



October Survey

- Our October survey indicated that demand was similar to September on a profit-weighted basis although some of the lower margin markets that had shown unit strength recently are starting to soften. Overall, we rate the market a 5.0 on an absolute basis (D), down from 5.3 last month (D). Gauging trends based on the public's geographic footprint, our profit-weighted score declined for the thirteenth consecutive month, down a modest 1% to 4.6, rounding to a flat score versus September, in the D range.
- All in all, our channel checks indicated that the market is difficult to gauge due to seasonal trends and remain skeptical that much will change through December, though there is great concern of increased incentivizing to clear spec inventory before fiscal year ends. Cancellations remain a challenge for a multitude of issues. According to our survey, roughly 35% of cans are due to buyers unable to offload an existing property followed by 25-30% related to the inability to qualify, particularly in Texas. Poor confidence (~15%) and the opportunity for better deals down the street (~10%) were the next most cited reasons. We are cautious to assume that cans improve dramatically going forward, as financing is unlikely to ease and inventory is well above equilibrium. (See **Exhibit 7**)
- Based on our survey, conditions remained unchanged in 62% of the markets tracked, with 30% declining. Riverside-San Bernardino, Fresno and Miami-West Palm were the only markets to show improvement, although still challenged. One notable declining market was Jacksonville (D+ to D- rated), as traffic and sales conditions continue to deteriorate despite significant concessions. (See **Exhibit 1** through **Exhibit 5**). Drawing our survey down to the public builders' geographical footprint for October, we estimate that WCI, SPF, and DHI's demand deteriorated the most versus September. (See **Exhibit 6** for complete builder list).
- To analyze existing home trends, we aggregated market demand and pricing ratings from nearly 1,000 realtors in ~60 markets. Demand and pricing scores both fell in October, with 75% of markets exhibiting falling unit trends versus 70% last month and 25% last year. Meanwhile, 47% of markets exhibited falling price trends versus 35% last month and 2% last year.
- Of the 31 major metro markets we track (see **Exhibit 21** through **Exhibit 49**), total existing inventory increased 0.3% sequentially in September. On a preliminary basis (20 markets reporting), inventory declined 1.6% sequentially in October, but still remains 46% above the year-ago level. Markets with notable sequential declines in October include the Bay Area (down 8%), Boston (down 7%), Bakersfield (down 7%), Sacramento (down 6%), and Los Angeles (down 4%). On the other hand, Miami (up 3%), Phoenix (up 2%), and Tampa (up 1%) continued to increase. While sequential inventory growth has clearly slowed in many markets during the past few months, according to our survey contacts the decline is likely the result of frustrated sellers temporarily taking their homes off the market rather than actual inventory absorption. From a year-over-year standpoint, inventory levels remain significantly elevated, with Orlando (up 199%), Phoenix (up 129%), and the Inland Empire (up 100%) up the most.
- The group now trades at 1.2x tangible book and 14.4x our forward earnings estimates versus ranges of 0.5-2.4x and 4.1-18.8x since 1990, respectively. While we agree that easier comparisons should aid unit order trends over the coming quarters, we are unwilling to call a bottom in the group at this time as the stocks are priced as though the worst of earnings are behind us, despite pricing pressure and incentives that are only mounting in the face of record inventories and bloated balance sheets. Please see our note *Food for Thought* published in conjunction with our survey regarding the likelihood that inventory is well beyond market perceptions and misinterpretations of seasonal trends could point to another leg down in 2007 that results in profit pressures beyond embedded expectations.

research team

Ivy L. Zelman

Research Analyst
212 325 2443
ivy.zelman@credit-suisse.com

Dennis McGill, CFA

Research Analyst
212 325 4466
dennis.mcgill@credit-suisse.com

Justin Speer

Research Analyst
212 325 2448
justin.speer@credit-suisse.com

Alan Ratner

Research Analyst
212 538 0331
alan.ratner@credit-suisse.com

ANALYST CERTIFICATIONS AND INFORMATION ON TRADING ALERTS AND ANALYST MODEL PORTFOLIOS ARE IN THE DISCLOSURE APPENDIX. 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. Customers of Credit Suisse in the United States can receive independent, third party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can access this independent research at www.credit-suisse.com/ir or call 1 877 291 2683 or email equity.research@credit-suisse.com to request a copy of this research.

Homebuilding Survey Summary

Exhibit 1: Homebuilding Survey Market Summary, October 2006

Markets	Aug-06	Sep-06	Oct-06
Salt Lake City	13	12	11
San Antonio	12	12	11
Charlotte	12	11	10
Houston	10	10	10
Austin	10	9	9
Raleigh-Durham	9	9	9
Philadelphia	9	8	8
Albuquerque	11	8	7
Chicago	7	7	7
Baltimore	8	7	6
Bay Area	7	6	6
Dallas-Fort Worth	8	7	6
Fresno	5	5	6
Las Vegas	5	5	5
Metro New Jersey	6	6	5
Miami-West Palm	4	4	5
Minneapolis	5	5	5
Orlando	5	5	5
Riverside-San Bernardino	4	4	5
Atlanta	6	5	4
Bakersfield	4	4	4
Charleston	7	5	4
Indianapolis	5	4	4
Jacksonville	7	6	4
Los Angeles	6	5	4
Tampa	4	4	4
Washington DC	4	4	4
Cincinnati	3	3	3
Phoenix	3	3	3
Sacramento	2	3	3
Denver	2	2	2
San Diego	2	2	2
Cleveland	2	1	1
Columbus	1	1	1
Detroit	1	1	1
Fort Myers	1	1	1
Tucson	2	1	1
Equal Weighted	5.7	5.3	5.0
Profit Weighted (2005)	4.8	4.6	4.6

Scoring Metrics	Grade	Score
Very Healthy & Positive Bias:	A+	15
Very Healthy & Stable:	A	14
Very Healthy & Negative Bias:	A -	13
Healthy & Positive Bias:	B +	12
Healthy & Stable:	B	11
Healthy & Negative Bias:	B -	10
Moderate & Positive Bias:	C +	9
Moderate & Stable:	C	8
Moderate & Negative Bias:	C -	7
Competitive & Positive Bias:	D +	6
Competitive & Stable:	D	5
Competitive & Negative Bias:	D -	4
Very Competitive & Positive Bias:	F +	3
Very Competitive & Stable:	F	2
Very Competitive & Negative Bias:	F -	1

Sequential Market Trends	% Total
Improving Markets	8%
Deteriorating Markets	30%
Unchanged Markets	62%

Key States - Equal Weighted	Aug-06	Sep-06	Oct-06
California	4	4	4
Florida	4	4	4
Texas	10	10	9

Market Breakdown	Aug-06	Sep-06	Oct-06
Very Healthy	3%	0%	0%
Healthy	14%	11%	11%
Moderate	22%	19%	14%
Competitive	35%	43%	49%
Very Competitive	27%	27%	27%

Note: we added Salt Lake City to our survey rankings in September 2006 and Charleston and Tucson in October 2006.

Source: Credit Suisse

Exhibit 2: Credit Suisse Homebuilding Survey Legend

<u>Grade</u>	<u>Description</u>	<u>Characteristics</u>
A	Very Healthy	Strong Pricing Strong Order Trends Low Cancellations Low Incentives Low Resale Inventory Good Buyer Quality
B	Healthy	Moderate Pricing Healthy Order Trends Low Cancellations Minimal Incentives Low Resale Inventory Stable Buyer Quality
C	Moderate	Stable Pricing Moderate Order Growth Increasing Cancellations Increasing Incentives Rising Resale Inventory Challenged Affordability
D	Competitive	Minimal Pricing Flat-to-down Order Trends High Cancellations Incentives Common Rising Resale Inventory Deteriorating Buyer Quality
F	Very Competitive	No or Declining Pricing Negative Order Trends High Cancellations Incentives Common High Resale Inventories Poor Buyer Quality

Notes:

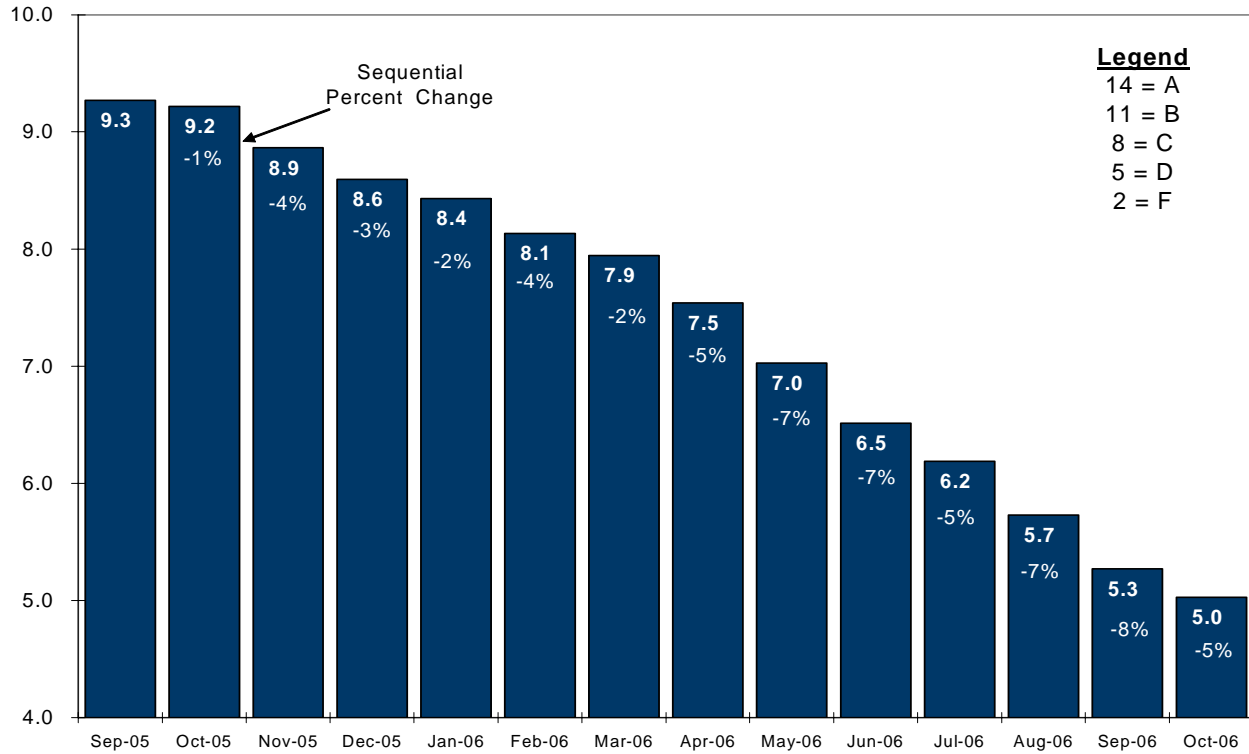
A market may not have all of the attributes related to the health of the market but would likely demonstrate a majority of the attributes.

Pluses and minuses are used to indicate an in-between grade.

Grades are meant to reflect near term demand trends rather than long-term fundamental differences in job growth, land constraints, etc.

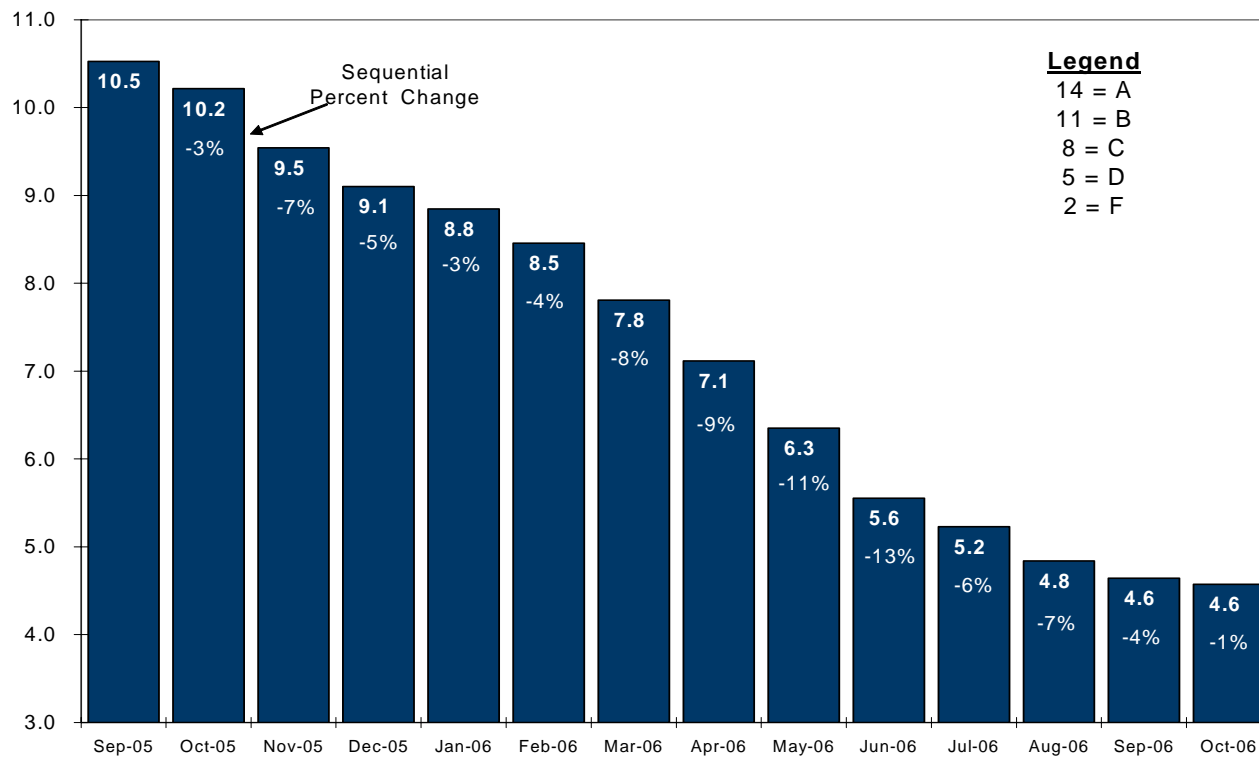
Source: Credit Suisse

Exhibit 3: Credit Suisse Homebuilding Survey Equal Weighted Market Score



Source: Credit Suisse

Exhibit 4: Credit Suisse Homebuilding Survey Profit Weighted Market Score



Source: Credit Suisse

Exhibit 5: Typical Seasonality of New Orders, Percentage of Annual Total

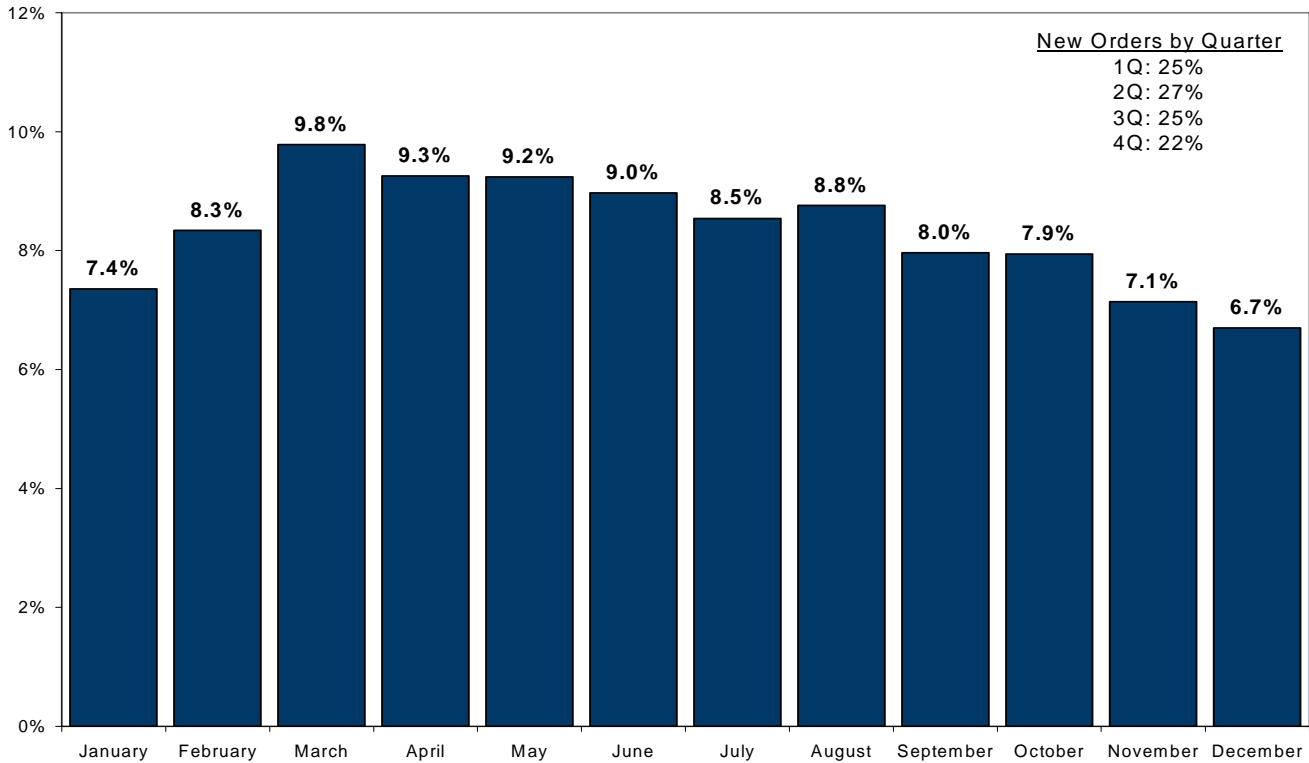
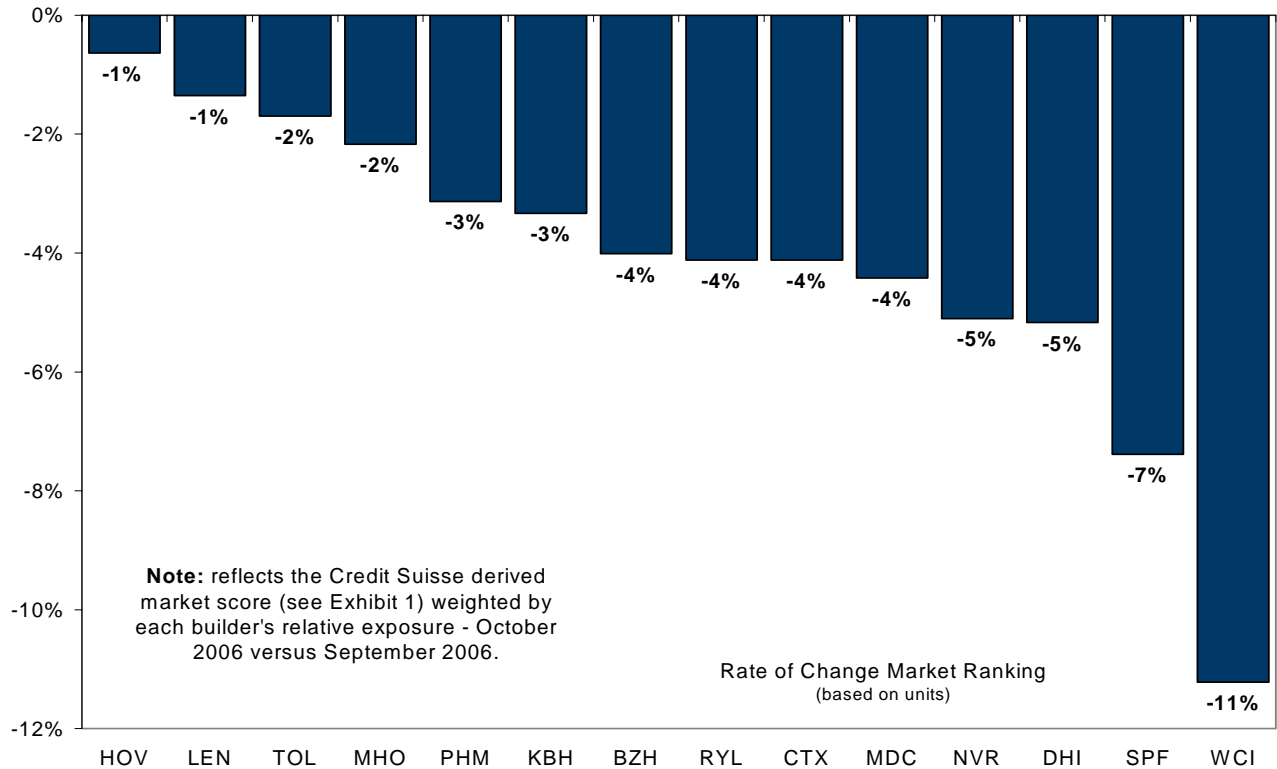
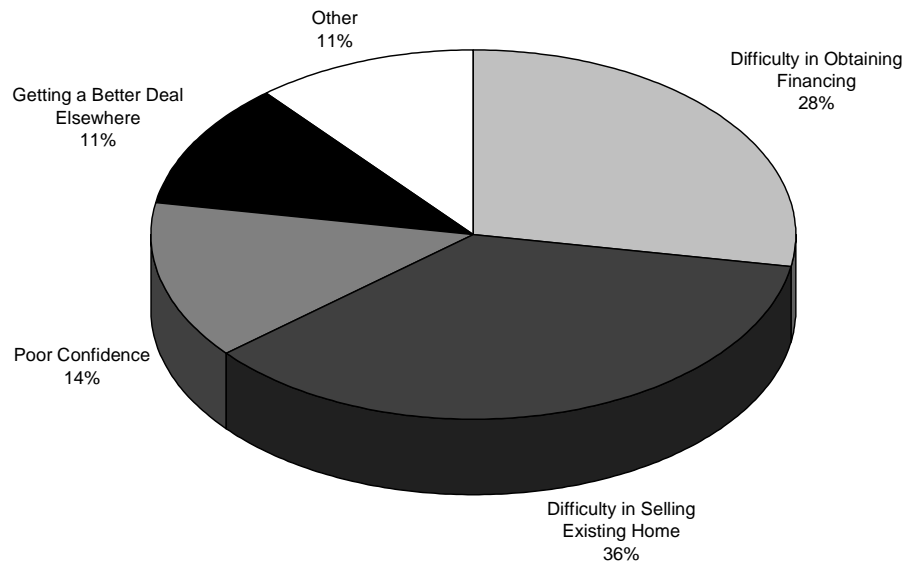


Exhibit 6: Relative Change of Market Score by Builder, October 2006 versus September 2006



Source: Credit Suisse analysis.

Exhibit 7: What are the biggest reasons for buyers canceling?



Source: Credit Suisse

Specific Market Commentary

California (Remained a D-minus market)

Within southern California, San Diego remains the toughest metro area, as the market is selling only two homes on average per month, per community, down 30% from two years ago. As previously highlighted, the weakness has driven prices down at least double-digits market-wide and as much as 20-30% in certain communities. Cans remain challenging in the high-30% range due to potential buyers' unwillingness to lower their asking price on an existing home enough to move the product. One builder classified the market as "scraping along the bottom". The months' supply of inventory remains extremely high, even with a stabilization in the rate of increases.

The Inland Empire is generating relatively healthy orders when compared to other parts of the state, but our survey contacts still considered it a D market, albeit somewhat better than September when we graded it a D-minus. Absorptions are down 30% from last year and 40% from two years ago. Cancellations are troubling, in the mid-30% area, but are slightly lower than Los Angeles and San Diego. The optimism in October relative to September was due to traffic showing signs of life. However, incentives are "deeper than ever", and the effort to compete and sell product is "very intense", which could be driving the renewed interest. Margins are reportedly back to at least 2000 levels with one builder stating that it felt like the early 1990s downturn in regards to profitability. Land prices would need to be down 20-50% to make a deal work, though like most markets, the liquidity is nil. Increases in development costs were also highlighted as a challenge.

Los Angeles and Orange County deteriorated for the second straight month, falling to a D-minus, as absorptions have approached the minimal levels of San Diego with cans in the 40% range. One builder stated that buyers are finally willing to deal. Another builder cited job growth concerns and risk to land values given a glut of inventory. A 4% decline in existing inventory could be a sign of hope, but it is likely seasonality. Bakersfield is a difficult market (D- on our scale) but was characterized as less negative than other California markets as incentives are running below average. Reportedly, two large builders sold out of upwards of 2,000 lots, a large amount in an area that does 5-6,000 permits a year.

In northern California, the Bay Area appears the healthiest based on absorptions and can rates. Although existing inventory was down 8% sequentially, our contacts characterized the market as flat with September.

Trends in the Central Valley are difficult with absorptions down 40% on top of a 30% decline last year. The biggest problem remains buyers attempting to sell their existing home. One builder also noted that it is experiencing cancellations from buyers that are losing their job in the construction industry. In Fresno, we raised our grade to a D+ from a D due to a decline in cancellations and a modest improvement in absorptions to over one per week. However, with inventory over 100% above last year, we are skeptical that it can hold the gains.

Sacramento grades as one of the worst markets in the country at an F+, despite easing comps and a 6% sequential decrease in existing inventory. The low grade results from the modest improvement in orders being driven by significant incentives of 20-30% of the base price, leaving profitability in the mid single digits. Builders described it as "bumping along the bottom" and highlighted downward pricing pressure as reason for

the lack of optimism. The high-end is reportedly much worse than the entry-level due to affordability constraints.

Las Vegas (Remained a D rated market)

Conditions in Las Vegas remained challenging at a D-rated market, though this metro area remains better than most western U.S. markets. Las Vegas is just under one sale per week, with cancellation rates at under 30%. Our private builder contacts indicated that the public may have cut back a bit on production. Current land deals are still overpriced. Existing inventories in Las Vegas moderated 1% to just over 17,000 units in October, though still 59% above the levels witnessed last year.

Phoenix (Remained an F-plus market)

Against a much easier comparison last year, absorptions in Phoenix were down ~30% versus the +40% decline in September. On an absolute basis, however, sales rates continue to trend at weak, F-type levels. Builders indicated that price cuts and strong incentive levels (particularly on inventory homes) may be getting some buyers back into the market, but cancellation rates remain above 45%. Outlying locations are particularly challenged. Land prices are estimated to be down 15-40% depending on the locations, with some lots selling for half of year ago values. Existing inventories continued to climb, up 2% sequentially and up 129% year-over-year to over 40,000 single family homes.

Washington D.C. (Remained a D-minus market)

Metro D.C. remained consistent with the trends exhibited since July, at a D-minus based on our scoring system. While it's likely too early to call the bottom, there is some optimism as traffic trends have been improving and resale inventory is flat to down. That said, builders are having a hard time converting traffic and cancellations remain a problem, which many are blaming on the negative media and sentiment in general. Prices on product are reportedly down 10-25%, which is helping to spur activity. One builder indicated that any lots priced above 2003 levels will likely not make a profit. As such, this builder believes it's highly unlikely that the market will see many land deals until values fall back to those levels. While several builders expect to hold the line on pricing at current levels, there are those that remain worried about the effects of the year-end push and the implications for pricing.

Florida (Remained a D-minus market)

The industry environment remained challenging in Florida, at a D-minus based on the markets we track. The majority of markets were flattish, although Miami-West Palm (Southeast Florida) exhibited slightly better trends in the month, with Jacksonville experiencing a sharp fall off from prior levels. In general, new and existing inventories remain a headache, with 10-25% concessions again cited to help alleviate the pressures. Builders again highlighted problems with cancellations.

Fort Myers remains the weakest Florida market and one of the most difficult markets across the country, with one contact referring to it as a "ghost town". Mounting inventories from high supplies and little sales activity are to blame. Land prices are off by as much as 40% in Collier County, but are more commonly down 10-24%. In parts of Lee County, prices are off by as much as 50%. Trends in Tampa were again flat-to-down, with 10-20% concessions still not driving much in the way of activity. Traffic and cancellations remain challenging. Generally, the outlook remained pessimistic.

Orlando exhibited flattish results with a more positive bias, with traffic better and volumes improving for builders working through speculative inventory. Resale inventory,

nearly 200% higher than the prior year, remains a constant struggle. Land prices in this market are reportedly in a free fall, with one builder estimating that values are off by as much as 50-70% from peak levels. Southeast Florida/Miami seemed to pick up from September, with some buyers coming off the sidelines. Prices are reportedly flat sequentially, though incentives are helping to move inventory. Profit margins are down to 2000 levels for one builder. Another contact suggested that the main reason for the cancellation problem pertains to general uncertainty. Separately, land prices have come down at least 30%, but "great land" is holding its value. Finally, after having consistently been one of the stronger Florida markets, Jacksonville has capitulated in the past couple of months, particularly in October. We now rate this market at a D-minus from a D-plus last month and a C-minus two months ago. Even with significant concessions, homes are not moving and traffic is slow.

Texas (Fell to a C+ market from a B-minus)

Texas exhibited a modest slowing during October, falling to a C+ on our grading scale from a B-minus previously. Builders are clearly emphasizing volumes with less regard for margins throughout the state. Affordability concerns and investor activity resonated as key concerns for several builders, which resulted in a rising level of cancellations across the major Texas markets that we follow.

San Antonio continues to be the strongest and most consistent market in the state, but several respondents remain conservative regarding the future. While gross sales remain strong on a year-over-year basis, and pricing power is prevalent throughout the market, cancellations are becoming an increasing problem. Across the board, survey participants noted rising can rates, with several builders in the 40-60% range during October. The majority of cans were attributed to out of state buyers that are unable to sell existing homes, which we believe is related to an increasing investor presence in this market that we have cited in previous surveys. The environment in Austin remained stable in October. While pricing is up mid-to-high single digits year-to-date, home prices have been flat for the past few months. Similar to San Antonio, cancellations escalated in Austin during October, with investors/out of state buyers cited as the common culprit. Land prices remain high, with one builder indicating that raw land is up ~5% year-over-year. Lower price points are reportedly performing better than the high-end.

Conditions in Houston were flat according to almost all respondents in October, with orders flat-to-down from last year and modest pricing power cited in better locations. Although terms seem to be easing, land prices are basically flat with the prior year. Incentives are running in the mid-single digit range, which is roughly unchanged from September and last year. Unlike San Antonio and Austin, where investors appear to be the cause of many cancellations, poor credit quality was cited as the driver of cans in Houston, which are running in the 30-40% range. Dallas/Fort Worth continued to slide in October for the third consecutive month, with contacts referring to it as the most competitive market in Texas. Orders and traffic are down considerably from last year, with no easing in cancellation rates from ~30-35%. Similar to Houston, credit quality was cited as the number one reason for cancellations in Dallas/Fort Worth. Although existing inventory remains relatively benign throughout Texas, listings have been creeping up in Dallas/Fort Worth, and are up approximately 25% from the near term trough in December 2005. Despite the softening, contacts have yet to notice a meaningful decline in land prices. One respondent believes that builders in the market plan on reducing starts 10-15% in 2007, although a large pipeline of land deals may keep starts elevated.

The Carolinas (Fell to a B-/C+ from a B-minus)

Conditions were down slightly in this region relative to September. In Charlotte, contacts reported that activity was flat-to-down, with pricing flat and cancellations in the 30-35% range. Raleigh/Durham remained relatively stable in October.

Denver (Remained an F rated market)

Conditions in Denver remained very difficult in October, with most respondents maintaining their "F" grade. Incentives generally remain in the 7-8% range, with finished spec incentive levels at 15-20%. Can rates are running in the 30-40% range, with no sequential improvements seen as aggressive incentives are causing buyers to hop from one builder backlog to another in search of the best deal. Affordability also remains a major issue in this market, which is contributing to the high can rates. Land prices have not yet come down despite many option deals being abandoned.

Chicago (Remained a C-minus rated market)

Chicago maintained its C-minus status from September, though there was some modestly positive commentary from a couple of builders. Orders for the market are believed to be down approximately 20% from last year, with flat pricing and cancellation rates remaining in the 5-25% range. Builders noted a distinction between the exurbs, which are down much more than the city, as the condo market and infill parcels in Chicago proper appear to be holding up well.

Philadelphia (Remained a C rated market)

Commentary out of Philadelphia was mixed in October, with reports of a modest seasonal slowdown in traffic and orders, although prices appear to be holding steady. Cancellations do not seem to be a major issue in this market, and incentives are minimal as well. One respondent commented that the amount of land coming back to the market is the highest seen in seven years, and layoffs have continued to increase since Labor Day.

Other Markets

Salt Lake City remains tied for the highest grade in our market scoring system, although conditions declined in October. Similar to last month, builders offered sobering commentary regarding the expectation for speculative excess to unwind. One major builder in the market indicated that inventories are up by approximately 50% in the past two months. That said, cancellations remain modest in the 10% range. Price increases, which have been up double-digits, have slowed to a crawl, although demand remains healthy for now. One contact indicated that land price increases have started to moderate and more land opportunities are becoming available. There was pretty much unanimous feedback that conditions in Atlanta pulled back in October. Contacts are witnessing a significant decline in buyer sentiment, with cancellations ranging anywhere from 20-40% by builder. Pricing declined relative to September, as incentives increased to the high single digit range. For the most part land prices are falling although most raw land is just being taken off the market. Conditions in the Midwest (Indianapolis, Detroit, Ohio markets) remained extremely challenging. Significant incentives are not doing much to drive traffic or volumes.

Mortgage Finance

A major mortgage lender in Florida stated that the environment was similar to September with originations down double-digits. It approved 89% of applications versus 92% last year, of which 72% were fixed rate, up from 65% last year but down from 74% last month. The originated ARMs broke down as follows: 3-year (11% of total), 5-year (64%), and 7-year (25%). This October, 28% of originations were deemed alternative, including interest-only and negative amortization loans, down from 34% last year but higher than 21% last month. The lender verified the income for 77% of its borrowers, with 19% partially verified and 4% not verified. This lender has yet to experience tighter regulatory restrictions but did note that foreclosures were increasing in the marketplace for the second consecutive month.

Realtor Summary

To further analyze existing home trends, we aggregated market demand and pricing ratings from nearly 1,000 realtors in ~60 major markets across the country. The number of realtors captured fell nearly 14% from last month. The average scores for demand and pricing decelerated further, with demand scores down 4% to 2.2 and pricing scores down 5% sequentially to 2.7.

Relative to last month, demand ratings increased in 21% of markets, while falling in 70% of the markets analyzed. Only five of the markets we tracked (9%) were unchanged versus the prior month. Pricing scores climbed in 16% of markets, while falling in 65% of the markets measured. In regards to demand, the markets rated in the top bucket represent 2% of the total, in-line with last month, as Austin replaced Salt Lake in this category.

In the month, there was a continued mix shift into the lowest rated tier (1.0-2.0 category), suggesting that markets are decelerating at an increasing rate. In total, 75% of the markets we track are in the 1.0-2.5 rated bucket, which implies that demand in 7.5 of 10 markets on average continues to deteriorate. This compares to 70% last month and 25% last year. Nearly 40% of the markets we track fell into the 1.0-2.0 rated bucket, up from 29% last month and 2% last year, which suggest that markets aren't only falling, but are falling faster. This may be reflective of cracks on the pricing front, which seems to have put further pressure on demand as consumer confidence continues to take a hit. The percentage of markets where price trends are falling has increased sharply in the past few months, to 47% in October. Please see Exhibit 11 through Exhibit 18 for directional unit and pricing trends.

Versus the prior year, eight of the markets tracked have increased (of which four are in Texas), while 48 have decreased. The average demand score is 32% lower than the prior year at 2.2, with the pricing score down 25% at 2.7 (See Exhibit 9 and Exhibit 10).

Between the California and Florida metros (of which there are 18), 13 continued to fall with 3 markets holding flat versus the prior month and 1 (Naples-Marco Island) showing improvement in demand scores. On a positive note, none of the five biggest drops in demand or pricing scores occurred in metros in Florida and California. In these states, pricing scores fell in only 9 of the metros tracked and were up in five.

Texas markets were mixed again in the month, with Fort Worth, Dallas and Houston down from the prior month, but Austin and San Antonio higher from a demand score

perspective. That said, three of the Texas markets are in the top five markets on an absolute demand score basis and two of the Texas markets were in the top five on price scores in the month.

Phoenix demand scores fell another 3% to 1.8 (ranked 49th), with pricing scores also down 3%. Tucson finally stopped the bleeding from a demand score perspective, up 7% to 1.6 (still the second worst rated market). Albuquerque, which before September had been a top 5 market since we began this analysis last year and was the highest rated market for several months from November 2005 through February 2006, continued its big slide. The demand score from 17 realtors there fell another 12% compared to last month's 18% decline, dropping Albuquerque to the 13th position of the markets we track from 10th. Demand scores in Metro DC (164 realtors) dropped significantly, down 11% to 1.8, placing that market at the 43rd position. The Las Vegas score also fell mid-single digits to 1.8 after a promising flat score in the prior month. Salt Lake City fell from the top spot for the first time in seven months, as its demand score slipped for the third consecutive month, down 6% to 3.9 (See Exhibit 8).

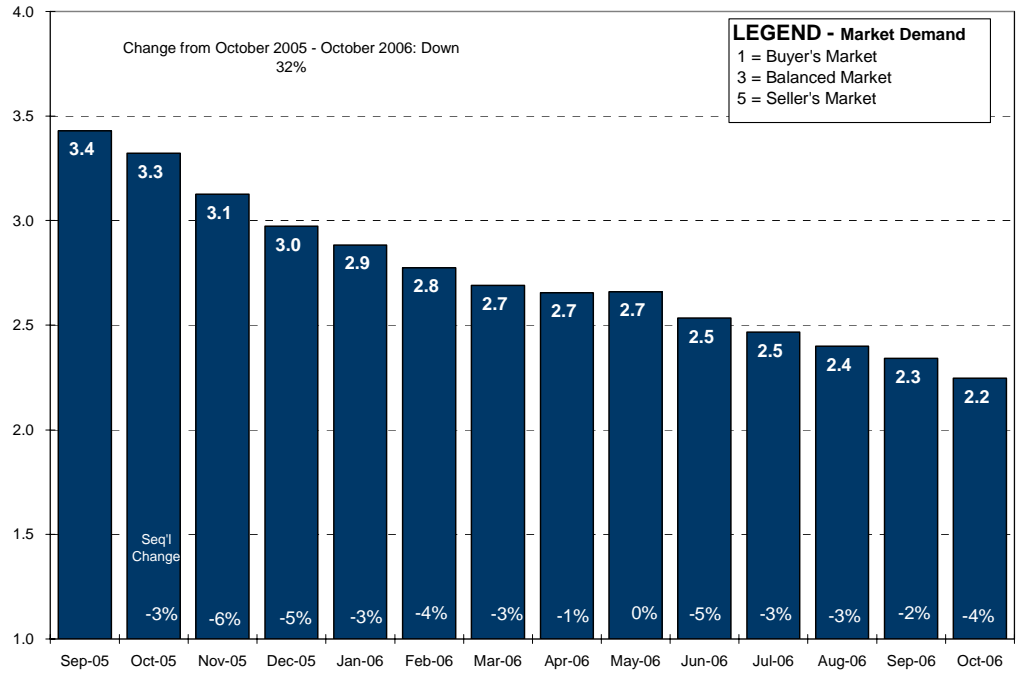
Realtor Summary

Exhibit 8: Realtor Rankings By Market, October 2006

Metro Area	Demand	Pricing	Sequential Changes*		Oct 2006 vs Oct 2005 Changes*		
	Rating	Rating	Demand	Pricing	Demand	Pricing	
San Antonio	4.0	4.2	5.3%	0.0%	21%	2%	
Salt Lake City	3.9	3.8	-5.6%	-11.1%	4%	-6%	
Austin	3.8	4.1	2.7%	0.0%	23%	11%	
Seattle	3.8	3.7	-2.2%	-0.4%	-10%	-11%	
Houston	3.2	3.7	-0.1%	-1.0%	15%	7%	
Raleigh	3.1	4.0	0.5%	0.0%	-2%	2%	
Nashville	2.9	3.3	-15.0%	-9.9%	-23%	-18%	
Portland	2.9	3.2	-9.9%	-9.6%	-30%	-25%	
Charlotte	2.8	3.7	9.0%	6.6%	-8%	-1%	
Richmond	2.8	3.0	0.3%	3.4%	-26%	-13%	
Fort Worth	2.7	3.2	-15.6%	-13.5%	17%	0%	
Albuquerque	2.6	3.1	-11.8%	-4.6%	-41%	-28%	
Louisville	2.6	3.2	8.7%	13.4%	13%	-3%	
Philadelphia	2.5	2.5	-1.3%	-10.2%	-37%	-30%	
St. Louis	2.4	2.9	-5.4%	-4.3%	1%	-13%	
San Fran - Oakland	2.4	2.9	-8.2%	-2.7%	-34%	-13%	
Dallas	2.3	2.7	-6.4%	-9.4%	-16%	-22%	
Riverside-San Bernardino	2.3	3.1	-6.5%	4.8%	-39%	-16%	
Los Angeles	2.2	2.6	0.0%	0.6%	-34%	-26%	
New York-NJ-Long Island	2.2	2.2	-12.3%	-12.4%	-26%	-41%	
Atlanta	2.2	3.3	-4.1%	-0.6%	-9%	-10%	
Durham	2.2	3.0	0.0%	0.0%	-27%	0%	
Kansas City	2.2	2.8	0.0%	0.0%	5%	-13%	
Indianapolis	2.2	3.4	0.6%	-1.7%	-9%	-7%	
Baltimore	2.2	2.8	-7.6%	-3.1%	-44%	-23%	
Chicago	2.1	2.7	0.1%	-6.2%	-15%	-19%	
Tampa	2.0	2.4	-9.1%	-4.0%	-52%	-44%	
Fresno	2.0	2.0	0.0%	0.0%	-46%	-47%	
Stockton	2.0	2.0	0.0%	0.0%	-44%	-38%	
Allentown-Bethlehem-Easton	2.0	2.3	-10.6%	-15.4%	-44%	-30%	
Virginia Beach - Norfolk	2.0	2.7	-13.2%	-8.0%	-47%	-28%	
Boston	1.9	2.2	-4.0%	-2.3%	-34%	-27%	
Naples-Marco Island	1.9	2.4	8.1%	3.6%	-54%	-42%	
Jacksonville	1.9	2.3	-9.5%	0.0%	-51%	-38%	
Colorado Springs	1.9	3.0	-12.7%	-15.0%	-23%	-21%	
Sacramento	1.9	2.3	-8.2%	-6.9%	-38%	-24%	
Columbus	1.8	2.1	-4.1%	-4.1%	-28%	-44%	
Orlando	1.8	2.5	-0.3%	-4.6%	-54%	-36%	
Washington DC	1.8	2.1	-10.9%	-8.2%	-44%	-36%	
Detroit	1.8	2.2	-4.7%	-1.0%	-10%	-12%	
Denver	1.8	2.9	-5.3%	-3.3%	-22%	-15%	
Las Vegas	1.8	2.4	-5.3%	-11.1%	-25%	-25%	
San Diego	1.8	2.2	-5.9%	-8.4%	-34%	-25%	
Bakersfield	1.8	1.7	-5.3%	-10.5%	-60%	-62%	
Phoenix	1.8	2.4	-3.6%	-2.7%	-57%	-41%	
Minneapolis	1.8	2.9	-7.7%	-2.4%	-25%	-6%	
Daytona - Deltona	1.7	2.3	-4.2%	3.5%	-56%	-41%	
Miami-Fort Lauderdale-West Palm	1.7	2.2	-4.9%	-6.8%	-62%	-51%	
Modesto	1.7	1.9	-15.0%	-9.5%	-48%	-42%	
Cape Coral - Fort Myers	1.7	2.0	-1.7%	2.8%	-54%	-44%	
Tucson	1.6	2.2	6.7%	-12.0%	-63%	-49%	
Sarasota	1.3	1.8	-7.1%	0.0%	-66%	-56%	
Average	2.2	2.7	-4%	-5%	-32%	-25%	
1.0 - 2.0	40%	5%	% That Increased	21%	16%	18%	7%
2.0 - 3.0	49%	60%	Count	12	9	10	4
3.0 - 4.0	9%	30%	% That Decreased	70%	65%	82%	86%
4.0 - 5.0	2%	5%	Count	40	37	47	49
Legend							
Market Demand							
1 = Buyer's Market 5 = Seller's Market							
Pricing Trends							
1 = Falling Prices 5 = Rising Prices							
			% That Increased	21%	16%	18%	7%
			Count	12	9	10	4
			% That Decreased	70%	65%	82%	86%
			Count	40	37	47	49
			% Unchanged	9%	19%	0%	7%
			Count	5	11	0	4

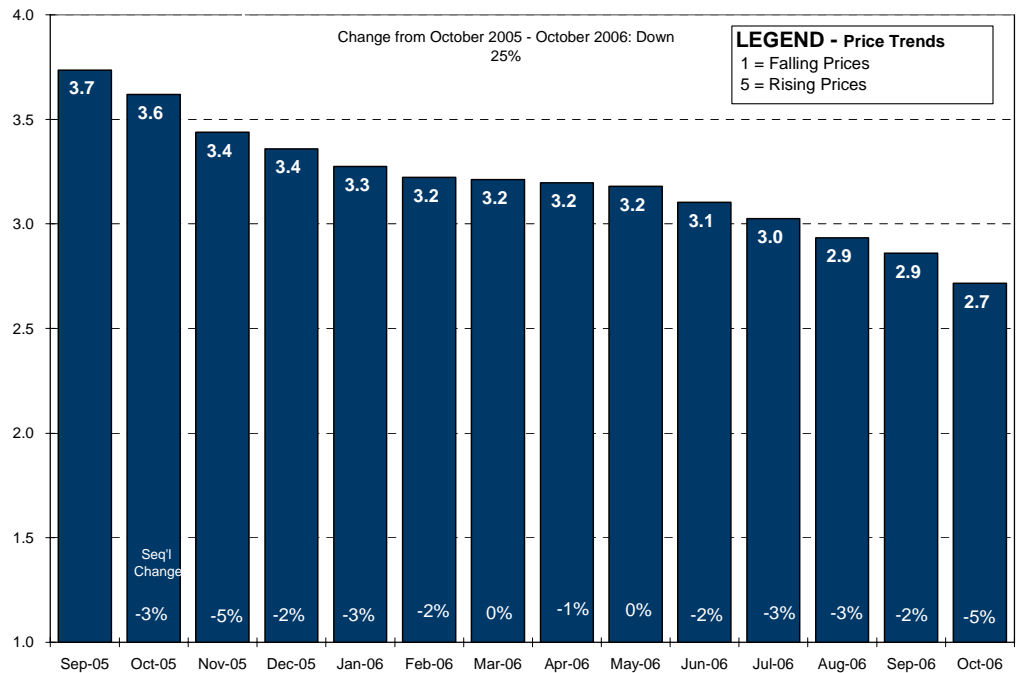
Source: Realtor.com, Credit Suisse analysis; *not seasonally adjusted

Exhibit 9: Total Realtor Demand Rankings, September 2005 – October 2006



Source: Realtor.com, Credit Suisse analysis

Exhibit 10: Total Realtor Price Rankings, September 2005 – October 2006



Source: Realtor.com, Credit Suisse analysis

Exhibit 11: Directional Unit Trends Based on Realtor Scores, Oct 2006

October 2006 - Units

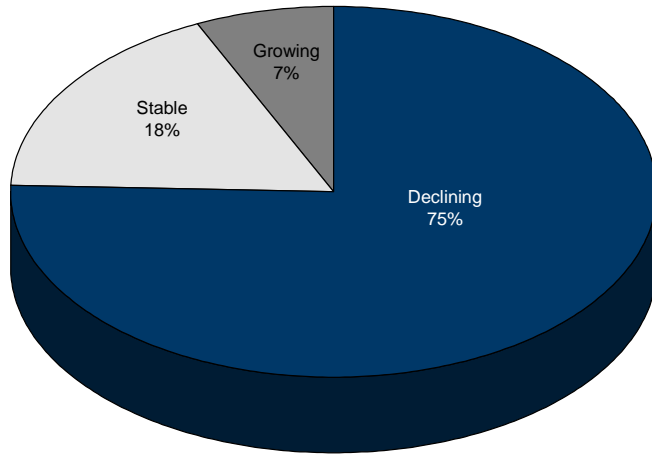
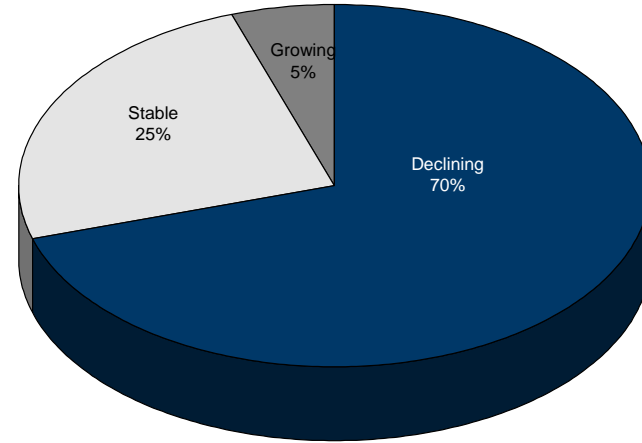


Exhibit 12: Directional Unit Trends Based on Realtor Scores, Sep 2006

September 2006 - Units



15

Exhibit 13: Directional Unit Trends Based on Realtor Scores, Oct 2005

October 2005 - Units

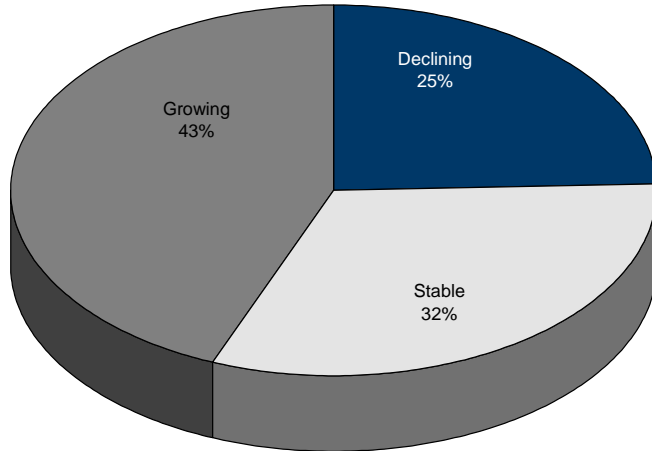
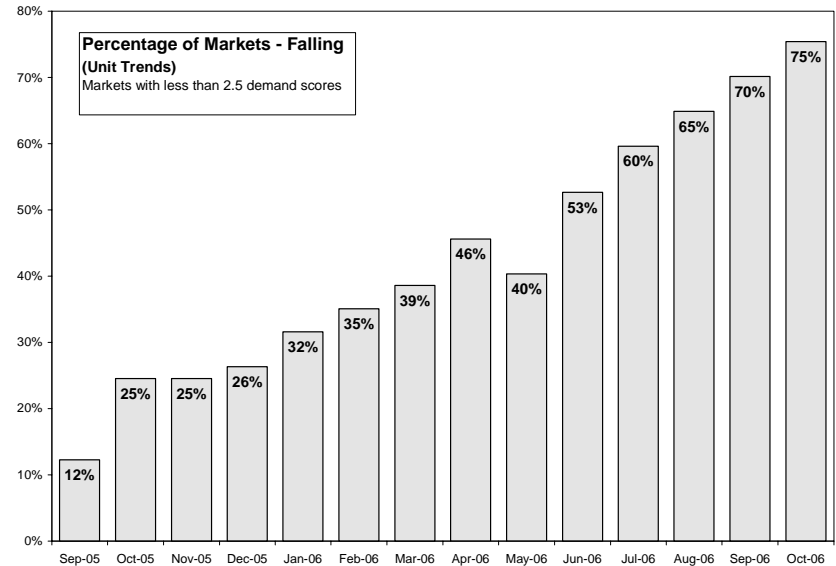


Exhibit 14: Percentage of Markets With Falling Unit Trends by Month



Source: Realtor.com, Credit Suisse Analysis

Exhibit 15: Directional Price Trends Based on Realtor Scores, Oct 2006

October 2006 - Price

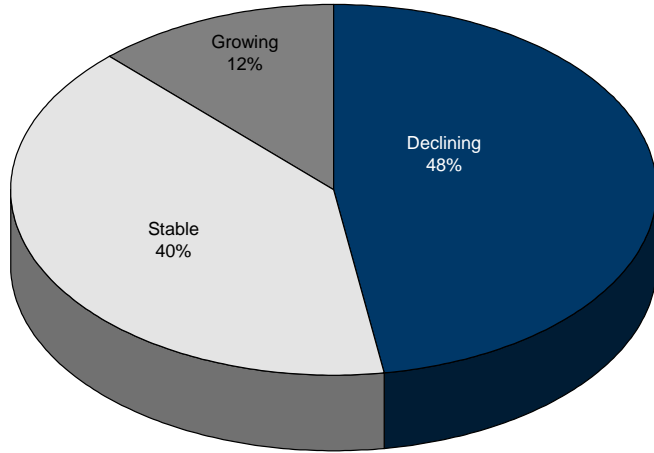


Exhibit 16: Directional Price Trends Based on Realtor Scores, Sep 2006

September 2006 - Price

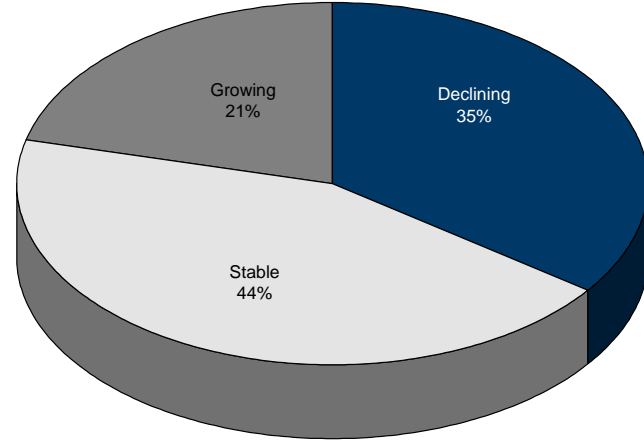


Exhibit 17: Directional Price Trends Based on Realtor Scores, Oct 2005

October 2005 - Price

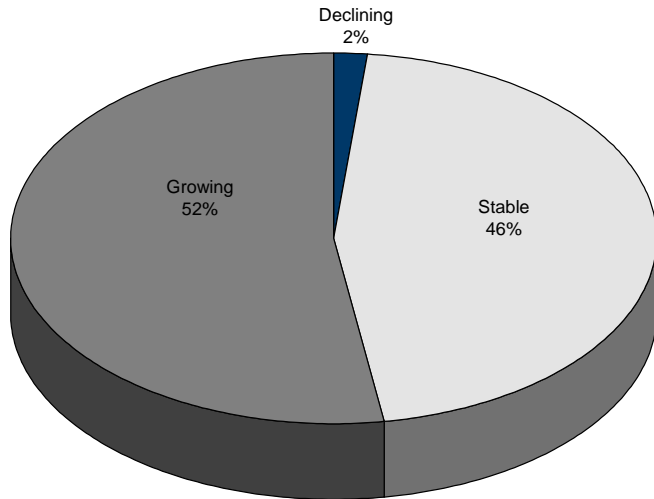
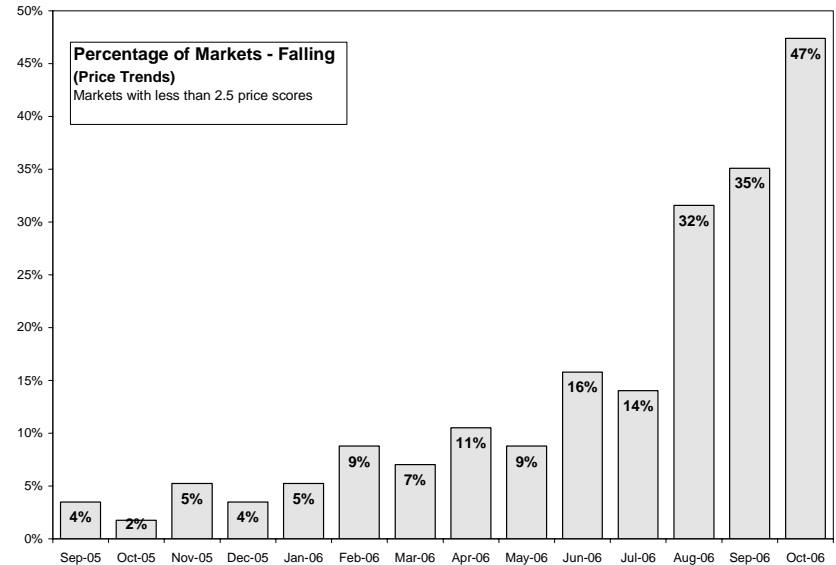


Exhibit 18: Percentage of Markets With Falling Price Trends by Month



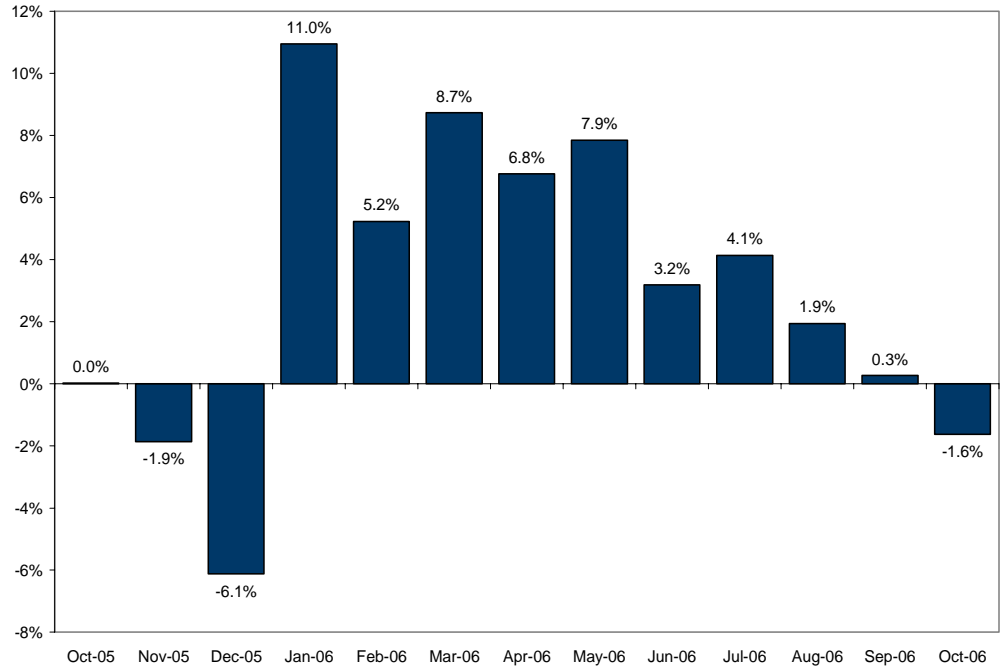
Source: Realtor.com, Credit Suisse analysis

Existing Inventory

Last October, we began tracking MLS inventory (existing houses currently for sale) and monthly sales data for select markets around the country. We believe this data serves as a meaningful leading indicator for the new home sales market, as increasing inventory provides greater competition for builders, puts pressure on pricing and increases can rates related to contingency sales. Highlights as of October include:

- Of the 31 major metro markets we track (see Exhibit 21 through Exhibit 49), total existing inventory increased 0.3% sequentially in September. On a preliminary basis (20 markets reporting), inventory declined 1.6% sequentially in October, but still remains 46% above the year-ago level. Markets with notable sequential declines in October include the Bay Area (down 8%), Boston (down 7%), Bakersfield (down 7%), Sacramento (down 6%), and Los Angeles (down 4%). On the other hand, Miami (up 3%), Phoenix (up 2%), and Tampa (up 1%) continued to increase.
- While sequential inventory growth has clearly slowed in many markets during the past few months, according to our survey contacts the decline is likely the result of frustrated sellers temporarily taking their homes off the market rather than actual inventory absorption. According to historic inventory data published by the National Association of Realtors, existing inventory typically declines by 10%, on average, from the third quarter to fourth quarter. In addition, we note that MLS listings do not include homes that are for-sale-by-owner, as well as “phantom inventory”, which are new homes owned by investors that are awaiting a stabilization in market conditions before being put on the market for sale. We believe that phantom inventory (estimated to be as high as 40% of total inventory in some markets) will prove to be an unforeseen overhang in many former investor hotbeds, such as Phoenix, Las Vegas and Florida.
- From a year-over-year standpoint, inventory levels still remain significantly elevated, although some of the increases are beginning to become anniversaried in markets that began surging in 4Q05. Orlando (up 199% as of September), Phoenix (up 129%), the Inland Empire (up 100%), Ventura (up 85%), Baltimore (up 80% as of September), Miami (up 77%) and Tucson (up 76%) are up the most on a year over year basis of the markets we track.
- Resale inventory levels continued to remain relatively benign in the four Texas markets that we track as of September. Single-family listings are up modestly in Houston (up 5%), Austin (up 6%), San Antonio (up 13%), and Dallas-Fort Worth (up 14%). Several respondents continue to believe that an increase in investor presence may be keeping inventory levels artificially low in these markets.

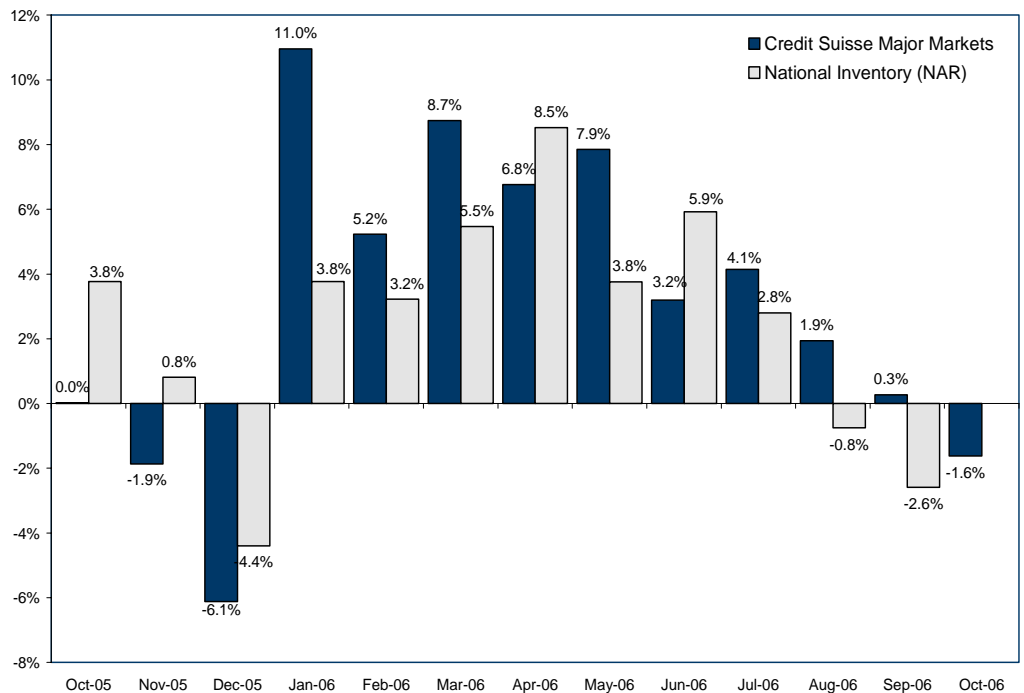
Exhibit 19: Sequential Inventory Changes for Top Markets, October 2005 – October 2006



Note: October 2006 results are preliminary based on the 20 markets that have reported inventory data.

Source: Local MLS Listings, Credit Suisse analysis

Exhibit 20: Sequential Inventory Changes for Top Markets versus NAR Inventory, October 2005 – October 2006



Source: Local MLS Listings, NAR, Credit Suisse analysis.

Exhibit 21: Atlanta Single-Family MLS Inventory Trends

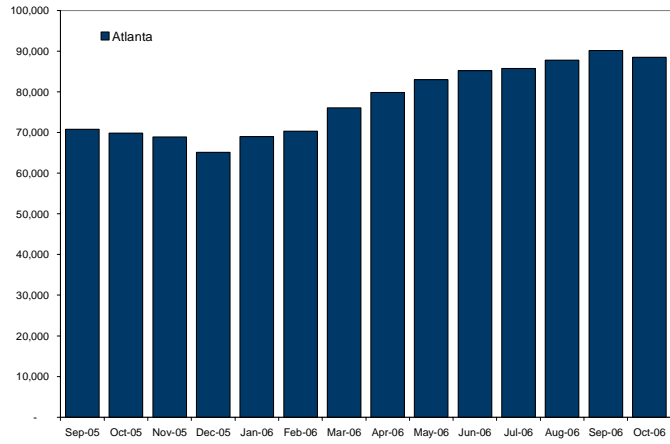


Exhibit 22: Austin Single-Family MLS Inventory Trends

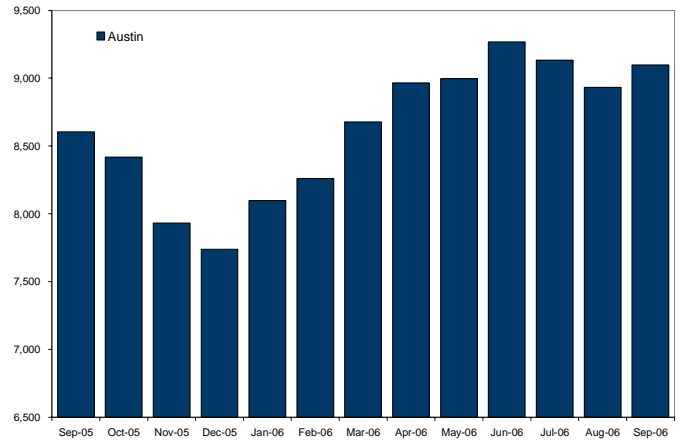


Exhibit 23: Bakersfield Single-Family MLS Inventory Trends

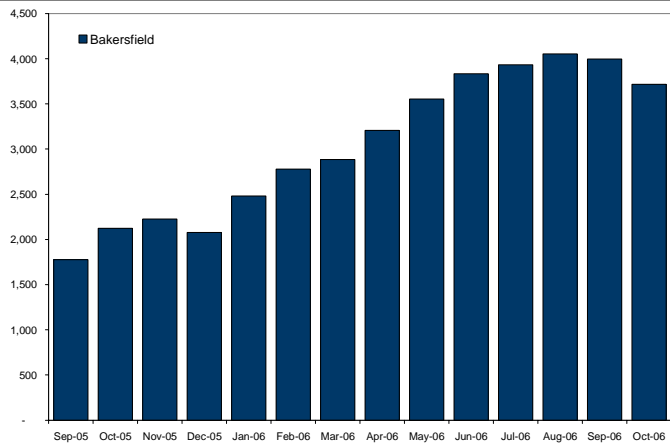


Exhibit 24: Baltimore Single-Family MLS Inventory Trends

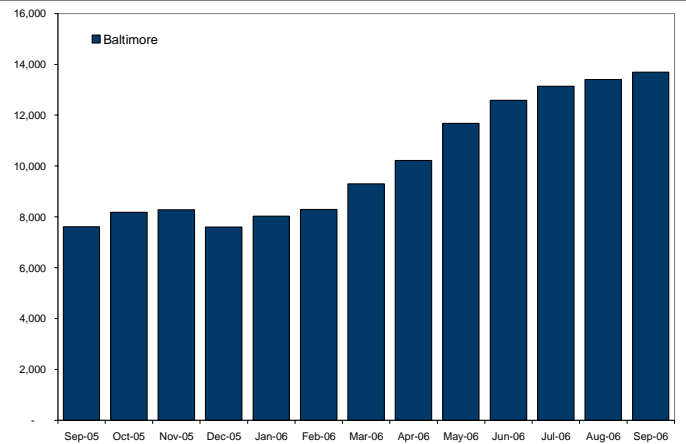


Exhibit 25: Bay Area Single-Family MLS Inventory Trends

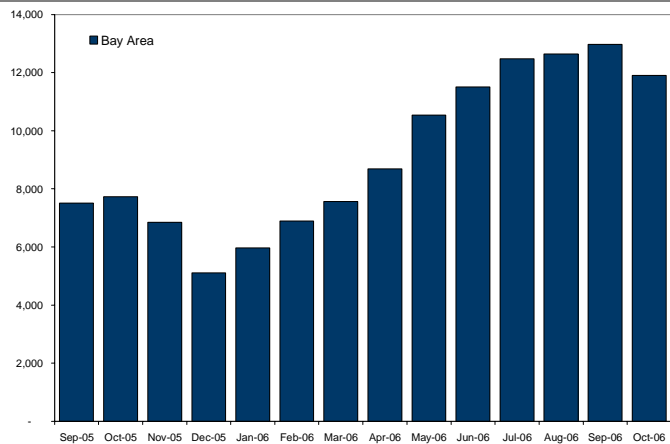
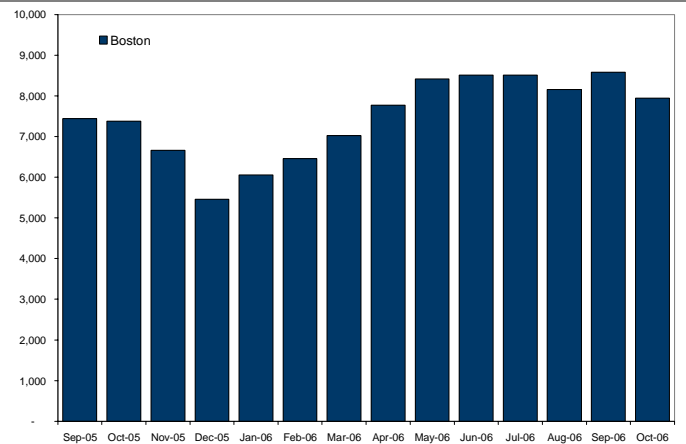


Exhibit 26: Boston Single-Family MLS Inventory Trends



Source: Local MLS listings.

Exhibit 27: Dallas-Fort Worth SF MLS Inventory Trends

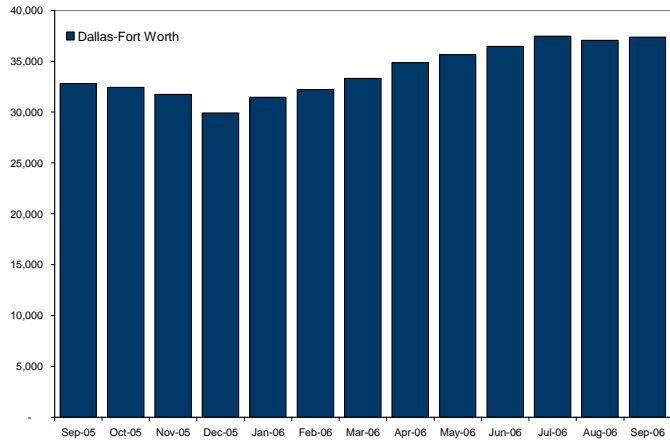


Exhibit 28: Fresno Single-Family MLS Inventory Trends

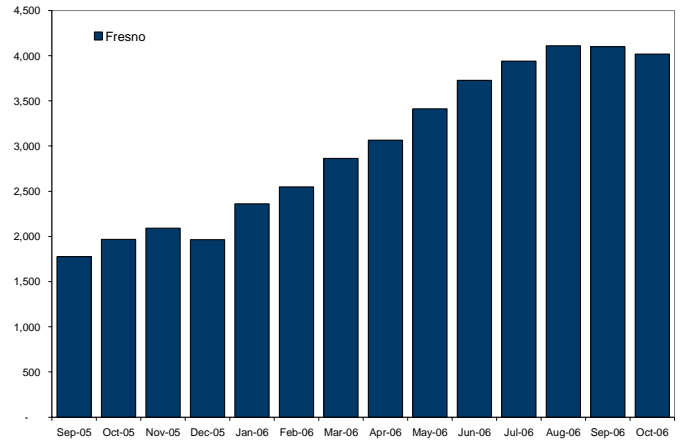


Exhibit 29: Houston Single-Family MLS Inventory Trends

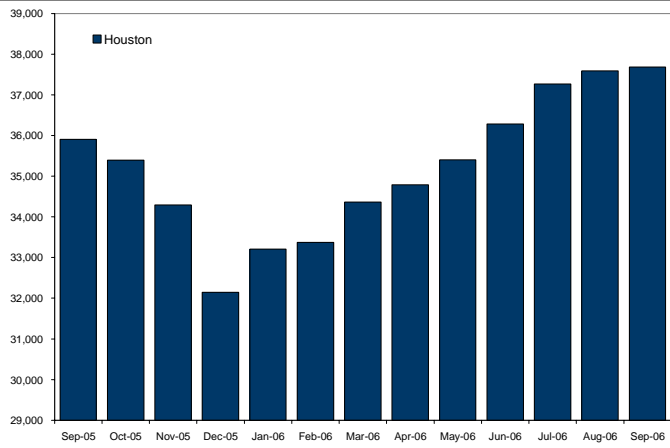


Exhibit 30: Inland Empire SF MLS Inventory Trends

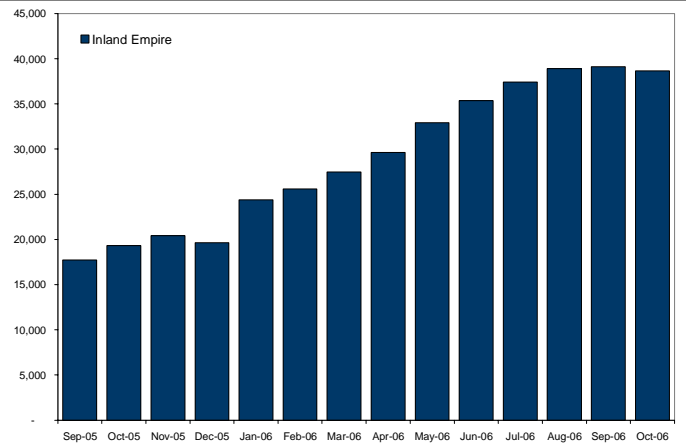


Exhibit 31: Las Vegas Single-Family MLS Inventory Trends

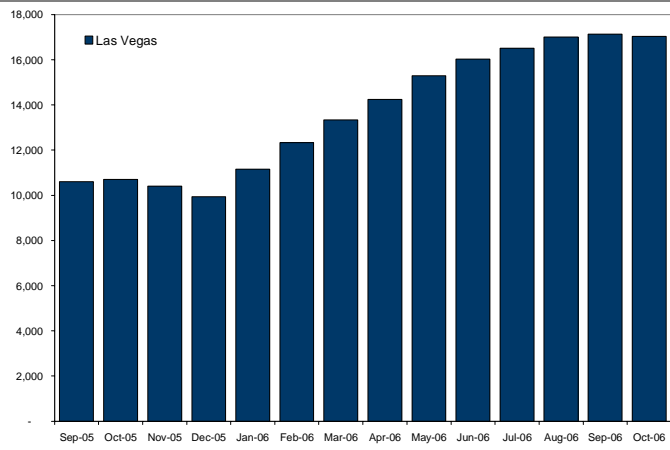
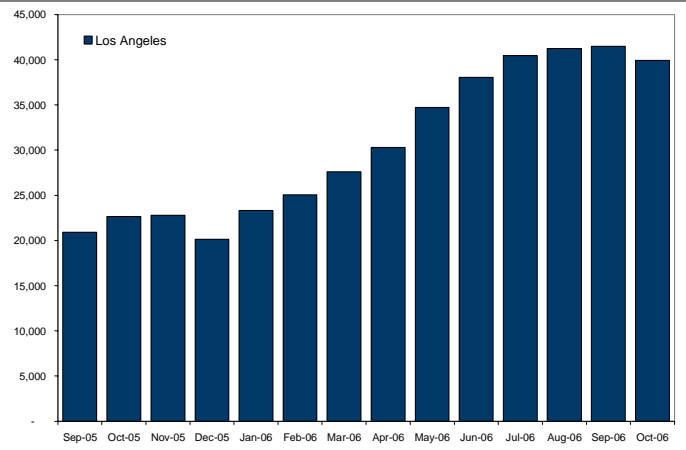


Exhibit 32: Los Angeles Single-Family MLS Inventory Trends



Source: Local MLS listings.

Exhibit 33: Massachusetts SF MLS Inventory Trends

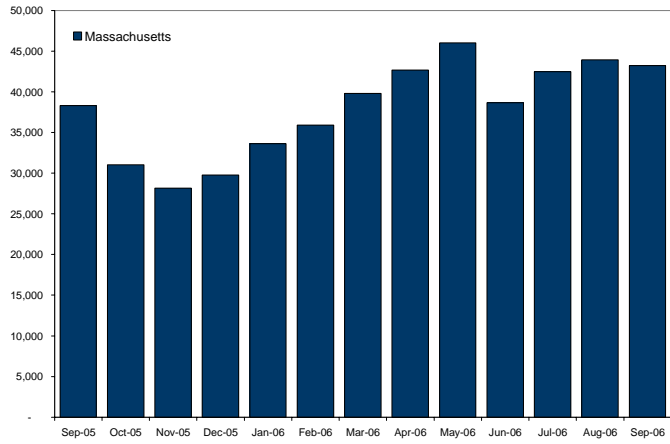


Exhibit 34: Merced (CA) Single-Family MLS Inventory Trends

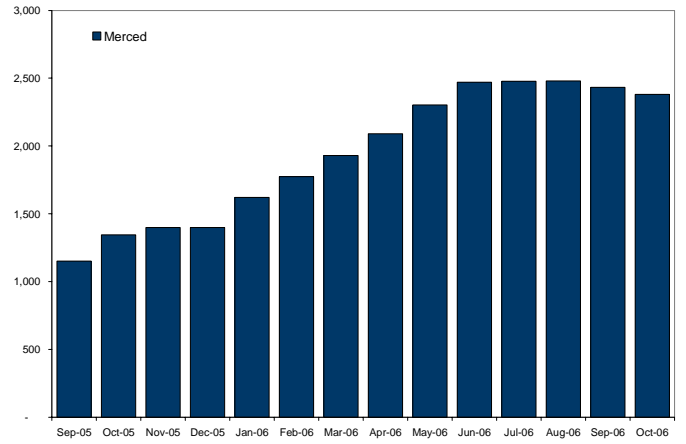


Exhibit 35: Miami Single-Family MLS Inventory Trends

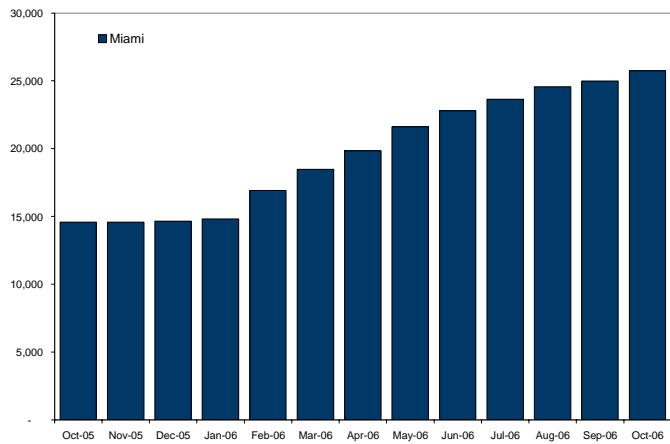


Exhibit 36: Minneapolis Single-Family MLS Inventory Trends

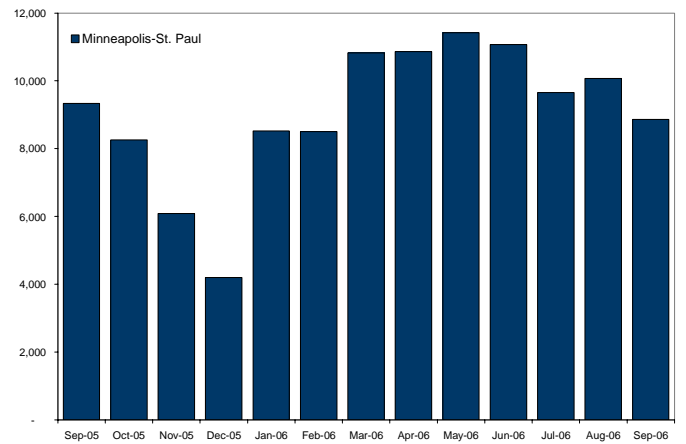


Exhibit 37: Modesto (CA) SF MLS Inventory Trends

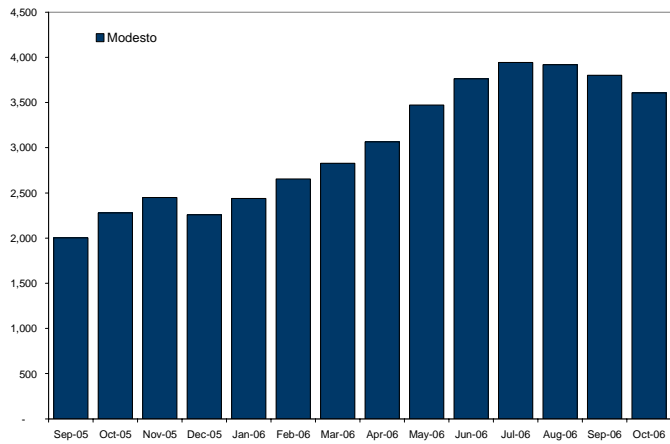
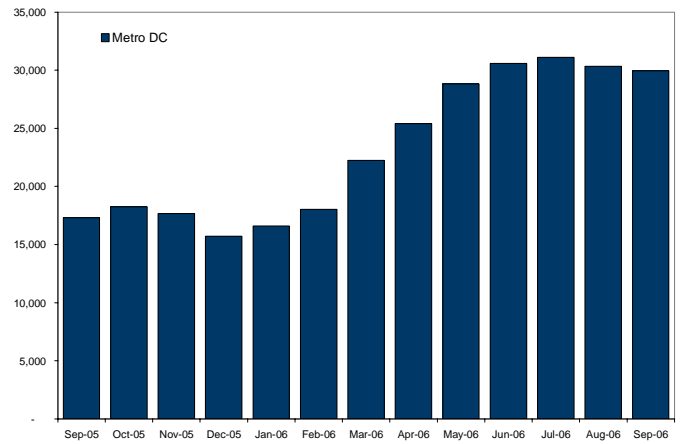


Exhibit 38: Metro D.C. Single-Family MLS Inventory Trends



Source: Local MLS listings.

Exhibit 39: Nashville Single-Family MLS Inventory Trends

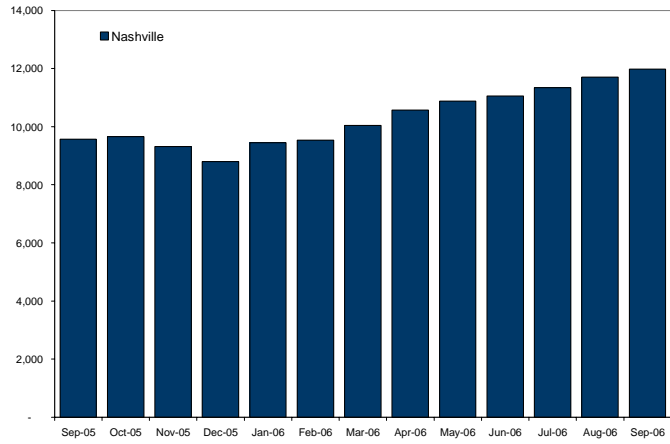


Exhibit 40: Orlando Single-Family MLS Inventory Trends

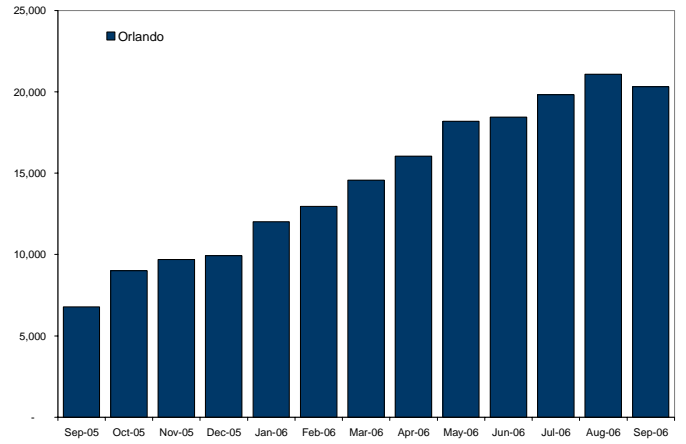


Exhibit 41: Phoenix Single-Family MLS Inventory Trends

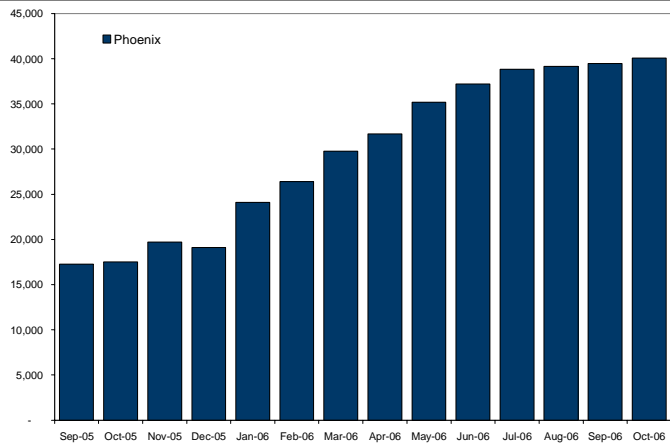


Exhibit 42: Sacramento Single-Family MLS Inventory Trends

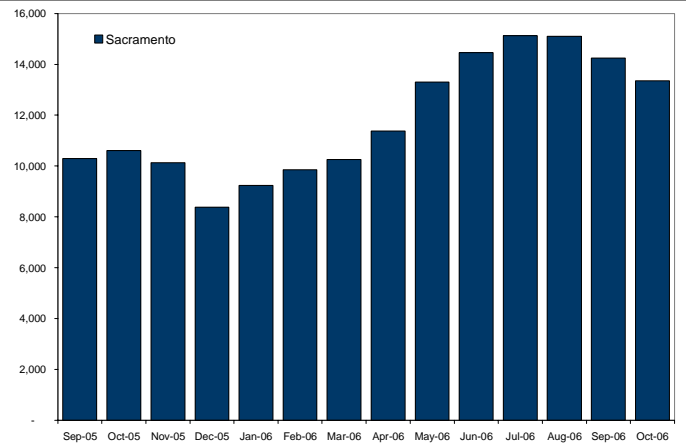


Exhibit 43: San Antonio Single-Family MLS Inventory Trends

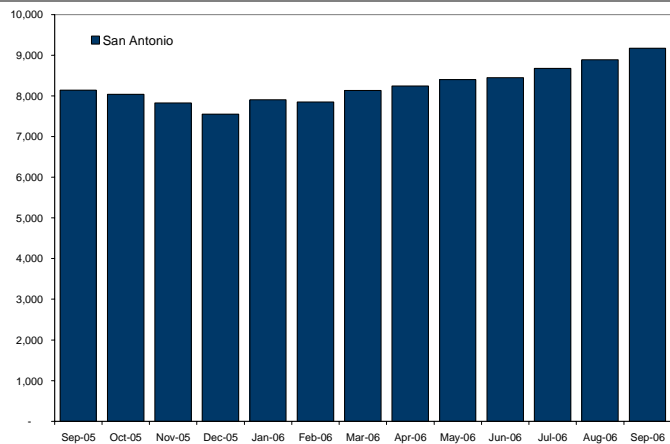
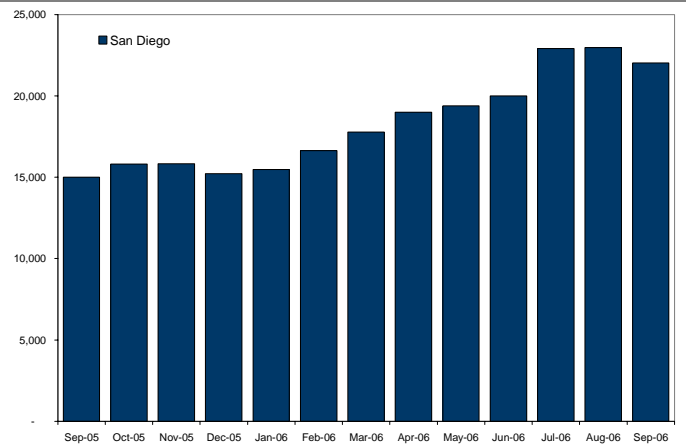


Exhibit 44: San Diego Single-Family MLS Inventory Trends



Source: Local MLS listings.

Exhibit 45: Santa Cruz (CA) SF MLS Inventory Trends

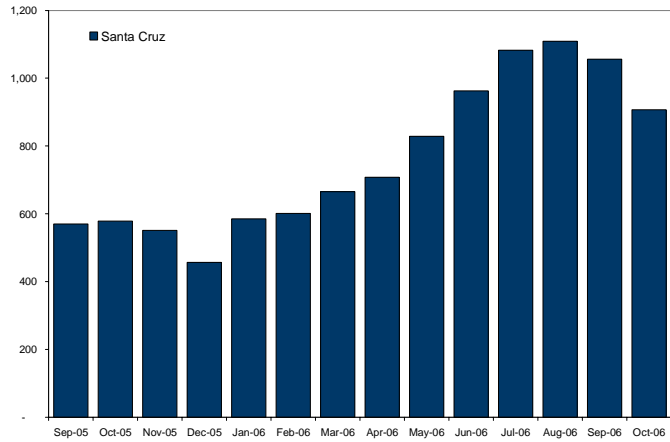


Exhibit 46: Seattle Single-Family MLS Inventory Trends

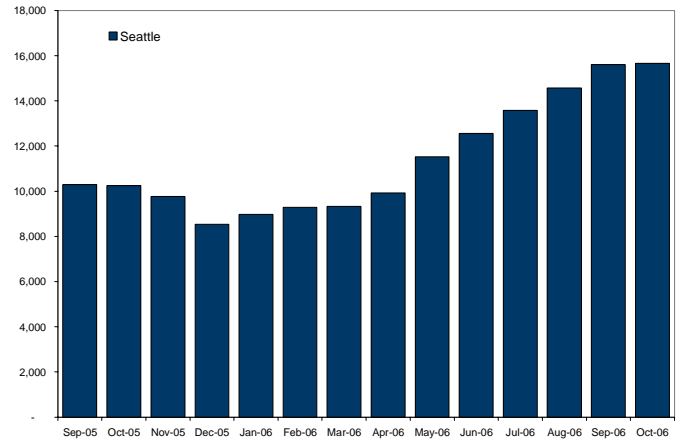


Exhibit 47: Stockton Single-Family MLS Inventory Trends

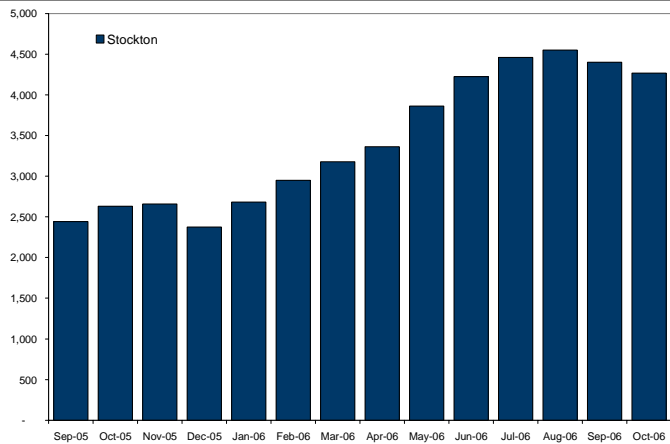


Exhibit 48: Tucson Single-Family MLS Inventory Trends

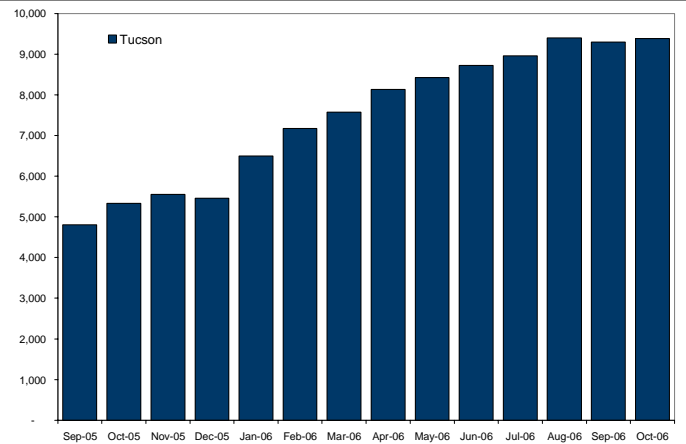
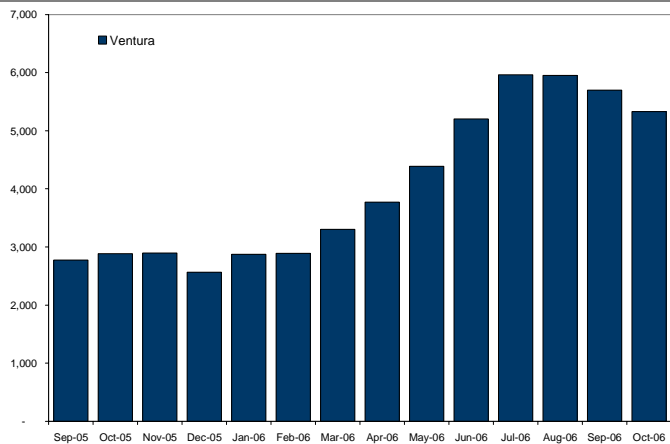


Exhibit 49: Ventura Single-Family MLS Inventory Trends

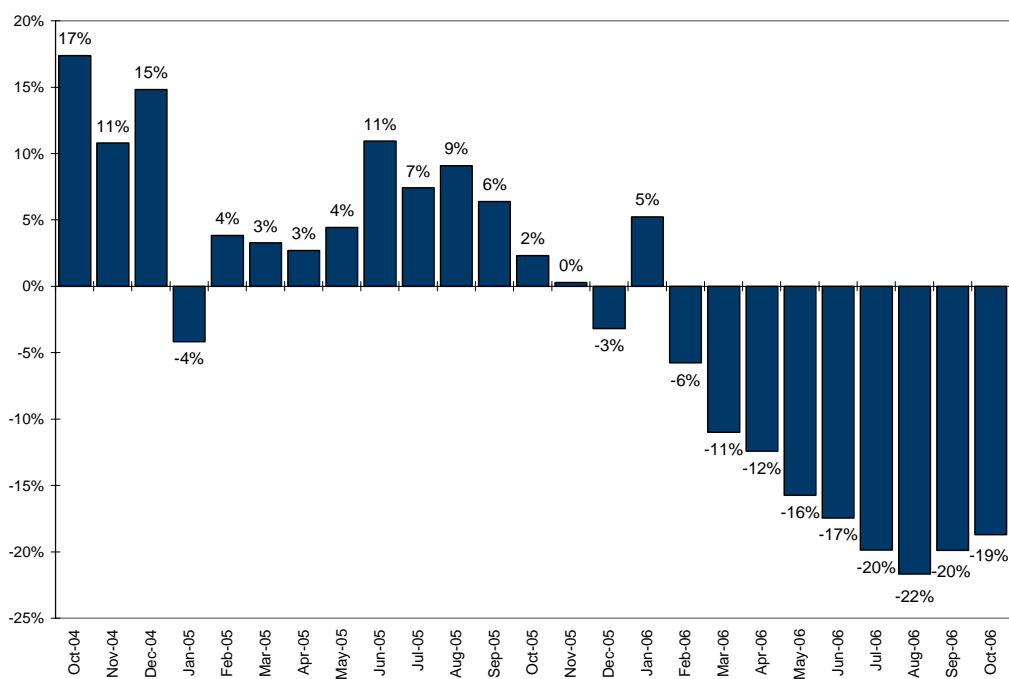


Source: Local MLS listings.

Exhibit 50: Mortgage Rate and Application Trends, October 2004 – October 2006

Month	Mortgage Rates		YOY BP Change		Total Index			Total - YOY Change			% of Refi	% of ARMs
	30-Yr Fixed	1-Yr ARM	30-Yr Fixed	1-Yr ARM	Index	Purchase	Refi	Index	Purchase	Refi	Total	Total
Oct-06	6.30	5.93	22	59	586.1	381.5	1778.7	-15%	-19%	-10%	45.50	26.35
Sep-06	6.28	5.92	49	97	589.3	395.7	1717.7	-21%	-20%	-23%	43.20	26.42
Aug-06	6.44	5.95	64	109	558.1	383.2	1580.8	-25%	-22%	-29%	39.93	27.00
Jul-06	6.71	6.28	102	163	542.3	397.2	1395.1	-31%	-20%	-44%	35.40	28.53
Jun-06	6.72	6.22	115	188	552.9	405.6	1420.3	-31%	-17%	-46%	35.14	29.66
May-06	6.64	6.06	95	190	561.2	408.8	1465.9	-23%	-16%	-32%	34.85	29.90
Apr-06	6.54	6.00	70	179	573.6	412.0	1528.4	-16%	-12%	-21%	36.08	28.50
Mar-06	6.38	5.76	47	148	579.9	407.6	1594.3	-16%	-11%	-22%	37.64	28.44
Feb-06	6.23	5.56	63	136	585.9	406.6	1633.2	-19%	-6%	-33%	39.90	29.20
Jan-06	6.10	5.43	47	129	625.2	452.7	1666.0	-5%	5%	-16%	43.00	29.68
Dec-05	6.24	5.43	55	132	594.1	455.5	1415.7	-12%	-3%	-23%	41.16	32.10
Nov-05	6.28	5.43	57	139	644.6	473.0	1642.4	-10%	0%	-24%	40.28	32.68
Oct-05	6.09	5.34	43	143	689.5	469.4	1970.1	-3%	2%	-10%	43.10	29.43
Sep-05	5.79	4.94	10	104	747.8	493.9	2224.7	7%	6%	9%	44.34	28.62
Aug-05	5.80	4.86	3	99	746.3	489.3	2240.9	15%	9%	24%	42.70	28.63
Jul-05	5.69	4.65	(27)	71	790.6	495.6	2506.3	24%	7%	50%	44.22	29.00
Jun-05	5.57	4.34	(69)	26	801.9	491.4	2608.4	37%	11%	84%	45.08	30.83
May-05	5.69	4.15	(57)	35	729.7	485.1	2152.5	10%	4%	18%	40.00	34.33
Apr-05	5.84	4.22	(6)	62	685.4	470.3	1936.4	-16%	3%	-33%	38.56	34.90
Mar-05	5.91	4.28	51	102	691.4	458.0	2049.0	-34%	3%	-55%	40.70	33.25
Feb-05	5.60	4.20	9	87	726.6	431.4	2443.5	-14%	4%	-26%	48.23	31.00
Jan-05	5.63	4.15	1	73	658.8	430.1	1989.0	-16%	-4%	-28%	48.28	32.43
Dec-04	5.68	4.11	(2)	67	671.5	470.4	1841.3	8%	15%	0%	46.94	33.90
Nov-04	5.70	4.04	(11)	46	718.5	471.7	2153.9	5%	11%	-3%	47.15	33.90
Oct-04	5.66	3.91	(19)	40	711.7	458.8	2182.6	3%	17%	-10%	46.12	34.58

Exhibit 51: Year over Year Change in MBA Purchase Applications



Source: MBA, Credit Suisse analysis

- For the month of October, the total mortgage applications index decreased 15% from a year ago, compared to a 3% decrease last October. Purchase applications decreased 19%, similar to the 20-22% decline over the prior three months. Refinancings were down 10% against the prior year.
- On a sequential basis, the purchase index decreased 4% to 381.5 from 395.7 in September, which marks the lowest monthly level since April 2003. The refinance index increased 4% in October. Combined, the total index was down 1% for the month.
- The 30-year fixed rate increased 2 basis points to 6.30% in October. On a year-over-year basis, the 30-year fixed rate was up 22 basis points. The 1-year ARM rate rose 1 basis point in the month of October and remains 59 basis points ahead of last year.
- ARMs represented 26.4% of volume in-line with September but below the 29.4% level from last year. The spread between the 30-year fixed rate and the 1-year ARM held constant in October at 37 basis points, averaging 52 basis points year-to-date.

Exhibit 52: Homebuilders—Summary Comparable Analysis

Companies	Ticker	Rating	Price as of 6-Nov-06	52 Week		Market Cap	Firm Value	Total Sales		LTM Total EBIT		Annual EBIT Margins		Lot Inventory Total / Year Supply / % Opt.	Deposit % Option Value	Off Balance Sheet Inv % of Total
				High	Low			LTM	3-Yr CAGR	Margin	BP Chg	Peak	Trough			
Beazer Homes	BZH	Neutral	\$41.94	\$82.14	\$35.96	\$1,653.9	\$3,389.6	\$5,288	24%	14.7%	30	15.4%	4.6%	105K / 6 / 56%	10%	39%
Centex	CTX	Neutral	\$50.34	\$79.40	\$42.90	\$6,022.4	\$10,428.4	\$12,011	21%	11.7%	(270)	14.4%	2.2%	246K / 6 / 55%	4%	43%
D.R. Horton	DHI	Neutral	\$22.89	\$41.66	\$19.52	\$7,160.0	\$12,489.6	\$14,787	27%	17.7%	(110)	18.2%	9.4%	340K / 6 / 43%	5%	41%
Hovnanian	HOV	Neutral	\$29.61	\$54.59	\$24.79	\$1,859.6	\$4,222.2	\$5,951	28%	13.3%	(190)	15.6%	0.1%	115K / 6 / 68%	9%	57%
KB Home	KBH	Underperform	\$43.55	\$81.99	\$37.89	\$3,463.2	\$7,009.9	\$10,386	23%	14.9%	200	15.0%	6.3%	184K / 5 / 50%	4%	39%
Lennar	LEN	Outperform	\$46.48	\$66.44	\$38.66	\$7,318.5	\$9,473.0	\$15,505	24%	14.2%	(220)	17.1%	9.5%	309K / 6 / 68%	10%	34%
MDC Holdings	MDC	Outperform	\$48.28	\$72.21	\$39.26	\$2,171.2	\$3,035.0	\$5,117	28%	13.7%	(350)	17.3%	3.0%	38K / 3 / 29%	6%	35%
M/I Homes	MHO	Outperform	\$35.03	\$49.44	\$29.95	\$494.3	\$1,188.2	\$1,323	9%	12.9%	30	14.2%	5.8%	22K / 5 / 24%	7%	34%
NVR	NVR	Neutral	\$534.00	\$846.75	\$386.55	\$3,057.2	\$3,021.7	\$6,077	19%	18.2%	(340)	22.0%	5.8%	98K / 6 / 100%	8%	91%
Pulte	PHM	Neutral	\$30.18	\$44.70	\$26.02	\$7,656.2	\$11,853.4	\$14,719	25%	14.1%	(320)	17.0%	4.7%	294K / 7 / 38%	8%	44%
Ryland	RYL	Neutral	\$44.74	\$83.15	\$33.86	\$1,930.9	\$3,020.6	\$4,734	19%	14.9%	(40)	16.1%	0.0%	67K / 4 / 50%	9%	45%
Standard Pacific	SPF	Outperform	\$23.50	\$43.05	\$20.24	\$1,511.5	\$3,764.8	\$3,966	29%	17.2%	(210)	19.8%	7.3%	64K / 6 / 41%	8%	27%
Toll Brothers	TOL	Neutral	\$28.05	\$39.98	\$22.22	\$4,311.9	\$6,196.3	\$6,176	35%	23.2%	30	25.1%	9.9%	83K / 9 / 47%	5%	38%
WCI Communities	WCI	Underperform	\$15.27	\$29.76	\$13.73	\$655.5	\$2,409.4	\$1,275	29%	15.5%	(100)	20.3%	17.4%	20K / 6 / 15%	11%	13%
Median						\$2,614.2	\$3,993.5		25%	14.8%	(150)	17.1%	5.8%	101K / 6 / 49%	8%	39%

Companies	Tot Debt/ Cap	LTM Int Coverage	Return on Equity	Return on Capital	Inv. Turns	NWC as a % Sales	JV Invest. % Assets	LTM JV Income % EBIT	Tangible Price to Book	Price to Book	Price to 06E Book	Price to Book		Firm Value to 2006 EBITDA	3-Yr Median FV / LTM EBITDA	FCF Yield LTM / NTM
												Peak	Trough			
Beazer Homes	51.9%	7.2	29.3%	16.9%	1.3	51%	3%	0%	1.1	1.0	1.0	2.2	0.5	4.6	5.2	-16% / 22%
Centex	46.6%	6.5	19.4%	11.6%	1.0	52%	2%	0%	1.2	1.2	1.1	2.6	0.7	10.2	6.3	-9% / 1%
D.R. Horton	46.9%	5.2	27.2%	16.8%	1.1	58%	0%	0%	1.3	1.2	1.1	4.3	0.8	5.6	5.8	-23% / 15%
Hovnanian	54.0%	6.0	23.2%	12.9%	1.3	50%	4%	3%	1.0	0.9	0.9	3.9	0.4	6.1	5.7	-41% / 17%
KB Home	54.5%	7.5	33.5%	18.1%	1.2	50%	4%	1%	1.3	1.2	1.1	3.4	0.8	5.6	6.0	-16% / 20%
Lennar	31.9%	11.0	25.2%	18.4%	1.4	43%	11%	1%	1.3	1.3	1.2	4.2	0.4	5.1	5.4	13% / 9%
MDC Holdings	31.5%	12.8	20.8%	14.9%	1.2	53%	0%	0%	1.0	1.0	1.0	2.5	0.0	5.6	5.0	1% / 8%
M/I Homes	52.6%	4.6	16.0%	9.5%	0.8	79%	4%	0%	0.8	0.8	0.8	2.0	0.5	7.5	5.8	-26% / 47%
NVR	15.8%	57.7	75.9%	59.4%	4.6	16%	NM	NM	3.0	2.8	2.5	8.9	0.6	2.9	4.6	17% / 15%
Pulte	39.5%	8.6	19.8%	13.7%	1.1	57%	2%	4%	1.3	1.2	1.2	2.4	0.5	8.0	6.1	-10% / 8%
Ryland	45.2%	11.6	31.5%	19.4%	1.4	47%	0%	0%	1.4	1.3	1.3	3.3	0.5	4.7	4.9	-3% / 39%
Standard Pacific	54.9%	5.1	21.3%	11.8%	0.9	88%	7%	9%	0.9	0.8	0.8	2.2	0.5	7.1	5.7	-31% / 15%
Toll Brothers	40.6%	11.6	28.3%	18.5%	0.8	68%	3%	4%	1.3	1.3	1.2	4.0	0.7	4.6	7.0	-3% / 2%
WCI Communities	62.1%	3.7	16.6%	9.5%	1.0	78%	2%	0%	0.7	0.6	0.6	2.5	0.6	9.3	7.5	-35% / 77%
Median	46.8%	7.4	24.2%	15.8%	1.2	53%	3%	0%	1.2	1.2	1.1	2.9	0.5	5.6	5.7	-13% / 15%

Companies	Earnings Per Share					EPS CAGR 3-Year	PE Ratios		NTM PE Median 3 Yr.	Div Yield %	Insider Ownership	LTM Avg Closing Price	Average Trading Volume	Stock Performance		
	2006	YOY % Chg	2006 FC	2007E	YOY % Chg		2007 FC	2006						2007	2005	2006
Beazer Homes	\$9.15	5%	\$8.02	\$4.50	-51%	\$3.69	35%	4.6	9.3	6.2	1.0%	3%	\$284,400	1,277,600	49%	-42%
Centex	\$3.90	-60%	\$4.17	\$2.35	-40%	\$3.39	33%	12.9	21.4	7.0	0.3%	5%	\$310,500	2,191,085	20%	-30%
D.R. Horton	\$3.93	-15%	\$3.72	\$2.00	-49%	\$2.22	48%	5.8	11.4	7.6	2.6%	9%	\$271,500	3,704,240	18%	-36%
Hovnanian	\$5.25	-27%	\$5.00	\$2.50	-52%	\$3.13	47%	5.6	11.8	7.1	0.0%	41%	\$324,900	1,718,763	0%	-40%
KB Home	\$8.35	-12%	\$8.12	\$4.35	-48%	\$5.09	39%	5.2	10.0	6.7	2.3%	5%	\$268,400	2,720,059	39%	-40%
Lennar	\$6.18	-26%	\$6.03	\$3.25	-47%	\$3.20	33%	7.5	14.3	7.6	1.4%	15%	\$325,800	2,456,931	8%	-24%
MDC Holdings	\$6.15	-44%	\$6.53	\$1.70	-72%	\$3.72	42%	7.9	28.4	7.3	2.1%	26%	\$353,400	1,015,409	-7%	-22%
M/I Homes	\$5.70	-18%	\$6.45	\$2.65	-54%	\$3.65	17%	6.1	13.2	6.5	0.3%	13%	\$303,200	208,615	-26%	-14%
NVR	\$92.35	3%	\$89.93	\$61.70	-33%	\$57.54	35%	5.8	8.7	8.3	0.0%	11%	\$396,700	80,885	-9%	-24%
Pulte	\$2.85	-48%	\$3.71	\$1.30	-54%	\$2.65	45%	10.6	23.2	7.3	0.5%	17%	\$330,100	3,140,142	23%	-23%
Ryland	\$7.76	-14%	\$7.61	\$3.75	-52%	\$4.56	40%	5.8	11.9	7.3	1.1%	6%	\$292,000	1,716,866	25%	-38%
Standard Pacific	\$4.14	-35%	\$4.60	\$1.33	-68%	\$2.49	49%	5.7	17.7	6.4	0.7%	4%	\$361,800	1,417,068	15%	-36%
Toll Brothers	\$4.45	-7%	\$4.39	\$2.90	-35%	\$2.77	49%	6.3	9.7	8.6	0.0%	23%	\$682,000	3,650,654	1%	-19%
WCI Communities	\$1.90	-56%	\$1.93	\$0.20	-89%	\$0.27	22%	8.0	76.4	8.0	0.0%	3%	\$553,300	1,410,054	-9%	-43%
Median		-25%			-40%		38%	6.0	12.6	7.3	0.6%	10%	\$361,300		11%	-31%

Target Prices: BZH: \$41; CTX: \$48; DHI: \$23; HOV: \$29; KBH: \$41; LEN: \$51; MDC: \$51; MHO: \$39; NVR: \$525; PHM: \$27; RYL: \$40; SPF: \$27; TOL: \$24.50; WCI: \$14.
 Note 1: 2006 and 2007 EPS estimates for CTX are for its fiscal year 2007 and 2008 (March-end).
 Note 2: The deposit for specific performance options are included in our deposit % calculation if provided.
 Note 3: Price to Book peak and troughs are daily from Jan 1990 - Jan 2006. Annual EBIT Margin peak and troughs are from 1990 - 2005 and are for Total Company EBIT.
 Note 4: CTX Revenues (Operating Income) FY2006: Homebuilding 83% (96%), Financial Service 3% (4%), Contracting 11% (1%), Other 3% (-1%).
 Note 5: Percent of 2005 Pre-tax Income derived from Financial Services: BZH: 2%; CTX: 4%; DHI: 4%; HOV: 3%; KBH: 1%; LEN: 5%; MDC: 3%; MHO: 11%; NVR: 5%; PHM: 3%; RYL: 8%; SPF: 1%.
 Note 6: ROC calculation excludes amortized interest in COGS where applicable.
 Note 7: LTM free cash flow yields are before dividends and exclude changes in mortgage loans.
 Note 8: LEN's share price represents price of Class A shares (79% of outstanding). Class B shares (21% of outstanding) are currently trading at: \$43.47
 Note 9: Inventory Off Balance Sheet represents total value of optioned land less obligation related to inventory not owned and less deposits related to off balance sheet inventory (if provided) in 2005

S&P 500 % Change	3%	11%
2-Year Treasury Yield Basis Point Change	4.38%	4.80%
10-Year Treasury Yield Basis Point Change	4.39%	4.70%
	17	31

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 06 Nov 06)

Beazer Homes USA (BZH, \$41.94, NEUTRAL, TP \$41.00, MARKET WEIGHT)
 Centex (CTX, \$50.34, NEUTRAL, TP \$48.00, MARKET WEIGHT)
 DR Horton (DHI, \$22.89, NEUTRAL, TP \$23.00, MARKET WEIGHT)
 Hovnanian Enterprises (HOV, \$29.61, NEUTRAL, TP \$29.00, MARKET WEIGHT)
 KB Home (KBH, \$43.55, UNDERPERFORM, TP \$41.00, MARKET WEIGHT)
 Lennar (LEN, \$46.48, OUTPERFORM, TP \$51.00, MARKET WEIGHT)
 M.D.C. Holdings, Inc. (MDC, \$48.28, OUTPERFORM, TP \$51.00, MARKET WEIGHT)
 M/I Homes (MHO, \$35.03, OUTPERFORM, TP \$41.00, MARKET WEIGHT)
 NVR Inc. (NVR, \$534.00, NEUTRAL, TP \$525.00, MARKET WEIGHT)
 Pulte (PHM, \$30.18, NEUTRAL, TP \$27.00, MARKET WEIGHT)
 Ryland Group (RYL, \$44.74, NEUTRAL, TP \$40.00, MARKET WEIGHT)
 Standard Pacific (SPF, \$23.50, OUTPERFORM, TP \$27.00, MARKET WEIGHT)
 Toll Brothers (TOL, \$28.05, NEUTRAL, TP \$24.50, MARKET WEIGHT)
 WCI Communities, Inc. (WCI, \$15.27, UNDERPERFORM, TP \$14.00, MARKET WEIGHT)

Disclosure Appendix

Important Global Disclosures

I, Ivy L. Zelman, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities.

Analysts' stock ratings are defined as follows*:**

Outperform: The stock's total return is expected to exceed the industry average* by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

Neutral: The stock's total return is expected to be in line with the industry average* (range of $\pm 10\%$) over the next 12 months.

Underperform:** The stock's total return is expected to underperform the industry average* by 10-15% or more over the next 12 months.

**The industry average refers to the average total return of the analyst's industry coverage universe (except with respect to Asia/Pacific, Latin America and Emerging Markets, where stock ratings are relative to the relevant country index, and Credit Suisse Small and Mid-Cap Advisor stocks, where stock ratings are relative to the regional Credit Suisse Small and Mid-Cap Advisor investment universe.*

***In an effort to achieve a more balanced distribution of stock ratings, the Firm has requested that analysts maintain at least 15% of their rated coverage universe as Underperform. This guideline is subject to change depending on several factors, including general market conditions.*

****For Australian and New Zealand stocks a 7.5% threshold replaces the 10% level in all three rating definitions.*

Restricted: In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V]: A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward. All Credit Suisse Small and Mid-Cap Advisor stocks are automatically rated volatile. All IPO stocks are automatically rated volatile within the first 12 months of trading.

Analysts' coverage universe weightings* are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe versus the relevant broad market benchmark***:**

Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

**Credit Suisse Small and Mid-Cap Advisor stocks do not have coverage universe weightings.*

***An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

****The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution		
Outperform/Buy*	39%	(60% banking clients)
Neutral/Hold*	43%	(57% banking clients)
Underperform/Sell*	15%	(52% banking clients)
Restricted	3%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research-and-analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Important Regional Disclosures

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit http://www.csfb.com/legal_terms/canada_research_policy.shtml.

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

CS may have issued a Trade Alert regarding this security. Trade Alerts are short term trading opportunities identified by an analyst on the basis of market events and catalysts, while stock ratings reflect an analyst's investment recommendations based on expected total return over a 12-month period relative to the relevant coverage universe. Because Trade Alerts and stock ratings reflect different assumptions and analytical methods, Trade Alerts may differ directionally from the analyst's stock rating.

The author(s) of this report maintains a CS Model Portfolio that he/she regularly adjusts. The security or securities discussed in this report may be a component of the CS Model Portfolio and subject to such adjustments (which, given the composition of the CS Model Portfolio as a whole, may differ from the recommendation in this report, as well as opportunities or strategies identified in Trading Alerts concerning the same security). The CS Model Portfolio and important disclosures about it are available at www.credit-suisse.com/ti.

For disclosure information on other companies mentioned in this report, please visit the website at www.credit-suisse.com/researchdisclosures or call +1 (877) 291-2683.

Disclaimers continue on next page.

Disclaimers

References in this report to Credit Suisse or CS include all of the subsidiaries and affiliates of Credit Suisse, a Swiss bank, operating under its investment banking division. For more information on our structure, please follow the below link: http://www.credit-suisse.com/who_we_are/en/structure.html.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse, the Swiss bank, or its subsidiaries or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates.

The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients as its customers by virtue of their receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you. CS does not offer advice on the tax consequences of investment and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change.

CS believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. Information and opinions presented in the other sections of the report were obtained or derived from sources CS believes are reliable, but CS makes no representations as to their accuracy or completeness. Additional information is available upon request. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, a trading call regarding this security. Trading calls are short term trading opportunities based on market events and catalysts, while stock ratings reflect investment recommendations based on expected total return over a 12-month period relative to the relevant coverage universe. Because trading calls and stock ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the stock rating. In addition, CS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. CS is involved in many businesses that relate to companies mentioned in this report. These businesses include specialized trading, risk arbitrage, market making, and other proprietary trading. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgement at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk.

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase.

Some investments discussed in this report have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment, in such circumstances you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed.

This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk.

This report is issued and distributed in Europe (except Switzerland) by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is regulated in the United Kingdom by The Financial Services Authority ("FSA"). This report is being distributed in Germany by Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht ("BaFin"). This report is being distributed in the United States by Credit Suisse Securities (USA) LLC ; in Switzerland by Credit Suisse; in Canada by Credit Suisse Securities (Canada), Inc.; in Brazil by Banco de Investimentos Credit Suisse (Brasil) S.A.; in Japan by Credit Suisse Securities (Japan) Limited; elsewhere in Asia/Pacific by whichever of the following is the appropriately authorised entity in the relevant jurisdiction: Credit Suisse (Hong Kong) Limited, Credit Suisse Equities (Australia) Limited, Credit Suisse Securities (Thailand) Limited, Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse Singapore Branch and elsewhere in the world by the relevant authorised affiliate of the above. Research on Taiwanese securities produced by Credit Suisse Taipei Branch has been prepared by a registered Senior Business Person. Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn. Bhd., to whom they should direct any queries on +603 2723 2020.

In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. U.S. customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the U.S.

Please note that this report was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA or in respect of which the protections of the FSA for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report.

Any Nielsen Media Research material contained in this report represents Nielsen Media Research's estimates and does not represent facts. NMR has neither reviewed nor approved this report and/or any of the statements made herein.

Copyright 2006 CREDIT SUISSE and/or its affiliates. All rights reserved.