they were lower.

Less time needed to sell a home in May. Our time to sell index came in at 86 in May (from 70 in April), above a neutral reading of 50, pointing to a reduced time to sell (readings above 50). 71% of agents said the time to sell a home decreased and 29% said the time to sell was unchanged. We view the unchanged time to sell as a positive indicator for future pricing trends.

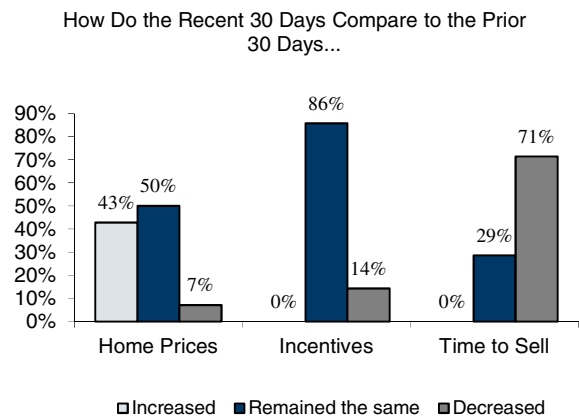
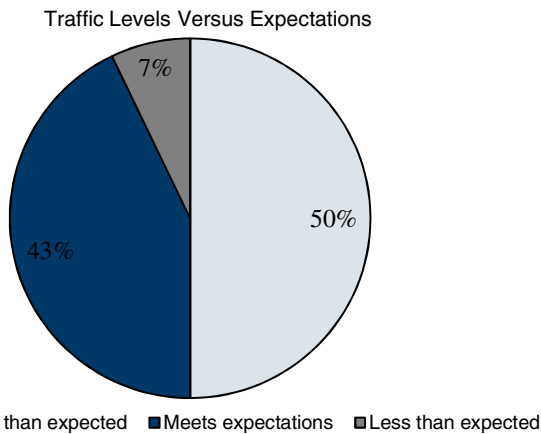
Comments from real estate agents:

- "Interest rates are great and buyers believe that prices have stopped falling."
- "Our inventory is low and we are seeing a lot of investors coming into the market."

MDC, Meritage and Lennar have the greatest exposure. MDC has the most exposure to the Tucson market, as it represents approximately 8% of the company's sales. Tucson represents 5% of Meritage's sales and 4% of Lennar's sales.

Exhibit 42: Traffic Above Expectations, Prices Higher, Incentives Lower, Reduced Time to Sell in May

May Market Trends	
Traffic	👍
Home Prices	👍
Incentives	👍



Source: Credit Suisse

Virginia Beach, VA

(2,941 single-family permits in 2011, 31st largest market in the country)

Traffic meets expectations. Buyer traffic came in-line with agents' expectations in May, as our traffic index came in at 50 (from 61 in April), above a neutral reading (readings greater than 50 suggest traffic exceeded expectations). 50% of agents said traffic was in-line with expectations, 25% said it was below expectations, and 25% said it was above expectations.

Prices and incentives flat. Home prices were flat in May, as our price index came in at 50 (from 33 in April), in-line with a neutral reading, suggesting flat prices over the last 30 days (readings of 50). 50% of agents said prices were higher and 50% said they were lower. Meanwhile, sellers held incentives steady in May, as our incentive index came in at 50 (from 33 in April), coming in-line with a neutral reading, suggesting flat incentives over the past month (readings of 50). 50% of agents said incentives were flat, 25% said they were lower, and 25% said they were higher.

Less time needed to sell a home in May. Our time to sell index came in at 75 in May (from 50 in April), pointing to a reduced time to sell over the past 30 days (readings above 50). 50% of agents said the time to sell decreased and 50% said the time to sell was unchanged. We view the reduced time needed to sell as a positive indicator for future pricing trends.

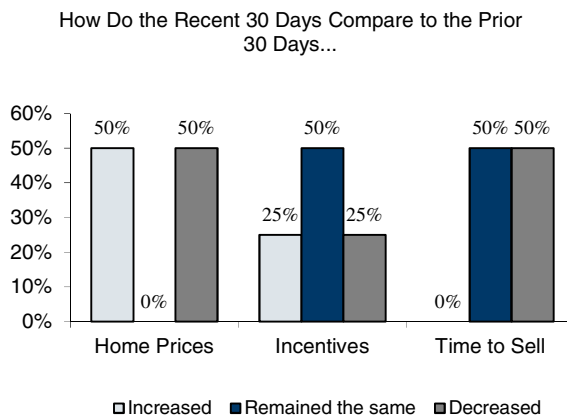
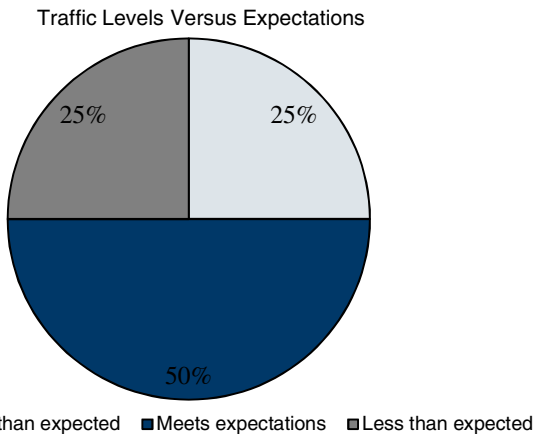
Comments from real estate agents:

- "Interest rates are low and there is some pent-up demand."
- "Traffic has been getting better with each month; this year May feels more active than it did at same time last year."

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

Exhibit 43: Traffic Meets Expectations, Flat Prices and Incentives, Less Time to Sell in May

May Market Trends	
Traffic	↔
Home Prices	↔
Incentives	↔



Source: Credit Suisse

Wilmington, NC

(1,548 single-family permits in 2011, 62nd largest market in the country)

Traffic above expectations. Our buyer traffic index came in at 63 in May (from 75 in April), pointing to traffic exceeding agents' expectations (readings above 50 point to traffic greater than agents' expectations). 50% of agents said traffic exceeded agents' expectations, 25% said traffic met expectations, and 25% said it was below expectations.

Prices fall, incentives flat. Home prices faced additional pressure in May, as our price index came in at 38 (from 13 in April), still short of 50, suggesting lower prices over the last 30 days (readings below 50). 50% of agents said prices were lower, 25% said they were unchanged, and 25% said they were higher. Meanwhile, incentives were flat in May, as our incentive index came in at 50 (from 38 in April), in-line with a neutral reading (readings of 50 suggest flat incentives over the past month). 100% of agents said incentives were unchanged.

Unchanged time needed to sell a home in May. Our time to sell index came in at 50 in May (from 25 in April), in-line with a neutral reading of 50, indicating an unchanged time to sell (readings of 50 suggest the time to sell was flat over the last 30 days). 50% of agents said the time to sell was flat, 25% said the time to sell decreased and 25% said the time to sell increased. We view the unchanged time needed to sell as a positive indicator for future pricing trends.

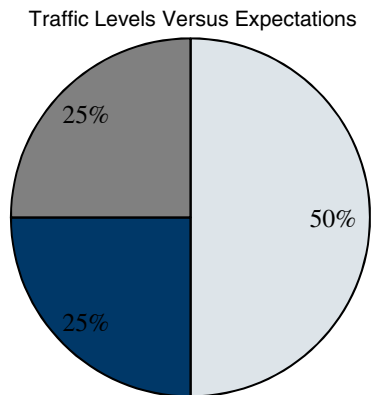
Comments from real estate agents:

- "Everyone is out looking for a bargain."
- "Investors are more active and money seems to be more available to traditional buyers."

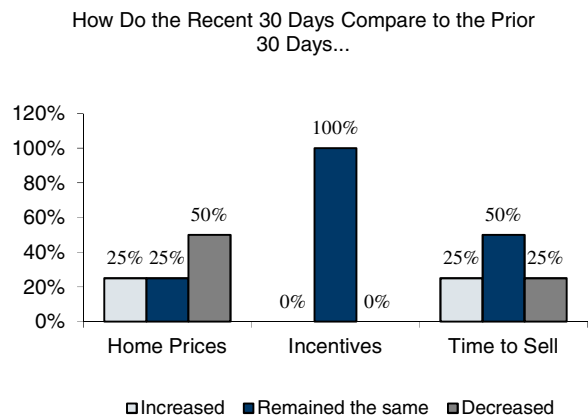
The Wilmington market represented less than 1% of sales for all homebuilders in our coverage universe.

Exhibit 44: Traffic above Expectations, Prices Fall, Incentives Flat, Time to Sell Unchanged in May

May Market Trends	
Traffic	👍
Home Prices	👎
Incentives	↔



More than expected
 Meets expectations
 Less than expected



Increased
 Remained the same
 Decreased

Source: Credit Suisse

Historical Trends

Buyer traffic remained solid in May. While our traffic index fell to 60 from 64 in April, it remained above a neutral reading of 50 and points to healthy levels of activity. Agents widely credited the lower mortgage rates along with stable/improving prices and falling inventory levels for drawing out buyers this month. Historical traffic trends:

Exhibit 45: Traffic Levels [> 50.0: above seasonal expectations/ = 50.0: in-line with expectations/ <50.0: below expectations]

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Atlanta, GA	25.9	33.3	33.3	26.5	16.1	24.1	38.5	41.3	59.5	72.5	54.5	55.6	54.5
Austin, TX	41.3	27.3	25.0	23.9	44.7	15.0	33.3	35.0	58.7	77.5	71.9	67.9	76.2
Baltimore, MD	20.0	5.6	45.0	37.5	0.0	33.3	28.6	62.5	50.0	58.3	70.0	45.0	35.7
Boston, MA	28.6	46.9	34.6	18.8	35.0	32.1	23.1	50.0	34.6	70.0	85.7	80.8	60.0
Charleston, SC	10.0	30.0	30.0	16.7	0.0	12.5	0.0	0.0	37.5	42.9	50.0	66.7	50.0
Charlotte, NC	34.4	23.1	19.2	21.9	6.7	25.0	46.4	45.8	60.0	82.1	55.0	61.5	46.4
Chicago, IL	32.9	20.8	24.2	21.1	26.3	27.4	17.6	41.2	58.6	57.9	75.7	60.7	59.4
Cincinnati, OH	25.0	11.5	20.0	14.3	0.0	16.7	11.1	25.0	46.7	45.0	88.9	81.3	64.3
Columbus, OH	28.6	33.3	25.0	25.0	27.8	20.0	22.7	50.0	55.0	50.0	50.0	60.0	61.1
Dallas, TX	39.5	21.9	45.0	23.1	22.2	27.8	19.4	30.0	45.2	50.0	63.3	66.7	56.3
Denver, CO	31.0	28.6	26.9	22.2	37.0	38.5	41.7	46.3	50.0	50.0	69.2	69.6	73.9
Detroit, MI	38.6	38.9	40.0	35.7	33.3	19.4	21.4	38.2	36.7	50.0	46.2	56.3	69.2
Fort Myers, FL	52.8	52.8	42.9	40.0	36.1	46.2	46.9	45.8	43.3	76.3	52.9	37.5	46.2
Houston, TX	27.8	23.1	36.5	19.0	50.0	32.4	41.3	36.1	50.0	67.5	61.8	62.5	52.5
Inland Empire, CA	27.8	29.4	33.3	21.4	25.0	50.0	29.2	33.3	38.5	37.5	57.7	53.8	72.7
Jacksonville, FL	61.1	36.7	41.7	38.5	22.7	25.0	37.5	16.7	45.8	50.0	55.0	66.7	54.5
Las Vegas, NV	31.3	42.5	32.7	33.3	47.9	44.1	42.9	52.5	50.0	57.9	63.2	80.0	65.4
Los Angeles, CA	25.7	19.4	28.1	33.3	12.5	25.0	23.4	35.2	50.0	53.7	60.0	61.5	60.3
Miami, FL	52.5	42.4	37.5	37.1	28.4	38.5	44.2	40.0	60.8	56.8	60.2	61.1	56.9
Minneapolis, MN	30.7	35.5	33.3	23.6	29.7	26.6	21.1	31.4	50.0	62.5	72.2	68.2	64.5
Nashville, TN	15.0	26.9	8.3	16.7	28.6	25.0	37.5	31.8	62.5	66.7	72.7	75.0	62.5
New York-Northern NJ	18.3	11.1	15.3	17.4	12.5	8.8	19.4	24.4	38.1	54.2	62.0	40.2	40.8
Orlando, FL	39.6	13.9	27.8	23.5	32.1	34.6	18.4	41.7	29.2	63.3	45.5	53.1	53.1
Phila.-Southern NJ	7.7	7.5	17.6	21.4	25.0	21.1	15.2	30.6	42.5	58.3	59.1	40.9	44.8
Phoenix, AZ	54.2	45.7	50.0	39.2	37.9	40.0	27.9	50.0	53.4	73.6	84.4	78.1	73.6
Portland, OR	23.9	24.0	26.2	21.1	14.3	25.0	36.8	36.8	50.0	75.0	61.1	55.9	60.0
Raleigh, NC	16.7	30.0	22.2	13.6	0.0	31.3	60.0	50.0	62.5	57.1	33.3	50.0	42.9
Richmond, VA	18.8	33.3	66.7	75.0	33.3	25.0	66.7	50.0	75.0	83.3	66.7	100.0	50.0
Sacramento, CA	27.8	39.5	28.1	25.0	5.0	35.0	39.3	38.9	64.3	100.0	68.2	72.7	88.9
San Antonio, TX	27.8	40.9	16.7	12.5	18.8	14.3	38.9	37.5	62.5	62.5	72.2	65.0	64.3
San Diego, CA	21.7	15.4	11.5	18.8	10.7	15.0	14.3	29.5	30.8	56.3	50.0	66.7	63.9
San Francisco, CA	33.3	25.0	42.0	38.6	25.0	37.5	39.7	26.5	54.3	73.9	84.8	84.1	68.0
Sarasota, FL	64.7	43.8	33.3	27.8	18.2	22.2	50.0	46.2	70.0	72.2	77.3	70.8	66.7
Seattle, WA	41.3	33.3	25.0	22.2	36.8	33.3	16.7	35.3	38.2	69.0	80.0	61.1	80.0
St. Louis, MO	25.0	8.3	30.0	42.9	33.3	25.0	0.0	0.0	37.5	40.0	25.0	40.0	33.3
Tampa, FL	37.5	21.7	30.4	22.0	32.6	25.0	31.0	53.1	43.5	60.0	75.0	57.9	67.5
Tucson, AZ	43.8	34.4	45.5	26.9	32.1	43.3	30.8	35.0	27.3	61.1	33.3	60.0	71.4
Virginia Beach, VA	29.2	16.7	50.0	50.0	40.0	30.0	80.0	50.0	61.1	71.4	60.0	61.1	50.0
Washington, DC	37.0	28.0	35.4	27.3	24.0	25.9	29.2	31.7	48.2	66.7	75.0	68.3	68.0
Wilmington, NC	25.0	50.0	37.5	0.0	30.0	62.5	60.0	30.0	60.0	60.0	70.0	75.0	62.5
Total	31.1	28.8	31.1	26.9	24.8	29.0	32.5	37.1	49.8	62.3	63.0	63.5	59.8

Source: Credit Suisse

Our home price index reached another new high in May, rising to 62 from 57 in April, pointing to higher home prices over the past 30 days. Historical price trends:

Exhibit 46: Home Prices [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Atlanta, GA	22.4	31.7	28.8	26.5	31.7	25.9	23.1	19.6	22.7	40.5	34.1	47.4	50.0
Austin, TX	45.7	43.5	32.5	30.4	42.5	30.0	26.3	47.4	56.5	60.0	43.8	63.3	75.0
Baltimore, MD	20.0	22.2	22.2	25.0	31.3	33.3	28.6	12.5	41.7	33.3	37.5	45.0	42.9
Boston, MA	17.9	43.3	26.9	25.0	20.0	31.3	26.9	28.6	20.8	42.9	50.0	58.3	63.3
Charleston, SC	0.0	20.0	35.0	16.7	25.0	25.0	0.0	0.0	25.0	7.1	16.7	62.5	25.0
Charlotte, NC	28.1	11.5	20.8	16.7	18.8	25.0	21.4	33.3	33.3	38.5	30.0	42.3	46.4
Chicago, IL	15.8	12.5	15.6	9.5	15.8	12.9	19.7	20.6	23.5	34.6	36.1	32.8	34.4
Cincinnati, OH	20.0	23.1	20.0	14.3	0.0	16.7	22.2	35.7	30.0	35.0	50.0	50.0	58.3
Columbus, OH	35.7	22.2	22.2	25.0	27.8	20.0	29.2	33.3	30.0	35.7	42.9	50.0	62.5
Dallas, TX	34.2	36.7	50.0	34.6	22.2	38.9	33.3	27.3	33.3	46.4	53.6	72.2	66.7
Denver, CO	32.3	28.6	36.5	42.3	33.3	34.0	36.4	41.7	48.1	47.8	67.3	76.1	78.3
Detroit, MI	43.2	38.2	39.3	34.6	27.8	39.5	42.9	44.1	31.3	41.7	46.4	65.6	80.8
Fort Myers, FL	47.2	71.9	46.4	60.7	55.9	46.4	62.5	66.7	80.0	78.9	88.2	86.7	83.3
Houston, TX	41.7	32.7	36.0	42.5	36.8	41.2	37.0	47.2	46.2	47.7	50.0	68.8	50.0
Inland Empire, CA	26.3	35.3	29.2	32.1	35.7	19.2	25.0	37.5	37.5	38.2	45.8	46.2	77.3
Jacksonville, FL	25.0	42.9	25.0	23.1	31.8	22.2	25.0	31.3	37.5	16.7	45.5	33.3	68.2
Las Vegas, NV	21.2	32.5	28.0	19.4	18.8	23.5	26.2	35.0	34.2	23.7	60.5	78.6	82.7
Los Angeles, CA	27.0	22.2	30.6	27.9	25.0	21.2	28.1	37.5	30.0	38.8	51.4	57.7	64.7
Miami, FL	37.2	32.6	40.6	50.0	44.6	47.6	53.4	54.3	53.9	59.2	68.2	72.4	74.3
Minneapolis, MN	16.3	22.6	23.6	22.9	22.4	15.6	16.2	19.4	25.6	35.7	44.6	57.6	64.7
Nashville, TN	35.0	26.9	25.0	20.8	42.9	25.0	25.0	36.4	50.0	33.3	54.5	58.3	56.3
New York-Northern NJ	22.6	18.3	25.0	16.7	21.9	15.0	18.5	14.0	27.0	30.2	39.6	34.1	30.0
Orlando, FL	35.4	18.4	41.7	37.5	46.2	42.3	47.2	47.1	45.8	53.3	60.0	68.8	76.7
Phila.-Southern NJ	23.1	19.0	17.6	21.4	23.7	18.4	21.7	18.2	35.7	38.9	40.9	36.4	32.1
Phoenix, AZ	37.5	38.6	51.4	40.5	40.0	50.0	48.5	56.3	64.8	71.4	83.9	96.9	95.7
Portland, OR	21.7	18.0	21.4	17.5	19.0	19.4	26.3	34.2	34.1	39.3	47.2	52.8	67.9
Raleigh, NC	20.0	30.0	16.7	22.7	35.7	31.3	40.0	33.3	37.5	42.9	83.3	66.7	50.0
Richmond, VA	31.3	10.0	16.7	0.0	0.0	33.3	33.3	0.0	25.0	16.7	16.7	50.0	33.3
Sacramento, CA	19.4	23.7	21.9	23.1	20.0	25.0	32.1	33.3	46.4	50.0	45.5	68.2	90.0
San Antonio, TX	35.0	27.3	33.3	37.5	37.5	35.7	38.9	25.0	50.0	31.3	27.8	55.0	64.3
San Diego, CA	29.2	26.9	33.3	14.3	25.0	25.0	21.4	25.0	28.8	47.8	41.7	57.1	76.5
San Francisco, CA	29.6	22.9	32.0	29.5	23.5	23.7	40.7	29.4	45.8	63.0	65.2	73.9	88.5
Sarasota, FL	26.5	62.5	37.5	50.0	40.9	50.0	50.0	53.8	60.0	61.1	81.8	75.0	81.8
Seattle, WA	26.0	27.1	29.4	20.7	26.3	34.8	13.2	14.7	14.7	38.6	52.5	57.9	70.0
St. Louis, MO	0.0	20.0	40.0	28.6	33.3	25.0	40.0	0.0	37.5	37.5	62.5	30.0	33.3
Tampa, FL	36.8	34.8	45.5	26.0	35.7	28.8	32.8	44.1	45.7	47.5	55.6	47.2	71.4
Tucson, AZ	31.3	26.7	27.3	23.1	15.4	23.3	33.3	35.0	22.7	50.0	62.5	60.0	67.9
Virginia Beach, VA	25.0	41.7	8.3	25.0	0.0	10.0	30.0	10.0	27.8	14.3	20.0	33.3	50.0
Washington, DC	43.5	56.0	42.0	35.7	38.9	36.2	39.6	32.8	33.9	61.4	65.2	73.3	75.0
Wilmington, NC	8.3	12.5	0.0	0.0	20.0	25.0	10.0	10.0	30.0	10.0	40.0	12.5	37.5
Total	26.7	29.7	28.7	26.7	27.8	28.7	30.7	30.6	37.6	41.0	50.2	56.9	62.4

Source: Credit Suisse

Incentives remained stable in May. We would expect improvement in coming months based on the healthy demand levels. Historical incentive trends:

Exhibit 47: Incentives [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Atlanta, GA	28.8	32.8	32.7	38.2	26.8	31.0	41.7	37.0	33.3	42.5	38.1	39.5	40.5
Austin, TX	39.1	34.1	31.6	37.0	25.0	45.0	20.0	30.6	40.9	45.0	43.3	56.7	47.5
Baltimore, MD	20.0	27.8	37.5	25.0	37.5	33.3	41.7	12.5	40.0	33.3	30.0	40.0	35.7
Boston, MA	53.8	50.0	53.8	36.7	50.0	46.4	45.5	42.9	50.0	54.2	42.9	55.0	67.9
Charleston, SC	40.0	40.0	38.9	50.0	37.5	37.5	50.0	50.0	50.0	33.3	66.7	50.0	50.0
Charlotte, NC	43.3	45.8	45.8	50.0	37.5	50.0	42.9	37.5	26.7	42.9	40.0	41.7	50.0
Chicago, IL	45.6	47.0	45.0	43.8	51.6	40.4	41.2	43.5	50.0	37.1	53.6	40.4	38.7
Cincinnati, OH	50.0	29.2	30.0	14.3	16.7	33.3	38.9	35.7	40.0	50.0	61.1	50.0	50.0
Columbus, OH	50.0	50.0	35.0	31.3	25.0	12.5	27.3	25.0	40.0	42.9	35.7	40.0	25.0
Dallas, TX	38.9	50.0	66.7	37.5	35.3	37.5	34.4	50.0	23.8	30.8	42.3	43.8	44.4
Denver, CO	38.9	30.8	44.0	42.0	37.5	37.5	50.0	43.5	48.0	54.5	51.9	52.3	43.2
Detroit, MI	50.0	43.3	37.5	36.4	50.0	50.0	44.7	43.3	42.9	50.0	57.7	67.9	54.2
Fort Myers, FL	28.1	43.3	50.0	42.9	33.3	37.5	40.6	37.5	46.7	42.1	50.0	50.0	41.7
Houston, TX	34.4	32.0	34.0	33.3	38.2	37.5	34.1	27.8	35.4	38.1	50.0	43.8	47.4
Inland Empire, CA	38.9	44.1	50.0	50.0	50.0	29.2	37.5	33.3	45.0	43.8	27.3	33.3	45.0
Jacksonville, FL	35.3	30.8	27.3	30.8	36.4	16.7	40.9	43.8	25.0	27.8	35.0	50.0	40.9
Las Vegas, NV	31.3	28.9	34.0	35.3	32.6	28.1	31.0	39.5	36.8	36.1	44.7	52.4	44.2
Los Angeles, CA	37.1	38.3	29.6	37.5	40.6	40.0	50.0	46.0	40.6	47.0	33.9	45.8	43.1
Miami, FL	47.2	40.2	46.3	41.2	48.5	41.0	41.3	45.6	50.0	47.1	50.0	44.1	52.8
Minneapolis, MN	39.3	35.5	38.2	47.0	38.9	39.1	30.6	30.0	39.0	39.1	40.0	53.1	51.6
Nashville, TN	40.0	38.5	41.7	50.0	41.7	45.8	37.5	45.5	37.5	27.3	50.0	45.8	50.0
New York-Northern NJ	47.2	44.4	35.9	40.0	40.4	40.5	41.5	40.2	46.4	48.0	45.9	42.1	48.9
Orlando, FL	26.1	47.2	50.0	43.8	38.5	26.9	30.6	25.0	41.7	33.3	40.9	43.8	40.6
Phila.-Southern NJ	32.6	27.8	43.8	52.9	34.4	43.8	38.1	39.5	35.3	46.7	47.2	41.7	52.3
Phoenix, AZ	29.4	31.3	34.3	42.4	44.8	43.8	46.9	43.1	44.0	48.5	53.7	53.2	54.7
Portland, OR	45.7	46.0	38.1	47.5	47.6	44.4	50.0	50.0	45.5	50.0	40.0	53.1	50.0
Raleigh, NC	25.0	30.0	33.3	27.3	35.7	50.0	30.0	16.7	50.0	50.0	83.3	100.0	50.0
Richmond, VA	35.7	35.0	33.3	0.0	50.0	50.0	33.3	50.0	50.0	50.0	33.3	33.3	33.3
Sacramento, CA	44.1	36.8	31.3	54.2	37.5	45.0	30.8	43.8	45.8	35.7	33.3	35.0	56.3
San Antonio, TX	35.0	27.3	37.5	31.3	43.8	28.6	44.4	41.7	56.3	35.7	37.5	40.0	42.9
San Diego, CA	40.0	36.4	45.0	40.9	34.6	44.4	41.2	36.4	30.4	40.9	46.9	44.4	43.8
San Francisco, CA	35.0	35.7	50.0	44.1	41.7	40.0	38.1	46.4	50.0	50.0	47.6	47.2	52.5
Sarasota, FL	37.5	21.4	33.3	25.0	40.9	38.9	40.9	45.5	44.4	43.8	50.0	40.9	44.4
Seattle, WA	37.0	40.5	36.7	47.9	38.9	36.1	33.3	32.1	34.4	45.5	37.5	55.9	55.6
St. Louis, MO	25.0	62.5	37.5	25.0	0.0	25.0	50.0	25.0	37.5	50.0	33.3	20.0	66.7
Tampa, FL	32.5	28.3	32.6	36.5	25.0	42.0	42.9	50.0	47.8	52.5	40.6	33.3	42.1
Tucson, AZ	34.4	46.7	40.9	34.6	37.5	43.3	37.5	50.0	45.5	44.4	37.5	33.3	57.1
Virginia Beach, VA	30.0	50.0	25.0	37.5	30.0	30.0	20.0	30.0	38.9	50.0	30.0	38.9	50.0
Washington, DC	34.2	38.6	43.2	37.5	39.6	32.7	28.3	32.7	35.7	38.1	47.5	37.9	43.2
Wilmington, NC	66.7	50.0	37.5	25.0	60.0	62.5	60.0	50.0	40.0	60.0	30.0	37.5	50.0
Total	37.1	38.7	38.3	37.6	37.8	38.4	39.0	38.7	41.5	43.4	44.0	45.7	47.4

Source: Credit Suisse

Inventory levels continued to fall in May, with strong demand from both investors and owner occupants chewing through the supply. Historical inventory trends:

Exhibit 48: Homes listed for sale [> 50.0: Fewer homes listed versus prior month/ = 50.0: listings unchanged / <50.0: more home listings]

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Atlanta, GA	31.5	38.3	34.6	58.8	60.7	63.8	61.5	67.4	70.5	69.0	63.6	68.4	84.1
Austin, TX	41.3	37.0	47.5	47.8	55.0	60.0	70.0	81.6	61.4	67.5	46.9	60.7	57.1
Baltimore, MD	40.0	44.4	66.7	62.5	68.8	66.7	57.1	87.5	66.7	50.0	30.0	80.0	78.6
Boston, MA	25.0	16.7	30.8	25.0	35.0	56.3	57.7	71.4	38.5	42.3	35.7	37.5	43.3
Charleston, SC	20.0	50.0	61.1	50.0	37.5	37.5	50.0	50.0	62.5	57.1	66.7	50.0	25.0
Charlotte, NC	43.8	42.3	45.8	50.0	59.4	90.0	67.9	91.7	50.0	71.4	70.0	50.0	69.2
Chicago, IL	25.0	23.6	28.8	35.1	42.9	53.2	47.2	59.1	77.3	40.8	31.9	56.9	51.6
Cincinnati, OH	50.0	29.2	20.0	42.9	41.7	50.0	44.4	64.3	53.3	70.0	55.6	75.0	57.1
Columbus, OH	35.7	33.3	44.4	81.3	50.0	60.0	58.3	66.7	50.0	71.4	57.1	40.0	50.0
Dallas, TX	21.1	40.0	40.0	38.5	44.4	61.1	63.9	65.0	47.6	64.3	57.1	66.7	50.0
Denver, CO	37.1	42.6	63.5	78.8	70.4	81.3	81.3	83.3	81.5	83.3	75.0	67.4	56.5
Detroit, MI	65.9	56.3	50.0	57.7	63.9	57.9	71.4	64.7	56.3	63.9	64.3	71.9	69.2
Fort Myers, FL	63.9	86.7	78.6	67.9	75.0	61.5	59.4	70.8	76.7	75.0	82.4	78.1	88.5
Houston, TX	26.5	20.0	42.0	50.0	57.9	52.9	67.4	63.9	61.5	56.8	53.1	65.6	50.0
Inland Empire, CA	34.2	47.1	54.2	53.6	57.1	65.4	50.0	54.2	53.8	79.4	76.9	80.8	90.9
Jacksonville, FL	58.3	53.8	58.3	50.0	50.0	55.0	62.5	56.3	70.8	77.8	54.5	83.3	72.7
Las Vegas, NV	34.8	50.0	50.0	55.6	54.2	58.8	71.4	60.0	80.0	84.2	86.8	88.1	88.5
Los Angeles, CA	31.1	39.7	41.7	45.6	50.0	59.3	46.8	51.8	55.7	50.0	52.9	55.8	67.6
Miami, FL	64.1	68.5	75.8	66.2	63.5	73.2	72.0	70.0	65.8	72.4	81.0	85.1	81.1
Minneapolis, MN	51.1	56.5	62.9	72.9	85.5	84.8	82.9	86.1	88.4	85.7	79.7	80.3	84.8
Nashville, TN	20.0	31.8	33.3	33.3	50.0	50.0	54.2	59.1	31.3	50.0	50.0	45.8	50.0
New York-Northern NJ	15.9	21.7	25.5	31.8	33.3	23.8	35.6	52.4	50.0	43.0	34.3	30.5	37.0
Orlando, FL	71.7	78.9	83.3	84.4	73.1	84.6	66.7	61.8	75.0	80.0	63.6	87.5	84.4
Phila.-Southern NJ	25.0	21.4	20.6	40.5	33.3	50.0	70.5	59.1	60.0	39.5	42.1	36.4	50.0
Phoenix, AZ	76.4	75.7	81.6	78.4	76.7	75.7	73.5	76.6	79.5	78.6	83.9	93.8	87.5
Portland, OR	45.7	60.0	73.8	65.0	73.8	72.2	76.3	73.7	63.6	46.4	94.4	88.9	85.7
Raleigh, NC	41.7	30.0	55.6	50.0	50.0	62.5	60.0	66.7	93.8	42.9	66.7	33.3	50.0
Richmond, VA	37.5	30.0	16.7	25.0	16.7	50.0	50.0	66.7	87.5	75.0	83.3	50.0	50.0
Sacramento, CA	36.1	63.2	50.0	75.0	70.0	60.0	67.9	66.7	64.3	81.3	95.8	90.9	95.0
San Antonio, TX	45.0	36.4	27.8	43.8	25.0	14.3	38.9	50.0	43.8	56.3	38.9	45.0	42.9
San Diego, CA	31.8	33.3	33.3	42.9	39.3	50.0	50.0	65.9	48.0	52.1	66.7	88.1	75.0
San Francisco, CA	27.8	34.8	54.0	50.0	38.2	63.2	79.6	79.4	62.5	88.6	80.4	91.3	74.0
Sarasota, FL	79.4	100.0	95.8	94.4	81.8	88.9	63.6	61.5	50.0	83.3	95.5	91.7	81.8
Seattle, WA	27.1	41.3	55.9	46.6	60.5	64.6	63.2	71.9	55.9	70.5	78.9	92.1	87.5
St. Louis, MO	12.5	30.0	50.0	42.9	50.0	50.0	70.0	75.0	25.0	25.0	37.5	50.0	33.3
Tampa, FL	57.5	58.7	67.4	65.4	65.0	71.2	70.7	79.4	80.4	75.0	70.6	81.6	73.8
Tucson, AZ	59.4	65.6	81.8	73.1	53.8	66.7	36.4	80.0	63.6	77.8	70.8	76.7	92.9
Virginia Beach, VA	27.3	50.0	58.3	25.0	50.0	60.0	60.0	70.0	62.5	64.3	70.0	72.2	75.0
Washington, DC	37.0	44.0	52.0	54.5	53.8	51.8	66.7	75.9	63.0	43.2	32.6	50.0	60.0
Wilmington, NC	25.0	50.0	25.0	0.0	30.0	37.5	50.0	62.5	80.0	40.0	40.0	50.0	62.5
Total	39.0	45.8	49.7	52.8	53.7	59.9	61.2	68.0	62.7	63.6	62.9	67.2	66.6

Source: Credit Suisse

The length of time needed to sell a home decreased further in May, a positive leading indicator for home prices, as buyers continue to gain confidence and also urgency. Historical time to sell trends:

Exhibit 49: Length of time needed to sell a home [> 50.0: Time to sell decreased/ = 50.0: time to sell unchanged / <50.0: time to sell increased]

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Atlanta, GA	18.5	33.3	32.0	32.4	30.4	25.0	42.3	43.5	45.5	64.3	50.0	63.2	64.3
Austin, TX	41.3	34.8	32.5	30.4	34.2	25.0	40.0	50.0	58.7	65.0	65.6	80.0	76.2
Baltimore, MD	30.0	16.7	27.8	25.0	18.8	33.3	21.4	37.5	25.0	30.0	50.0	55.0	64.3
Boston, MA	32.1	30.0	15.4	21.9	50.0	28.1	23.1	25.0	19.2	50.0	60.7	75.0	60.0
Charleston, SC	20.0	30.0	33.3	16.7	25.0	12.5	0.0	0.0	28.6	21.4	66.7	75.0	50.0
Charlotte, NC	25.0	23.1	23.1	26.7	18.8	30.0	28.6	37.5	43.3	53.6	60.0	61.5	60.7
Chicago, IL	23.0	25.0	22.7	20.3	23.0	22.6	23.0	33.8	47.0	30.8	54.2	63.8	54.7
Cincinnati, OH	40.0	19.2	0.0	14.3	8.3	50.0	11.1	35.7	40.0	70.0	66.7	93.8	71.4
Columbus, OH	35.7	27.8	16.7	25.0	27.8	40.0	27.3	33.3	30.0	42.9	64.3	60.0	66.7
Dallas, TX	31.6	34.4	30.0	15.4	16.7	33.3	19.4	36.4	26.2	39.3	53.6	72.2	72.2
Denver, CO	41.9	32.7	40.0	40.4	35.2	42.0	43.5	58.3	61.1	77.1	80.8	87.0	80.4
Detroit, MI	52.3	52.9	53.6	50.0	44.4	36.8	40.0	44.1	43.8	55.6	53.8	68.8	88.5
Fort Myers, FL	58.3	73.3	64.3	57.1	63.9	46.2	62.5	62.5	76.7	78.9	76.5	81.3	70.8
Houston, TX	26.5	14.0	32.0	26.2	44.7	38.2	43.5	41.7	58.0	57.1	64.7	65.6	67.5
Inland Empire, CA	28.9	29.4	33.3	42.9	35.7	42.3	25.0	50.0	50.0	52.9	62.5	69.2	81.8
Jacksonville, FL	41.7	35.7	20.8	23.1	13.6	25.0	50.0	31.3	41.7	27.8	50.0	60.0	50.0
Las Vegas, NV	37.9	40.0	47.9	38.9	47.9	41.2	50.0	52.5	60.5	57.9	77.8	88.1	82.7
Los Angeles, CA	24.3	26.5	23.3	32.4	15.0	33.3	18.8	28.6	39.7	47.5	54.3	59.6	67.6
Miami, FL	50.0	54.5	51.6	54.2	39.2	55.0	57.0	48.6	65.8	65.8	71.6	71.1	77.0
Minneapolis, MN	26.2	21.7	31.9	28.6	35.5	29.7	31.1	36.8	52.4	65.7	71.6	75.8	86.8
Nashville, TN	30.0	29.2	33.3	20.8	14.3	20.8	12.5	36.4	37.5	58.3	59.1	75.0	62.5
New York-Northern NJ	16.4	17.5	18.1	12.5	14.5	16.7	14.2	15.1	28.7	42.1	51.9	45.2	43.0
Orlando, FL	39.1	34.2	55.9	53.1	42.3	61.5	47.2	50.0	50.0	56.7	63.6	71.9	81.3
Phila.-Southern NJ	19.2	19.0	17.6	26.2	20.6	28.9	20.5	27.3	35.7	50.0	45.0	45.5	51.8
Phoenix, AZ	57.1	67.1	65.8	63.5	58.3	57.1	55.9	64.5	75.6	76.4	87.1	91.9	83.3
Portland, OR	40.9	32.0	42.9	42.5	40.5	41.7	36.8	50.0	52.4	64.3	75.0	86.1	83.3
Raleigh, NC	8.3	20.0	11.1	18.2	21.4	50.0	40.0	50.0	56.3	64.3	50.0	100.0	71.4
Richmond, VA	31.3	35.0	50.0	25.0	33.3	33.3	66.7	16.7	50.0	83.3	50.0	100.0	66.7
Sacramento, CA	33.3	52.6	28.1	26.9	38.9	30.0	38.5	44.4	57.1	75.0	58.3	81.8	85.0
San Antonio, TX	27.8	31.8	11.1	12.5	31.3	16.7	27.8	16.7	25.0	18.8	43.8	55.0	57.1
San Diego, CA	28.3	33.3	25.0	17.9	17.9	22.2	19.0	34.1	40.0	58.3	50.0	78.6	80.6
San Francisco, CA	17.3	26.1	38.0	29.5	27.8	34.2	38.9	17.6	52.1	70.5	77.1	84.8	80.8
Sarasota, FL	58.8	68.8	66.7	83.3	40.9	55.6	54.5	61.5	75.0	88.9	77.3	83.3	72.7
Seattle, WA	45.8	39.1	47.1	41.4	55.3	41.7	47.4	38.2	41.2	63.6	73.7	92.1	90.0
St. Louis, MO	0.0	40.0	50.0	28.6	33.3	25.0	20.0	0.0	0.0	37.5	62.5	40.0	33.3
Tampa, FL	42.5	41.3	47.8	38.5	45.0	36.5	43.1	56.3	63.0	60.0	66.7	65.8	69.0
Tucson, AZ	37.5	37.5	50.0	46.2	46.2	36.7	37.5	50.0	68.2	83.3	54.2	70.0	85.7
Virginia Beach, VA	18.2	30.0	50.0	25.0	40.0	20.0	50.0	40.0	33.3	50.0	70.0	50.0	75.0
Washington, DC	28.3	44.0	26.0	22.7	22.2	17.9	29.2	26.8	33.9	63.0	71.7	70.0	65.4
Wilmington, NC	0.0	25.0	12.5	0.0	30.0	37.5	30.0	25.0	30.0	20.0	37.5	25.0	50.0
Total	30.9	34.5	33.6	31.4	32.5	34.3	34.7	37.7	45.5	55.9	62.0	70.9	69.5

Source: Credit Suisse

Agent Recommendations

Agents recommend Toll, Pulte, and Meritage. Toll Brothers received the highest percentage of recommendations by agents across the markets we survey. 33% of agents (net of positive responses less negative responses) surveyed said they would recommend Toll, while 20% said they would recommend Pulte or Meritage. We believe this is important since 35-40% of new home sales involve an agent. This is a positive for those companies, in addition to others below that received strong recommendations.

Exhibit 50: Toll Brothers Most Highly Recommended by Agents

Rank	Ticker	Company Name	Net Recommendation
1	TOL	Toll Brothers	33%
2	PHM	Pulte Group	20%
3	MTH	Meritage Homes	20%
4	DHI	D.R. Horton	19%
5	SPF	Standard Pacific Corp.	17%
6	LEN	Lennar Corp.	17%
7	NVR	NVR, Inc.	9%
8	RYL	Ryland Group	8%
9	BZH	Beazer Homes	5%
10	MDC	MDC Holdings	5%
11	HOV	Hovnanian Enterprises	3%
12	KBH	KB Home	(9%)

Source: Credit Suisse

Exhibit 51: Which of the following homebuilders would you most highly recommend to clients?

Market	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	9%	14%	--	--	--	--	--	--	36%	23%	--	--
Austin, TX	--	76%	--	14%	38%	--	48%	--	71%	--	71%	57%
Baltimore, MD	43%	29%	29%	14%	0%	0%	--	29%	--	14%	--	--
Charleston, SC	0%	0%	--	0%	0%	--	--	0%	--	0%	--	--
Charlotte, NC	0%	40%	0%	7%	20%	--	--	13%	--	33%	20%	27%
Chicago, IL	--	22%	16%	--	16%	0%	--	--	34%	16%	--	38%
Cincinnati, OH	--	--	14%	--	--	--	--	0%	0%	14%	--	--
Columbus, OH	--	--	0%	--	--	--	--	11%	0%	--	--	--
Dallas, TX	0%	11%	11%	0%	11%	0%	0%	--	11%	--	22%	56%
Denver, CO	--	35%	--	22%	22%	30%	9%	--	26%	30%	26%	35%
Detroit, MI	--	--	0%	--	--	--	--	--	54%	--	--	85%
Fort Myers, FL	--	62%	0%	0%	31%	--	15%	--	38%	15%	--	--
Houston, TX	14%	29%	10%	5%	38%	0%	19%	--	24%	--	--	--
Jacksonville, FL	27%	45%	--	18%	45%	27%	--	--	36%	--	27%	55%
Las Vegas, NV	23%	38%	--	35%	31%	8%	12%	--	46%	19%	--	46%
Los Angeles, CA	--	15%	15%	18%	15%	0%	0%	--	12%	--	6%	15%
Miami, FL	--	11%	--	--	49%	--	--	--	--	--	0%	--
Minneapolis, MN	--	26%	6%	--	29%	--	--	--	24%	18%	--	9%
Nashville, TN	13%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	4%	16%	--	0%	--	--	2%	24%	--	--	38%
Orlando, FL	25%	25%	13%	13%	31%	--	31%	--	13%	6%	6%	25%
Philadelphia-Southern NJ	--	3%	7%	--	3%	3%	--	24%	34%	--	--	45%
Phoenix, AZ	14%	22%	8%	3%	22%	11%	39%	--	44%	14%	25%	53%
Port St. Lucie, FL	--	0%	--	0%	--	--	--	--	--	--	--	--
Portland, OR	--	33%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	14%	29%	14%	0%	43%	--	--	0%	0%	--	29%	57%
Richmond, VA	0%	--	--	--	--	--	--	67%	--	--	--	--
Riverside-San Bernardino, CA	18%	9%	0%	64%	55%	0%	--	--	27%	0%	55%	--
Sacramento, CA	10%	50%	0%	20%	30%	10%	30%	--	50%	0%	0%	20%
San Antonio, TX	0%	71%	--	29%	57%	--	57%	--	43%	--	--	43%
San Diego, CA	6%	17%	22%	33%	28%	0%	--	--	11%	22%	22%	11%
San Francisco, CA	--	12%	--	--	12%	--	0%	--	23%	--	12%	27%
Sarasota, FL	--	--	--	0%	0%	--	--	--	17%	--	0%	--
Seattle, WA	--	35%	--	--	--	15%	--	--	--	--	--	5%
Tampa, FL	14%	24%	10%	14%	24%	0%	--	--	33%	14%	14%	--
Tucson, AZ	--	21%	7%	7%	29%	21%	50%	--	29%	--	0%	7%
Virginia Beach, VA	--	25%	0%	--	--	--	--	0%	--	--	--	--
Washington, DC	15%	35%	12%	--	12%	12%	--	19%	31%	12%	--	35%
Wilmington, NC	25%	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	14%	27%	9%	14%	25%	8%	24%	14%	28%	15%	20%	36%

Source: Credit Suisse

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

Exhibit 52: From which of the following homebuilders would you most strongly discourage clients from buying?

Market	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL
Atlanta, GA	18%	9%	--	--	--	--	--	--	9%	5%	--	--
Austin, TX	--	0%	--	62%	14%	--	5%	--	5%	--	0%	10%
Baltimore, MD	0%	0%	14%	0%	0%	14%	--	14%	--	57%	--	--
Charleston, SC	0%	0%	--	0%	0%	--	--	0%	--	0%	--	--
Charlotte, NC	53%	7%	0%	33%	0%	--	--	7%	--	0%	7%	0%
Chicago, IL	--	3%	9%	--	16%	6%	--	--	13%	9%	--	6%
Cincinnati, OH	--	--	0%	--	--	--	--	29%	0%	14%	--	--
Columbus, OH	--	--	0%	--	--	--	--	0%	0%	--	--	--
Dallas, TX	0%	11%	0%	33%	0%	0%	11%	--	22%	--	11%	11%
Denver, CO	--	17%	--	39%	9%	13%	9%	--	9%	0%	4%	0%
Detroit, MI	--	--	0%	--	--	--	--	--	23%	--	--	0%
Fort Myers, FL	--	0%	15%	23%	15%	--	8%	--	0%	0%	--	--
Houston, TX	19%	10%	10%	33%	0%	0%	0%	--	0%	--	--	--
Jacksonville, FL	9%	9%	--	45%	18%	0%	--	--	0%	--	0%	0%
Las Vegas, NV	8%	12%	--	31%	15%	12%	8%	--	4%	4%	--	12%
Los Angeles, CA	--	0%	6%	6%	3%	0%	3%	--	3%	--	0%	0%
Miami, FL	--	8%	--	--	14%	--	--	--	--	--	0%	--
Minneapolis, MN	--	3%	3%	--	9%	--	--	--	18%	3%	--	0%
Nashville, TN	0%	--	--	--	--	--	--	--	--	--	--	--
New York-Northern New Jersey, NY-NJ	--	4%	16%	--	8%	--	--	4%	10%	--	--	4%
Orlando, FL	0%	19%	0%	25%	19%	--	6%	--	6%	6%	0%	0%
Philadelphia-Southern NJ	--	3%	17%	--	0%	0%	--	0%	7%	--	--	21%
Phoenix, AZ	11%	14%	17%	47%	8%	3%	3%	--	8%	6%	14%	6%
Port St. Lucie, FL	--	0%	--	0%	--	--	--	--	--	--	--	--
Portland, OR	--	13%	--	--	--	--	--	--	--	--	--	--
Raleigh, NC	14%	29%	14%	43%	0%	--	--	0%	43%	--	0%	0%
Richmond, VA	0%	--	--	--	--	--	--	0%	--	--	--	--
Riverside-San Bernardino, CA	0%	18%	9%	9%	0%	0%	--	--	9%	0%	0%	--
Sacramento, CA	30%	0%	0%	20%	0%	0%	0%	--	10%	10%	0%	0%
San Antonio, TX	0%	14%	--	14%	14%	--	0%	--	29%	--	--	0%
San Diego, CA	6%	6%	0%	6%	0%	0%	--	--	0%	0%	0%	0%
San Francisco, CA	--	8%	--	--	8%	--	0%	--	4%	--	0%	0%
Sarasota, FL	--	--	--	8%	25%	--	--	--	0%	--	0%	--
Seattle, WA	--	20%	--	--	--	0%	--	--	--	--	--	0%
Tampa, FL	5%	5%	0%	5%	14%	0%	--	--	5%	0%	10%	--
Tucson, AZ	--	14%	0%	36%	0%	7%	0%	--	0%	--	0%	0%
Virginia Beach, VA	--	0%	0%	--	--	--	--	0%	--	--	--	--
Washington, DC	4%	0%	4%	--	8%	4%	--	4%	0%	8%	--	0%
Wilmington, NC	0%	--	--	--	--	--	--	0%	--	--	--	--
TOTAL	9%	8%	6%	24%	8%	3%	4%	5%	8%	7%	3%	3%

Source: Credit Suisse

Exhibit 53: Homebuilding Industry Comparative Valuations

6/5/2012	Beazer Homes BZH	D.R. Horton DHI	Hovnanian HOV	KB Home KBH	Lennar Corp. LEN	MDC Holdings MDC	Meritage MTH	NVR Inc NVR	PulteGroup PHM	Ryland RYL	Toll Brothers TOL	Average
RATINGS AND RETURN POTENTIAL												
Rating	Underperform	Outperform	Underperform	Neutral	Outperform	Neutral	Neutral	Neutral	Outperform	Outperform	Outperform	
Current Price	\$2.96	\$14.86	\$1.70	\$6.77	\$25.27	\$25.61	\$26.35	\$760.90	\$8.16	\$20.40	\$24.87	
Target Price	\$2.20	\$19.50	\$1.00	\$9.25	\$32.25	\$30.00	\$27.50	\$830.00	\$11.00	\$23.50	\$30.50	
Target Adj. BV Multiple	1.22x	1.59x	NM	1.10x	1.60x	1.51x	1.45x	2.59x	1.26x	1.55x	1.62x	1.54x
Dividend Yield	0.0%	1.0%	0.0%	1.5%	0.6%	3.9%	0.0%	0.0%	0.0%	0.6%	0.0%	0.6%
Total Return Potential	(6.8%)	32.2%	(41.2%)	38.1%	28.3%	21.0%	4.4%	9.1%	34.8%	15.8%	22.6%	23.6%
CAPITALIZATION												
Market Cap. (\$ mln)	\$239	\$4,731	\$164	\$522	\$4,780	\$1,229	\$863	\$3,855	\$3,131	\$909	\$4,145	\$2,233
Cash (\$ mln)	\$534	\$1,064	\$216	\$368	\$800	\$759	\$277	\$568	\$1,302	\$536	\$768	\$654
Debt (\$ mln)	\$1,434	\$1,582	\$1,577	\$1,587	\$3,473	\$744	\$607	\$2	\$3,091	\$823	\$1,585	\$1,500
Net Debt/Cap	80%	16%	161%	76%	50%	NM	40%	NM	48%	39%	24%	47%
VALUATION												
Book Value	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	TOL	Average
Tangible BV/Share	\$1.97	\$8.37	(\$5.97)	\$5.11	\$14.03	\$18.25	\$14.87	\$266.85	\$4.65	\$10.07	\$15.62	\$15.62
P/BV	1.20x	1.78x	NM	1.33x	1.80x	1.40x	1.77x	2.85x	1.75x	2.03x	1.59x	1.70x
Year-end 2013E TBV	\$0.39	\$10.50	(\$8.11)	\$4.13	\$18.01	\$16.49	\$16.78	\$320.33	\$5.52	\$11.28	\$17.04	\$17.04
DTA Adjustment	\$1.41	\$1.75	\$3.15	\$4.31	\$2.12	\$3.42	\$2.21	\$0.00	\$3.24	\$3.92	\$1.80	\$1.80
Adjusted BV/Share	\$1.80	\$12.25	NM	\$8.44	\$20.13	\$19.91	\$18.99	\$320.33	\$8.76	\$15.20	\$18.84	\$18.84
P/Adj. BV	1.31x	1.21x	NM	0.80x	1.26x	1.29x	1.39x	2.38x	0.93x	1.34x	1.32x	1.22x
EARNINGS												
CS Calendar Year Ests.												
2010	(\$0.66)	\$0.10	\$0.00	(\$0.90)	\$0.50	(\$1.39)	\$0.22	\$33.42	(\$2.90)	(\$1.93)	(\$0.03)	
2011	\$0.01	\$0.38	(\$2.23)	(\$2.32)	\$0.48	(\$2.11)	(\$0.65)	\$23.31	(\$0.55)	(\$1.14)	\$0.20	
2012E	(\$0.31)	\$0.80	(\$1.40)	(\$1.15)	\$0.85	(\$0.15)	\$0.17	\$32.20	\$0.20	\$0.26	\$0.62	
2013E	(\$0.12)	\$1.15	(\$0.80)	\$0.00	\$1.70	\$0.20	\$1.55	\$49.40	\$0.65	\$1.25	\$1.05	
Price/Earnings												
2010	NM	146.9x	NM	NM	50.1x	NM	118.9x	22.8x	NM	NM	NM	NM
2011	278.2x	39.3x	NM	NM	53.0x	NM	NM	32.6x	NM	NM	124.5x	80.9x
2012E	NM	18.7x	NM	NM	29.9x	NM	NM	23.6x	NM	NM	40.1x	27.9x
2013E	NM	13.0x	NM	NM	14.8x	NM	17.0x	15.4x	12.6x	16.4x	23.8x	15.7x
OPERATING METRICS												
CY Orders (Homes)	BZH	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	TOL	Total
2010	4,073	18,701	4,086	6,556	10,928	3,261	3,383	9,415	15,148	3,700	2,627	81,878
% Ch. Yr/Yr	(7.6%)	2.2%	(21.1%)	(21.4%)	(5.1%)	(1.4%)	(12.2%)	0.1%	6.8%	(30.2%)	(3.1%)	(5.3%)
2011	4,192	17,852	4,171	6,632	11,412	2,887	3,398	9,247	15,215	3,904	2,888	81,798
% Ch. Yr/Yr	2.9%	(4.5%)	2.1%	1.2%	4.4%	(11.5%)	0.4%	(1.8%)	0.4%	5.5%	9.9%	(0.1%)
2012E	5,005	21,112	4,682	7,210	14,550	3,937	4,272	11,497	17,424	4,979	3,616	98,285
% Ch. Yr/Yr	19.4%	18.3%	12.2%	8.7%	27.5%	36.4%	25.7%	24.3%	14.5%	27.5%	25.2%	20.2%
2013E	5,695	25,335	5,293	8,640	17,460	4,723	5,029	13,740	20,372	5,951	4,340	116,578
% Ch. Yr/Yr	13.8%	20.0%	13.0%	19.8%	20.0%	20.0%	17.7%	19.5%	16.9%	19.5%	20.0%	18.6%
CY Closings (Homes)												
2010	4,233	18,983	4,483	7,346	10,955	3,245	3,700	10,030	17,095	4,245	2,616	86,931
% Ch. Yr/Yr	(4.0%)	4.5%	(14.5%)	(13.5%)	(4.6%)	7.7%	(8.4%)	10.9%	13.9%	(17.2%)	(9.7%)	0.0%
2011	3,683	17,176	3,876	5,812	10,845	2,762	3,268	8,487	15,275	3,513	2,605	77,302
% Ch. Yr/Yr	(13.0%)	(9.5%)	(13.5%)	(20.9%)	(1.0%)	(14.9%)	(11.7%)	(15.4%)	(10.6%)	(17.2%)	(0.4%)	(11.1%)
2012E	4,760	20,417	4,439	6,572	13,991	3,727	4,160	10,803	16,914	4,527	3,226	93,538
% Ch. Yr/Yr	29.3%	18.9%	14.5%	13.1%	29.0%	34.9%	27.3%	27.3%	16.9%	4.5%	23.8%	21.0%
2013E	5,390	23,968	5,034	7,872	16,356	4,421	4,780	12,791	19,513	5,421	3,852	109,399
% Ch. Yr/Yr	13.2%	17.4%	13.4%	19.8%	16.9%	18.6%	14.9%	18.4%	15.4%	19.7%	19.4%	17.0%
Gross Margins, Ex-Charges												Average
2010	13.2%	17.3%	10.9%	18.6%	20.7%	19.1%	18.5%	18.4%	13.1%	15.5%	15.2%	16.4%
2011	10.7%	16.1%	10.3%	14.9%	21.0%	13.7%	18.2%	17.5%	13.2%	15.5%	17.9%	15.4%
2012E	10.7%	17.2%	11.9%	14.9%	21.6%	14.7%	17.7%	16.6%	13.5%	18.6%	18.5%	16.0%
2013E	11.4%	17.7%	12.4%	16.0%	22.2%	15.7%	18.5%	17.7%	14.7%	19.2%	19.5%	16.8%
SG&A % of Housing Revs												
2010	18.5%	12.1%	17.9%	18.4%	17.9%	24.2%	14.5%	8.9%	14.1%	15.3%	17.6%	16.3%
2011	22.0%	13.6%	18.8%	19.3%	18.3%	22.9%	16.2%	10.1%	13.0%	15.2%	18.2%	17.0%
2012E	15.8%	11.9%	15.8%	17.0%	16.6%	17.7%	14.2%	10.0%	10.9%	15.8%	17.4%	14.8%
2013E	14.2%	11.4%	14.7%	15.6%	15.6%	15.9%	13.5%	9.2%	10.5%	15.6%	16.3%	13.9%
LAND EXPOSURE												
Lots Controlled	25,617	121,200	31,481	40,170	117,086	8,871	17,200	53,000	128,228	23,300	39,700	
Years Supply	7.0	7.1	8.1	6.9	10.8	3.2	5.3	6.2	8.4	6.6	15.2	7.7
% Owned	16%	47%	100%	82%	79%	83%	83%	0%	89%	63%	82%	66%
% Optioned	84%	53%	0%	18%	21%	17%	17%	100%	11%	37%	18%	34%
SHORT INTEREST												
Short Interest, % of Float	17.5%	13.9%	21.6%	53.9%	21.6%	9.2%	11.4%	4.1%	11.7%	18.9%	11.0%	13.9%

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 05 Jun 12)

Beazer Homes USA (BZH, \$2.36, UNDERPERFORM [V], TP \$2.20)
 DR Horton (DHI, \$14.86, OUTPERFORM, TP \$19.50)
 Hovnanian Enterprises (HOV, \$1.70, UNDERPERFORM [V], TP \$1.00)
 KB Home (KBH, \$6.77, NEUTRAL [V], TP \$9.25)
 Lennar (LEN, \$25.27, OUTPERFORM, TP \$32.25)
 M.D.C. Holdings, Inc. (MDC, \$25.61, NEUTRAL, TP \$30.00)
 Meritage Corp (MTH, \$26.35, NEUTRAL, TP \$27.50)
 NVR Inc. (NVR, \$760.90, NEUTRAL, TP \$830.00)
 Pulte (PHM, \$8.16, OUTPERFORM, TP \$11.00)
 Ryland Group (RYL, \$20.40, OUTPERFORM, TP \$23.50)
 Toll Brothers (TOL, \$24.87, OUTPERFORM, TP \$30.50)

Disclosure Appendix

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