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Homebuilders & Building Products

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BofA Monthly Real Estate Agent Survey

Price Declines Shake Buyer Confidence; Fewer Buyers Qualify for Loans

- ▶ **Traffic index falls sharply again in September, another new low.** Our traffic index fell to 14.7 in September from 18.6 in August and once again set a new low. The traffic index fell in 30 out of 40 markets but even the highest reading of 26.8 in the Philadelphia metro area remained far below agents' expectations (measured as 50). The greatest deterioration in traffic in September occurred in markets where price declines are most significant (AZ/CA/DC/FL/NV) as buyers see no harm in delaying their purchase.
- ▶ **Foreclosures and low appraisals driving price declines.** Our price index fell to 17.1 in September, down from 21.2 in August (readings below 50 indicate sequentially lower prices) as foreclosures added to the existing inventory glut. In many instances, agents said buyers were forced to lower prices due to appraisals coming in below the contract price. We expect the price declines in the existing home market to particularly impact higher-end builders such as Toll Brothers.
- ▶ **Price declines likely to continue based on excess inventory.** We expect the price declines to continue based on the excess inventory of homes for sale (single family existing home inventory reached 3.9 mln in August, at least 1.4 mln units above a normal level) and as our time to sell index - a good leading indicator of pricing - fell to 9.7 in September from 12.2 in August.
- ▶ **Fewer buyers qualify under tighter lending standards.** Agents noted more contracts falling out as lenders continued to tighten credit standards and require more money down, even just prior to closing.
- ▶ **Sector View:** We are Cautious on the homebuilders based on limited buyer traffic, a lack of mortgage availability, and continued price erosion. On the positive side, we see a 44% decline in new construction activity and the potential for lower rates, which would help affordability.
- ▶ **PORTFOLIO MANAGERS' SUMMARY: Page 2.**

Top Picks

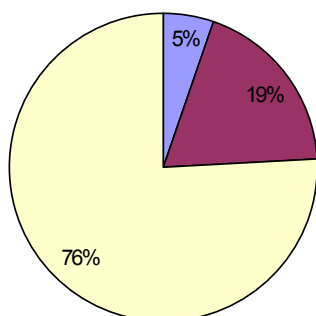
Ticker	Rating	Price	Target
PHM	N	\$15.96	\$16.00
KBH	N	\$28.72	\$26.00

Least Favorites

Ticker	Rating	Price	Target
BDK	S	\$83.16	\$75.00
USG	S	\$39.93	\$34.00

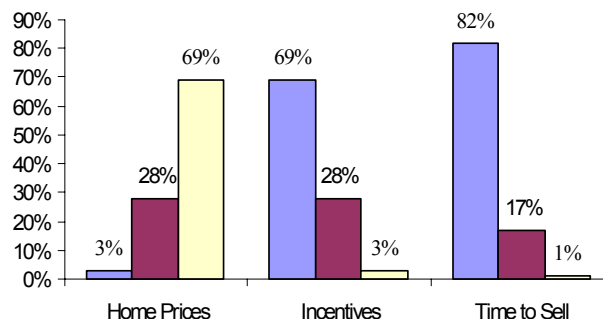
Traffic Reaches Another New Low; Agents Noted Falling Home Prices in All 40 Markets (Up from 38 in August)

Traffic Levels Versus Expectations



More than expected Meets expectations Less than expected

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



Increased Remained the same Decreased

Source: Banc of America Securities LLC estimates.

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Portfolio Managers' Summary

- ▶ **Our 12-month thesis on the sector.** We are cautious on homebuilding stocks. We see risk over the next 3-6 months. On the negative side, we see limited buyer traffic, a lack of mortgage availability, excessive inventory, and risk from continued price declines (necessary to remedy the excess inventory). Further credit troubles (subprime resets) will likely add even more inventory to the market. On the positive side, we see a 49% decline in new construction activity and the potential for lower interest rates, which would help affordability and the stocks.
- ▶ **Our call today in a nutshell.** Our traffic index fell to 14.7 in September from 18.6 in August and once again set a new low. The greatest deterioration in traffic in September occurred in markets where price declines are most significant (AZ/CA/DC/FL/NV) as buyers see no harm in delaying their purchase. Our price index fell to 17.1 in September, down from 21.2 in August (readings below 50 indicate sequentially lower prices) as foreclosures added to the existing inventory glut. In many instances, agents said buyers were forced to lower prices due to appraisals coming in below the contract price. We expect the price declines in the existing home market to particularly impact higher-end builders such as Toll Brothers. In addition, agents noted more contracts falling out as lenders continued to tighten credit standards and require more money down, even just prior to closing.
- ▶ **Risks to our call.** Continued lack of mortgage capital would lead to further troubles. On the other hand, a significant decline in mortgage rates would aid affordability and stimulate demand.

Table of Contents

Overview of Results.....	4
Survey Methodology.....	6
Top 20 Housing Markets	
Atlanta, Georgia	8
Austin, Texas	9
Charlotte, North Carolina	10
Chicago, Illinois	11
Dallas, Texas	12
Denver, Colorado	13
Fort Myers, Florida	14
Houston, Texas	15
Jacksonville, Florida	16
Las Vegas, Nevada	17
Los Angeles, California	18
Miami, Florida	19
Minneapolis, Minnesota	20
New York-Northern New Jersey	21
Orlando, Florida	22
Phoenix, Arizona	23
Riverside-San Bernardino [Inland Empire], California	24
Seattle, Washington	25
Tampa, Florida	26
Washington, D.C.	27
Additional Key Housing Markets	28
Baltimore, Maryland	29
Boston, Massachusetts	30
Charleston, South Carolina	31
Cincinnati, Ohio	32
Columbus, Ohio	33
Detroit, Michigan	34
Nashville, Tennessee	35
Philadelphia-Southern New Jersey	36
Port St. Lucie, Florida	37
Portland, Oregon	38
Raleigh, North Carolina	39
Richmond, Virginia	40
Sacramento, California	41
San Antonio, Texas	42
San Diego, California	43
San Francisco, California	44
Sarasota, Florida	45
Tucson, Arizona	46
Virginia Beach, Virginia	47
Wilmington, North Carolina	48
Historical Survey Trends by Market.....	49

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

Price Declines Shake Buyer Confidence; Fewer Buyers Qualify for Loans

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

Traffic index falls sharply again in September, another new low. Our traffic index fell to 14.7 in September from 18.6 in August and once again set a new low. The traffic index fell in 30 out of 40 markets but even the highest reading of 26.8 in the Philadelphia metro area remained far below agents' expectations (measured as 50). The greatest deterioration in traffic in September occurred in markets where price declines are most significant (AZ/CA/DC/FL/NV) as buyers see no harm in delaying their purchase.

Traffic, Pricing, Time to Sell Continue to Reach New Lows

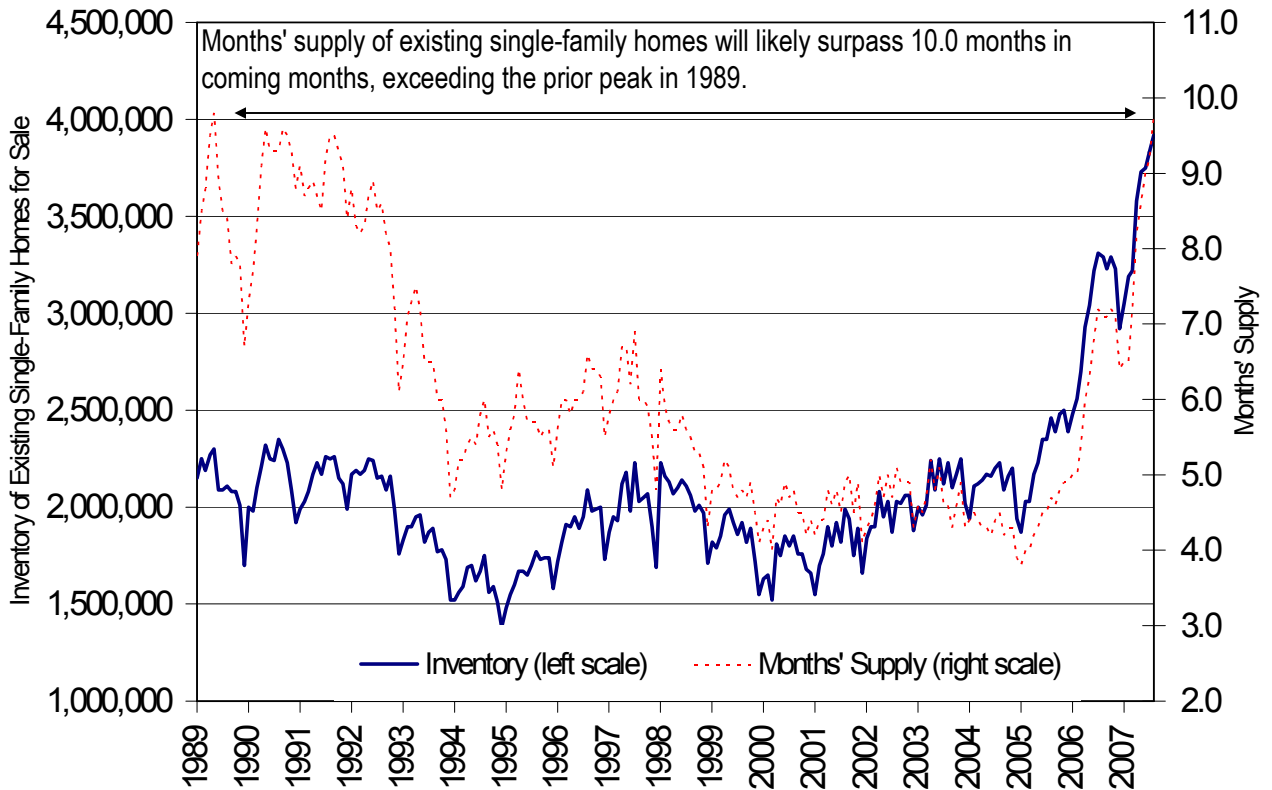
Month	Buyer Traffic Index	Home Price Index	Incentive Index	Home Listings Index	Time to Sell Index
Jan-2006	38.3	47.5	28.4	29.8	18.9
Feb-2006	38.3	46.0	20.3	18.2	20.9
Mar-2006	30.4	47.2	16.7	15.2	16.1
Apr-2006	26.3	43.1	18.8	15.7	14.5
May-2006	22.7	38.4	16.7	11.8	16.3
Jun-2006	25.9	41.4	16.1	14.3	15.7
Jul-2006	23.7	36.0	15.4	15.7	14.0
Aug-2006	24.3	31.9	13.9	16.2	11.7
Sep-2006	23.5	29.5	12.9	19.6	12.5
Oct-2006	23.6	25.8	14.0	21.0	11.7
Nov-2006	30.5	25.6	14.5	31.1	15.2
Dec-2006	38.4	29.9	19.9	40.5	19.5
Jan-2007	48.0	33.8	26.7	36.1	26.9
Feb-2007	40.9	34.5	26.5	29.0	27.5
Mar-2007	40.1	35.3	25.8	24.3	26.8
Apr-2007	31.1	33.7	26.5	20.7	22.0
May-2007	26.3	31.3	24.1	17.4	18.7
Jun-2007	21.9	26.9	21.9	18.2	16.1
Jul-2007	21.8	24.7	20.5	21.5	16.0
Aug-2007	18.6	21.2	19.5	22.2	12.2
Sep-2007	14.7	17.1	16.9	19.8	9.7
Point change	(3.9)	(4.0)	(2.6)	(2.5)	(2.5)

Source: Banc of America Securities LLC estimates.

Foreclosures and low appraisals driving price declines. Our price index fell to 17.1 in September, down from 21.2 in August (readings below 50 indicate sequentially lower prices) as foreclosures added to the existing inventory glut. In many instances, agents said buyers were forced to lower prices due to appraisals coming in below the contract price. We expect the price declines in the existing home market to particularly impact higher-end builders such as Toll Brothers.

Price declines likely to continue based on excess inventory. We expect the price declines to continue based on the excess inventory of homes for sale (single family existing home inventory reached 3.9 mln in August, at least 1.4 mln units above a normal level) and as our time to sell index - a good leading indicator of pricing - fell to 9.7 in September from 12.2 in August.

Inventory Reaching New Peaks, Pressuring Prices Further



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

Survey Methodology

We survey real estate agents, as we believe that agents will provide an accurate assessment of housing market trends in both the new and existing home markets. Even though homebuilders sell new homes, we believe that it is crucial to have an understanding of the existing home market as the existing home market is substantially larger than the new home market (approximately 85%/15%) and trends in the existing home market dictate trends in the new home market.

Each month we ask five main questions, which are all listed below. In September, we received responses from 2,700 real estate agents across the country. We then review these responses and calculate an index for each of the questions with high numbers indicating positive or improving trends and low numbers indicating negative or worsening trends. An index of 50 would indicate a neutral trend. Note that for items such as incentives, a low index level would indicate a higher level of incentives, as higher incentives represent a negative trend. Similarly, for the number of listings and the length of time needed to sell a house, an increase in listings (a negative trend) and an increase in the time needed to sell a house (a negative trend) both correspond to low index values.

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

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

3) Have incentives remained the same, increased, or decreased over the past 30 days? An incentive index above 50 indicates that incentives 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 Top 20 New Home Markets

The market exposure of the homebuilders to the top 20 permit-issuing housing markets is outlined in the table below.

Summary of Homebuilders' Exposure to Top 20 New Home Markets

Market	2006														
	1-family permits	CHCI	CTX	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	53,944	*	2%	3%	*	3%	*	*	*	*	4%	7%	*	*	*
Austin, TX	17,753	*	2%	4%	*	3%	5%	*	6%	*	2%	3%	*	*	*
Charlotte, NC	20,281	6%	2%	1%	*	1%	*	*	*	9%	1%	3%	*	*	*
Chicago, IL	28,619	*	2%	3%	4%	*	4%	*	*	*	5%	7%	*	2%	*
Dallas, TX	43,751	*	7%	6%	5%	4%	5%	*	10%	*	2%	5%	7%	0%	*
Denver, CO	12,903	*	1%	6%	*	4%	3%	10%	*	*	1%	4%	4%	*	*
Fort Myers, FL	14,700	*	1%	*	12%	*	4%	*	*	*	3%	*	*	*	19%
Houston, TX	55,105	*	*	5%	11%	7%	12%	*	11%	*	3%	8%	*	*	*
Jacksonville	11,497	*	1%	4%	*	2%	1%	7%	*	*	3%	*	*	*	6%
Las Vegas, NV	21,590	*	3%	5%	*	10%	4%	20%	5%	*	8%	4%	*	4%	*
Los Angeles, CA	13,394	*	0%	2%	4%	2%	1%	1%	*	*	0%	*	2%	*	*
Miami, FL	14,750	*	*	*	*	*	3%	*	*	*	*	*	*	*	8%
Minneapolis	11,966	*	3%	2%	2%	*	2%	*	*	*	2%	5%	*	*	*
NY-NJ	16,472	*	0%	0%	2%	*	0%	*	*	0%	1%	*	*	8%	4%
Orlando, FL	23,498	*	*	2%	*	5%	3%	*	*	*	4%	5%	*	*	*
Phoenix, AZ	35,740	*	5%	11%	*	5%	4%	17%	23%	*	12%	5%	16%	7%	*
Inland Empire, CA	33,508	*	4%	6%	13%	7%	8%	5%	2%	*	5%	6%	8%	0%	*
Seattle, WA	15,091	*	1%	1%	*	*	*	*	*	*	*	*	*	*	*
Tampa, FL	18,306	*	*	*	5%	2%	6%	*	*	*	3%	5%	12%	*	6%
Washington, DC	18,457	94%	3%	0%	10%	*	3%	8%	*	27%	2%	3%	*	23%	4%

Profit Concentration in Key Areas

Market	CHCI	CTX	DHI	HOV	KBH	LEN	MDC	MTH	NVR	PHM	RYL	SPF	TOL	WCI
Arizona	*	10%	15%	5%	10%	5%	24%	33%	*	12%	8%	12%	7%	*
California	*	30%	25%	27%	38%	30%	20%	24%	*	19%	12%	50%	20%	*
Washington D.C.	94%	5%	2%	16%	*	5%	10%	*	60%	5%	10%	*	25%	4%
Florida	*	12%	10%	17%	12%	24%	7%	7%	*	17%	15%	19%	7%	90%
Nevada	*	4%	5%	*	13%	7%	20%	7%	*	14%	7%	*	6%	*
Total	94%	61%	57%	65%	73%	71%	80%	71%	60%	67%	52%	81%	65%	94%

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

September Market Trends	
Traffic	
Home Prices	
Incentives	

“Appraisals are coming in lower and lenders are having trouble approving or funding new loans.”

Atlanta, GA – Little Traffic and Rising Inventory = Further Pricing Pressure

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

“Traffic is almost nonexistent” as mortgage liquidity dries up and prices continue to fall. Traffic continued to slide in September, as our traffic index fell to 9.6 from 13.6 August. Agents said buyers remain few and far between as the lack of available loan products limits the pool of potential buyers and gives those remaining further confidence that prices will fall to more attractive levels in the coming months. There was a growing consensus among agents that buyers do not see any compelling reasons to jump back into the market now unless they truly have to move. A large reason for this, according to one agent, is that “current prices don’t even reflect the buyer’s market.”

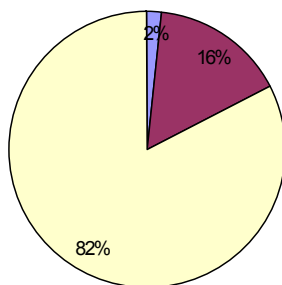
Prices fall, but sellers’ expectations remain too high. Our price index fell to 23.1 in September from 25.0 in August as home prices continue to come under pressure from rising inventories and deteriorating demand (readings below 50 point to falling home prices). However, agents say sellers still aren’t realistic enough, as they are slow to recognize the significance of the deterioration. According to one agent, “Sellers are frustrated with the lack of traffic, but are either unable or unwilling to come off their asking price.” As a result, inventory continues to grow while time to sell lengthens, which is likely pressuring prices further. Our home listings and time to sell index measured 31.6 and 8.8, respectively, in September (from 25.0 and 8.6 in August) with any reading below 50 indicating further deterioration.

- ▶ “We had numerous transactions die overnight because the loan programs were no longer available.”

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

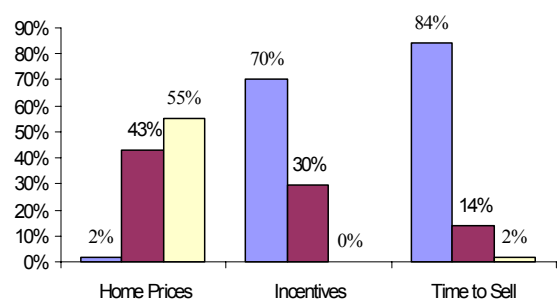
Traffic Falls in Step With Fewer Loan Products; Buyers Await Better Deals

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Austin's reliance on non-prime loan products has made it particularly vulnerable to recent credit tightening.

Austin, TX – Prices Begin to Fall due to Mounting Pressures from Growing Supply

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

Buyer traffic severely constrained by changes to lending criteria. Buyer traffic fell further in September as turmoil in the mortgage market continued to spread. Our traffic index slipped to 21.6 in September from 23.8 in August, indicating traffic below agents' expectations for only the second month (readings below 50 point to traffic below expectations). Agents have noted slower traffic trends since February as the market relies on a high percentage of subprime buyers, but the declines seem to have accelerated in August/September based on the tighter lending environment. According to agents, even buyers with good credit are now stepping back and waiting for better rates or pricing.

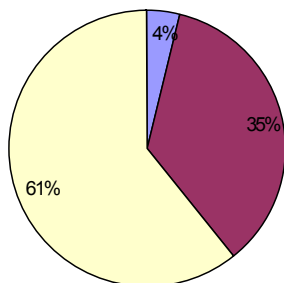
Prices fall; modest declines likely to continue in coming months. Agents indicated that home prices fell in September for the first month since our survey began, with our price index pointing to modest declines at 40.8, down from 51.3 in August (readings below 50 indicate sequentially lower prices). 84% of agents said prices were flat or lower this month, compared with 73% last month. Unfortunately, we had feared home prices would come under pressure throughout Texas markets as a result of a sharp increase in inventory due to homebuilders' push for volume. As one agent put it, "There is too much product, at prices that are too high." Incentives also worsened, as our index came in at 20.2 in September, well short of a neutral reading of 50. Interestingly, agents said appraisers have begun to incorporate incentives into home values, which is leading to lower than expected appraisals in some cases. Sellers will likely be pressured to cut pricing further given the conservative appraisals and still rising inventory levels (our inventory index was unchanged at 21.6), especially if upcoming ARM resets result in higher foreclosures.

► "Appraisals are being affected by the extras offered by sellers."

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

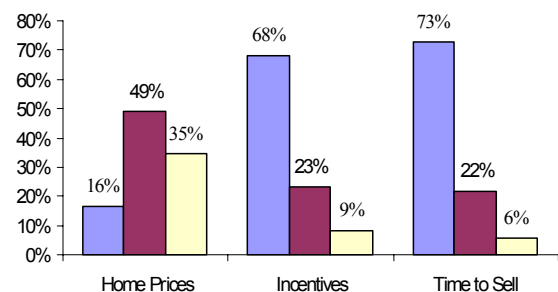
Continuing Shift To Buyer's Market as Prices Fall For First Time in Our Survey

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Agents say troubles in other markets continue to spill over into Charlotte as fewer buyers are able to sell their existing home.

Charlotte, NC – Traffic Disappoints Agents Again, Prices Continue to Fall

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

Traffic unchanged at weak levels following sharp drop in August. Traffic remained very weak in September, as our traffic index was unchanged at 19.6 from 20.2 August (well below a neutral level of 50). According to one agent, “Traffic fell off a cliff in the first week of August and has not picked up since.” Other agents noted that even though their expectations were modest given that September is typically slow, traffic was still disappointing as relocation buyers were noticeably absent and others remained hesitant given the difficulty securing favorable loans. Agents blamed the lack of relocation activity on the inability of potential buyers to sell homes in other states. While the underlying local economic trends remain favorable for Charlotte, affordability is more stretched than ever which will likely continue to limit traffic levels.

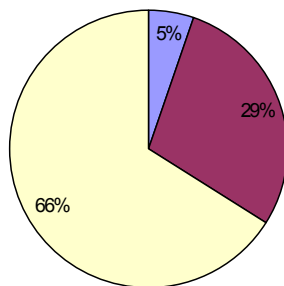
Tighter appraisals, rising inventory point to further price declines. Modest price declines continued in September, according to agents, as our price index was unchanged at 40.0 from 40.2 in August – only the second month that agents have noted falling prices since our survey began (a reading of 50 would suggest flat pricing). Agents said appraisals are clearly beginning to tighten, with one noting that, “many appraisals are coming in under market prices.” Adding to the pressures, inventory continues to rise, as our home listings came in at 33.7 in September (from 22.9 in August) with readings below 50 pointing to higher inventory. It is also taking longer to sell a home, according to agents, as our time to sell index was unchanged at 12.7 (any reading below 50 suggests a longer time to sell). Higher inventory and the longer time needed to sell point to lower prices in the coming months.

- ▶ “The end of summer has brought the end of easy loans.”
- ▶ “I had two contracts fall through due to tighter mortgage criteria.”

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

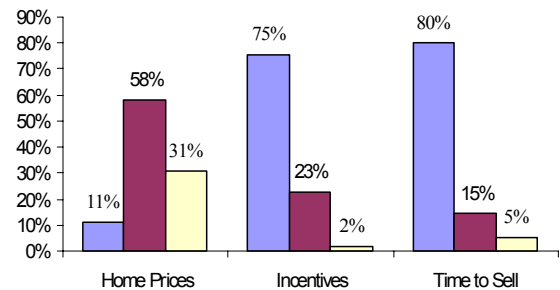
Stretched Affordability, Fewer Relocation Buyers Limit Traffic

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Source: Banc of America Securities LLC.

September Market Trends	
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Incentives	

“All areas have far more inventory than buyers.”

Chicago, IL – Gap Widens Between Buyer and Seller Expectations, and Buyers Remain Patient

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

Few lookers left in the market. Traffic deteriorated further in September, falling short of nearly all agents’ expectations as our traffic index fell to 9.6 from 17.6 in August. 85% of agents said traffic was below expectations, 12% said it met expectations, and just 3% said it exceeded expectations. As one agent noted, “It’s another month, but the same problem: no one can get a loan and sellers want too much for their property, so buyers are back to sitting on the fence.” In addition, agents pointed out most potential buyers are also sellers and they can’t move because their homes continue to languish on the market. One agent said, “I had one open house where no one even showed up.”

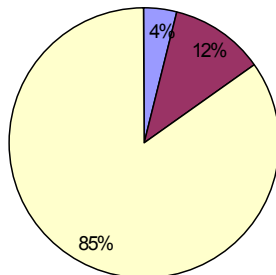
Prices continue to fall, but buyers look for greater reductions. Home prices fell again in September, as our price index was unchanged at 19.5 from 19.4 August (any reading below 50 indicates lower prices over the past 30 days). Despite the recent price declines, agents seemed to note a growing gap between buyer and seller expectations, with several making comments such as, “Sellers have unrealistic price expectations,” and, “buyers are looking for lower prices than sellers are willing to settle for.” Appraisers appear to be helping to jumpstart the negotiations, as agents say appraisals are coming in very low. “I had one house recently appraised at \$400,000 just get reappraised for \$370,000. Not surprisingly, inventories increased and time to sell lengthened in September, with our indices falling to 20.8 and 9.1, respectively, from 24.6 and 11.4 in August, short of a neutral 50.

- ▶ “Things are getting worse by the minute it seems. I just negotiated a deal for an investor group I represent to buy a 24-unit condo development. We picked it up for 60% of the asking price. Fully finished, ready for occupancy condos...40% off...how bad do things have to be for a developer to go for something like that?”

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

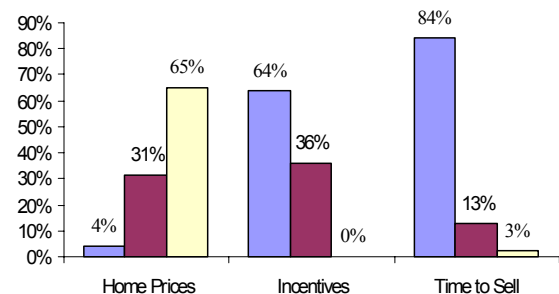
Buyers Are Either Unable or Unwilling to Make a Purchase at Current Price Levels

Traffic Levels Versus Expectations



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September Market Trends	
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Incentives	

One agent noted, "New home discounting is pushing values down."

Dallas, TX – Tighter Lending, Rising Inventory Pressure Prices

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

Mortgage fallout leaves potential buyers frightened, stretched. Traffic continued to weaken in September following the credit crunch in August as agents said Dallas' high population of non-prime borrowers are struggling with new lending requirements. Our traffic index fell to 19.9 in September from 23.8 in August, with any readings below 50 indicating traffic below expectations. One agent commented that "traffic is the slowest in here in ten years." Most agents blamed the deteriorating lending environment and acknowledged, "Borrowing money has tightened considerably," and noting that buyers appear very scared. Given the area's dependence on sub-prime/Alt-A loans and the likelihood that these products will take some time to come back to the market, we think lower prices are the key to restoring affordability and demand.

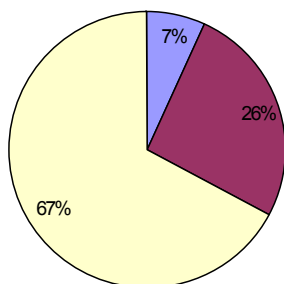
Prices fall as buyers demand greater reductions. Prices fell further in September, as our price index fell to 24.3 from 32.5 in August (readings below 50 indicate sequentially lower prices). However, agents said buyers have become more aggressive in their demands recently after watching prices fall in other markets, while "sellers are not convinced they need to lower their prices yet." We think sellers will come under increased pressure in the coming months, especially given the stiff competition from homebuilders. Our incentive index fell to 17.9 in September from 20.7 in August, indicating rising incentives over the past 30 days, as agents indicated builders are operating in a "sell at all costs" mode. Still, inventories continued to increase and time to sell lengthened, as our indices came in at 23.6 and 9.7, respectively, in September from 23.3 and 11.5 in August. We view these as negative indicators for future pricing.

- ▶ "Appraisals are coming in below contract prices."
- ▶ "Foreclosures have increased and are flooding the market."

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

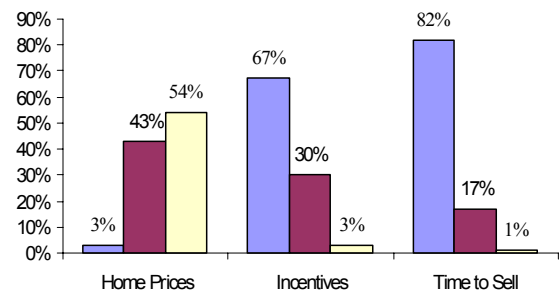
Leading Indicators Point to Further Price Declines

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

“There are a large number of foreclosures and short sales, especially in the suburbs.”

Denver, CO – Foreclosures Worsen Inventory Problem, Pressure Prices Further

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

Souring buyer confidence, inability to qualify for loans keeps traffic low. Traffic deteriorated further in September, with our buyer traffic index falling to 20.3 from 27.9 in August, well short of a neutral 50. Agents said buyer sentiment remains extremely low, noting many fewer buyers even out looking. According to one agent, “There are fewer buyers who even have the downpayment or credit scores necessary to purchase a home.” Another said, “Buyers are waiting on the sidelines as they think they’ll get a better deal if sellers/builders go into foreclosure!” Unfortunately, this is the reality in many cases as Denver continues to be among the leading markets for foreclosures. This is likely to keep buyers sidelined while prices fall further.

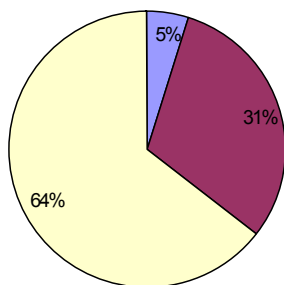
Prices fall and incentive rise, but homes still aren’t moving. Home prices continued to fall in September, as our price index declined to 16.4 from 25.0 in August (any reading below 50 points to lower prices over the past 30 days). Agents note rising foreclosures continue to impact home values across the board, while builders are piling on incentives to try to clear inventory. “Builder incentive packages are up to \$100,000.” Our incentive index fell to 21.4 in September from 24.1 in August, with any reading below 50 indicating higher incentives. Nevertheless, homes are still sitting on the market longer, as time to sell index fell to 14.0 in September from 23.3 in August, which is likely to pressure prices further.

- ▶ “There are few buyers venturing out in this unsettled market.”
- ▶ “Lenders are backing out of loan commitments, and appraisals are coming in ridiculously low.”

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

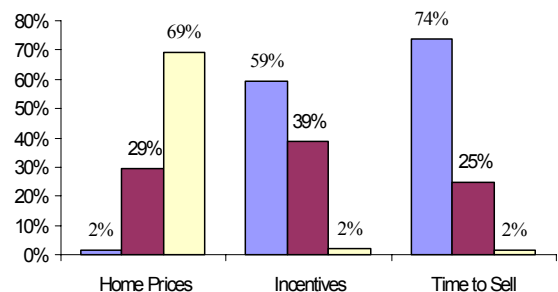
Market in Disarray as Dwindling Financing Options Leave Affordability Even More Stretched

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

“Price reductions rule the day.”

Ft. Myers, FL – Buyers Afraid to Step In Front Of Falling Prices

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

Skittish buyers await better deals. Buyers remained scarce in September, with our traffic index coming in essentially unchanged at 21.9 from 20.2 in August, still well short of a neutral reading of 50. Agents said they expected little traffic and got even less. According to one agent, “September is typically a slow month for homebuyer interest. This September is thus far showing no buyers, period.” Agents say tighter lending is compounding the existing problems, although it is tough to judge without many transactions. Most agents agree that buyers are not likely to return to the market until there is a sense that prices are stabilizing, which is likely to take a long time given the severe oversupply.

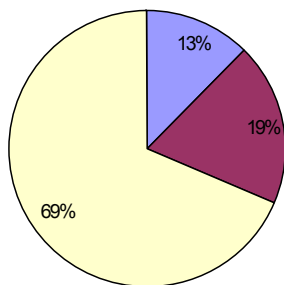
Prices are heading in the right direction (down). Home prices fell further in September as nearly all agents surveyed noted sequentially lower prices. Our price index fell to 3.1 in September, down from 12.2 in August, as 94% of agents said prices were lower over the past 30 days and 6% said they were unchanged. Price declines continue to be led by the homebuilders, who are cutting list prices by over \$100,000 in addition to other incentives and higher agent commissions, according to agents. In one creative move, an agent saw a large public homebuilder offering to purchase a buyer’s existing home from them if they bought a home from the builder. We continue to think the more conventional price reductions are the medicine needed to bring buyers back to Ft. Myers. In the meantime, home listings increased (our index measured 21.9) and the time needed to sell lengthened (our index came in at 17.2), both pointing to further price declines.

- ▶ “Buying here is like trying to catch a falling knife. Buyers feel tomorrow will bring better deals than today.”

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

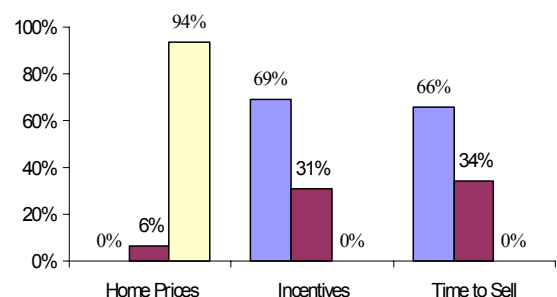
Buyers Remain Few and Far Between Despite Sellers’ Best Efforts

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Buyers are becoming increasingly nervous and lending tightens and prices show signs of cracking, according to agents.

Houston, TX – Further Modest Price Declines Likely as Foreclosures Exacerbate Oversupply

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

Traffic in September at similar but low levels from last month following mortgage fallout. Traffic remained at weak levels, well below agents' expectations in September, as our traffic index improved slightly to 24.0 from 21.9 in August (any reading below 50 indicates traffic below expectations). Tighter subprime lending continues to be the main culprit, according to agents, as one notes that, "The subprime collapse has eliminated 35% of buyers here, and conditions will probably tighten even further as foreclosures rise." Still, others blamed more significant problems in other markets for creating an atmosphere of fear among buyers as they wait to see what happens with prices in Houston. We think lower prices are needed to restore affordability given the lack of non-prime lending options.

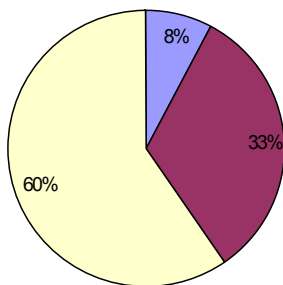
Shifting to a buyer's market. Home prices fell modestly for the second consecutive month, with our price index reaching a new low at 31.6 in September from 35.1 in August (readings below 50 indicate sequentially lower prices). Agents said sellers are still trying to hold pricing, but rising inventories (added to by higher foreclosures) are making it tough as homes languish on the market. Our home listings index fell to 21.0 from 25.0 in August, while our time to sell index fell to 14.0 from 16.3 (readings below 50 point to higher inventories and a longer time to sell, respectively). We typically view these as leading indicators for future pricing trends, as sellers are more likely to lower their asking prices amid tougher competition.

- ▶ "Builder campaigns are extremely aggressive with big discounts on price and big bonuses to agents, which is steering traffic away from pre-owned homes."
- ▶ "Mortgage issues have created a lack of qualified buyers."

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

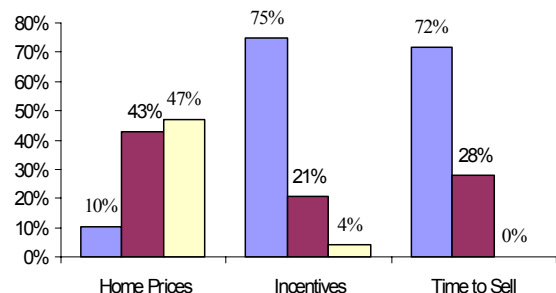
Inventories Have Grown Quickly as Builders Push For Volume in Houston But Demand is Not There

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

“Clients are concerned about getting financing, and are unable to sell current homes.”

Jacksonville, FL – Builders Undercut Resale Market; Traffic Remains Weak

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

Buyers are still frozen. Agents saw buyer traffic levels at similarly weak levels in September as those in August, as our traffic index was unchanged at 17.6 from 17.1 in August, far below a neutral reading of 50. According to one agent, “I think the crisis in the mortgage industry is scaring buyers away. My phone almost never rings with people calling on my listings, and I have some really good listings. I haven't had anything move in the last 45 days.” Unfortunately, several other agents echoed those comments. Some noted that the re-sale market remains particularly weak as sellers are unable to match the huge discounts and incentives offered by builders. Even those who would be looking are stuck on the sidelines, agents said, as the most recent round of tighter lending has cut off even more potential buyers.

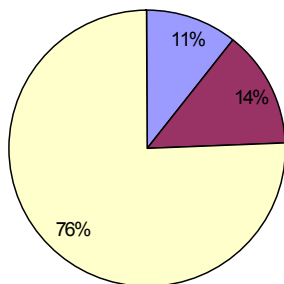
More conservative appraisals leading to greater price declines. Price fell further in September, as our price index was unchanged at 11.1 from 11.4 in August (readings below 50 indicate lower prices over the past 30 days). Agents said the pricing on resale homes is coming under increased pressure due to aggressive discounting by homebuilders. According to one agent, “Appraisers are starting to use builders’ sales as a benchmark.” We expect these conservative appraisals to continue, and while existing sellers can’t match builders dollar for dollar, we would expect more significant price declines for existing homes. Rising inventories and a longer time to sell make this even more likely. Our home listings index fell to 17.6 in September from 20.0 in August, while our time to sell index fell to 9.5 from 17.1 – both readings are well short of a neutral level of 50.

- ▶ “Builder marketing specials have increased.”
- ▶ “Mortgage difficulties and loss of subprime have tightened the market and made qualified buyers harder to find.”

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

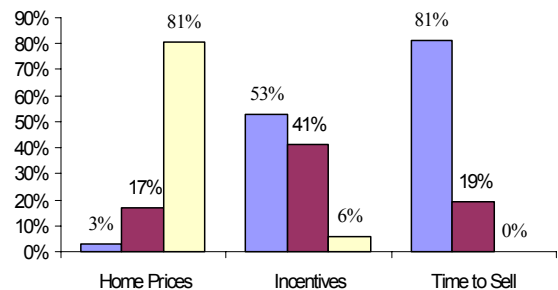
All Indications Point to Further Price Declines

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Lower prices are needed to aid affordability and spur demand, according to agents.

Las Vegas, NV – “Too Bad We Can't Click Our Heels and Be Back to the Good Old Days”

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

“Buyers are a rare commodity.” Buyer traffic deteriorated further in September, as our traffic index fell to 12.5 from 16.3 in August, far short of agents’ expectations (a level of 50 would suggest traffic in-line with agents’ expectations). Agents said there are two primary reasons why traffic is so weak: 1) potential buyers expect significant price declines and are afraid to buy in ahead of them, and 2) real buyers remaining in the market can no longer qualify under new lending guidelines. Given its cash economy with the gaming industry, we continue to believe the loss of stated income loan products will have a particularly large impact in Las Vegas.

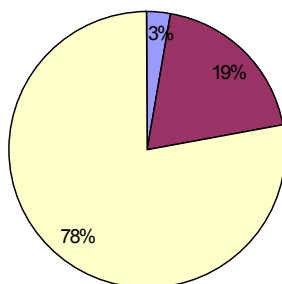
Massive inventories continue to pressure home prices. Home prices declined again in September as rising inventories create mounting pressures which are only worsened by the bleak foreclosure picture. Despite the recent price declines, “Sellers still haven’t lowered prices enough to motivate buyers,” according to one agent. Our home price index came in modestly higher at 18.8 in September from 11.5 in August, still indicating sequentially lower prices (readings below 50). Incentives also continued to worsen, with our incentive index coming in at 23.6 in September, well below a neutral 50. Builders offered incentive packages of up to \$160,000, according to several agents. Inventories continued to rise, as our home listings index was unchanged at 16.0 from 14.7 in August, with any readings below 50 indicating more homes on the market. We think the inventory situation is likely to deteriorate even further in the coming months as the upcoming wave of ARM resets leads to higher foreclosures. This is likely to lead to more severe price declines.

- ▶ “An expectation of steep declines in home pricing is now pervasive throughout the local population.”
- ▶ “It is hard to get jumbo loans.”

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

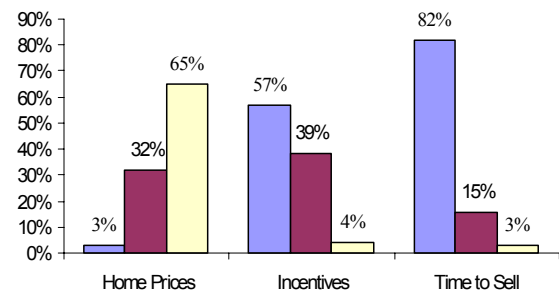
Price Declines Likely to Worsen in Coming Months

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

“There is absolutely no urgency to buy now,” according to agents.

Los Angeles, CA – Inventory Pressures Mount as Buyers Scatter

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

Lack of financing options continues to limit pool of buyers. Traffic slipped further in September from August, with our buyer traffic index down slightly to 12.8 from 13.6 and still well shy of expectations (readings below 50 suggest traffic below agents’ expectations). Agents continued to cite distress in the mortgage market and falling home prices as the primary drivers of weak traffic. While lending for entry-level buyers was tight since this spring, more recent tightening has all but eliminated this segment of the market, according to agents. Further, the jumbo market remains in flux, and one agent notes, “Jumbo loans make up so much of the SoCal market and qualifications and loan pricing have become much more difficult.” Another says that, “Even well qualified buyers don't want to buy into a market decreasing in value.”

Sellers try to find the market on pricing, but buyers are still waiting for further reductions. Rising inventory and fewer buyers left in the market continued to pressure home prices in September, as our price index fell to 17.4 from 22.9 in September. Agents say sellers appear to be becoming more distressed, as “REOs and short sales are rising.” Those buyers left in the market see this situation worsening and are holding out until market pricing adjusts to lower levels, especially given the unfavorable credit environment. Even larger incentives offered by builders (some public builders offering over \$100,000 in incentives) have yet to sway buyers. Higher inventories and a longer time to sell reflect this, and point to lower pricing ahead. Our home listings index fell to 15.8 in September from 19.4 in August, while our time to sell index fell to 8.2 from 9.1 (both indices are well below a neutral 50).

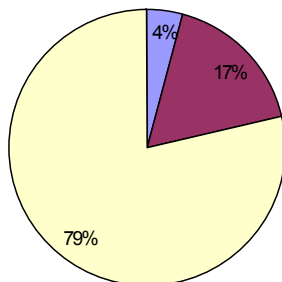
- ▶ “First time buyers can't qualify for loans due to lack of available funds.”

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

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

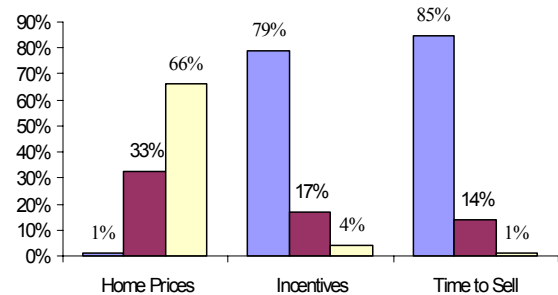
More Significant Price Declines Are Needed to Restore Affordability

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Buyers continue to wait patiently for better deals.

Miami, FL – No Bottom in Sight For Home Prices

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

There is little buyer urgency as tighter lending keeps affordability stretched, prices continue to fall. Buyer traffic levels were essentially unchanged in September at very low levels, as our traffic index came in at 15.7 from 13.8 in August (any readings below 50 indicate traffic below agents’ expectations). Agents said that the fear of further price declines is having an even larger impact on buyer sentiment than the current mortgage issues, although tighter standards are clearly constraining buyers. According to one agent, “Pricing has not come down enough to cause buyers to make a purchase. This is exacerbated by lending challenges and the anticipation of significant price erosion when the full force of foreclosures comes into play.” Another agent commented that, “50% of contracts are falling through due to changes in lending criteria.” Agents agreed that buyers are likely to continue waiting.

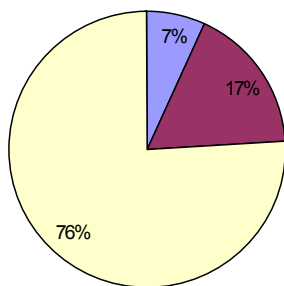
Prices fall further but sellers are slow to adjust. Prices continued to fall in September, as our price index was unchanged at 10.9 from 10.2 in August (any reading below 50 suggests falling prices). However, agents said that buyers have recalibrated their expectations even lower as foreclosures and short sales become more prevalent. “Buyer demand has strongly shifted downward and sellers seem a bit ‘shell shocked’ trying to keep pace.” Agents said builders are doing their best to accommodate buyers by offering incentive packages that include buying down mortgage rates to as low as 4.99%, but agreed that incentives have a relatively small effect on buyers as compared with cash discounts. We think rising inventories (our home listings index fell to 9.9 in September from 13.9 in August) are likely to increase pressure on sellers to meet buyer demands in the coming months.

- ▶ “Home prices are expected to fall much lower, and this is keeping many prospective buyers out of the market. They are waiting for the market to bottom out. In addition, tax and insurance relief have not materialized.”

WCI Communities and Lennar Corp. have the most exposure. WCI Communities and Lennar have the greatest exposure to Miami with approximately 12% and 2% of sales, respectively.

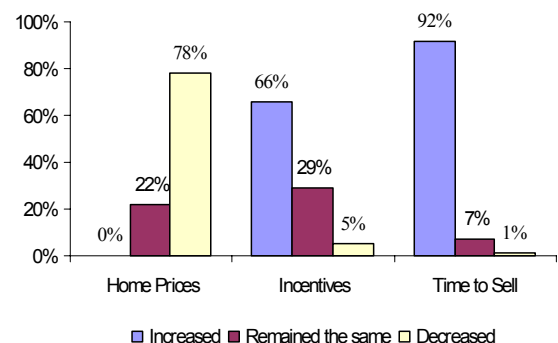
Lending Constraints Amplify Existing Affordability Problems

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Agents say lenders are now requiring at least 10% down.

Minneapolis, MN – Rising Inventory, Tougher Appraisals Lead Pricing Lower

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

Mortgage fallout adds to affordability problems; buyers wait for lower prices. Buyer traffic worsened in September, as our traffic index dropped to 11.7 from 22.9 in August, far below agents' expectations (any reading below 50 points to traffic short of expectations). Agents said buyers remain "paralyzed by fear" as the credit crunch has left many unable to qualify for homes and caused others to rethink how far prices may fall. Because of this, few buyers are even looking to make a purchase. While affordability in Minneapolis is attractive relative to the national average, it remains more stretched than ever compared with local historical levels. We think this affordability problem must be cured through a combination of lower rates and/or lower prices before buyers can step back into the market and absorb excess inventory.

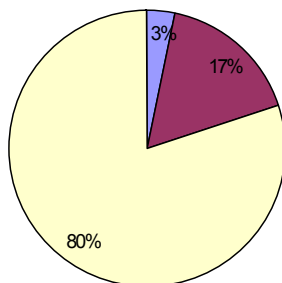
More conservative appraisals, higher inventory lead prices lower. Home prices fell further in September as supply continued to increase and appraisers begin to adjust to current pricing levels. Our price index fell to 7.5 in September from 12.0 in August, with readings below 50 pointing to lower prices over the past 30 days. Agents said appraisers are becoming more conservative as conditions worsen, and one agent noted that "Some appraisers are using bank REOs sales for comparisons." We think lower appraisals will likely force sellers to readjust to more realistic pricing levels, leading to further declines in the coming months. Buyers can also afford to continue waiting as they have plenty of homes to choose from. Our home listings index continued to show higher listings as our index measured 29.2 in September, up from 22.3, but pointing to further deterioration (readings below 50). This suggests pricing pressures are not likely to subside in the near term.

- ▶ "Loan requirements have been more restrictive and the market is growing increasingly concerned about how low home prices will go."

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

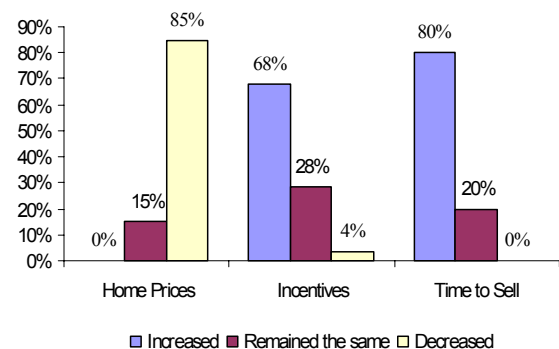
Buyers Stick to Sidelines, Waiting For Price Declines

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

One agent said, "I had 5 contracts fall through on one property due to low appraisals. It finally sold to a cash buyer."

New York-Northern NJ – Credit Crunch Keeps Buyers on Sidelines; Lower Prices Likely in Coming Months

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

Buyer hesitancy grows as credit issues persist. Our buyer traffic index improved slightly to 22.0 in September from 18.0 in August but remains at weak levels well below agents' expectations (readings below 50 indicate traffic below expectations). Agents said a sense of fear seems to be growing among buyers as the credit crunch has a two-fold impact on the New York Metro market. On one hand, tighter lending has spread to the jumbo market which the area needs. According to one agent, "Lenders are now requiring 10-25% down on jumbo loans at 7.75% interest rates." The other and potentially more harmful effect is that the liquidity contagion has spread throughout capital markets following severe losses on mortgage-related securities, creating the real possibility of layoffs in the financial industry. Thus, many are putting major purchases on hold until there is more clarity in the market.

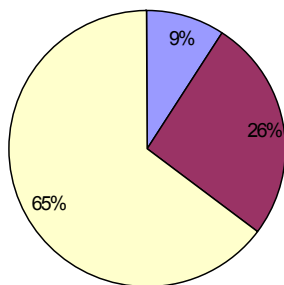
Sellers lower prices, but not enough to satisfy buyers. Home prices continued to trend lower in September, as our price index came in at 24.7 from 20.3 in August (any readings below 50 indicate sequentially lower prices). However, agents noted a gap between buyers and sellers as buyers continue to demand lower prices than sellers are willing to give. According to one agent, "Sellers are too high in their prices – they have to wake up. The market is generally slower now especially with the financial markets slowing." Meanwhile, inventories continued to rise, with our home listings index unchanged at 21.3 in September from 21.2 in August (readings below 50 indicate sequential deterioration).

- ▶ "My own home appraised for \$70,000 less and lending criteria for refi's made it very difficult."

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

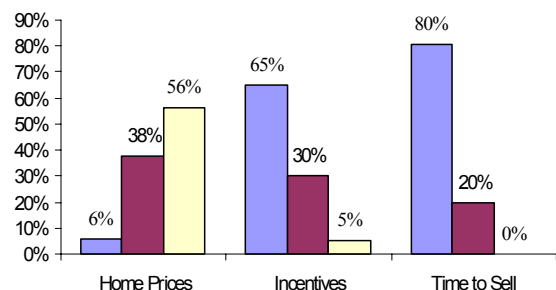
Tighter Jumbo Market, Uncertainty on Wall Street Keep Buyers on Sidelines

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

“I used to get several real estate calls requesting service several times a day. Now I am lucky if I receive several calls regarding real estate per week.”

Orlando, FL – Few Buyers, And Those Few Have Difficulty Qualifying For a Mortgage

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

Traffic unchanged at weak levels; poor buyer quality. Traffic was consistent with August and far below agent’s expectations. Our traffic index was essentially unchanged at 11.8 versus 11.9 in August. Agents attributed the weakness to the same problems plaguing the market in previous months; low and deteriorating buyer confidence from falling home prices, insufficient action to lower insurance and property taxes, and low affordability. In addition, buyer traffic is poor according to agents who described traffic as “lookers.” Fewer buyers qualify based on more restrictive lending standards. One agent quipped, “I can’t find a loan to save my life.” We do not expect lenders to loosen standards given falling home prices.

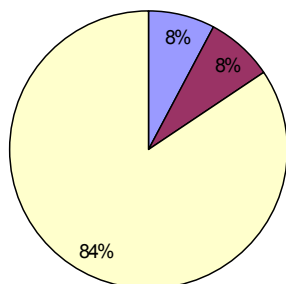
Prices continue decline due to persistent affordability issues, inventory overhang. Prices fell further in September, as our home price index fell to 8.0 from 9.3 in August. 86% of agents said home prices fell in September and 14% said prices either remained flat or increased. The imbalance between supply and demand likely pressured home prices and will likely continue to drive prices lower in the coming months. Agents said their clients are waiting until the market stabilizes and are waiting for further price declines. However, higher inventory levels bode poorly for buyer confidence. Our survey pointing to climbing levels of inventory and the time needed to sell, as our indices measured 12.7 and 7.8, respectively, from 18.6 and 5.1 in August (any readings below 50.0 point to deteriorating inventory trends).

- ▶ “Some appraisers are discounting the appraisal as much as 3% from current market value.”
- ▶ “Negative press from the Orlando Sentinel has been holding buyers back.”

Ryland, KB Home, and Lennar have the greatest exposure. Ryland has the largest percent of sales from Orlando at approximately 6%, followed by KB Home and Lennar with 4% each. We also expect Hovnanian to rapidly increase exposure to Orlando following its recent acquisition of Cambridge Homes.

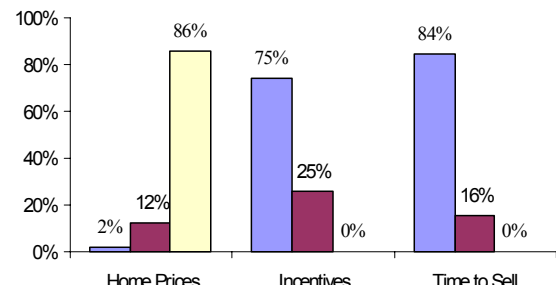
Traffic At Very Weak Levels; Leading Home Price Indicators (Time to Sell and Inventory Levels) Continue to Deteriorate

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Buyers do not want to step into the market too early as home prices are declining.

Phoenix, AZ – Prospective Buyers Wait for More Price Reductions

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

Traffic unchanged at weak levels – “I’ve never seen it so slow.” Our buyer traffic index was essentially unchanged at 12.7 in September from 12.9 in August (well below a neutral reading of 50). Agents said that buyers perceive that home prices are still too high despite a pullback in prices and most expect significant price declines. One agent who suggested buyer confidence will be slow to return said, “My client base is on the side lines, knowing that prices will continue to fall for some time.” In addition, tighter lending requirements cut off a large portion of prospective buyers. One agent that responded to our survey estimated that his agency lost 30% of business due to tighter lending from banks. We also began to hear several anecdotes of the broader economic fallout from the loss of construction and mortgage jobs – a large portion of the Phoenix economy.

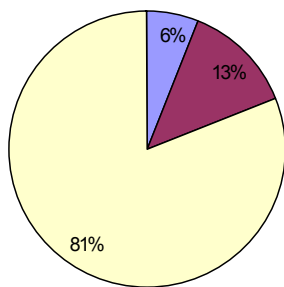
Prices keep falling, but remain above buyer expectations. Home prices fell again in September, as our price index was nearly unchanged at 11.7 versus 10.9 in August (any readings below 50 indicate falling home prices). Agents said buyers still feel the market is overvalued. In addition, large incentives from homebuilders to move spec inventory is making it difficult for sellers of existing homes to compete. Agents cited significant weekend incentives such as Hovnanian’s “Deal of the Century,” including \$100,000 price reductions, according to several agents.

- Cancellations likely will remain elevated – “Builders taking deposits as low as \$1.”

MDC Holdings, Standard Pacific, Meritage, Pulte Homes, D.R. Horton and Toll Brothers have the greatest exposure. MDC and Standard Pacific have the largest exposure to Phoenix, contracting approximately 19% of total unit sales in the area, followed by Meritage (18%), Pulte (16%), D.R. Horton (11%) and Toll (10%).

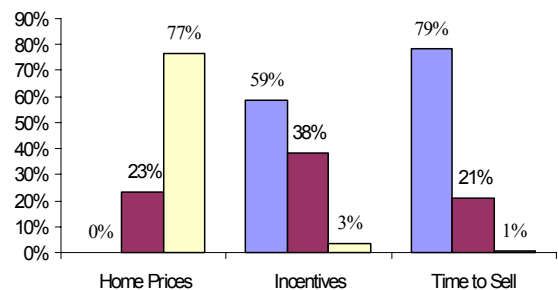
Traffic Fell Short of 81% of Agents’ Already Lowered Expectations; Home Prices Continue to Fall

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

“A few buyers are looking for a great bargain, but most everyone else believes price will drop more.”

Riverside-San Bernardino, CA (Inland Empire) – “Increase in Inventory is Red Flag to Buyers”

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

Buyers witness declining home prices and stay away. Buyer traffic worsened further in September from very weak levels in August, as our buyer traffic index fell to 12.9 from 15.4 (readings below 50 point to traffic below agents’ expectations). Agents said buyers are acutely aware of the red flags that signal price declines and remain on the sidelines as a result. One agent said, “The increase in inventory is very notorious in this area.” Some agents saw little to no traffic during the month. Another agent lamented, “Buyer prospects have completely gone to zero in the last month.” We do not expect buyer confidence to return in the near-term given the increased foreclosure activity and tighter lending standards, cited by agents in our survey.

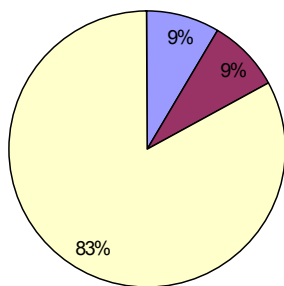
Increased inventory negatively pressure home prices. High inventory levels continued to pressure home prices in September. Our price index was flat in September at 11.6 from 10.4 in August, with any reading below 50 indicating sequentially lower prices. Agents noted increased foreclosure activity, which led to growing inventories. The foreclosed homes appear to reset market prices. One agent said, “Lenders are slashing prices to dump their REOs.” Our home listings index came in at 15.0 in September, down from 16.2 in August, and our time to sell index fell to 8.7 from 10.0 (any readings below 50.0 point to worsening inventory trends). We expect the growing inventory levels to weigh on prices in the coming months.

- ▶ “The Jumbo loan limit needs to go up to \$600,000 to help buyers.”
- ▶ “I’m seeing loans kicked out at the 11th hour by the lenders.”

Hovnanian, KB Home and Lennar have the greatest exposure. Hovnanian has the largest percent of sales at approx. 15%, followed by KB Home (7%), and Lennar (6%).

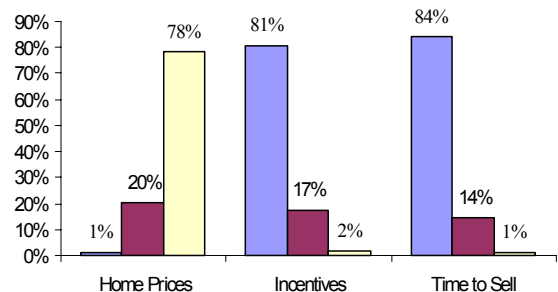
The Time to Sell Worsened Due to Both Higher Home Listings and Less Buyer Traffic – Bad for the Price Outlook

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

“Nobody wants to buy when the market is strong and they see it collapse.”

Seattle, WA – Fewer Buyers + More Inventory = Lower Prices

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

“Traffic slowed to a crawl” in September. Buyer traffic fell sharply in September, as our traffic index fell to 12.7 from 21.1 in August. Traffic has deteriorated rapidly since meeting agents’ expectations as recently as March 2007. One agent who described traffic as crawling said, “I have several new listings, priced reasonably well, and there is no activity.” Agents attributed weaker traffic primarily to tighter lending standards and a lack of confidence from the high inventory levels and falling home prices. Tougher lenders standards have reduced the number of buyers, according to our survey. Agents described the few buyers looking as “bottom fishers” looking to buy homes at fire sale prices.

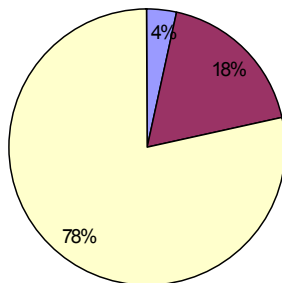
Price declines follow weak traffic and higher inventory levels. Home prices fell again in September, as our price index fell to 28.0 from 39.3 in August (any readings below 50 point to lower home prices over the previous 30 days). Higher inventory levels and a longer time to sell in preceding months likely pressured home prices, and we expect further price declines ahead based on worsening inventory trends. Both the inventory levels and time needed to sell a home worsened in September. Our home listing and time to sell index fell to very low levels at 11.6 and 5.5, respectively, from 12.0 and 7.9 in August.

- ▶ “The further distance from Seattle, the slower the open house traffic.”
- ▶ “My clients (buyers) have no urgency with current market conditions.”

D.R. Horton has the most exposure to Seattle. D.R. Horton generated approximately 1% of its sales in Seattle, with a 5.5% market share. We expect larger, publicly traded homebuilders to further consolidate the market in the next several years.

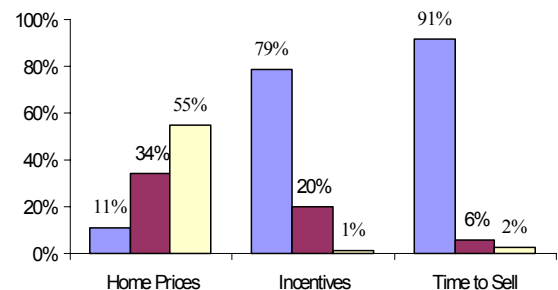
Traffic Continued to Deteriorate Rapidly, Disappointing 78% of Agents' in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

“There is little traffic through the homes; few quality buyers.”

Tampa, FL – “Buyer Confidence? There is None.”

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

Still no activity – “Nothing has changed in September, still very slow.” Fear has gripped buyers, who see falling home prices and fear further price declines are ahead, according to agents. Our traffic index was essentially unchanged at a very low reading of 12.9 in September from 12.7 in August (readings below 50 indicate traffic below expectations). Agents described very little traffic, and those that showed up failed to qualify. One agent noted a shift towards renting: “Mortgages are too difficult to obtain. I’ve written 4 leases this month because buyers failed to qualify for mortgages. The buyers had good credit scores.” In addition, high insurance and property tax rates continued to hurt demand – some buyers are waiting to see the outcome of a property tax referendum in January.

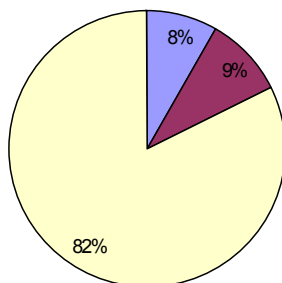
Majority of agents note falling home prices. 81% of agents said home prices fell over the past 30 days, 18% said prices were unchanged, and 1% said home prices increased, similar to the breakout in August as our price index was nearly unchanged at 10.0 (from 10.1 in August). High inventories pressured home prices and continued to worsen in September due to foreclosures. Our home listing and time to sell index measured 30.1 and 13.7, respectively, in September, near its levels of 32.5 and 15.6 in August (any reading below 50 indicating a deteriorating trend). Agents indicated that appraisers started to get more conservative, although low appraisals have not yet had a significant impact. One agent said, “Appraisals seem to be over looking homes that are priced less.” However, we expect tighter appraisals to force many sellers to lower prices in the coming months.

- ▶ “Lenders are changing the playing field in the middle of many transactions, failing to fund at closing.”
- ▶ “Builders are offering to pay two years of insurance and property taxes to help ease affordability.”

Standard Pacific Homes, Ryland, and Lennar have the most exposure. Tampa contributes approximately 10% of Standard Pacific’s net sales, followed by 7% each for Ryland and Lennar.

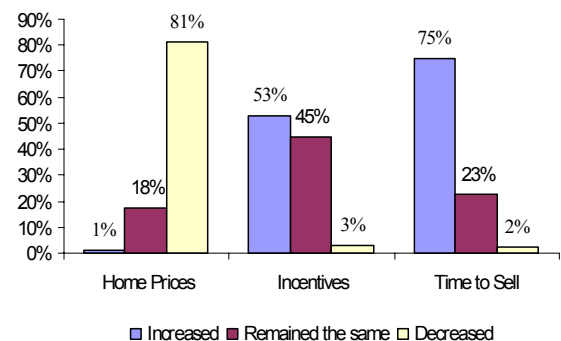
No Price Stabilization on Horizon with Little Traffic and Rising Inventories

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

"Clients are not yet sure the market 'Hit Bottom'."

"Appraisals are being pulled and deals are crashing."

Washington, D.C. – Buyers Return to the Sidelines; Low Appraisals Hurt Home Prices

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

Traffic falls from weak levels as buyers move back to the sidelines. Traffic fell further below agents' expectations as our traffic index decreased to 17.1 in September from 25.0 in August. Agents said that buyers who previously came out to look for homes returned to the sidelines after witnessing continued price declines and fearing even more. One agent likened the lack of traffic to "people cocooning" because they are afraid of the market. Buyers and sellers remain far apart, according to agents. We believe further price declines are needed to entice buyers back off the sidelines.

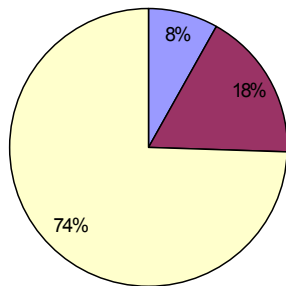
Appraisals force prices lower. Home prices continued to fall through September as our price index fell to 15.8 in September from 18.1 in August (readings below 50 point to sequentially lower home prices). Appraisals are playing a big factor in moving prices lower, as agents said that low appraisals are forcing buyers and sellers to renegotiate the price in order to qualify for a mortgage. One agent said, "It's bad, I have not had an appraisal come in any higher than 5% below list price." Others echoed similar comments. In addition, we expect higher inventory levels to further pressure home prices. Our home listings index measured 26.4 in September, down from 29.4 in August, with readings below 50 pointing to rising inventory).

► "Lenders do not want to push appraisals."

NVR, Toll Brothers and Hovnanian have the greatest exposure. NVR has the most exposure to the Washington, D.C. market, as it represented approximately 25% of the company's sales. Washington represented 11% of Toll Brothers' sales and 8% of Hovnanian's sales.

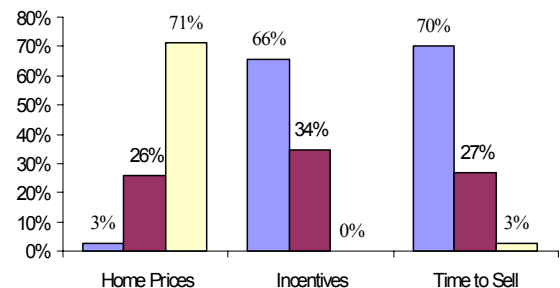
Low Appraisals Make Sellers Re-adjust Price Expectations

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

Additional Key Housing Markets

September Market Trends	
Traffic	
Home Prices	
Incentives	

Baltimore, MD

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

Traffic far short of agents' expectations. Our traffic index fell to 8.3 in September from 20.0 in August indicating sequential deterioration as traffic fell well short of agents' expectations (any reading below 50 indicates traffic below agents' expectations). 83% of agents said traffic fell short of expectations, and 17% said it was in-line with expectations.

Prices and incentives worsen. Our price index came in at 16.7 in September from 15.0, pointing to sequentially lower home prices (any reading below 50 indicates lower prices over the past 30 days). 78% of agents said prices were lower, and 22% said prices were unchanged. Incentives also deteriorated, as our incentive index fell to 4.2 in September from 20.0 in August. 92% of agents said incentives were higher and 8% said they were unchanged.

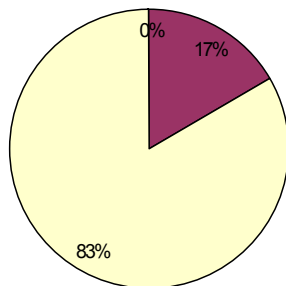
Almost all agents cite longer time needed to sell. Our time to sell index fell to 4.2 in September from 5.0 in August, as 92% of agents surveyed said it took longer to sell a home over the past 30 days and 8% said the time to sell was unchanged. We believe the longer time to sell will continue to pressure pricing in the future as sellers compete with rising inventory and must cut in order to spur buyer interest.

► “There is a real lack of funding options with new lender restrictions.”

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

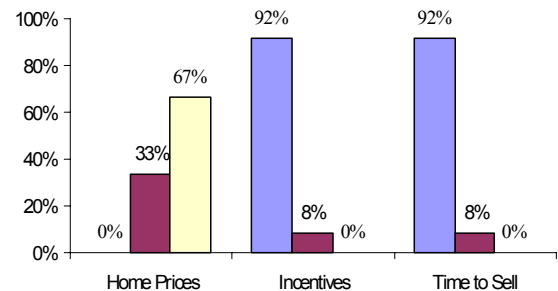
Traffic Short of Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Boston, MA

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

Traffic below expectations. Our traffic index fell to 11.5 in September from 34.8 in August as traffic slipped further below agents' expectations (any reading below 50 points to traffic below expectations). 77% of agents said traffic was below expectations, and 23% said it was in-line with expectations.

Prices and incentives deteriorate. Home prices continued to fall in September, as our price index fell to 19.2 from 20.5 in August (any readings below 50 indicate sequentially lower pricing). 62% of agents said prices declined over the past 30 days, and 38% said they were unchanged. Incentives also worsened further, as our incentive index was unchanged at 33.3 in September from 31.3 in August, with readings below 50 pointing to higher incentives. 50% of agents said incentives were higher, 33% said they were unchanged, and 17% said they were lower.

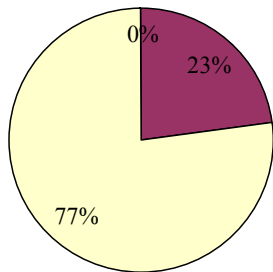
Time needed to sell a home lengthened – a negative indicator for future pricing trends. Our time to sell index fell to 15.4 in September from 29.5 in August, indicating a longer time needed to sell a home relative to last month (any reading below 50 points to a longer time to sell). 69% of agents said the time needed to sell lengthened, while 31% said the time to sell was unchanged.

- ▶ “We have not seen the normal increase in traffic after Labor Day.”
- ▶ “I am seeing more examples of using FHA for low/middle income buyers.”

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

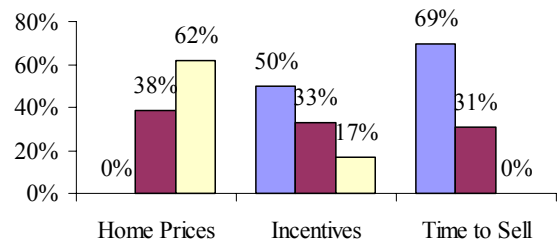
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthened in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Charleston, SC

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

Traffic below expectations. Our traffic index fell to 12.5 in September from 15.6 in August, indicating traffic well below agents' expectations (any reading below 50 suggests traffic below expectations). 79% of agents said traffic was below expectations, 17% said it met expectations, and 4% said it exceeded expectations.

Prices and incentives worsen. Our price index fell to 16.7 in September from 21.9 in August, indicating sequentially lower home prices (a reading of 50 would suggest flat pricing). 67% of agents said prices were lower, and 33% said they were unchanged. Incentives also worsened, as our incentive index fell to 14.6 in September from 15.6 in August, with any readings below 50 pointing to higher incentives. 71% of agents said incentives were higher, and 29% said they were unchanged.

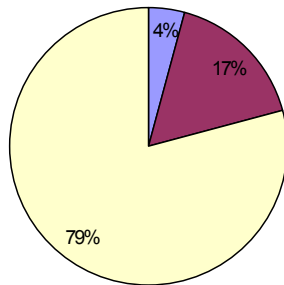
Time needed to sell a home lengthened – a negative indicator for future pricing trends. Our time to sell index came in at 13.0 in September from 7.6 in August, still indicating a longer time needed to sell a home over the past 30 days (any readings below 50). 74% of agents said it took longer to sell a home, while 26% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future pricing.

- ▶ “Usually we see more serious buyers in September than we see in summer months. Not so this year.”
- ▶ “There are just too many homes for sale.”

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

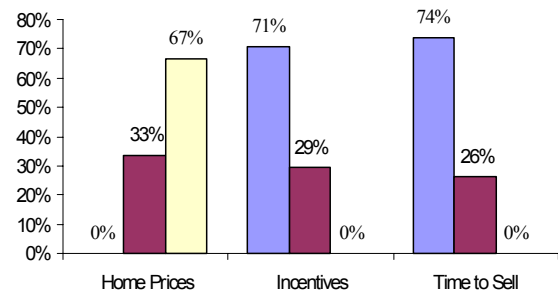
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Cincinnati, OH

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

Traffic fell short of expectations. Our traffic index was unchanged at 21.4 in September from 22.0 in August, still pointing to buyer traffic levels well short of agents' expectations (readings below 50 indicate traffic below agents' expectations). 71% of agents said traffic was below expectations, 15% said it was in-line with expectations, and 14% said it exceeded expectations.

Pricing and incentives deteriorate. Our price index fell to 14.3 in September from 24.0 in August as agents said prices declined further over the past 30 days (readings below 50 point to sequentially lower home prices). 71% of agents said prices were lower, and 29% said they were unchanged. Incentives also deteriorated, with our incentive index coming in at 19.2 in September from 21.7 in August (readings below 50 indicate higher incentives). 62% of agents said incentives increased, and 38% said they were unchanged.

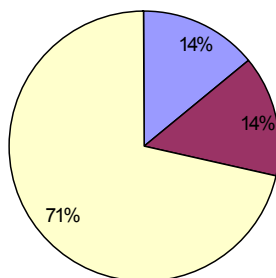
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 3.6 in September from 8.0 in August as almost every agent said it took longer to sell a home over the past 30 days (any reading below 50 suggests a longer time to sell). 93% of agents said the time to sell lengthened, and 7% said it took the same time. We view the longer time needed to sell as a negative indicator of future pricing.

► “Appraisals have become much tighter.”

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

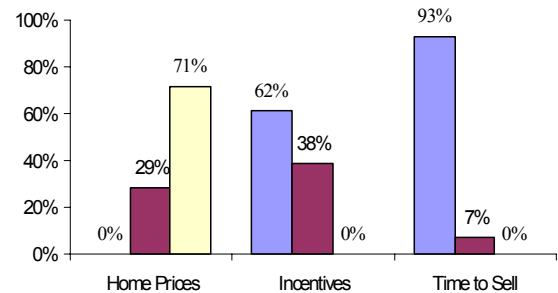
Traffic Below Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Columbus, OH

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

Traffic falls short of expectations. Our traffic index came in at 13.0 in September from 7.9 in August, still indicating traffic well below agents' expectations (any reading below 50 suggests traffic below expectations). 78% of agents said traffic fell short of expectations, 17% said it was in-line with expectations, and 5% said it exceeded expectations.

Pricing and incentives deteriorate. Our price index was unchanged at 15.2 in September from 13.2 in August, still indicating sequentially lower prices (readings below 50 point to lower home prices over the past 30 days). 70% of agents said prices declined, and 30% said they were unchanged. Incentives also worsened, as our index came in at 11.9 in September, up from 6.7 in August but still short of a neutral reading of 50. 76% of agents said incentives increased and 24% said they were unchanged.

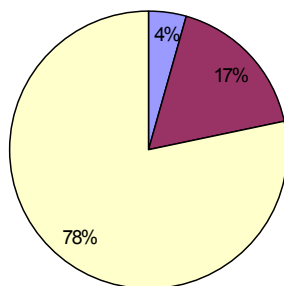
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 4.3 in September from 5.3 in August, as almost every agent said it took longer to sell a home relative to last month. 91% of agents said the time to sell lengthened and 9% said the time to sell was unchanged over the past 30 days. We view the longer time needed to sell as a negative indicator for future pricing trends.

► “Buyers are scared of the financing environment.”

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

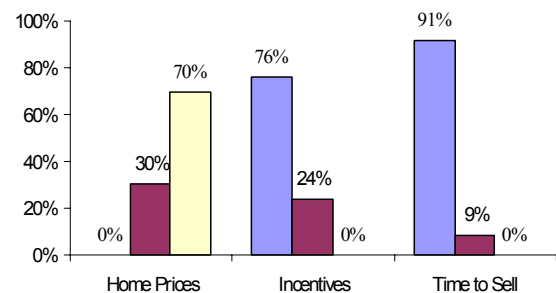
Traffic Below Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Detroit, MI

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

Traffic well below agents' expectations. Buyer traffic fell further below agents' expectations in September, as our traffic index dropped to 9.4 from 15.0 in August (a reading of 50 would suggest traffic in-line with expectations). 81% of agents said traffic fell short of expectations, while 19% said it was in-line with expectations.

Most agents note falling prices. Home prices continued to slide in September, as our price index was essentially unchanged at 7.4 from 5.1 in August, with any readings below 50 pointing to falling prices. 85% of agents said prices were lower over the past 30 days, and 15% of agents said prices were unchanged. Incentives also worsened, as our incentive index measured 20.3 in September, up from 17.6 in August (any reading below 50 indicates higher incentives). 62% of agents said incentives increased, 35% said they were unchanged, and 3% said they were lower.

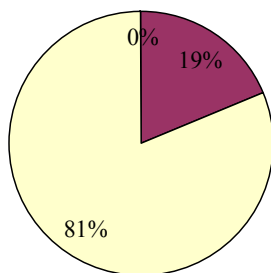
Time needed to sell lengthened – a negative indicator for future pricing trends. Our time to sell index fell to 8.5 in September from 15.3 in August as nearly all agents noted a longer time needed to sell a home over the past 30 days. 83% of agents said it took longer to sell a home, and 17% said the time to sell was unchanged relative to last month. We view the longer time needed to sell as a negative indicator for future pricing levels.

- ▶ “Current homes are selling at 1999-2000 level prices. Those wishing to move up or down are simply upside down, and don't have the cash to bring to closing.”

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

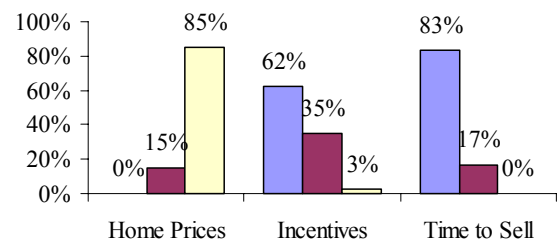
Traffic Below Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Nashville, TN

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

Traffic below expectations. Our traffic index fell to 8.3 in September from 16.7 in August, indicating traffic well short of agents' expectations (readings below 50 point to traffic below expectations). 83% of agents said traffic was below expectations, and 17% said it was in-line with expectations.

Pricing and incentives deteriorate. Home prices fell again in September, as our price index dropped to 19.4 from 38.1 in August (any reading below 50 indicates sequentially lower prices). 67% of agents said prices were lower over the past 30 days, 27% said they were unchanged, and 6% said prices increased. Incentives also worsened, as our incentive index fell to 8.8 in September from 20.0 in August (readings below 50 point to higher incentives). 88% of agents said incentives increased, 6% said they were unchanged, and 6% said they were lower.

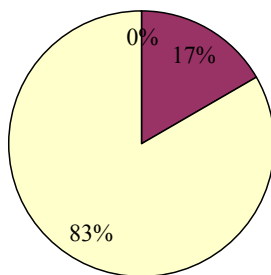
Nearly all agents note longer time needed to sell in September. Our time to sell index fell to 2.9 in September from 11.9 in August, as almost every agent surveyed noted a longer time needed to sell (readings below 50 point to a longer time to sell). 94% of agents said it took longer to sell a home relative to last month, and 6% said the time to sell was unchanged.

- ▶ "Appraisals are coming in below contract prices."
- ▶ "Falling home prices and homes sitting on the market longer continue to deter potential buyers."

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

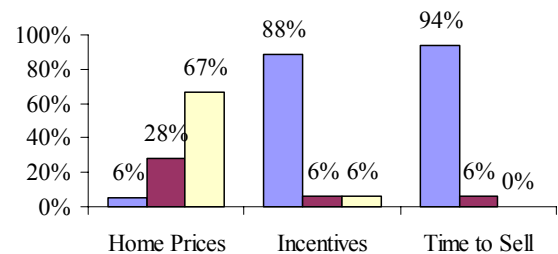
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Philadelphia, PA-Southern NJ

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

Traffic short of agents' expectations, but above other markets. Buyer traffic levels slipped in September as our traffic index fell to 26.8 from 31.3 in August, with any reading below 50 indicating traffic below agents' expectations. However, this traffic is at the highest level of any of the 40 markets we surveyed, as the weakness is not as bad as in other markets. 55% of agents said traffic was below expectations, 36% said it met expectations, and 9% said it exceeded expectations.

Prices and incentives worsen. Home prices declined again in September, as our price index fell to 17.5 from 23.2 in August (readings below 50 point to sequentially lower prices). 68% of agents said prices were lower over the past 30 days, 28% said prices were unchanged, and 4% said they were higher. Incentives also worsened, with our index down slightly to 16.7 in September from 17.4 in August (readings below 50 indicate higher incentives). 71% of agents said incentives increased, 25% said they were unchanged, and 4% said sellers used fewer incentives.

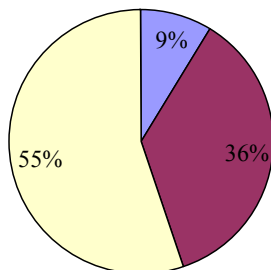
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index was unchanged at 11.6 in September from 11.6 in August, indicating a longer time to sell as compared with last month (any reading below 50 indicates a longer time to sell). 77% of agents said it took longer to sell a home over the past 30 days and 23% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future pricing trends as sellers must become more aggressive in order to unload inventory.

- ▶ “Buyers are wary of falling prices, and many more homes are coming onto the market.”
- ▶ “The only buyers out there want a big bargain and sellers won’t give in.”

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

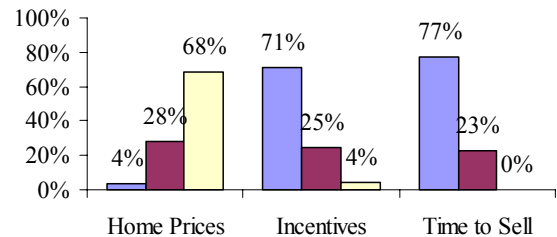
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Port St. Lucie, FL

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

Traffic below expectations. Our traffic index improved to 17.9 in September from 6.7 in August but still points to traffic levels well below agents' expectations (a reading of 50). 71% of agents said traffic was below expectations, 22% said it was in-line with expectations, and 7% said it exceeded expectations.

Prices and incentives worsen further. Home prices continued to fall in September as every agent surveyed noted sequentially lower prices for the second consecutive month. Our price index remained at 0, with every agent noting lower prices (an index value of 50 would indicate flat pricing). Sellers also used higher incentives over the past 30 days, as our index came in up slightly to 19.2 in September from 17.9 in August. 62% of agents said incentives increased, and 38% said they were unchanged.

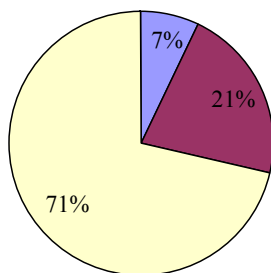
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 7.1 in September from 10.7 in August, indicating a longer time needed to sell a home as compared with last month (any reading below 50 indicates a longer time to sell). 86% of agents said it took longer to sell a home over the past 30 days, and 14% said the time to sell was unchanged. The longer time to sell generally leads to lower pricing in the future as sellers are pressured to adjust list prices the longer their homes sit on the market.

- ▶ “Buyers are waiting for the bottom of the market.”
- ▶ “Buyers can't qualify for most resale homes unless they are deeply discounted.”

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

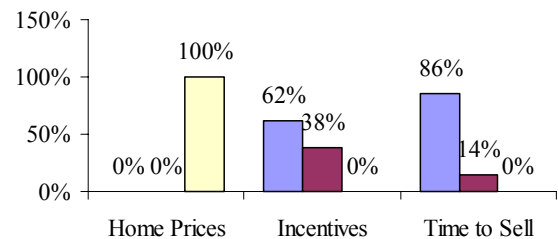
Traffic Short of Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Portland, OR

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

Traffic short of expectations. Buyer traffic slipped again in September, as our traffic index fell to 13.4, down from 14.2 in August and far short of a neutral reading (levels below 50 point to traffic below expectations). 75% of agents said traffic was below expectations, 24% said it was in-line with expectations, and 1% said it exceeded expectations.

Prices and incentives deteriorate. Prices continued to slip in September, as our price index came in at 27.3, up from 19.1 in August but still pointing to sequential deterioration (readings below 50 indicate lower pricing). 50% of agents said prices were lower, 45% said they were flat, and 5% said they were higher over the past 30 days. Incentives also worsened, as our incentive was unchanged at 12.5 in September from 12.0 in August (any reading below 50 points to higher incentives). 78% of agents said incentives were higher, 19% said they were unchanged, and 3% said they were lower.

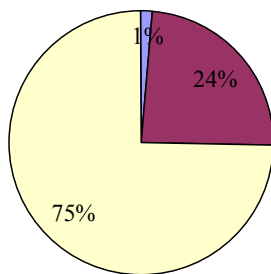
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index was essentially unchanged at 7.5 in September from 5.4 in August, pointing to a longer time needed to sell a home over the past 30 days (readings below 50). 85% of agents said the time to sell lengthened as compared with August, and 15% said the time to sell was unchanged. We view the longer time needed to sell a home as a negative indicator of future pricing trends as sellers need to reduce pricing in order to attract buyers.

- ▶ “I had two deals fall apart towards the end of transactions because of new guidelines.”
- ▶ “Lending restrictions are killing this market.”

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

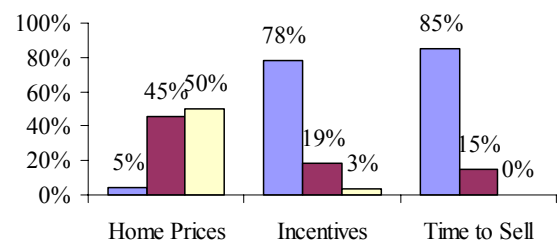
Traffic Worse Than Expected, Prices and Incentives Deteriorate, Longer Time to Sell in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Raleigh, NC

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

Traffic below expectations. Our traffic index slipped further to new lows in September, falling to 18.5 from 21.1 in August, with any readings below 50 suggesting traffic below expectations. 67% of agents said traffic was below expectations, 30% said it met expectations, and 3% said it exceeded expectations.

Prices and incentives worsen. Our price index indicated falling prices for just the third time in the past seven months, as our index dropped to its lowest level yet at 25.9 in September from 52.8 in August, far short of a neutral reading of 50. 52% of agents said prices were lower, 44% said they were unchanged, and just 4% said prices were higher. Incentives also increased in September, as our incentive index fell to 23.1 from 27.8 in August (readings below 50 point to higher incentives). 58% of agents said incentives were higher, 38% said they were unchanged, and 4% said they were lower. We expect further modest price reductions in the coming months.

Time needed to sell a home lengthened – a negative indicator for future pricing trends. Our time to sell index fell to 9.3 in September from 13.2 in August, indicating a longer time needed to sell over the past 30 days (a level of 50 would suggest the time to sell was unchanged). 81% of agents said it took longer to sell a home over the past 30 days, and 19% said the time to sell was unchanged. We view the longer time to sell as a negative indicator for future pricing trends.

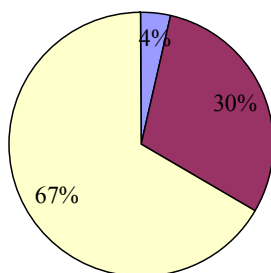
► “Tighter lending in the jumbo loan space is hurting.”

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

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

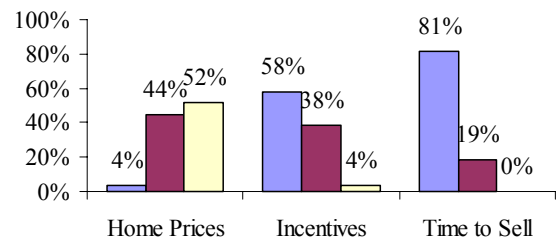
Traffic Below Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Richmond, VA

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

Traffic fell short of expectations. Our traffic index fell to 8.3 in September from 16.7 in August, pointing to traffic well short of agents' expectations (a reading of 50 would suggest traffic in-line with expectations). 83% of agents said traffic was below expectations, and 17% said it met expectations.

Pricing and incentives deteriorate. Our price index dropped to 8.3 in September from 37.5 in August, indicating sequentially lower prices (readings below 50 point to lower prices over the past 30 days). 83% of agents said prices were lower, and 17% said prices were unchanged relative to last month. Incentives also worsened, as our index fell to 0 in September from 25.0 in August, with every agent surveyed noting higher incentives over the past 30 days.

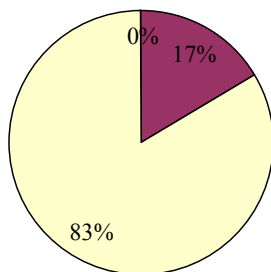
Longer time needed to sell points to lower pricing in coming months. Our time to sell index measured 16.7 in September, up from 12.5 in August, still pointing to a longer time needed to sell a home over the past 30 days (any reading below 50). 67% of agents noted a longer time needed to sell, while 33% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future pricing trends.

- ▶ "For the first time in my career I am seeing buyers with 650+ credit scores having trouble getting loans."

NVR and Centex have the greatest exposure. NVR has the most exposure to the Richmond market, as it represented approximately 3% of the company's 2005 sales. Richmond represented 1% of sales for Centex.

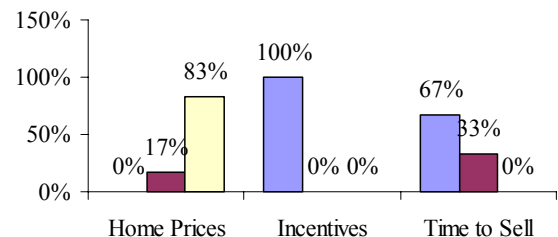
Traffic Short of Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Sacramento, CA

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

Traffic well below expectations. Our traffic index improved to 16.3 in September from 12.2 in August, but still points to traffic levels far short of agents' expectations (any readings below 50). 75% of agents said traffic was below expectations, 18% said it was in-line with expectations, and 7% said it exceeded expectations.

Pricing and incentives deteriorate. Our price index was up slightly at 11.3 in September from 8.1 in August, still indicating further price declines over the past 30 days (any reading below 50 suggests sequentially lower prices). 80% of agents said prices were lower, 18% said they were unchanged, and 2% said they were higher relative to last month. Incentives also worsened, with our incentive index unchanged at 14.9 in September from 15.2 in August, falling well short of a neutral reading of 50. 76% of agents said incentives increased, 19% said they were unchanged, and 5% said they were lower.

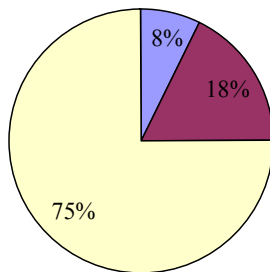
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index came in at 12.5 in September (from 11.3 in August), still indicating a longer time needed to sell a home as compared with last month (any reading below 50). 78% of agents said the time needed to sell lengthened, 20% said it was unchanged, and 2% said the time to sell decreased. We view the longer time needed to sell a home as a negative indicator for future pricing trends.

- ▶ “Home prices are down anywhere from 10%-30%.”
- ▶ “Even pre-approved loans are falling through.”

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

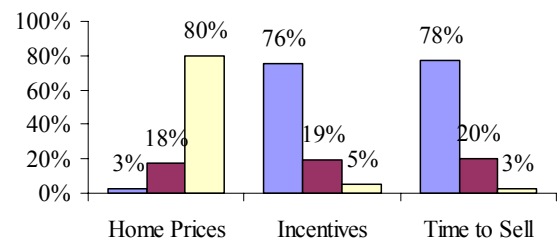
Traffic Short of Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

San Antonio, TX

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

Traffic below expectations. Traffic continued to slide in September, as our traffic index was unchanged at 15.6 from 15.2 in August (readings below 50 point to traffic below agents' expectations). 69% of agents said traffic came in shy of expectations, and 31% said it met expectations. September was the first month in which no agents surveyed said traffic exceeded their expectations, likely a result of further fallout from the mortgage distress.

Prices and incentives worsen. Home prices fell modestly for the third straight month in September, as our price index came in at 35.9 in September (up from 31.8 in August) with any reading below 50 indicating lower prices over the past 30 days. 59% of agents said prices were unchanged, 34% said they declined, and 7% said prices were higher. Incentives also worsened, as our incentive index fell to 12.9 in September from 14.3 in August (readings below 50 indicate higher incentives). 74% of agents said incentives were higher, while 26% said they were unchanged.

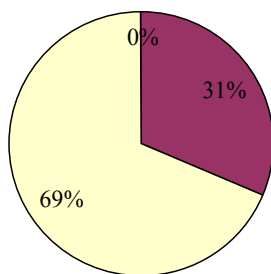
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index was up slightly to 11.7 in September from 8.7 in August, still indicating a longer time needed to sell a home as compared with last month (readings below 50). 77% of agents said it took longer to sell a home, and 23% said the time to sell was unchanged. We view the longer time needed to sell as a negative indicator for future pricing trends.

- ▶ "Buyers are losing confidence in home values."
- ▶ "Lack of a sub-prime market is having a huge impact."

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

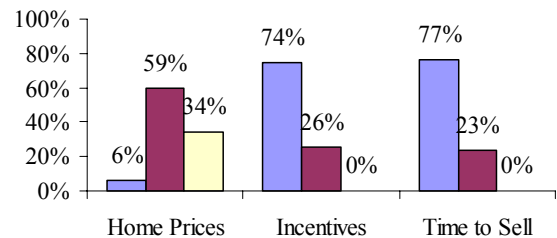
Traffic Below Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

San Diego, CA

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

Traffic below expectations. Our traffic index fell to 10.3 in September from 14.5 in August, still indicating traffic far below agents' expectations (a level of 50 would suggest traffic in-line with expectations). 86% of agents said traffic fell short of expectations, 7% said it met expectations, and 7% said it exceeded expectations.

Pricing and incentives worsen. Our price index slipped to 12.9 in September from 14.5 in August, indicating further sequential price declines (any reading below 50 points to falling prices). 76% of agents said prices were lower, 22% said they were unchanged, and 2% said they were higher over the past 30 days. Incentives also worsened, as our incentive index fell to 10.2 in September from 20.0 in August, with readings below 50 pointing to higher incentives. 80% of agents said incentives increased, while 20% said they were unchanged.

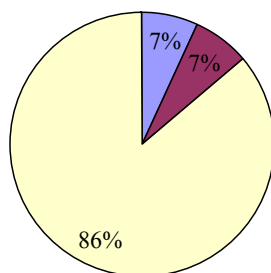
Nearly all agents note a longer time needed to sell – a negative indicator for future pricing trends. Our time to sell index dropped to 3.5 in September from 13.9 in August, as almost every agent surveyed said it took longer to sell a home this month than it had in the prior 30 days. 93% of agents said the time to sell lengthened, while 7% said the time to sell was unchanged.

- ▶ “Appraisals seem to have fallen by 20%.”
- ▶ “Buyers fear a price collapse (they used to fear modest price declines).”

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

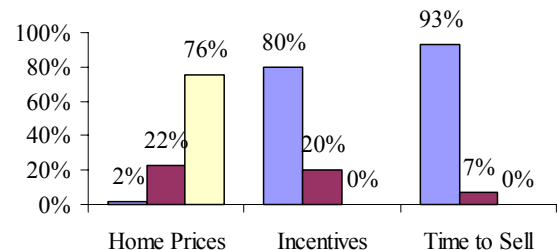
Traffic Short of Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

San Francisco, CA

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

Traffic below expectations. Our traffic index fell to 11.0 in September from 23.2 in August, indicating traffic far below agents' expectations (any readings below 50 suggest traffic below agents' expectations). 82% of agents said traffic fell short of expectations, 15% said it met expectations, and 3% said it exceeded expectations.

Prices and incentives worsen. Home prices fell again in September, as our price index dropped to 15.3 from 27.9 in August (any reading below 50 points to sequentially lower pricing). 73% of agents said prices were lower, 24% said they were unchanged, and 3% said they were higher. Incentives also worsened, with our incentive index falling to 13.2 in September from 18.5 in August (readings below 50 indicate higher incentives). 74% of agents said incentives were higher, and 26% said they were unchanged.

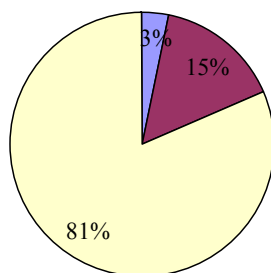
Length of time needed to sell a home increased – a negative indicator for future pricing trends. Our time to sell index fell to 8.6 in September from 15.7 in August as nearly all agents noted a longer time needed to sell a home over the past 30 days (any reading below 50). 87% of agents said it took longer to sell a home, 10% said the time to sell was unchanged, and 3% said it took less time. We view the longer time needed to sell a home as a negative indicator for future pricing trends.

► “Many buyers have moved from the sideline to completely out of the game.”

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

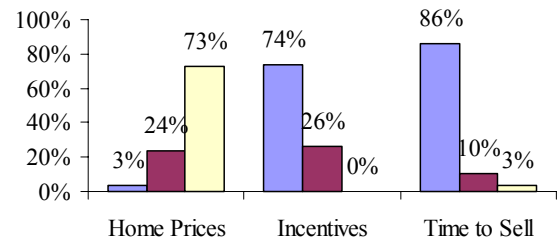
Traffic Far Short of Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Sarasota, FL

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

Traffic well below expectations. Our traffic index fell to 20.7 in September from 35.1 in August, pointing to buyer traffic far short of agents' expectations (readings below 50 suggest traffic short of expectations). 73% of agents said traffic was below expectations, 15% said it exceeded expectations, and 12% said it was in-line with expectations.

Prices and incentives worsen. Our price index came in essentially unchanged at 12.8 in September from 11.1 in August, still pointing to sequentially lower prices as any reading below 50 indicates falling prices. 74% of agents said prices declined relative to August and 26% said they were unchanged. Incentives also deteriorated, as our index was up slightly to 28.8 in September from 25.0 in August. 49% of agents said incentives increased, 45% said they were unchanged, and 6% said they declined.

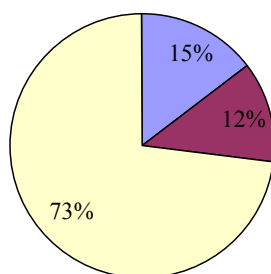
Length of time needed to sell a home increased – a negative indicator for future pricing. Our time to sell index fell to 15.8 in September from 26.4 in August, indicating a longer time needed to sell a home over the past 30 days (a reading of 50 would suggest the time to sell was unchanged). 74% of agents said it took longer to sell a home, 21% said the time to sell was unchanged, and 5% said it took less time to sell a home as compared with last month. We view the longer time to sell as a negative indicator for future pricing trends.

- ▶ “Appraisers are beginning to incorporate short sales and foreclosures into values.”
- ▶ “There are no jumbos at reasonable rates.”

WCI Communities, Standard Pacific, and Lennar have the greatest exposure. WCI has the most exposure to the Sarasota market, as it represented approximately 7% of the company's 2005 sales. Sarasota represented 3% of Standard Pacific's sales and 2% of Lennar's sales.

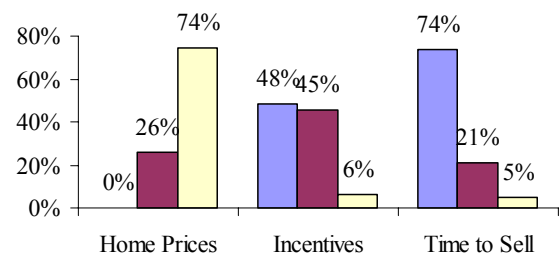
Traffic Short of Expectations, Prices and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Tucson, AZ

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

Traffic short of expectations. Our traffic index reached a new low in September, falling to 9.7 from 17.9 in August, well below agents' expectations (as measured by a reading of 50). 84% of agents said traffic was below expectations, 13% said it was in-line with expectations, and 3% said it exceeded expectations.

Pricing and incentives deteriorate. Our price index slipped to 13.8 in September from 17.9 in August, pointing to sequentially lower home prices (any reading below 50 indicates falling prices over the past 30 days). 72% of agents said prices were lower, and 28% said they were unchanged. Incentives continued to worsen, as our index fell to 17.9 in September from 33.3 in August (readings below 50 indicate higher incentives). 68% of agents said incentives were higher, 29% said they were unchanged, and 4% said they were lower.

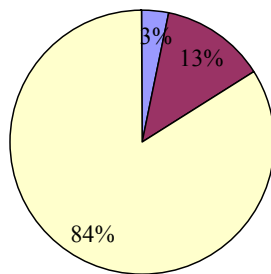
Time needed to sell a home lengthened – a negative indicator for future pricing trends. Our time to sell index fell to 9.7 in September from 19.6 in August, indicating a longer time needed to sell a home over the past 30 days (readings below 50 indicate a longer time needed to sell). 84% of agents said the time to sell lengthened, 13% said it was unchanged, and 3% said it took less time.

- ▶ “Stretched affordability and record inventory levels continue to be large concerns.”

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

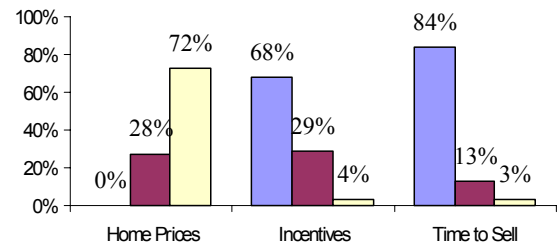
Traffic Short of Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations □ Less than expected

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



■ Increased ■ Remained the same □ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Virginia Beach, VA

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

Traffic well below expectations. Our traffic index fell to 4.5 in September from 16.7 in August from 20.6 in July, as almost every agent surveyed said traffic fell short of expectations (any readings below 50 point to traffic below expectations). 91% of agents said traffic fell short of expectations, and 9% said it was in-line with expectations.

Prices and incentives worsen. Our price index fell to 9.1 in September from 20.0 in August, pointing to lower home prices over the past 30 days (a level of 50 would suggest flat pricing). 82% of agents said prices declined, while 18% said they were unchanged. Incentives continued to increase, as our incentive index came in at 15.0 in September from 8.3 in August. 70% of agents said incentives increased, and 30% said they were unchanged.

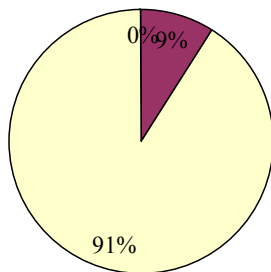
Time needed to sell a home lengthened – a negative indicator for future pricing trends. Our time to sell index measured 22.7 in September (from 3.3 in August), as agents continued to note a longer time needed to sell a home as compared with last month. 64% of agents said it took longer to sell a home over the past 30 days, 27% said the time to sell was unchanged, and 9% said it took less time. We view the longer time needed to sell as a negative indicator of future pricing trends.

- ▶ “Buyers continue to be nervous about the deteriorating lending environment.”

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

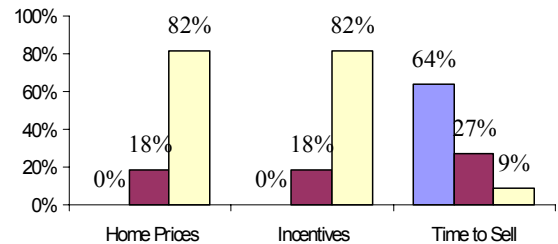
Traffic Short of Expectations, Prices and Incentives Deteriorate, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

September Market Trends	
Traffic	
Home Prices	
Incentives	

Wilmington, NC

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

Traffic below expectations. Our traffic index fell to 12.0 in September from 18.4 in August, pointing to buyer traffic far short of agents' expectations (readings below 50 indicate traffic below expectations). 80% of agents said traffic fell short of expectations, 16% said it met expectations, and 4% said it exceeded expectations.

Prices and incentives deteriorate. Our price index fell to 12.0 in September from 18.4 in August, indicating sequentially lower home prices (readings below 50 point to lower prices over the past 30 days). 76% of agents said prices declined, while 24% said they were unchanged. Incentives also deteriorated, as our incentive index came in at 23.8 in September, up from 19.4 in August, but still pointing to higher incentives (any readings below 50). 62% of agents said incentives were higher, 29% said they were unchanged, and 9% said they were lower.

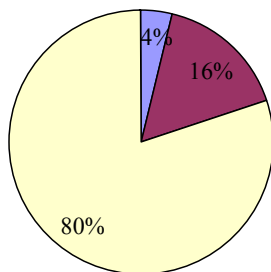
All agents note longer time needed to sell – a negative indicator for future pricing trends. Our time to sell index fell to 0.0 in September from 2.8 in August, as every agent surveyed said the time to sell lengthened over the past 30 days (a reading of 50 would suggest the time to sell was unchanged). 100% of agents said it took longer to sell a home. We view the longer time needed to sell a home as a negative indicator of future pricing trends.

► “Jumbo lending is very tight right now.”

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

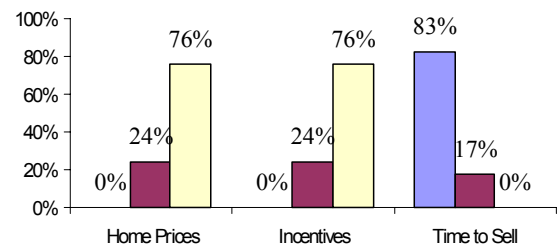
Traffic Below Expectations, Pricing and Incentives Worsen, Time to Sell Lengthens in September

Traffic Levels Versus Expectations



■ More than expected ■ Meets expectations ■ Less than expected

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



■ Increased ■ Remained the same ■ Decreased

Source: Banc of America Securities LLC.

Historical Trends

Traffic remains extremely weak in key homebuilding markets – Arizona, California, Florida, and Vegas, and Washington, D.C. Traffic continues to be weakest in Arizona, California, Florida, Vegas and Washington, D.C., still well below agents' expectations. There were no markets of the Top-40 with traffic in-line with agents' expectations.

Traffic Worsened Sequentially in 28 Markets And Fell Short of Agents' Expectations in All 40 Markets Surveyed

	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06
	Traffic Levels > 50.0: above seasonal expectations/ = 50.0: in-line with expectations/ <50.0: below expectations]																				
Atlanta, GA	9.6	13.6	21.9	24.0	32.1	25.5	34.6	37.7	50.5	38.4	30.4	23.9	26.8	23.8	25.0	30.2	42.9	22.7	7.1	57.1	66.7
Austin, TX	21.6	23.8	46.7	45.6	58.0	56.8	66.7	70.0	54.8	62.5	54.2	57.0	60.2	58.3	75.5	69.9	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	8.3	20.0	14.3	8.8	35.7	18.8	65.0	50.0	65.6	40.0	25.0	18.8	33.3	22.2	16.7	18.2	n/a	n/a	n/a	n/a	n/a
Boston, MA	11.5	34.8	50.0	30.8	30.0	45.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charleston, SC	12.5	15.6	13.5	8.7	31.0	26.2	34.6	46.0	55.4	41.7	36.9	35.1	26.2	23.7	29.2	28.2	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	19.6	20.2	37.5	29.0	33.8	44.1	53.1	57.1	58.8	52.6	46.5	46.8	47.1	56.1	49.0	51.3	72.2	57.7	55.6	66.7	57.9
Chicago, IL	9.6	17.6	19.8	16.7	23.5	29.0	33.3	36.6	52.3	33.7	29.9	17.5	16.4	16.3	16.2	17.0	11.1	16.7	31.8	64.3	33.3
Cincinnati, OH	21.4	22.0	27.8	8.3	14.7	33.3	40.0	31.0	61.1	23.3	21.9	21.4	14.3	25.0	16.7	19.8	n/a	n/a	n/a	n/a	n/a
Columbus, OH	13.0	7.9	13.6	0.0	11.8	28.1	38.1	50.0	40.0	26.7	25.8	18.6	30.0	40.0	11.1	20.8	n/a	n/a	n/a	n/a	n/a
Dallas, TX	19.9	23.8	26.9	28.5	30.6	28.0	49.2	43.8	56.9	43.6	39.0	30.0	27.0	29.0	39.8	44.3	50.0	33.3	50.0	71.4	77.3
Denver, CO	20.3	27.9	33.7	41.0	40.0	49.1	48.9	43.8	30.5	40.5	29.7	25.0	17.6	17.2	20.1	20.0	20.0	30.0	35.0	15.0	45.0
Detroit, MI	9.4	15.0	9.7	16.2	22.8	27.9	25.0	18.8	41.7	25.8	13.0	12.8	5.9	15.5	6.3	10.2	18.2	33.3	22.7	18.8	34.6
Fort Myers, FL	21.9	20.2	17.2	18.9	21.4	19.0	22.6	20.5	40.9	31.8	19.6	7.7	20.8	11.1	18.0	7.5	n/a	n/a	n/a	n/a	n/a
Houston, TX	24.0	21.9	34.5	29.7	38.1	44.9	59.2	53.7	52.5	54.9	45.3	48.5	42.7	50.0	47.7	56.8	70.6	41.2	63.0	77.3	58.7
Inland Empire, CA	12.9	15.4	18.5	13.9	12.9	15.8	30.3	26.5	50.0	35.2	27.0	24.5	13.0	8.2	16.7	17.2	4.2	15.0	27.8	34.4	25.0
Jacksonville, FL	17.6	17.1	11.4	20.0	12.0	29.4	36.5	36.0	35.7	31.3	44.1	21.7	25.0	10.7	11.1	9.6	37.5	33.3	35.3	n/a	n/a
Las Vegas, NV	12.5	16.3	16.7	17.5	18.8	22.5	30.0	39.4	43.9	33.5	22.2	19.2	16.9	17.3	16.0	20.9	14.3	18.2	29.2	10.0	45.0
Los Angeles, CA	12.8	13.6	27.9	17.5	24.5	27.2	49.5	48.0	47.2	40.4	25.3	24.0	14.4	11.7	19.2	18.2	10.0	19.2	15.0	27.3	38.9
Miami, FL	15.7	13.8	11.7	9.3	10.6	15.9	22.2	21.6	25.8	24.1	23.1	13.9	15.0	19.0	11.0	11.1	0.0	33.3	11.1	16.7	7.1
Minneapolis, MN	11.7	22.9	15.1	20.9	21.6	24.2	36.8	37.5	49.3	33.5	25.0	11.6	10.5	14.4	16.7	12.4	9.7	18.9	25.8	37.9	35.5
Nashville, TN	8.3	16.7	28.6	12.5	23.1	37.5	58.3	33.3	46.5	47.9	36.0	33.6	39.0	43.1	51.7	52.4	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	22.2	18.0	32.0	28.8	27.6	33.1	40.7	46.4	53.5	34.2	37.5	18.5	16.7	22.0	25.0	18.4	4.5	22.2	16.7	18.2	31.8
Orlando, FL	11.8	11.9	17.1	13.5	16.7	25.0	21.9	25.8	45.7	30.6	23.5	21.2	25.0	15.0	15.9	22.0	37.5	26.9	25.0	34.4	20.0
Phila.-Southern NJ	26.8	31.3	21.3	20.7	30.0	38.0	48.6	50.0	51.6	48.0	34.1	23.5	22.3	26.0	23.5	24.6	6.3	25.0	37.5	40.9	27.3
Phoenix, AZ	12.7	12.9	17.3	16.7	18.4	26.9	24.8	35.5	41.6	42.7	27.6	16.7	17.4	12.3	16.4	16.6	9.4	13.6	26.7	29.4	38.5
Port St. Lucie, FL	17.9	6.7	6.3	44.4	19.2	18.2	20.8	16.7	57.1	21.4	18.2	0.0	12.5	16.7	0.0	7.7	n/a	n/a	n/a	n/a	n/a
Portland, OR	13.4	14.2	13.0	23.9	30.5	29.3	50.0	40.2	48.1	38.3	25.0	23.9	20.7	22.9	29.9	35.3	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	18.5	21.1	38.6	33.3	27.8	52.1	39.1	46.2	55.3	43.8	42.0	37.5	41.0	44.7	44.4	47.9	n/a	n/a	n/a	n/a	n/a
Richmond, VA	8.3	16.7	0.0	14.3	45.0	8.3	41.7	33.3	42.9	44.1	28.6	16.7	22.2	28.3	25.9	28.2	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	16.3	12.2	11.1	14.3	23.6	25.0	37.5	42.3	48.3	52.8	29.0	15.2	16.7	23.6	19.4	11.2	10.0	16.7	18.8	28.6	16.7
San Antonio, TX	15.6	15.2	26.9	33.3	46.0	36.2	50.0	54.3	43.5	42.3	49.2	52.6	61.4	55.2	75.0	70.5	n/a	n/a	n/a	n/a	n/a
San Diego, CA	10.3	14.5	20.0	21.3	24.4	32.3	46.0	46.9	48.5	46.2	34.3	17.3	12.1	18.8	14.4	16.0	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	11.0	23.2	21.4	25.5	31.7	43.8	51.4	56.9	53.4	42.3	25.0	15.7	23.1	20.3	10.6	16.1	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	20.7	35.1	38.9	32.7	33.3	27.3	26.6	28.6	29.4	35.7	26.3	21.7	22.5	13.8	4.7	12.2	n/a	n/a	n/a	n/a	n/a
Seattle, WA	12.7	21.1	22.9	17.7	36.4	40.8	46.3	50.0	37.2	40.7	31.4	34.4	32.1	42.9	41.3	48.6	44.4	52.8	46.2	50.0	54.5
Tampa, FL	12.9	12.7	15.5	15.8	9.6	17.2	15.3	16.4	31.4	25.0	11.5	5.2	5.9	8.1	13.9	17.8	0.0	6.3	31.3	26.7	37.5
Tucson, AZ	9.7	17.9	19.6	26.8	28.2	31.3	28.3	24.3	34.4	34.6	26.5	16.1	13.6	14.6	21.8	23.6	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	4.5	16.7	20.6	38.5	10.0	47.1	55.0	59.4	62.5	44.2	28.0	28.6	21.7	18.1	10.0	23.3	n/a	n/a	n/a	n/a	n/a
Washington, DC	16.9	25.0	25.0	19.7	31.6	37.4	48.5	60.3	68.0	51.2	38.0	21.4	15.6	14.9	10.1	12.5	4.2	15.6	25.0	40.9	26.9
Wilmington, NC	12.0	18.4	9.1	15.6	19.4	25.0	38.9	59.4	59.3	20.0	34.8	21.2	12.5	17.7	8.1	21.0	n/a	n/a	n/a	n/a	n/a
Total	14.7	18.6	21.8	21.9	26.4	31.1	40.1	40.9	48.0	38.4	30.5	23.6	23.5	24.3	23.7	25.9	22.7	26.3	30.3	38.3	38.9
20 Same-Store Markets	15.6	18.3	21.3	20.5	24.5	29.9	37.7	39.4	46.3	38.7	30.1	22.6	20.5	21.6	21.9	23.4	22.7	26.3	30.3	38.3	38.9

Source: Banc of America Securities LLC estimates.

Prices declined in every market surveyed in September. Our price index reached another new low in September, falling 4.0 points to 17.1 from 21.2 in August, with any reading below 50 indicating lower prices over the past 30 days. For the first time since our survey began, agents said prices fell sequentially in each of the 40 markets we surveyed. Low appraisals and rising foreclosures are pressuring sellers to adjust pricing, but buyers are still waiting for even lower levels.

Worst Price Declines Seen in Arizona, California, Detroit, and Florida; Prices Fell in Every Market Surveyed

	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06
Home Prices [> 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month]																					
Atlanta, GA	23.2	25.0	26.0	27.1	37.1	30.6	27.9	37.7	35.6	29.8	28.0	30.6	40.5	38.0	48.8	57.6	50.0	54.5	66.7	57.1	66.7
Austin, TX	40.8	51.3	65.0	75.0	72.6	76.4	80.3	82.5	65.9	60.8	59.5	68.4	71.0	77.8	87.0	87.2	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	16.7	15.0	57.1	26.5	28.6	35.3	30.0	40.0	31.3	25.0	25.7	21.9	40.0	43.8	16.7	43.2	n/a	n/a	n/a	n/a	n/a
Boston, MA	19.2	20.5	28.6	19.2	33.3	28.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charlotte, SC	16.7	21.9	26.0	19.6	36.7	35.0	34.0	35.4	41.7	36.1	25.0	34.2	34.5	44.0	43.4	53.7	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	40.0	40.2	51.0	61.8	61.5	63.0	65.3	58.3	57.5	52.0	52.5	51.6	55.3	63.6	74.0	76.7	88.9	73.1	70.6	62.5	63.2
Chicago, IL	19.5	19.4	23.3	24.6	25.4	30.4	32.3	32.5	41.4	29.7	22.0	20.5	21.1	26.7	28.6	39.2	55.6	50.0	58.3	71.4	37.5
Cincinnati, OH	14.3	24.0	16.7	15.4	17.6	35.7	35.4	31.0	27.8	23.3	19.4	20.6	21.4	8.3	33.3	31.7	n/a	n/a	n/a	n/a	n/a
Columbus, OH	15.2	13.2	27.3	18.2	29.4	18.8	30.0	25.9	10.0	28.6	26.7	16.2	30.0	30.0	33.3	33.3	n/a	n/a	n/a	n/a	n/a
Dallas, TX	24.3	32.5	37.5	32.5	40.4	40.2	38.3	38.4	36.8	32.7	28.1	34.1	38.4	42.5	53.2	59.3	66.7	41.7	75.0	71.4	50.0
Denver, CO	16.4	25.0	25.6	43.6	38.5	37.3	40.0	33.3	29.5	24.7	19.7	23.6	25.5	25.3	31.4	30.3	35.0	45.0	30.0	38.9	40.0
Detroit, MI	7.4	5.1	6.7	7.4	9.1	6.1	7.1	18.4	11.9	8.7	7.6	14.1	9.7	14.7	6.8	9.2	22.7	25.0	9.1	16.7	15.4
Fort Myers, FL	3.1	12.2	6.3	8.1	12.5	5.2	8.3	19.0	4.5	22.7	17.4	13.0	16.7	11.1	20.0	16.7	n/a	n/a	n/a	n/a	n/a
Houston, TX	31.6	35.1	59.5	45.3	61.3	60.0	57.9	57.5	57.6	46.1	54.9	50.7	56.3	55.1	62.3	68.1	73.5	73.5	61.4	67.5	62.5
Inland Empire, CA	11.6	10.4	8.9	12.5	18.8	19.1	21.1	26.9	21.0	27.8	19.0	19.6	14.1	25.0	24.1	30.6	29.2	42.5	38.0	43.8	52.8
Jacksonville, FL	11.1	11.4	11.4	15.8	20.8	25.0	18.8	32.0	28.6	31.3	23.5	21.7	18.8	25.0	25.9	30.8	45.8	53.1	50.0	n/a	n/a
Las Vegas, NV	18.8	11.5	13.3	18.5	22.1	28.2	26.0	25.5	29.0	29.5	26.1	27.0	24.1	24.3	29.1	24.5	21.4	22.7	7.7	15.0	40.0
Los Angeles, CA	17.4	22.9	27.1	28.7	31.9	35.1	38.9	45.2	33.3	30.2	16.7	16.9	16.7	26.9	31.8	36.9	30.0	57.7	55.0	35.0	50.0
Miami, FL	10.9	10.2	11.7	12.7	13.3	20.0	14.7	20.9	20.0	18.3	19.1	16.3	17.2	25.0	26.8	27.2	21.4	45.8	50.0	45.5	62.5
Minneapolis, MN	7.5	12.0	11.9	13.7	23.3	20.8	17.3	26.9	28.4	16.8	15.0	14.5	17.0	24.3	24.0	26.4	21.4	29.5	33.3	33.9	30.3
Nashville, TN	19.4	38.1	42.9	31.3	45.8	41.7	54.5	66.7	47.6	53.3	47.9	45.8	54.8	59.6	0.0	75.4	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	24.7	20.3	23.2	31.3	31.5	33.5	32.8	34.0	40.8	26.3	13.7	20.5	14.4	25.9	24.1	28.7	13.6	27.8	38.9	54.5	40.9
Orlando, FL	8.0	9.3	12.2	13.5	6.6	14.8	22.8	15.6	34.8	23.5	18.6	23.1	25.0	21.1	24.4	34.6	43.8	61.5	38.9	46.9	55.3
Phila.-Southern NJ	17.5	23.2	15.0	28.3	36.0	42.9	35.9	25.0	34.2	28.4	19.2	27.4	25.6	24.3	28.9	36.1	33.3	18.8	50.0	45.5	31.8
Phoenix, AZ	11.7	10.9	17.2	14.6	17.1	23.6	27.8	22.1	30.1	25.9	19.2	15.8	22.3	21.5	22.8	24.9	21.9	36.4	43.3	41.2	53.8
Port St. Lucie, FL	0.0	0.0	6.3	5.6	7.7	9.1	18.2	0.0	14.3	7.1	0.0	0.0	21.4	27.8	25.0	19.2	n/a	n/a	n/a	n/a	n/a
Portland, OR	27.3	19.1	23.9	37.2	52.5	47.5	50.7	46.1	44.3	25.9	22.0	29.9	34.5	36.4	58.3	67.5	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	5.9	52.8	42.5	55.6	44.4	54.2	54.3	42.3	44.7	34.2	47.9	53.1	61.3	56.3	64.4	67.9	n/a	n/a	n/a	n/a	n/a
Richmond, VA	8.3	37.5	14.3	42.9	35.0	41.7	41.7	16.7	50.0	44.4	23.1	21.6	36.0	37.9	34.5	17.2	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	11.3	8.1	11.1	5.7	12.5	17.3	19.4	16.7	28.6	22.2	12.1	4.5	18.4	8.6	16.7	43.5	10.0	16.7	25.0	12.5	16.7
San Antonio, TX	35.9	31.8	42.3	53.7	56.5	72.2	64.0	60.9	54.8	46.2	59.5	78.2	81.4	80.0	87.5	90.0	n/a	n/a	n/a	n/a	n/a
San Diego, CA	12.9	14.5	31.1	27.8	25.6	23.0	35.2	34.4	33.3	19.4	17.3	7.3	11.0	13.8	18.2	23.5	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	15.3	27.9	31.3	40.6	43.5	50.7	49.3	47.7	39.8	34.2	21.9	16.4	22.5	27.2	21.0	39.1	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	12.8	11.1	11.1	8.0	11.7	6.3	10.9	3.8	8.8	17.9	8.3	10.9	16.7	10.3	24.2	17.5	n/a	n/a	n/a	n/a	n/a
Seattle, WA	28.0	39.3	42.4	48.3	59.6	65.5	62.7	57.0	55.6	45.2	45.0	35.8	47.4	64.0	68.6	80.5	77.8	83.3	78.6	73.5	68.2
Tampa, FL	10.0	10.1	6.0	10.1	8.8	14.0	17.6	20.9	33.3	30.8	25.0	12.5	17.1	16.2	20.4	25.5	20.0	31.3	43.8	50.0	62.5
Tucson, AZ	13.8	17.9	21.4	21.4	25.7	26.3	36.2	29.4	30.0	32.4	27.0	16.4	27.4	24.3	28.7	36.2	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	9.1	20.0	14.7	23.1	23.3	38.2	42.5	43.8	28.0	28.8	28.0	28.6	20.8	22.2	28.0	39.5	n/a	n/a	n/a	n/a	n/a
Washington, DC	15.8	18.1	24.6	23.6	40.2	33.3	38.3	36.0	26.3	15.9	11.5	14.9	15.3	12.5	18.6	19.6	25.0	15.6	53.6	37.5	27.1
Wilmington, NC	12.0	18.4	13.6	28.1	27.8	41.7	38.9	37.5	28.8	31.0	25.6	27.8	10.5	22.6	14.5	46.0	n/a	n/a	n/a	n/a	n/a
Total	17.1	21.2	24.7	26.9	31.2	33.7	35.3	34.5	33.8	29.9	25.6	25.8	29.5	31.9	36.0	41.4	38.4	43.1	46.5	46.0	46.4
20 Same-Store Markets	17.5	19.1	22.2	24.7	29.3	31.5	31.6	32.4	34.0	28.4	23.7	23.6	25.7	29.1	32.9	38.6	38.4	43.1	46.5	46.0	46.4

Source: Banc of America Securities LLC estimates.

Incentives increase, but not enough to spur demand. Incentives increased sequentially in every market surveyed in September. Our incentive index fell to 16.9 from 19.5, with any reading below 50 indicating higher incentives as compared with last month. Still, agents noted that buyers would much rather have lower prices than additional incentives.

Higher Incentives Fail to Impress Buyers

	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06
	Incentives > 50.0: higher than prior month/ = 50.0: flat versus prior month/ <50.0: lower than prior month																				
Atlanta, GA	14.8	11.6	22.6	16.7	18.3	19.2	21.2	25.5	24.1	17.3	11.7	13.2	15.5	18.0	16.3	22.7	20.0	36.4	7.1	35.7	40.0
Austin, TX	20.2	16.7	24.1	34.8	30.8	28.8	40.0	38.9	39.5	25.0	18.3	26.0	25.6	34.3	52.0	45.4	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	4.2	20.0	25.0	14.3	18.8	16.7	6.3	35.0	4.2	33.3	15.5	7.1	0.0	12.5	9.4	n/a	n/a	n/a	n/a	n/a	n/a
Boston, MA	33.3	31.3	10.0	50.0	35.0	28.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charleston, SC	14.6	15.6	20.0	15.9	10.0	32.5	16.7	22.9	22.7	15.2	11.3	17.9	9.0	11.1	14.4	16.7	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	13.2	16.0	20.4	21.4	24.3	37.5	28.3	32.9	32.5	17.2	19.7	27.8	28.6	34.0	33.9	36.4	50.0	50.0	29.4	37.5	35.3
Chicago, IL	18.1	15.6	28.4	22.2	20.2	25.0	23.1	30.4	24.0	13.5	15.6	14.1	11.9	14.3	15.7	19.3	33.3	16.7	8.3	33.3	27.8
Cincinnati, OH	19.2	21.7	22.2	20.0	23.3	25.0	21.7	23.7	16.7	10.7	6.5	7.4	0.0	25.0	0.0	9.7	n/a	n/a	n/a	n/a	n/a
Columbus, OH	11.9	6.7	16.7	20.0	31.3	23.3	21.1	18.8	30.0	7.7	12.1	9.4	25.0	25.0	27.8	6.8	n/a	n/a	n/a	n/a	n/a
Dallas, TX	17.9	20.7	16.3	18.3	27.0	23.1	25.0	22.7	26.5	16.7	12.3	14.5	11.8	16.0	23.6	23.4	33.3	8.3	16.7	14.3	31.8
Denver, CO	21.4	24.1	25.0	28.6	22.6	33.7	39.5	25.0	34.8	14.3	21.5	9.3	17.2	10.7	12.0	14.0	22.2	16.7	20.0	27.8	25.0
Detroit, MI	20.3	17.6	26.0	17.2	24.4	15.0	30.4	21.4	27.9	23.3	12.3	9.5	11.2	11.2	10.0	10.8	13.6	25.0	15.0	14.3	18.2
Fort Myers, FL	15.4	31.9	19.6	20.0	22.2	18.0	13.8	13.6	45.5	22.7	13.6	10.4	4.5	3.7	4.0	2.5	n/a	n/a	n/a	n/a	n/a
Houston, TX	14.6	18.6	16.2	24.2	21.1	20.0	29.4	24.3	28.7	21.8	18.3	20.2	20.9	21.9	25.8	28.1	28.1	20.0	35.7	36.1	23.8
Inland Empire, CA	10.3	14.5	12.5	10.3	17.6	15.7	17.4	14.1	11.1	23.1	13.0	8.3	3.3	4.6	11.3	9.1	10.0	21.4	12.5	7.1	35.3
Jacksonville, FL	26.5	20.6	14.3	10.5	14.6	23.5	28.0	30.0	28.6	25.0	15.6	4.5	18.8	10.7	2.0	6.5	4.2	19.4	8.8	n/a	n/a
Las Vegas, NV	23.6	22.3	25.4	33.9	32.6	37.7	46.8	45.6	41.3	32.3	20.1	22.2	15.7	4.0	4.6	7.1	0.0	18.2	7.7	5.0	20.0
Los Angeles, CA	12.7	15.9	13.6	12.5	22.1	14.0	18.8	16.7	12.5	19.7	7.9	14.9	5.6	11.4	16.4	16.5	25.0	14.3	25.0	12.5	35.7
Miami, FL	19.7	14.1	23.9	14.2	11.9	25.8	10.4	10.8	26.8	26.9	14.0	8.8	7.4	9.6	6.9	5.7	0.0	14.3	16.7	16.7	43.8
Minneapolis, MN	17.9	20.2	28.0	32.4	38.0	27.8	27.6	31.6	30.8	23.4	18.3	14.3	13.9	11.5	6.3	10.3	13.6	12.8	22.6	17.3	16.2
Nashville, TN	8.8	20.0	16.7	7.1	26.9	36.4	25.0	50.0	28.9	15.9	11.4	23.2	31.0	28.1	40.0	36.6	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	20.0	26.2	29.3	33.8	22.9	30.0	34.1	27.8	31.7	38.5	13.0	19.6	11.7	22.4	38.2	30.4	16.7	12.5	21.4	21.4	35.0
Orlando, FL	12.7	25.9	32.4	14.7	16.2	19.5	23.6	19.4	29.5	5.9	19.1	7.7	7.7	7.9	6.0	2.4	12.5	7.7	0.0	9.4	38.2
Phila.-Southern NJ	16.7	17.4	20.0	21.1	26.3	28.6	18.9	20.5	19.2	16.7	6.9	9.1	11.5	6.0	15.3	10.4	16.7	0.0	25.0	37.5	25.0
Phoenix, AZ	22.4	20.6	25.7	24.5	36.6	42.9	31.6	39.5	40.8	29.8	23.1	17.7	12.0	6.4	8.1	5.1	0.0	4.5	3.3	10.0	0.0
Port St. Lucie, FL	19.2	17.9	18.8	22.2	19.2	27.8	16.7	0.0	25.0	21.4	4.5	5.6	7.1	0.0	0.0	0.0	n/a	n/a	n/a	n/a	n/a
Portland, OR	12.5	12.0	15.5	23.8	25.0	21.9	20.9	21.6	29.6	16.1	10.0	11.4	15.1	20.6	25.3	32.9	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	23.1	27.8	18.4	38.2	32.1	36.4	31.0	31.8	30.0	14.1	21.2	23.3	19.2	26.4	32.1	36.8	n/a	n/a	n/a	n/a	n/a
Richmond, VA	0.0	25.0	7.1	28.6	22.2	16.7	25.0	33.3	11.5	11.8	3.8	9.7	7.7	18.0	5.6	13.0	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	14.9	15.2	15.6	25.0	36.2	27.4	35.2	24.2	18.8	20.6	10.3	10.9	14.3	8.1	2.8	7.5	0.0	10.7	6.3	0.0	16.7
San Antonio, TX	12.9	14.3	19.2	7.1	15.9	26.0	31.3	37.0	25.8	4.0	23.0	19.4	19.7	31.5	43.8	43.4	n/a	n/a	n/a	n/a	n/a
San Diego, CA	10.2	20.0	16.3	14.6	14.1	25.5	23.6	22.1	20.3	16.1	10.0	3.8	7.3	3.9	5.4	8.1	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	13.2	18.5	17.7	18.2	21.4	30.3	30.5	20.2	23.2	18.5	20.0	1.9	6.0	6.3	10.7	8.5	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	28.8	25.0	25.0	17.4	17.4	18.3	19.0	10.7	34.4	25.0	19.4	20.5	11.9	0.0	3.1	3.8	n/a	n/a	n/a	n/a	n/a
Seattle, WA	11.3	12.7	15.3	21.0	30.4	28.3	31.7	19.9	30.3	17.1	12.3	14.7	25.0	29.6	33.3	39.9	46.7	53.8	50.0	37.5	43.8
Tampa, FL	25.0	23.3	21.2	21.2	20.4	19.2	18.9	15.7	21.2	26.1	19.7	12.5	4.5	1.4	5.7	6.9	0.0	18.8	0.0	18.8	31.3
Tucson, AZ	17.9	33.3	31.5	14.8	29.7	34.6	18.0	43.9	30.7	22.1	13.8	13.4	6.5	0.7	5.2	9.1	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	15.0	8.3	13.3	30.8	25.0	41.2	20.0	37.5	29.5	16.0	6.3	22.2	10.4	10.3	8.0	4.1	n/a	n/a	n/a	n/a	n/a
Washington, DC	17.2	20.5	24.1	16.7	24.5	23.6	29.9	28.8	23.9	16.0	21.2	13.1	11.6	8.2	8.1	7.1	4.2	12.5	7.1	13.6	22.9
Wilmington, NC	23.8	19.4	27.3	37.5	34.4	36.1	56.3	46.4	27.3	35.3	18.6	28.0	15.8	18.3	9.6	21.3	n/a	n/a	n/a	n/a	n/a
Total	16.9	19.5	20.5	21.9	24.1	26.5	25.8	26.5	26.7	19.9	14.5	14.0	12.9	13.9	15.4	16.1	16.7	18.8	16.1	20.3	28.3
20 Same-Store Markets	17.7	18.7	21.7	21.0	24.2	25.6	27.1	25.1	26.9	21.2	15.5	13.7	13.3	12.8	14.4	15.2	16.7	18.8	16.1	20.3	28.3

Source: Banc of America Securities LLC estimates.

Foreclosures add to inventory overhang. Agents said inventory of homes for sale increased in every market surveyed in September. While inventory levels tend to start coming down in the fall and winter, we do not expect the typical seasonal decrease this year as rising foreclosures (likely to worsen due to upcoming ARM resets) add to the excess supply. Our home listings index fell to 19.8 in September from 22.2 in August (any readings below 50 point to higher inventory levels).

The Inventory Problems Worsened in Every Market in September

	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06
Homes listed for sale [> 50.0 ; Fewer homes listed versus prior month/ $= 50.0$: listings unchanged / < 50.0 : more home listings]																					
Atlanta, GA	31.6	25.0	17.7	17.0	19.7	18.2	10.0	15.1	39.9	42.7	28.0	20.9	15.6	19.1	12.6	17.2	7.1	22.7	35.7	21.4	20.0
Austin, TX	21.6	23.0	25.0	25.8	36.9	45.7	47.0	50.0	56.0	48.6	55.4	48.0	56.3	55.7	60.4	53.5	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	4.2	10.0	14.3	5.9	9.5	8.8	45.0	36.7	9.4	35.0	18.6	12.9	0.0	5.6	16.7	11.4	n/a	n/a	n/a	n/a	n/a
Boston, MA	30.8	33.3	35.7	23.1	33.3	25.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charleston, SC	25.0	24.2	16.0	15.2	10.3	19.0	10.0	32.0	31.1	28.6	23.8	17.0	8.3	8.6	3.8	6.8	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	33.7	22.9	32.7	26.5	25.0	31.0	29.8	39.0	37.9	62.5	47.0	42.7	42.4	44.6	44.0	40.4	37.5	42.3	31.3	54.2	65.8
Chicago, IL	20.8	24.6	16.3	13.2	8.5	13.9	13.8	21.9	20.9	38.8	29.6	15.3	15.9	12.0	19.2	15.4	11.1	8.3	0.0	15.4	43.8
Cincinnati, OH	7.1	18.8	27.8	15.4	9.4	13.3	20.0	23.8	66.7	20.0	17.2	8.6	28.6	4.2	0.0	7.1	n/a	n/a	n/a	n/a	n/a
Columbus, OH	21.7	13.2	18.2	9.1	11.8	21.9	17.5	37.0	40.0	39.3	39.3	14.7	20.0	0.0	6.3	4.2	n/a	n/a	n/a	n/a	n/a
Dallas, TX	23.6	23.3	16.7	15.6	19.2	17.5	21.0	22.2	28.7	30.1	32.1	18.5	25.8	26.3	23.4	22.3	33.3	25.0	0.0	14.3	22.7
Denver, CO	31.8	28.9	26.8	22.4	18.9	21.7	34.1	33.3	40.3	37.8	35.1	18.0	14.6	7.1	2.7	2.3	0.0	5.0	5.0	0.0	45.0
Detroit, MI	14.1	16.3	19.4	7.4	7.6	10.6	20.4	12.2	33.3	28.7	19.6	16.1	13.2	5.6	6.3	4.6	0.0	0.0	4.5	13.3	15.4
Fort Myers, FL	21.9	34.5	33.9	31.1	33.9	24.1	23.8	18.2	18.2	45.5	26.1	13.0	16.7	14.8	22.0	10.3	n/a	n/a	n/a	n/a	n/a
Houston, TX	21.0	25.0	18.3	16.1	30.0	26.9	25.7	30.8	33.1	48.8	36.1	45.5	42.6	33.6	30.3	27.9	30.0	44.1	34.1	52.6	38.6
Inland Empire, CA	15.0	16.2	12.2	16.2	10.9	17.6	16.7	20.5	41.7	40.4	22.0	19.6	9.8	6.4	11.4	8.2	4.2	7.9	13.5	3.3	22.2
Jacksonville, FL	17.6	20.0	13.6	22.2	4.0	18.8	15.2	14.0	25.0	25.0	26.5	17.4	25.0	3.8	5.6	7.7	12.5	16.7	19.4	n/a	n/a
Las Vegas, NV	16.0	14.7	19.5	10.0	10.4	16.4	29.0	35.9	68.3	65.4	26.7	24.7	17.5	9.6	8.5	9.2	21.4	4.5	3.8	5.0	38.9
Los Angeles, CA	15.8	19.4	19.2	18.1	18.3	23.0	28.9	30.2	37.3	43.5	31.8	21.5	14.0	4.4	11.3	7.8	10.0	15.4	38.9	15.0	16.7
Miami, FL	9.9	13.9	18.3	14.2	9.4	14.6	8.4	13.3	22.6	21.7	14.7	9.3	5.2	14.2	8.0	6.5	0.0	12.5	11.1	4.5	21.4
Minneapolis, MN	29.2	22.3	17.1	13.2	19.8	18.6	14.8	29.6	52.0	56.6	49.3	32.1	19.3	15.6	7.6	5.2	4.2	1.1	7.6	12.1	32.9
Nashville, TN	5.6	19.0	14.3	6.3	23.1	33.3	25.0	50.0	31.7	24.4	29.2	19.0	28.6	25.5	37.1	32.0	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	21.3	21.2	21.4	23.8	17.6	19.1	22.6	29.5	32.6	47.4	26.5	16.7	17.0	8.9	5.6	11.7	0.0	27.8	16.7	31.8	22.7
Orlando, FL	12.7	18.6	18.4	13.7	7.7	12.8	19.6	11.7	47.7	22.2	20.6	16.0	7.1	2.6	5.8	4.5	0.0	11.5	2.9	9.4	13.9
Phila.-Southern NJ	17.9	21.4	17.9	22.7	20.0	30.6	22.9	26.1	39.0	35.6	28.9	14.4	9.5	14.1	12.1	16.4	11.1	0.0	16.7	36.4	36.4
Phoenix, AZ	17.6	19.6	26.9	20.8	12.4	16.5	25.0	31.6	48.6	57.7	39.7	22.7	15.1	12.0	10.5	5.1	0.0	4.5	0.0	2.9	11.5
Port St. Lucie, FL	17.9	21.4	31.3	38.9	0.0	22.7	16.7	8.3	21.4	28.6	20.0	11.1	7.1	5.6	0.0	3.8	n/a	n/a	n/a	n/a	n/a
Portland, OR	7.5	7.3	13.0	10.5	12.7	18.3	15.7	9.8	25.0	32.2	17.2	12.7	14.5	11.3	15.8	23.1	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	18.0	36.8	25.0	47.1	21.9	26.1	30.4	42.3	40.3	44.6	43.2	29.8	52.5	45.5	39.5	37.8	n/a	n/a	n/a	n/a	n/a
Richmond, VA	8.3	25.0	35.7	8.3	30.0	33.3	58.3	58.3	38.5	47.2	17.9	19.4	16.0	20.7	10.7	16.3	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	17.9	20.8	11.1	5.7	15.7	9.4	29.0	23.1	41.1	66.7	45.0	31.3	25.7	11.4	19.4	0.8	5.0	16.7	12.5	6.3	12.5
San Antonio, TX	21.9	10.9	30.8	21.4	32.6	22.4	22.0	37.0	25.8	48.0	50.9	36.5	40.9	43.3	42.2	41.9	n/a	n/a	n/a	n/a	n/a
San Diego, CA	13.8	21.3	15.6	15.2	23.1	27.5	36.7	48.9	42.6	48.4	38.0	20.4	11.0	14.9	4.6	5.9	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	21.2	29.0	26.6	18.9	16.4	29.3	33.1	38.9	59.8	64.1	50.0	23.5	14.7	18.4	8.0	13.5	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	48.6	37.1	44.2	38.5	35.0	17.2	15.6	25.0	23.5	35.7	27.8	26.1	23.8	20.7	21.2	10.3	n/a	n/a	n/a	n/a	n/a
Seattle, WA	11.6	12.0	5.6	4.9	16.7	14.5	20.3	14.9	33.9	35.9	29.6	19.1	18.3	26.1	23.8	33.9	55.6	61.1	38.5	47.1	75.0
Tampa, FL	30.1	32.5	17.9	18.8	13.2	18.4	21.1	9.8	33.3	26.0	25.0	5.2	9.1	8.1	12.0	6.4	0.0	0.0	0.0	3.3	18.8
Tucson, AZ	29.0	48.2	42.6	26.8	13.2	32.5	31.0	39.7	16.0	35.1	26.0	10.3	11.3	9.9	12.1	6.3	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	22.7	3.3	5.9	11.5	3.3	2.9	15.0	36.7	28.0	36.0	16.0	16.1	16.7	12.5	8.0	5.8	n/a	n/a	n/a	n/a	n/a
Washington, DC	26.4	29.4	23.8	20.7	15.8	18.7	32.0	43.9	53.0	47.6	41.6	29.3	19.4	14.3	10.1	5.4	4.2	3.1	25.0	16.7	16.7
Wilmington, NC	8.7	25.0	13.6	16.7	20.6	13.9	25.0	28.1	24.0	38.1	40.0	22.0	16.7	12.9	12.9	10.2	n/a	n/a	n/a	n/a	n/a
Total	19.8	22.2	21.5	18.2	17.4	20.7	24.3	29.0	36.1	40.5	31.1	21.0	19.6	16.2	15.7	14.3	11.8	15.7	15.1	18.2	29.5
20 Same-Store Markets	20.7	21.4	18.6	16.3	15.3	18.5	21.9	24.2	38.6	42.0	31.2	21.7	18.2	14.3	13.8	12.3	11.8	15.7	15.1	18.2	29.5

Source: Banc of America Securities LLC estimates.

Time needed to sell a home lengthened further – a negative indicator for future pricing. The time needed to sell a home lengthened in every market surveyed in September as our index fell to 9.7 from 12.2 in August (any reading below 50 suggests a longer time to sell). We view the longer time needed to sell as a negative indicator for future pricing trends, as sellers are pressured to become more aggressive.

Longer Time to Sell Points to Further Price Declines in Coming Months

	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Apr-06	Mar-06	Feb-06	Jan-06
Length of time needed to sell a home [> 50.0; Time to sell decreased/ = 50.0: time to sell unchanged / <50.0: time to sell increased]																					
Atlanta, GA	8.8	8.6	12.8	12.5	15.9	17.6	17.5	21.7	27.5	19.0	8.9	8.1	9.4	6.8	12.5	20.8	28.6	13.6	21.4	35.7	25.0
Austin, TX	16.7	21.8	45.0	42.6	54.8	59.7	60.6	57.5	50.0	36.5	33.0	47.9	49.0	58.5	74.1	80.1	n/a	n/a	n/a	n/a	n/a
Baltimore, MD	4.2	5.0	28.6	5.9	14.3	14.7	45.0	30.0	12.5	25.0	7.4	10.9	0.0	0.0	11.1	4.5	n/a	n/a	n/a	n/a	n/a
Boston, MA	15.4	29.5	42.9	19.2	43.3	31.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Charleston, SC	13.0	7.6	12.5	4.3	11.7	19.0	14.6	36.0	23.0	15.7	21.4	11.4	2.4	7.9	5.8	12.0	n/a	n/a	n/a	n/a	n/a
Charlotte, NC	12.7	12.7	20.0	19.6	36.8	43.0	44.8	50.0	45.5	30.6	25.0	31.3	31.8	35.3	47.3	49.2	77.8	65.4	68.8	58.3	52.6
Chicago, IL	9.1	11.4	10.7	14.0	16.2	17.7	17.4	15.2	19.8	12.0	8.6	6.7	3.5	4.1	4.2	6.1	11.1	8.3	16.7	42.3	0.0
Cincinnati, OH	3.6	8.0	22.2	19.2	14.7	13.3	28.0	16.7	44.4	7.1	4.8	7.1	7.1	4.5	0.0	7.1	n/a	n/a	n/a	n/a	n/a
Columbus, OH	4.3	5.3	18.2	9.1	11.8	15.6	30.0	25.0	30.0	14.3	16.1	5.7	0.0	0.0	0.0	4.2	n/a	n/a	n/a	n/a	n/a
Dallas, TX	9.7	11.5	15.7	14.1	26.9	25.4	29.8	30.4	25.0	18.6	14.3	11.1	14.3	20.3	29.2	36.0	50.0	25.0	37.5	28.6	54.5
Denver, CO	14.0	23.3	25.0	33.3	26.6	30.2	33.0	21.2	23.8	16.3	21.3	9.8	10.6	8.2	5.0	6.9	15.0	25.0	10.0	11.1	15.0
Detroit, MI	8.5	15.3	9.7	10.6	10.9	10.6	5.6	6.8	21.4	11.3	9.4	5.4	5.9	8.5	4.6	5.3	9.1	8.3	11.1	3.3	19.2
Fort Myers, FL	17.2	11.3	12.9	18.1	25.9	19.0	14.3	15.9	22.7	22.7	18.2	10.9	16.7	9.3	8.0	5.0	n/a	n/a	n/a	n/a	n/a
Houston, TX	14.0	16.3	23.2	15.0	23.0	29.5	41.9	39.7	33.3	37.5	23.6	29.4	22.9	30.7	33.1	46.2	71.9	38.2	52.4	59.5	32.6
Inland Empire, CA	8.7	10.0	9.8	5.6	7.1	9.1	15.5	11.7	27.4	16.7	13.0	4.9	7.6	1.8	3.5	4.8	4.2	5.0	5.8	6.3	5.6
Jacksonville, FL	9.5	17.1	6.8	10.0	12.5	23.5	21.7	16.7	14.3	18.8	18.8	11.9	18.8	0.0	5.6	3.8	4.2	11.8	5.6	n/a	n/a
Las Vegas, NV	10.6	9.0	11.7	12.9	13.2	16.9	21.0	27.7	31.0	27.8	17.8	16.5	12.8	8.9	8.1	8.2	0.0	9.1	0.0	0.0	15.0
Los Angeles, CA	8.2	9.1	11.0	12.0	17.7	18.4	31.1	28.1	27.9	23.4	7.7	5.5	4.2	1.9	6.5	2.5	0.0	0.0	0.0	20.0	16.7
Miami, FL	4.7	10.7	5.1	10.4	7.8	13.3	10.9	11.2	17.7	19.0	9.6	9.4	8.6	9.8	3.5	2.8	0.0	4.2	0.0	12.5	0.0
Minneapolis, MN	9.8	13.8	7.1	12.7	21.6	16.1	22.2	27.3	35.6	21.2	18.8	10.5	9.1	8.2	4.4	4.1	4.2	4.7	18.2	15.5	13.2
Nashville, TN	2.9	11.9	14.3	25.0	7.7	29.2	25.0	33.3	26.7	13.6	16.0	14.4	18.6	22.0	44.7	42.7	n/a	n/a	n/a	n/a	n/a
New York-Northern NJ	9.8	10.1	10.7	21.2	15.5	23.5	24.7	25.0	26.4	21.1	11.0	6.3	4.5	4.4	7.4	7.5	0.0	5.6	0.0	13.6	4.5
Orlando, FL	7.8	5.1	11.8	9.8	5.1	10.5	8.8	11.3	15.2	8.3	12.9	3.8	7.1	5.3	7.0	0.0	18.8	7.7	0.0	6.3	5.0
Phila.-Southern NJ	11.6	11.6	6.4	17.0	23.5	25.0	24.6	14.6	21.3	18.3	10.4	8.6	4.1	5.8	2.0	4.5	0.0	0.0	27.8	22.7	13.6
Phoenix, AZ	11.1	9.9	16.7	18.2	17.1	21.4	19.3	25.4	33.8	27.3	20.0	13.0	11.1	7.8	7.3	6.2	0.0	0.0	3.6	5.9	8.3
Port St. Lucie, FL	7.1	10.7	31.3	27.8	3.8	13.6	16.7	0.0	21.4	21.4	9.1	0.0	7.1	11.1	0.0	7.7	n/a	n/a	n/a	n/a	n/a
Portland, OR	7.5	5.4	7.8	14.0	15.3	17.1	24.3	16.7	27.9	10.8	5.8	4.4	4.4	6.9	11.2	23.7	n/a	n/a	n/a	n/a	n/a
Raleigh, NC	9.3	13.2	19.0	29.4	20.6	27.3	28.3	33.3	33.8	15.8	20.3	22.9	32.9	30.4	33.3	47.2	n/a	n/a	n/a	n/a	n/a
Richmond, VA	16.7	12.5	0.0	7.1	15.0	10.0	25.0	58.3	0.0	11.1	3.6	2.6	5.8	5.2	1.7	0.9	n/a	n/a	n/a	n/a	n/a
Sacramento, CA	12.5	11.1	8.3	10.3	21.4	15.6	33.3	23.1	31.5	27.8	15.0	9.7	15.8	8.6	11.1	4.5	5.0	10.7	12.5	0.0	11.1
San Antonio, TX	11.7	8.7	11.5	16.1	34.8	29.6	34.6	41.3	27.4	26.0	25.8	33.3	52.9	48.3	79.7	75.7	n/a	n/a	n/a	n/a	n/a
San Diego, CA	3.5	13.9	10.0	22.8	20.0	25.8	35.6	36.2	33.3	20.6	19.2	10.2	6.9	11.5	2.3	7.3	n/a	n/a	n/a	n/a	n/a
San Francisco, CA	8.6	15.7	17.0	16.0	14.8	32.6	46.3	44.3	36.6	23.1	22.3	7.1	7.7	5.2	6.3	8.1	n/a	n/a	n/a	n/a	n/a
Sarasota, FL	15.8	26.4	25.9	21.2	18.3	10.6	21.9	21.4	23.5	17.9	16.7	13.0	16.7	12.1	7.6	6.3	n/a	n/a	n/a	n/a	n/a
Seattle, WA	5.5	7.9	6.3	8.2	18.4	21.8	28.0	32.0	26.2	12.1	9.0	5.0	9.7	16.4	22.3	34.3	41.7	55.9	34.6	50.0	40.5
Tampa, FL	13.7	15.6	16.4	13.2	16.7	13.8	16.2	10.7	21.2	15.4	15.8	5.2	5.7	2.7	7.4	4.0	0.0	0.0	12.5	6.3	25.0
Tucson, AZ	9.7	19.6	23.2	25.0	18.9	23.1	20.7	30.0	12.0	16.2	15.6	5.2	10.4	3.5	10.5	4.7	n/a	n/a	n/a	n/a	n/a
Virginia Beach, VA	4.5	3.3	14.7	19.2	3.3	26.5	27.5	46.9	34.0	22.0	8.0	14.3	12.5	9.7	2.0	1.2	n/a	n/a	n/a	n/a	n/a
Washington, DC	16.2	15.2	18.0	14.8	29.5	34.4	44.0	45.0	36.5	24.1	18.5	11.5	11.1	6.5	7.8	5.1	0.0	6.3	11.5	20.8	15.4
Wilmington, NC	0.0	2.8	18.2	6.7	14.7	25.0	36.1	36.7	28.0	14.3	20.0	11.1	8.3	8.1	6.7	11.2	n/a	n/a	n/a	n/a	n/a
Total	9.7	12.2	16.0	16.1	18.7	22.0	26.8	27.5	26.9	19.5	15.2	11.7	12.5	11.7	14.0	15.7	16.3	14.5	16.7	20.9	18.6
20 Same-Store Markets	10.3	12.2	12.5	14.1	18.3	20.8	24.4	23.6	26.8	20.3	14.7	10.6	10.9	9.6	11.4	12.5	16.3	14.5	16.7	20.9	18.6

Source: Banc of America Securities LLC estimates.

Agents Recommend Pulte, Toll, Lennar, and Centex

Agents recommend Pulte, Toll Brothers, Lennar, and Centex. Pulte Homes, Toll Brothers, Lennar, and Centex received the highest percentage of recommendations by agents nationwide. 30.2% of agents (net of positive responses less negative responses) surveyed said they would recommend Pulte, followed by 26.0% for Toll Brothers, 22.4% for Lennar, and 16.4% for Centex. We believe this is important since 35-40% of new home sales involve an agent. In addition, homebuilders will likely increasingly rely on agents as market conditions weaken. This is a positive for those four companies, in addition to others below that received strong recommendations, but also represents an opportunity for companies such as KB Home.

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

Rank	Ticker	Company Name	Net Recommendation
1	PHM	Pulte Homes	30.2%
2	TOL	Toll Brothers	26.0%
3	LEN	Lennar Corp.	22.4%
4	CTX	Centex Corp.	16.4%
5	DHI	D.R. Horton	16.0%
6	WCI	WCI Communities	16.0%
7	RYL	Ryland Group	14.0%
8	MTH	Meritage Homes	13.9%
9	SPF	Standard Pacific Corp.	13.6%
10	HOV	Hovnanian Enterprises	7.9%
11	NVR	NVR, Inc.	7.7%
12	MDC	MDC Holdings	3.9%
13	CHCI	Comstock Homebuilding	0.3%
14	KBH	KB Home	(9.8)%

Source: Banc of America Securities LLC estimates.

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

Market	CTX	CHCI	DHI	HOV	KBH	LEN	MDC	MTH	NMR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	16%	0%	9%	—	13%	—	—	—	—	16%	29%	—	—	—
Austin, TX	31%	—	45%	—	8%	41%	—	45%	—	47%	—	39%	45%	—
Baltimore, MD	—	0%	30%	30%	0%	30%	10%	—	60%	—	30%	—	—	—
Charleston, SC	50%	—	32%	—	32%	14%	—	—	0%	—	27%	—	—	—
Charlotte, NC	24%	2%	39%	19%	17%	28%	—	—	17%	—	26%	9%	35%	—
Chicago, IL	20%	—	12%	4%	12%	14%	0%	—	—	30%	28%	—	24%	—
Cincinnati, OH	0%	—	—	17%	—	—	—	—	17%	17%	17%	—	—	—
Columbus, OH	19%	—	—	10%	—	—	—	—	5%	29%	—	—	—	—
Dallas, TX	31%	—	38%	20%	1%	35%	0%	15%	—	31%	—	23%	35%	—
Denver, CO	18%	—	26%	—	5%	40%	26%	11%	—	33%	35%	11%	21%	—
Detroit, MI	20%	—	—	4%	—	—	—	—	—	63%	—	—	50%	—
Fort Myers, FL	30%	—	23%	7%	3%	33%	—	0%	—	43%	13%	—	—	50%
Houston, TX	16%	—	34%	18%	10%	48%	4%	22%	—	42%	—	—	—	—
Jacksonville, FL	14%	—	19%	—	17%	33%	14%	—	—	39%	17%	11%	42%	11%
Las Vegas, NV	29%	—	39%	—	29%	43%	13%	19%	—	63%	13%	—	59%	—
Los Angeles, CA	15%	—	8%	22%	30%	22%	3%	1%	—	14%	—	14%	17%	—
Miami, FL	—	—	11%	—	—	48%	—	—	—	—	—	3%	—	32%
Minneapolis, MN	24%	—	34%	25%	—	22%	—	—	—	31%	25%	—	10%	—
Nashville, TN	38%	—	—	—	—	—	—	—	—	—	—	—	—	—
New York-Northern New Jersey, NY-NJ	11%	—	6%	27%	—	7%	—	—	1%	24%	—	—	31%	3%
Orlando, FL	35%	—	35%	10%	29%	31%	—	12%	—	47%	24%	0%	31%	—
Philadelphia-Southern NJ	—	—	9%	26%	—	7%	4%	—	18%	37%	—	—	28%	—
Phoenix, AZ	21%	—	29%	15%	12%	22%	14%	31%	—	43%	18%	26%	50%	—
Port St. Lucie, FL	33%	—	25%	—	25%	—	—	—	—	—	—	—	—	—
Portland, OR	—	—	21%	—	—	—	—	—	—	—	—	—	—	—
Raleigh, NC	56%	8%	4%	20%	24%	44%	—	—	4%	36%	—	24%	24%	—
Richmond, VA	25%	0%	—	—	—	—	—	—	25%	—	—	—	—	—
Riverside-San Bernardino, CA	28%	—	30%	22%	33%	32%	9%	—	—	26%	17%	22%	—	—
Sacramento, CA	45%	—	45%	11%	16%	29%	3%	24%	—	42%	8%	18%	18%	—
San Antonio, TX	50%	—	60%	—	23%	47%	—	23%	—	57%	—	—	27%	—
San Diego, CA	16%	—	27%	16%	18%	29%	0%	—	—	20%	5%	16%	18%	—
San Francisco, CA	12%	—	7%	—	—	19%	—	5%	—	35%	—	12%	26%	—
Sarasota, FL	23%	—	—	—	8%	44%	—	—	—	28%	—	13%	—	23%
Seattle, WA	19%	—	35%	—	—	—	—	—	—	—	—	—	—	—
Tampa, FL	19%	—	17%	1%	16%	33%	4%	—	—	36%	28%	19%	—	16%
Tucson, AZ	—	—	24%	3%	3%	41%	14%	21%	—	55%	—	7%	17%	—
Virginia Beach, VA	22%	0%	0%	0%	—	—	—	—	0%	—	—	—	—	—
Washington, DC	27%	1%	8%	24%	8%	16%	12%	—	22%	35%	14%	—	32%	—
Wilmington, NC	13%	0%	—	—	—	—	—	—	0%	—	—	—	—	—
TOTAL	25%	1%	24%	15%	16%	30%	8%	18%	14%	36%	21%	16%	30%	23%

Source: Banc of America Securities LLC estimates.

Agents discourage customers from buying a home from KB Home. KB Home received the highest percentage of negative recommendations by agents nationwide. 25% agents surveyed said they would discourage clients from buying a home from KB Home. We note that KB Home pre-sells a majority of its homes, which may negatively influence agents' responses.

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

Market	CTX	CHCI	DHI	HOV	KBH	LEN	MDC	MTH	NMR	PHM	RYL	SPF	TOL	WCI
Atlanta, GA	7%	0%	11%	-	24%	-	-	-	-	20%	5%	-	-	-
Austin, TX	12%	-	12%	-	59%	12%	-	6%	-	10%	-	2%	8%	-
Baltimore, MD	-	0%	0%	0%	0%	20%	10%	-	20%	-	20%	-	-	-
Charleston, SC	0%	-	5%	-	9%	14%	-	-	0%	-	0%	-	-	-
Charlotte, NC	15%	2%	7%	0%	26%	7%	-	-	0%	-	11%	2%	4%	-
Chicago, IL	16%	-	1%	4%	11%	9%	1%	-	-	8%	3%	-	4%	-
Cincinnati, OH	0%	-	-	0%	-	-	-	-	8%	0%	17%	-	-	-
Columbus, OH	10%	-	-	0%	-	-	-	-	0%	0%	-	-	-	-
Dallas, TX	24%	-	11%	3%	42%	8%	3%	7%	-	7%	-	1%	1%	-
Denver, CO	11%	-	23%	-	39%	2%	4%	0%	-	11%	0%	2%	0%	-
Detroit, MI	20%	-	-	0%	-	-	-	-	-	2%	-	-	0%	-
Fort Myers, FL	3%	-	3%	50%	17%	13%	-	20%	-	13%	7%	-	-	13%
Houston, TX	16%	-	14%	2%	42%	4%	2%	2%	-	6%	-	-	-	-
Jacksonville, FL	6%	-	19%	-	25%	11%	6%	-	-	3%	8%	8%	6%	3%
Las Vegas, NV	6%	-	14%	-	27%	7%	11%	1%	-	7%	6%	-	1%	-
Los Angeles, CA	2%	-	7%	2%	15%	4%	0%	1%	-	3%	-	3%	3%	-
Miami, FL	-	-	5%	-	-	4%	-	-	-	-	-	0%	-	10%
Minneapolis, MN	12%	-	8%	3%	-	8%	-	-	-	12%	7%	-	7%	-
Nashville, TN	0%	-	-	-	-	-	-	-	-	-	-	-	-	-
New York-Northern New Jersey, NY-NJ	1%	-	0%	3%	-	3%	-	-	0%	2%	-	-	0%	0%
Orlando, FL	8%	-	12%	0%	14%	14%	-	2%	-	2%	4%	0%	0%	-
Philadelphia-Southern NJ	-	-	4%	16%	-	5%	0%	-	5%	7%	-	-	18%	-
Phoenix, AZ	6%	-	8%	11%	44%	6%	5%	2%	-	5%	3%	5%	3%	-
Port St. Lucie, FL	17%	-	0%	-	25%	-	-	-	-	-	-	-	-	-
Portland, OR	-	-	24%	-	-	-	-	-	-	-	-	-	-	-
Raleigh, NC	16%	4%	16%	28%	28%	12%	-	-	4%	16%	-	4%	16%	-
Richmond, VA	25%	0%	-	-	-	-	-	-	25%	-	-	-	-	-
Riverside-San Bernardino, CA	6%	-	9%	10%	20%	4%	4%	-	-	1%	6%	1%	-	-
Sacramento, CA	3%	-	3%	13%	29%	8%	3%	3%	-	5%	5%	3%	0%	-
San Antonio, TX	13%	-	7%	-	50%	3%	-	3%	-	0%	-	-	0%	-
San Diego, CA	4%	-	4%	5%	14%	7%	0%	-	-	4%	2%	0%	4%	-
San Francisco, CA	4%	-	5%	-	-	2%	-	0%	-	2%	-	0%	7%	-
Sarasota, FL	15%	-	-	-	8%	15%	-	-	-	15%	-	3%	-	13%
Seattle, WA	7%	-	10%	-	-	-	-	-	-	-	-	-	-	-
Tampa, FL	2%	-	2%	2%	25%	14%	1%	-	-	5%	6%	2%	-	0%
Tucson, AZ	-	-	14%	3%	41%	0%	7%	0%	-	3%	-	0%	0%	-
Virginia Beach, VA	0%	0%	0%	0%	-	-	-	-	0%	-	-	-	-	-
Washington, DC	7%	3%	9%	11%	3%	5%	9%	-	12%	3%	12%	-	12%	-
Wilmington, NC	0%	0%	-	-	-	-	-	-	0%	-	-	-	-	-
TOTAL	9%	1%	8%	7%	25%	8%	4%	4%	6%	6%	7%	2%	4%	7%

Source: Banc of America Securities LLC estimates.

Homebuilding Industry Comparative Valuation

Ticker	Company Name	Rating	Price 10/3/2007	Market Cap. (Millions)	BAS Estimates			P/E			P/Adj- BV	P/BV	Target Price	Dividend Yield	Total Return Potential
					2006	2007	2008	2006	2007	2008					
CHCI	Comstock Homebuilding	Neutral	1.90	\$26	(0.60)	(1.75)	(2.75)	NM	NM	NM	0.41	0.25	2.00	0.0%	5.5%
CTX	Centex Corp.	Neutral	29.05	3,512	3.05	(3.76)	(4.77)	9.5	NM	NM	1.00	0.74	28.00	0.6%	(3.1)%
DHI	D.R. Horton	Neutral	14.81	4,661	3.27	(3.30)	(2.30)	4.5	NM	NM	1.10	0.82	14.00	4.1%	(1.4)%
HOV	Hovnanian Enterprises	Neutral	12.86	612	2.07	(4.10)	(6.45)	6.2	NM	NM	0.87	0.47	12.00	0.0%	(6.7)%
KBH	KB Home	Neutral	28.72	2,571	5.82	(9.20)	(5.05)	4.9	NM	NM	0.83	0.83	26.00	3.5%	(6.0)%
LEN	Lennar Corp.	Neutral	25.82	3,331	3.64	(5.95)	(6.95)	7.1	NM	NM	1.01	0.81	24.00	2.5%	(4.6)%
MDC	MDC Holdings Inc	Neutral	43.38	1,989	4.67	(5.55)	(4.10)	9.3	NM	NM	1.18	1.01	42.00	2.3%	(0.9)%
MTH	Meritage Homes Corp	Neutral	16.73	439	8.26	(4.95)	(8.00)	2.0	NM	NM	0.82	0.45	16.00	0.0%	(4.4)%
NVR	NVR Inc	Neutral	524.00	2,975	88.05	40.00	2.25	6.0	13.1	NM	3.89	2.63	500.00	0.0%	(4.6)%
PHM	Pulte Homes	Neutral	15.96	4,084	2.66	(3.65)	(4.00)	6.0	NM	NM	0.96	0.67	16.00	1.0%	1.3%
RYL	Ryland	Neutral	25.67	1,077	7.84	(2.90)	(5.20)	3.3	NM	NM	1.13	0.78	26.00	1.9%	3.2%
SPF	Standard Pacific	Neutral	6.28	408	1.76	(6.40)	(6.75)	3.6	NM	NM	0.62	0.26	7.00	0.0%	11.5%
TOL	Toll Brothers	Sell	22.53	3,532	4.17	(0.05)	(1.50)	5.4	NM	NM	1.29	1.03	19.00	0.0%	(15.7)%
WCI	WCI Communities Inc	Neutral	6.39	269	0.86	(4.00)	(5.10)	7.4	NM	NM	0.44	0.28	7.00	0.0%	9.6%
Average				\$2,106				6.2	NM	NM	1.04	0.80	1.7% (3.7)%		

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

Building Products Industry Comparative Valuation

Building Products	Ticker	Company Name	Rating	Price 10/3/2007	Market Cap. (Millions)	EPS Estimates			P/E			EV/EBITDA			Target Price	Dividend Yield	Total Return Potential		
						2006	2007	2008	2006	2007	2008	2006	2007	2008					
	AMWD	American Woodmark	N/R	26.28	379	2.00	2.12	2.23	13.1	12.4	11.8	5.5	5.8	5.5	N/R	1.4%	N/R		
	ASD	American Standard	N/R	36.25	7,407	2.67	3.37	3.87	13.6	10.8	9.4	10.6	9.1	8.3	N/R	1.8%	N/R		
	AWI	Armstrong World Industries	N/R	40.04	2,270	2.09		2.48	19.2		16.1	7.9		7.0	N/R	0.0%	N/R		
	BDK	Black and Decker	Sell	83.16	5,555	6.55	6.30	6.15	12.7	13.2	13.5	8.3	9.4	10.1	\$75.00	2.0%	(7.8)%		
	FO	Fortune Brands	Neutral	82.38	12,618	5.33	5.12	5.45	15.5	16.1	15.1	10.1	10.4	10.0	\$82.00	2.0%	1.6%		
	MAS	Masco	Neutral	23.96	8,973	1.22	1.58	1.53	19.6	15.2	15.7	8.6	10.7	10.3	\$23.00	3.8%	(0.2)%		
	MHK	Mohawk Industries	Neutral	84.56	5,772	6.70	6.19	6.15	12.6	13.7	13.7	8.2	8.7	8.8	\$90.00	0.0%	6.4%		
	PPG	PPG Industries	Buy	76.28	12,514	4.93	5.25	5.50	15.5	14.5	13.9	7.7	7.6	7.4	\$85.00	2.7%	14.2%		
	SHW	Sherwin-Williams	N/R	64.47	8,434	4.19	4.59	4.96	15.4	14.0	13.0	9.0	8.6	8.2	N/R	2.0%	N/R		
	VAL	Valspar Corp	N/R	25.59	2,573	1.71	1.79	2.02	15.0	14.3	12.7	10.4	9.4	8.7	N/R	2.0%	N/R		
	KNL	Knoll Inc	Neutral	18.29	914	1.15	1.36	1.45	15.9	13.4	12.6	10.6	9.3	10.7	\$23.00	2.4%	28.2%		
Building Products Average					\$6,650				14.8	14.4	13.7	8.7	9.2	8.9	2.1%				
Building Mater	Ticker	Company Name	Rating	Price 10/3/2007	Market Cap. (Millions)	EPS Estimates*			P/E			EV/EBITDA			Target Price	Dividend Yield	Total Return Potential		
						2006	2007	2008	2006	2007	2008	2006	2007	2008					
	CRH	CRH Public Ltd	N/R	42.94	23,030	3.57		3.97	n/a		12.0	10.8	n/a		n/a	N/R	1.9%	N/R	
	EXP	Eagle Materials	N/R	37.83	1,810	2.80		2.98	n/a		13.5	12.7	7.2		10.2	10.5	N/R	2.1%	N/R
	MLM	Martin Marietta Materials	N/R	141.50	5,914	5.19	6.70	7.95	27.3	21.1	17.8	14.4	12.2	10.8	N/R	1.0%	N/R		
	TXI	Texas Industries	N/R	79.57	2,176	2.45	3.57	4.41	32.5	22.3	18.1	13.2	11.3	9.6	N/R	0.4%	N/R		
	USG	USG Corp	Sell	39.93	3,951	4.33	1.40	0.40	9.2	28.5	99.1	4.5	11.1	17.2	\$34.00	0.0%	(14.9)%		
	VMC	Vulcan Materials	N/R	94.85	9,038	4.79	5.70	6.48	19.8	16.6	14.6	15.1	9.8	8.4	N/R	1.9%	N/R		
Building Materials Average					\$5,270				21.2	20.7	31.7	12.7	10.8	10.8					

*Note: USG reflects BofA estimates and price targets. Other estimates reflect mean calendar consensus estimate.

*Note: BDK, FO, MAS, MHK, and PPG are BofA estimates and price targets. Fortune Brands is covered by Bryan Spillane and PPG Industries is covered by Kevin McCarthy. Other estimates reflect mean calendar consensus estimate.

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

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

Source for volatility: Bloomberg.

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<u>Coverage Universe</u>	<u>Companies</u>	<u>Pct.</u>	<u>Investment Banking Clients</u>	<u>Companies</u>	<u>Pct.**</u>
Buy	427	45	Buy	342	80
Hold	490	52	Hold	361	74
Sell	33	3	Sell	26	79

Consumer Sector

<u>Coverage Universe</u>	<u>Companies</u>	<u>Pct.</u>	<u>Investment Banking Clients</u>	<u>Companies</u>	<u>Pct.**</u>
Buy	61	37	Buy	54	89
Hold	98	59	Hold	77	79
Sell	8	5	Sell	7	88

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