CREDIT SUISSE

SECTOR REVIEW

06 September 2006
Americas/United States
Homebuilding

Equity Research

MARKET WEIGHT

The Bleeding Continues

Cutting 2007 Estimates Further

- Today, we published "Data Masks Grim Reality" within which we discuss the fact that fundamentals in housing are clearly more dire than the high-level data would suggest. In the past nine months in particular, there has been a disconnect between aggregate data published by several housing related agencies relative to the abysmal tone and trends that continue to plague the public and private builders that we speak with regularly, most notably home prices. Therefore, in tandem with our report, we surveyed private builders and realtors regarding their expectations for pricing, which is worse than we previously thought. As such, we are taking the opportunity (once again) to revise our forecasts down for the group.

- First and foremost, following proprietary conversations with our channel checks, we believe that we were previously too bullish on pricing within our prior expectations. With fundamentals continuing to deteriorate and inventories and can rates remaining a significant overhang, we expect that pricing will likely be down ~4% for the group in 2007. This compares to our prior expectation for flat pricing and would include incentives for ~2/3rds of our universe.

- We also believe that the pricing pressures nationally will likely weigh on the consumer psyche and may pressure unit trends more negatively and longer into the downturn than we previously forecasted. As such, we are ratcheting back our unit assumptions, expecting deliveries for the group to fall 23% versus a 10% decline previously. We are also modestly reducing our profitability assumptions, expecting that group operating margins will slide 350 basis points to 9.8%. This is 130 basis points lower than our prior expectation of 11.1%. Our new 2007 EPS expectations represent a 46% year-over-year decline on average versus the prior 31% decline and compares to the Street, which currently expects earnings per share to fall 30%.

- As a result of our estimate reductions, we are modifying several target prices for the group. Our target prices are based on normalized earnings and price-to-book multiples, although we admit with no floor in sight for earnings, investors are more focused on the sustainability of book value at this time. In total, our normalized valuation assumes annual long-term homebuilding profit growth of 8.5%. Additionally, we are modeling normalized operating margin of 9.5%, which should not be mistaken for our forecast for trough levels. For comparison, the 9.5% margin would be on par with levels achieved in 2000, prior to the vast run-up in prices, and would compare to a range of 6.5% to 16.7% over the last ten years.

- On a book basis, we value the group at roughly 1.1x 2007 year-end book, which compares to the range of 0.8-2.4 from 1996 to the present. We are currently imbedding more risk for builders with a higher percentage of option deposits or those that have been more aggressive with acquisitions in recent years. We do note, however, that while it is difficult to quantify the exact risk to potential writedowns, we view such events as becoming highly likely over the next year, which would put further pressure on our book valuation if they in fact materialize. Given the large gap between ourselves and consensus on the earnings front and the fact that the stocks appear overvalued, we believe investors should remain on the sideline and refrain from what could clearly be a value trap as noteworthy bottom fishers seek an entry point.

- Based on our valuation work, the group is nearly 10% overvalued at current levels. We note that Credit Suisse's target prices are set with a twelve-month horizon and thus reflect what we believe the stocks are worth today in addition to accounting for the time value of money. Looking at P/Es, the stocks are trading at ~8.5 times forward earnings and closer to 10.0x fiscal 2007 estimates. The group is trading at 1.2 times tangible book value.

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Executive Summary

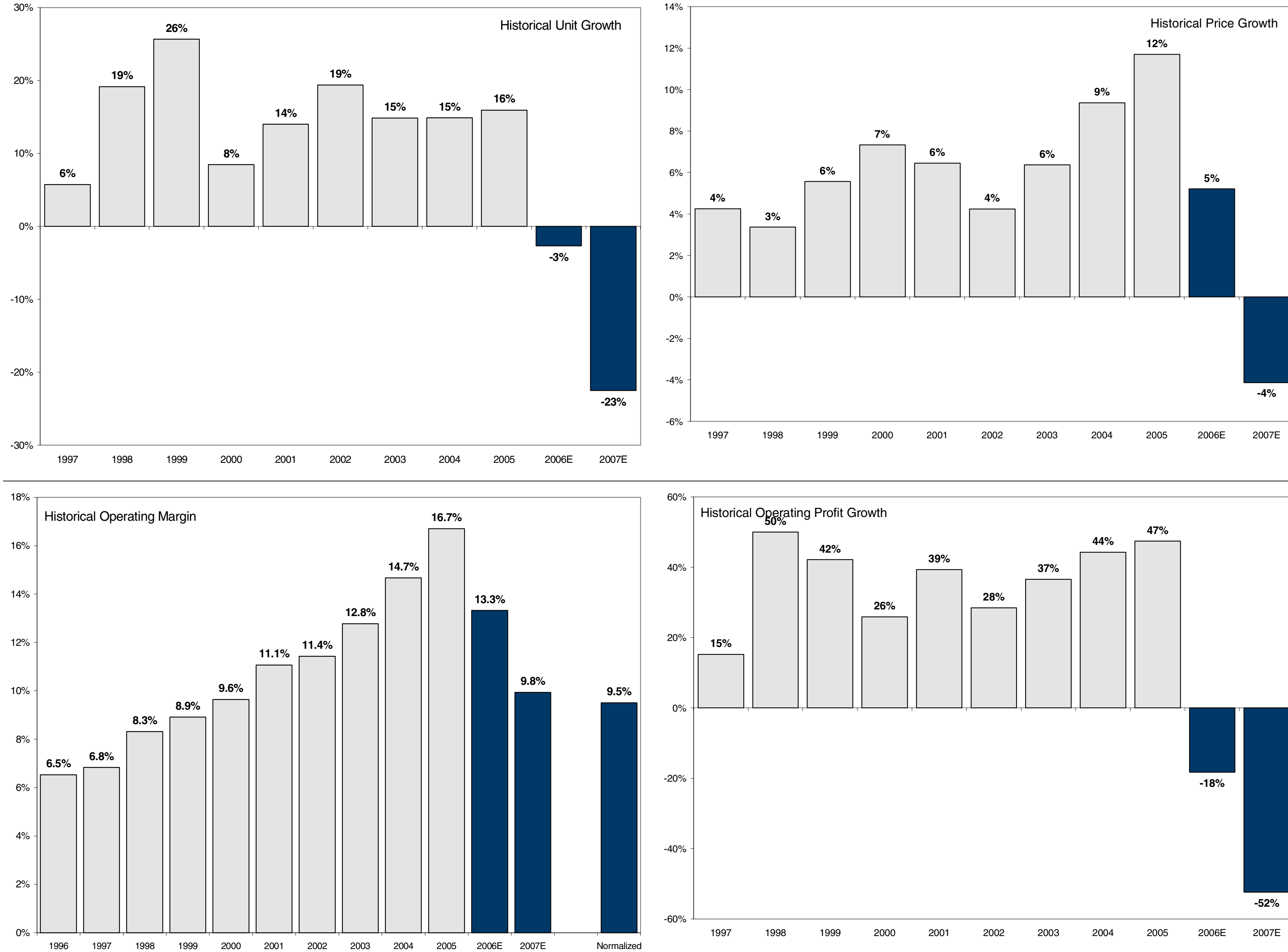
Exhibit 1: Summary of Earnings and Target Price Changes

		Old EPS			New EPS		
	Fiscal Year-end	2006	2007	% Chg	2006	2007	% Chg
BZH	September	$9.30	$6.85	-26%	$9.18	$4.53	-51%
CTX	March	$6.55	$5.75	-12%	$5.75	$3.37	-41%
DHI	September	$3.92	$2.95	-25%	$3.93	$2.00	-49%
KBH	November	$9.55	$6.95	-27%	$9.46	$5.00	-47%
LEN	November	$7.75	$5.75	-26%	$7.75	$5.00	-35%
MDC	December	$6.75	$4.25	-37%	$6.75	$3.40	-50%
MHO	December	$6.10	$4.10	-33%	$6.00	$3.20	-47%
NVR	December	$96.65	$73.60	-24%	$96.95	$64.85	-33%
PHM	December	$3.90	$3.05	-22%	$3.85	$2.15	-44%
RYL	December	$7.75	$5.35	-31%	$7.65	$3.99	-48%
SPF	December	$5.05	$3.25	-36%	$4.95	$2.50	-50%
			Average	-31%		Average	-46%
			Median	-29%		Median	-47%

	Estimated Fair Value						
	Sum-of-Parts	Book Valuation	Average	Current Price	Upside / (Downside)	New Target Price	Old Target Price
BZH	$34.30	$37.80	$36.05	$39.87	-10%	$41.00	$46.00
CTX	$41.00	$48.80	$44.90	$50.31	-11%	$51.00	$52.00
DHI	$19.10	$21.70	$20.40	$21.80	-6%	$23.00	$25.00
KBH	$37.50	$34.60	$36.05	$41.73	-14%	$41.00	$49.00
LEN	$47.90	$45.90	$46.90	$44.56	5%	$53.00	$55.00
MDC	$42.50	$38.40	$40.45	$42.43	-5%	$46.00	$46.00
MHO	$31.40	$38.80	$35.10	$33.01	6%	$39.00	$42.00
NVR	$511.40	$429.30	$470.35	$510.00	-8%	$525.00	$525.00
PHM	$23.50	$24.90	$24.20	$28.98	-16%	$27.00	$30.00
RYL	$34.40	$34.90	$34.65	$41.81	-17%	$39.00	$39.00
SPF	$24.50	$22.40	$23.45	$23.83	-2%	$26.00	$28.00
				Average	-7%		
				Median	-8%		

Source: Company data, Credit Suisse estimates

Exhibit 2: Homebuilding Income Statement Drivers



Source: Company data, Credit Suisse estimates

Exhibit 3: **Homebuilding Comparable Analysis**

Companies	Ticker	Rating	Price as of 5-Sep-06	52 Week High	52 Week Low	Market Cap	Firm Value	Total Sales LTM	Total Sales 3-Yr CAGR	LTM Total EBIT Margin	LTM Total EBIT BP Chg	Annual EBIT Margins Peak	Annual EBIT Margins Trough	Lot Inventory Total / Year Supply / % Opt.	Deposit % Option Value	Off Balance Sheet Inv % of Total
Beazer Homes	BZH	Neutral	$39.87	$82.14	$36.27	$1,572.3	$3,308.0	$5,288	24%	14.7%	30	15.4%	4.6%	105K / 6 / 56%	10%	39%
Centex	CTX	Neutral	$50.31	$79.40	$42.90	$6,136.3	$10,892.5	$12,125	21%	13.7%	(10)	14.4%	2.2%	283K / 7 / 60%	4%	43%
D.R. Horton	**DHI**	**Outperform**	**$21.80**	**$41.66**	**$19.52**	**$6,819.0**	**$12,148.6**	**$14,787**	**27%**	**17.7%**	**(110)**	**18.2%**	**9.4%**	**340K / 6 / 43%**	**5%**	**41%**
Hovnanian	HOV	Neutral	$26.67	$61.71	$24.79	$1,678.0	$3,787.1	$5,698	28%	13.8%	(80)	15.6%	0.1%	122K / 7 / 72%	9%	57%
KB Home	KBH	Underperform	$41.73	$81.99	$37.89	$3,318.5	$6,865.2	$10,386	23%	14.9%	200	15.0%	6.3%	184K / 5 / 50%	4%	39%
Lennar	**LEN**	**Outperform**	**$44.56**	**$66.44**	**$38.66**	**$7,008.5**	**$9,600.8**	**$14,819**	**24%**	**16.0%**	**20**	**17.1%**	**9.5%**	**333K / 7 / 69%**	**8%**	**34%**
MDC Holdings	MDC	Neutral	$42.43	$81.33	$42.01	$1,906.8	$2,811.8	$5,204	28%	15.6%	(150)	17.3%	3.0%	44K / 3 / 33%	6%	35%
M/I Homes	**MHO**	**Outperform**	**$33.01**	**$56.90**	**$29.95**	**$465.8**	**$1,117.6**	**$1,352**	**9%**	**13.7%**	**70**	**14.2%**	**5.8%**	**27K / 6 / 35%**	**8%**	**34%**
NVR	NVR	Neutral	$510.00	$905.08	$386.55	$2,918.2	$2,945.5	$5,896	19%	20.4%	(90)	22.0%	5.8%	103K / 7 / 100%	8%	91%
Pulte	PHM	Neutral	$28.98	$46.25	$26.02	$7,351.8	$11,399.0	$14,946	25%	16.0%	(90)	17.0%	4.7%	362K / 8 / 45%	6%	44%
Ryland	RYL	Neutral	$41.81	$83.15	$33.86	$1,882.5	$2,874.5	$4,869	19%	15.7%	120	16.1%	0.0%	76K / 4 / 55%	9%	45%
Standard Pacific	SPF	Neutral	$23.83	$44.80	$20.24	$1,555.3	$3,639.6	$4,068	29%	19.5%	20	19.8%	7.3%	68K / 6 / 43%	8%	27%
Toll Brothers	TOL	Neutral	$26.29	$49.10	$22.22	$4,033.5	$5,917.9	$6,176	35%	23.2%	30	25.1%	9.9%	83K / 9 / 47%	6%	38%
WCI Communities	WCI	Underperform	$15.48	$31.00	$13.73	$664.5	$2,418.4	$1,275	29%	15.5%	(100)	20.3%	17.4%	20K / 6 / 15%	11%	13%
Median						$2,412.5	$3,713.4		25%	15.7%	5	17.1%	5.8%	104K / 6 / 49%	8%	39%

Companies	Tot Debt/ Cap	LTM Int Coverage	Return on Equity	Return on Capital	Inv. Turns	NWC as a % Sales	JV Invest. % Assets	LTM JV Income % EBIT	Tangible Price to Book	Price to Book	Price to 06E Book	Price to Book Peak	Price to Book Trough	Firm Value to 2006 EBITDA	3-Yr Median FV / LTM EBITDA	LTM FCF Yield
Beazer Homes	51.9%	7.2	29.3%	16.9%	1.3	51%	3%	0%	1.0	1.0	0.9	2.2	0.5	4.5	5.2	-17%
Centex	49.1%	8.1	24.1%	14.3%	1.0	49%	1%	0%	1.3	1.2	1.0	2.6	0.7	8.1	6.3	-14%
D.R. Horton	**46.9%**	**5.1**	**27.2%**	**16.8%**	**1.1**	**58%**	**0%**	**0%**	**1.2**	**1.1**	**1.1**	**4.3**	**0.8**	**5.5**	**5.8**	**-25%**
Hovnanian	52.2%	7.0	27.3%	14.9%	1.4	47%	4%	5%	1.0	0.8	0.8	3.9	0.4	5.3	5.7	-34%
KB Home	54.5%	7.5	33.5%	18.1%	1.2	50%	4%	1%	1.2	1.1	1.0	3.4	0.8	4.9	6.0	-16%
Lennar	**33.5%**	**12.5**	**29.4%**	**20.9%**	**1.4**	**43%**	**11%**	**2%**	**1.3**	**1.2**	**1.1**	**4.2**	**0.4**	**4.2**	**5.4**	**1%**
MDC Holdings	31.9%	14.5	25.8%	18.1%	1.3	50%	0%	0%	0.9	0.9	0.8	2.5	0.0	4.8	5.0	-12%
M/I Homes	**51.6%**	**5.3**	**18.2%**	**10.8%**	**0.9**	**73%**	**4%**	**0%**	**0.8**	**0.8**	**0.7**	**2.0**	**0.5**	**6.8**	**5.8**	**-25%**
NVR	16.9%	63.3	88.1%	67.8%	4.5	15%	NM	NM	3.1	2.9	2.3	8.9	0.6	2.7	4.6	17%
Pulte	39.4%	11.5	24.1%	16.3%	1.2	53%	2%	3%	1.2	1.2	1.1	2.4	0.5	6.1	6.1	-12%
Ryland	45.6%	12.4	35.1%	21.2%	1.5	43%	0%	0%	1.3	1.3	1.2	3.3	0.5	4.4	4.9	1%
Standard Pacific	53.4%	6.5	26.2%	14.6%	0.9	79%	7%	9%	0.9	0.8	0.7	2.2	0.5	5.9	5.7	-23%
Toll Brothers	40.6%	11.6	28.3%	18.5%	0.8	68%	3%	3%	1.3	1.2	1.2	4.0	0.7	4.4	7.0	-4%
WCI Communities	62.1%	3.7	16.6%	9.5%	1.0	78%	2%	0%	0.7	0.6	0.6	2.5	0.6	7.5	7.5	-33%
Median	48.0%	7.8	27.2%	16.9%	1.2	50%	3%	0%	1.2	1.1	1.0	2.9	0.5	5.1	5.7	-15%

Companies	Earnings Per Share 2006	Earnings Per Share YOY % Chg	Earnings Per Share 2006 FC	Earnings Per Share 2007E	Earnings Per Share YOY % Chg	Earnings Per Share 2007 FC	EPS CAGR 3-Year	PE Ratios 2006	PE Ratios 2007	NTM PE Median 3 Yr.	Div Yield %	Insider Ownership	LTM Avg Closing Price	Average Trading Volume	Stock Performance 2005	Stock Performance 2006
Beazer Homes	$9.15	5%	$9.24	$4.50	-51%	$6.48	35%	4.4	8.9	6.3	1.0%	3%	$284,400	1,291,220	49%	-45%
Centex	$5.75	-42%	$6.40	$3.35	-42%	$5.51	33%	8.7	15.0	7.0	0.3%	5%	$308,400	2,433,458	20%	-30%
D.R. Horton	**$3.93**	**-15%**	**$3.70**	**$2.00**	**-49%**	**$2.66**	**48%**	**5.5**	**10.9**	**7.5**	**2.8%**	**9%**	**$271,500**	**4,571,177**	**18%**	**-39%**
Hovnanian	$5.70	-20%	$5.30	$3.15	-45%	$3.49	47%	4.7	8.5	7.2	0.0%	41%	$322,600	1,834,855	0%	-46%
KB Home	$9.46	-1%	$9.61	$5.00	-47%	$7.70	39%	4.4	8.3	6.8	2.4%	5%	$268,400	2,774,941	39%	-43%
Lennar	**$7.75**	**-7%**	**$7.54**	**$5.00**	**-35%**	**$5.95**	**33%**	**5.7**	**8.9**	**7.9**	**1.4%**	**15%**	**$323,800**	**2,623,075**	**8%**	**-27%**
MDC Holdings	$6.75	-39%	$6.76	$3.40	-50%	$4.23	42%	6.3	12.5	7.4	2.4%	26%	$342,100	998,731	-7%	-32%
M/I Homes	**$6.00**	**-13%**	**$6.14**	**$3.20**	**-47%**	**$4.31**	**17%**	**5.5**	**10.3**	**6.7**	**0.3%**	**13%**	**$301,700**	**282,313**	**-26%**	**-19%**
NVR	$96.95	8%	$94.75	$64.85	-33%	$64.89	35%	5.3	7.9	8.7	0.0%	11%	$392,100	103,250	-9%	-27%
Pulte	$3.85	-29%	$3.89	$2.15	-44%	$3.07	45%	7.5	13.5	7.3	0.6%	17%	$325,600	3,364,877	23%	-26%
Ryland	$7.65	-15%	$7.62	$4.00	-48%	$5.52	40%	5.5	10.5	7.6	1.1%	6%	$288,900	1,806,072	25%	-42%
Standard Pacific	$4.95	-22%	$5.00	$2.50	-49%	$3.08	49%	4.8	9.5	6.4	0.7%	4%	$355,000	1,452,539	15%	-35%
Toll Brothers	$4.45	-7%	$4.39	$2.90	-35%	$2.93	49%	5.9	9.1	8.6	0.0%	23%	$682,000	3,928,572	1%	-24%
WCI Communities	$2.70	-38%	$2.62	$1.00	-63%	$0.96	22%	5.7	15.5	8.0	0.0%	3%	$553,300	1,453,605	-9%	-42%
Median		-17%	-18% FC Growth		-46%	-30% FC Growth	38%	5.5	9.9	7.4	0.6%	10%	$358,600		11%	-34%

	2005	2006
S&P 500 % Change	3%	5%
2-Year Treasury Yield	4.38%	4.78%
Basis Point Change	129	40
10-Year Treasury Yield	4.39%	4.78%
Basis Point Change	17	39

Target Prices: BZH: $41; CTX: $51; DHI: $23; HOV: $29; KBH: $41; LEN: $53; MDC: $46; MHO: $39; NVR: $525; PHM: $27; RYL: $39; SPF: $26; TOL: $24.50; WCI: $14.

Note 1: 2006 and 2007 EPS estimates for CTX are for its fiscal year 2007 and 2008 (March-end).

Note 2: The deposit for specific performance options are included in our deposit % calculation if provided.

Note 3: Price to Book peak and troughs are daily from Jan 1990 - Jan 2006. Annual EBIT Margin peak and troughs are from 1990 - 2005 and are for Total Company EBIT.

Note 4: CTX Revenues (Operating Income) FY2006: Homebuilding 83% (96%), Financial Service 3% (4%), Contracting 11% (1%), Other 3% (-1%).

Note 5: Percent of 2005 Pre-tax Income derived from Financial Services: BZH: 2%; CTX: 4; DHI: 4%; HOV: 3%; KBH: 1%; LEN: 5%; MDC: 3%; MHO: 11%; NVR: 5%; PHM: 3%; RYL: 8%; SPF: 1%

Note 6: ROC calculation excludes amortized interest in COGS where applicable.

Note 7: LTM free cash flow yields are before dividends and exclude changes in mortgage loans.

Note 8: LEN's share price represents price of Class A shares (79% of outstanding). Class B shares (21% of outstanding) are currently trading at: $41.44

Note 9: Inventory Off Balance Sheet represents total value of optioned land less obligation related to inventory not owned and less deposits related to off balance sheet inventory (if provided) in 2005

Source: Company data, Credit Suisse estimates

Beazer Homes USA BZH

NEUTRAL*

Price (04 Sep 06)	40.31 (US$)
52 week high - low	82.03 - 37.55
Target price (12 months)	(from 46.00) 41.00 (US$)
Analyst's Coverage Universe	Homebuilding
Weighting (vs. broad market)	MARKET WEIGHT

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

Year	9/05A	9/06E	9/07E
EPS (CS adj., US$)	9.47	9.15	4.50
P/E (x)	4.3	4.4	9.0
P/E rel. (%)	21.6	28.8	43.6
Revenue (US$ m)	4,995.4	5,223.7	3,823.9
EBITDA (US$ m)	776.7	732.6	372.5
IC (US$ m)	2,826.6	3,453.2	3,638.4
OCFPS (US$)	—	—	—
ROIC	18.9%	14.6%	6.4%
P/OCF (x)	—	—	—
EV/EBITDA (x)	3.5	4.2	9.1

Number of shares (m)	41.52	Enterprise value (US$m)	3,076.52
Net debt (current, US$ m)	1,024.8	Dividend (current, US$)	0.41
Net debt/total cap. (current)	51.6%	Dividend yield	1.0%

Historical valuation

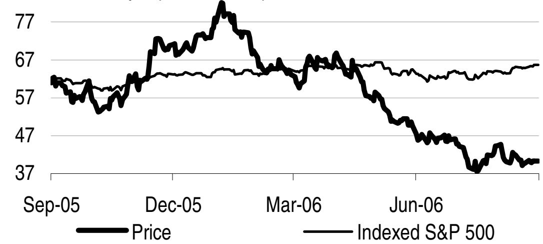
Year	9/04A	9/05A	9/06E
Y/E closing price (US$)	35.63	58.67	40.31
Market cap. (US$ m)	1,420.89	2,374.26	1,673.83
End year net debt (US$ m)	816.5	1,024.8	1,402.7
Enterprise value (US$ m)	2,490.36	2,698.67	3,076.52

Key historical ratios

EV/EBITDA (x)	4.9	3.5	4.2
EV/IC (x)	1.3	1.1	0.9
P/E at closing price (x)	5.6	6.2	4.4

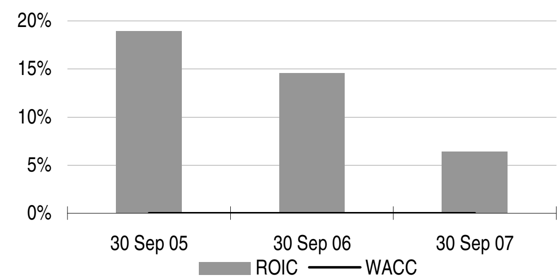
Price / Indexed S&P 500

Daily Sep 05, 2005 - Sep 04, 2006, 9/05/05 = US$61.

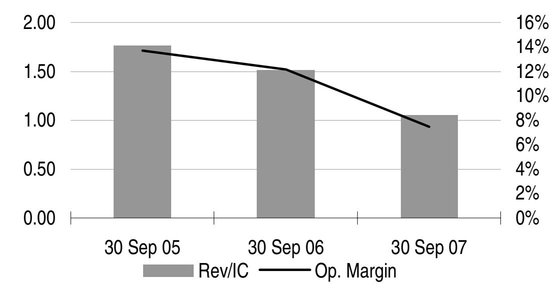


Year	9/05A	9/06E	9/07E
Q1 EPS	1.70	2.00	1.23
Q2	1.83	2.26	1.02
Q3	2.50	2.08	0.94
Q4	3.61	2.84	1.31

ROIC / WACC



REV / IC Op. Margin



Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

Centex CTX

NEUTRAL*

Price (04 Sep 06)	**51.13 (US$)**
52 week high - low	**78.94 - 44.20**
Target price (12 months)	**(from 52.00) 49.00 (US$)**
Analyst's Coverage Universe	**Homebuilding**
Weighting (vs. broad market)	**MARKET WEIGHT**

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

Year	3/06A	3/07E	3/08E
EPS (CS adj., US$)	**8.97**	**5.75**	**3.35**
P/E (x)	**5.7**	**8.9**	**15.3**
P/E rel. (%)	**35.5**	**55.0**	**68.9**
Revenue (US$ m)	**14,399.7**	**13,082.6**	**10,280.0**
EBITDA (US$ m)	**2,140.5**	**1,344.6**	**809.1**
IC (US$ m)	**8,993.9**	**11,317.1**	**12,783.6**
OCFPS (US$)	—	—	—
ROIC	**15.6%**	**7.8%**	**3.8%**
P/OCF (x)	—	—	—
EV/EBITDA (x)	**4.8**	**9.1**	**16.4**

Number of shares (m)	**122.78**	Enterprise value (US$m)	**12,279.10**
Net debt (current, US$ m)	**4,624.0**	Dividend (current, US$)	**0.16**
Net debt/total cap. (current)	**47.9%**	Dividend yield	**0.3%**

Historical valuation

Year	3/05A	3/06A	3/07E
Y/E closing price (US$)	**57.27**	**61.99**	**51.13**
Market cap. (US$ m)	**7,315.65**	**7,663.38**	**6,277.54**
End year net debt (US$ m)	**2,744.4**	**3,935.0**	**6,001.6**
Enterprise value (US$ m)	**9,021.91**	**10,212.54**	**12,279.10**

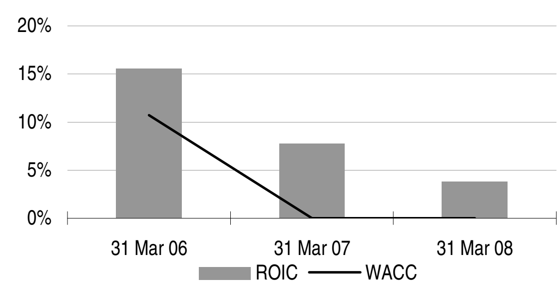
Key historical ratios

EV/EBITDA (x)	**5.6**	**4.8**	**9.1**
EV/IC (x)	**1.6**	**1.4**	**1.1**
P/E at closing price (x)	**8.4**	**6.9**	**8.9**

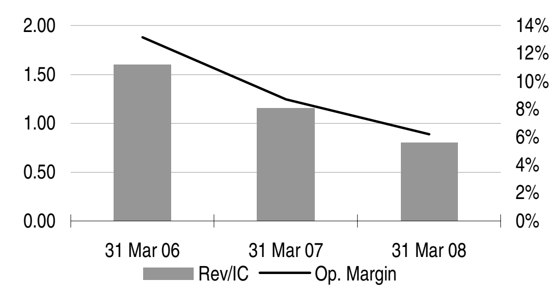
Price / Indexed S&P 500
Daily Sep 05, 2005 - Sep 04, 2006, 9/05/05 = US$66.7

Year	3/06A	3/07E	3/08E
Q1 EPS	**1.57**	**1.39**	**0.77**
Q2	**2.15**	**1.40**	**0.74**
Q3	**2.39**	**1.54**	**0.91**
Q4	**2.92**	**1.43**	**0.93**

ROIC / WACC



REV / IC Op. Margin



Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

DR Horton DHI

OUTPERFORM*

Price (04 Sep 06)	**22.05 (US$)**
52 week high - low	**41.39 - 20.00**
Target price (12 months)	**(from 25.00) 23.00 (US$)**
Analyst's Coverage Universe	**Homebuilding**
Weighting (vs. broad market)	**MARKET WEIGHT**

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

Year	9/05A	9/06E	9/07E
EPS (CS adj., US$)	**4.62**	**3.93**	**2.00**
P/E (x)	**4.8**	**5.6**	**11.0**
P/E rel. (%)	**24.2**	**37.4**	**55.4**
Revenue (US$ m)	**13,863.7**	**14,363.5**	**10,754.4**
EBITDA (US$ m)	**2,571.2**	**2,224.1**	**1,240.3**
IC (US$ m)	**9,020.5**	**11,668.4**	**14,086.6**
OCFPS (US$)	—	—	—
ROIC	**19.9%**	**13.1%**	**5.7%**
P/OCF (x)	—	—	—
EV/EBITDA (x)	**3.7**	**5.1**	**10.9**

Number of shares (m)	**313.12**	Enterprise value (US$m)	**11,381.28**
Net debt (current, US$ m)	**5,329.6**	Dividend (current, US$)	**0.40**
Net debt/total cap. (current)	**46.2%**	Dividend yield	**1.8%**

Historical valuation

Year	9/04A	9/05A	9/06E
Y/E closing price (US$)	**24.83**	**36.22**	**22.05**
Market cap. (US$ m)	**7,721.25**	**11,305.47**	**6,904.21**
End year net debt (US$ m)	**2,488.5**	**2,510.3**	**4,477.1**
Enterprise value (US$ m)	**9,392.71**	**9,414.51**	**11,381.28**

Key historical ratios

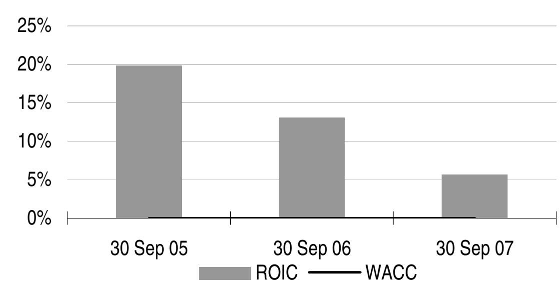
EV/EBITDA (x)	**5.0**	**3.7**	**5.1**
EV/IC (x)	**1.6**	**1.3**	**1.0**
P/E at closing price (x)	**8.0**	**7.8**	**5.6**

Price / Indexed S&P 500

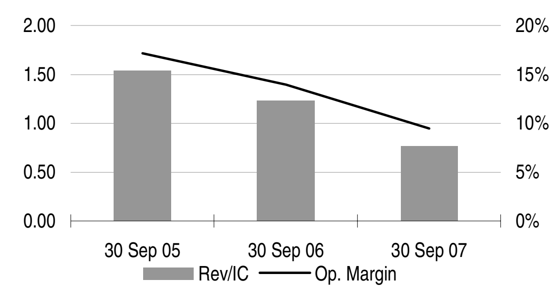
Daily Sep 05, 2005 - Sep 04, 2006, 9/05/05 = US$36.74

Year	9/05A	9/06E	9/07E
Q1 EPS	**0.76**	**0.98**	**0.42**
Q2	**0.92**	**1.11**	**0.49**
Q3	**1.17**	**0.93**	**0.50**
Q4	**1.77**	**0.91**	**0.59**

ROIC / WACC



REV / IC Op. Margin



Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

KB Home KBH

UNDERPERFORM*

Price (04 Sep 06)	42.42 (US$)
52 week high - low	81.66 - 39.03
Target price (12 months)	(from 49.00) 44.00 (US$)
Analyst's Coverage Universe	Homebuilding
Weighting (vs. broad market)	MARKET WEIGHT

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

Year	11/05A	11/06E	11/07E
EPS (CS adj., US$)	9.53	9.46	5.00
P/E (x)	4.5	4.5	8.5
P/E rel. (%)	23.2	30.2	45.9
Revenue (US$ m)	9,441.7	10,728.8	8,626.7
EBITDA (US$ m)	1,435.3	1,400.0	791.0
IC (US$ m)	5,315.5	6,997.3	8,639.1
OCFPS (US$)	—	—	—
ROIC	19.3%	13.9%	6.3%
P/OCF (x)	—	—	—
EV/EBITDA (x)	4.4	5.4	11.5

Number of shares (m)	93.05	Enterprise value (US$m)	7,543.33
Net debt (current, US$ m)	3,546.7	Dividend (current, US$)	0.99
Net debt/total cap. (current)	54.2%	Dividend yield	2.3%

Historical valuation

Year	11/04A	11/05A	11/06E
Y/E closing price (US$)	43.95	69.77	42.42
Market cap. (US$ m)	3,434.04	5,786.03	3,947.18
End year net debt (US$ m)	1,741.4	2,309.8	3,596.2
Enterprise value (US$ m)	5,688.59	6,257.01	7,543.33

Key historical ratios

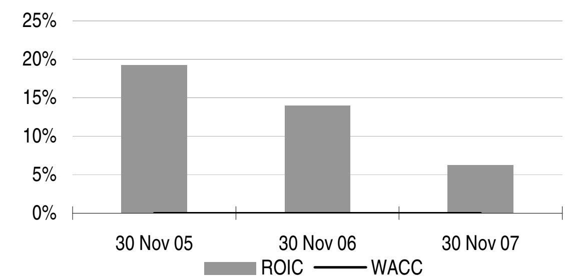
EV/EBITDA (x)	6.8	4.4	5.4
EV/IC (x)	1.9	1.4	1.1
P/E at closing price (x)	7.7	7.3	4.5

Price / Indexed S&P 500

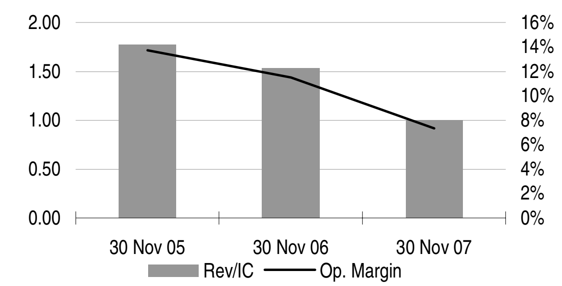
Daily Sep 05, 2005 - Sep 04, 2006, 9/05/05 = US$72.69

Year	11/05A	11/06E	11/07E
Q1 EPS	1.41	2.02	1.19
Q2	2.06	2.46	1.23
Q3	2.55	2.29	1.09
Q4	3.51	2.70	1.48

ROIC / WACC



REV / IC Op. Margin



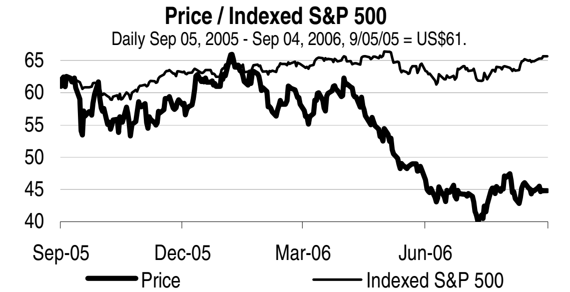
Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

Lennar LEN

OUTPERFORM*

Price (04 Sep 06)	**44.79 (US$)**
52 week high - low	**65.95 - 40.07**
Target price (12 months)	**(from 55.00) 53.00 (US$)**
Analyst's Coverage Universe	**Homebuilding**
Weighting (vs. broad market)	**MARKET WEIGHT**

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

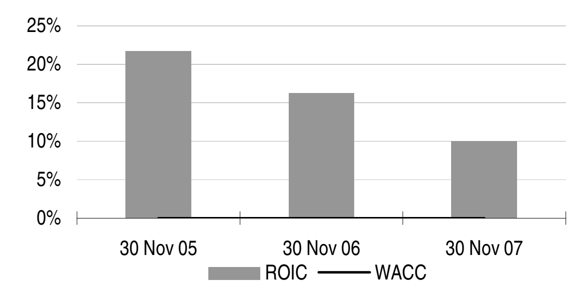


Year	11/05A	11/06E	11/07E
EPS (CS adj., US$)	**8.30**	**7.75**	**5.00**
P/E (x)	**5.4**	**5.8**	**9.0**
P/E rel. (%)	**28.1**	**39.3**	**58.6**
Revenue (US$ m)	**13,979.7**	**16,495.7**	**13,062.2**
EBITDA (US$ m)	**2,446.9**	**2,285.7**	**1,572.2**
IC (US$ m)	**7,844.2**	**9,223.1**	**9,778.7**
OCFPS (US$)	—	—	—
ROIC	**21.7%**	**16.2%**	**10.0%**
P/OCF (x)	—	—	—
EV/EBITDA (x)	**3.0**	**3.3**	**4.7**

Year	11/05A	11/06E	11/07E
Q1 EPS	**1.17**	**1.58**	**0.93**
Q2	**1.55**	**2.00**	**1.19**
Q3	**2.06**	**1.95**	**1.38**
Q4	**3.54**	**2.23**	**1.49**

Number of shares (m)	**127.43**	Enterprise value (US$m)	**7,612.77**
Net debt (11/05A, US$ m)	**1,533.4**	Dividend (current, US$)	**0.64**
Net debt/total cap. (current)	**31.0%**	Dividend yield	**1.4%**

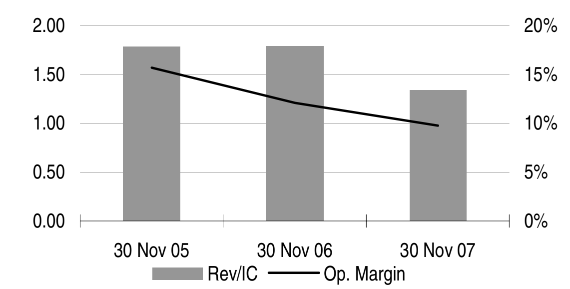
ROIC / WACC



Historical valuation

Year	11/04A	11/05A	11/06E
Y/E closing price (US$)	**44.93**	**57.68**	**44.79**
Market cap. (US$ m)	**6,993.08**	**9,061.99**	**5,707.37**
End year net debt (US$ m)	**593.1**	**1,533.4**	**1,905.4**
Enterprise value (US$ m)	**6,300.44**	**7,240.79**	**7,612.77**

REV / IC Op. Margin



Key historical ratios

EV/EBITDA (x)	**3.7**	**3.0**	**3.3**
EV/IC (x)	**1.3**	**1.0**	**0.8**
P/E at closing price (x)	**7.9**	**6.9**	**5.8**

Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

M.D.C. Holdings, Inc. MDC

NEUTRAL*

Price (04 Sep 06)	42.88 (US$)
52 week high - low	80.14 - 42.24
Target price (12 months)	46.00 (US$)
Analyst's Coverage Universe	Homebuilding
Weighting (vs. broad market)	MARKET WEIGHT

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

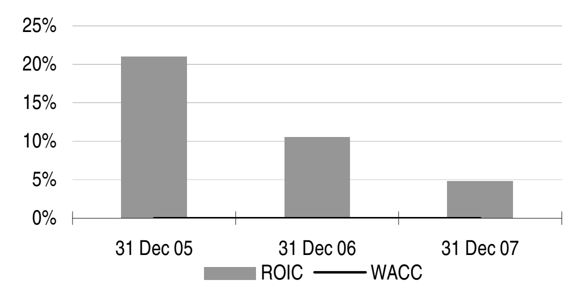
Price / Indexed S&P 500

Year	12/05A	12/06E	12/07E
EPS (CS adj., US$)	10.99	6.75	3.40
P/E (x)	3.9	6.4	12.6
P/E rel. (%)	23.5	43.6	76.5
Revenue (US$ m)	4,884.2	4,653.8	3,439.5
EBITDA (US$ m)	882.0	580.8	328.2
IC (US$ m)	2,948.4	3,409.1	3,834.1
OCFPS (US$)	—	—	—
ROIC	21.0%	10.6%	4.8%
P/OCF (x)	—	—	—
EV/EBITDA (x)	3.1	5.0	10.1

Year	12/05A	12/06E	12/07E
Q1 EPS	1.86	2.08	0.75
Q2	2.25	1.66	0.94
Q3	2.62	1.47	0.80
Q4	4.29	1.54	0.91

Number of shares (m)	44.66	Enterprise value (US$m)	2,926.10
Net debt (current, US$ m)	706.0	Dividend (current, US$)	0.98
Net debt/total cap. (current)	29.9%	Dividend yield	2.3%

ROIC / WACC



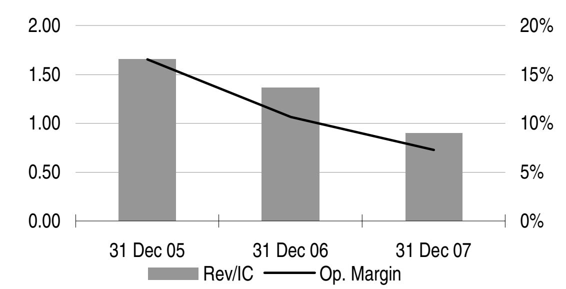
Historical valuation

Year	12/04A	12/05A	12/06E
Y/E closing price (US$)	66.49	61.98	42.88
Market cap. (US$ m)	2,866.95	2,764.62	1,914.98
End year net debt (US$ m)	338.2	781.8	1,011.1
Enterprise value (US$ m)	2,253.14	2,696.74	2,926.10

Key historical ratios

EV/EBITDA (x)	3.2	3.1	5.0
EV/IC (x)	1.4	1.0	0.9
P/E at closing price (x)	7.6	5.6	6.4

REV / IC Op. Margin



Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

M/I Homes MHO

OUTPERFORM*

Price (04 Sep 06)	33.00 (US$)
52 week high - low	56.20 - 30.18
Target price (12 months)	(from 42.00) 39.00 (US$)
Analyst's Coverage Universe	Homebuilding
Weighting (vs. broad market)	MARKET WEIGHT

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

Year	12/05A	12/06E	12/07E
EPS (CS adj., US$)	6.93	6.00	3.20
P/E (x)	4.8	5.5	10.3
P/E rel. (%)	28.7	37.1	61.0
Revenue (US$ m)	1,273.8	1,288.1	909.5
EBITDA (US$ m)	188.3	165.1	93.4
IC (US$ m)	1,058.1	1,320.8	1,513.0
OCFPS (US$)	—	—	—
ROIC	12.2%	8.1%	3.8%
P/OCF (x)	—	—	—
EV/EBITDA (x)	4.8	6.7	13.2

Number of shares (m)	14.13	Enterprise value (US$m)	1,101.38
Net debt (current, US$ m)	582.3	Dividend (current, US$)	0.10
Net debt/total cap. (current)	49.4%	Dividend yield	0.3%

Historical valuation

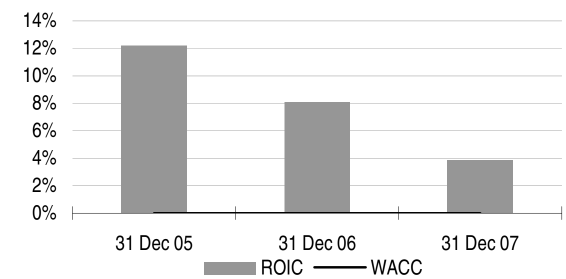
Year	12/04A	12/05A	12/06E
Y/E closing price (US$)	55.11	40.62	33.00
Market cap. (US$ m)	779.31	582.21	466.22
End year net debt (US$ m)	285.0	440.5	635.2
Enterprise value (US$ m)	751.24	906.70	1,101.38

Key historical ratios

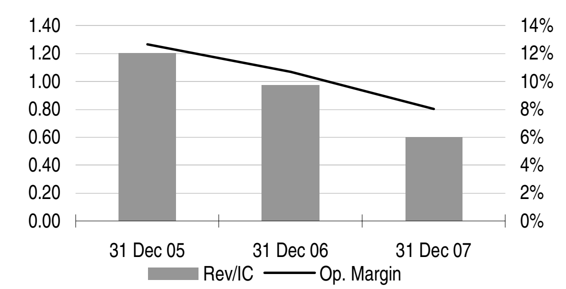
EV/EBITDA (x)	4.4	4.8	6.7
EV/IC (x)	1.4	1.0	0.8
P/E at closing price (x)	8.4	5.9	5.5

Year	12/05A	12/06E	12/07E
Q1 EPS	1.16	1.14	0.66
Q2	1.21	1.29	0.71
Q3	1.72	1.53	0.75
Q4	2.84	1.76	1.08

ROIC / WACC



REV / IC Op. Margin



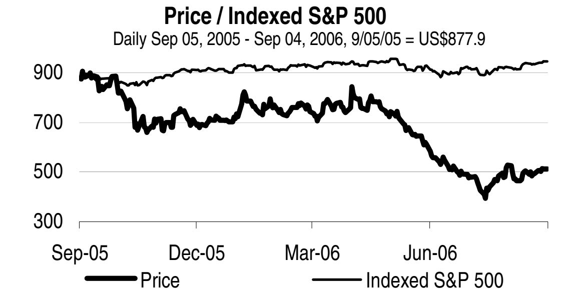
Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

NVR Inc. NVR

NEUTRAL*

Price (04 Sep 06)	**512.40 (US$)**
52 week high - low	**905.00 - 394.00**
Target price (12 months)	**525.00 (US$)**
Analyst's Coverage Universe	**Homebuilding**
Weighting (vs. broad market)	**MARKET WEIGHT**

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

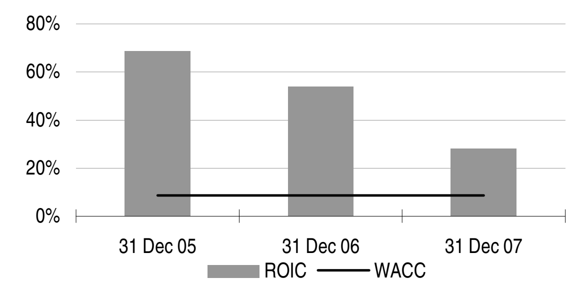


Year	12/05A	12/06E	12/07E
EPS (CS adj., US$)	**89.61**	**96.95**	**64.85**
P/E (x)	**5.7**	**5.3**	**7.9**
P/E rel. (%)	**34.5**	**36.3**	**52.8**
Revenue (US$ m)	**5,275.1**	**6,092.8**	**4,934.8**
EBITDA (US$ m)	**1,168.9**	**1,108.3**	**702.1**
IC (US$ m)	**983.5**	**1,460.3**	**1,620.0**
OCFPS (US$)	—	—	—
ROIC	**68.6%**	**54.0%**	**28.2%**
P/OCF (x)	—	—	—
EV/EBITDA (x)	**2.5**	**2.5**	**4.4**

Year	12/05A	12/06E	12/07E
Q1 EPS	**14.38**	**19.48**	**12.24**
Q2	**21.42**	**28.08**	**17.87**
Q3	**24.33**	**23.60**	**16.27**
Q4	**30.29**	**25.83**	**18.61**

Number of shares (m)	**5.55**	Enterprise value (US$m)	**2,766.63**
Net debt (current, US$ m)	**-163.3**	Dividend (current, US$)	—
Net debt/total cap. (current)	**2.7%**	Dividend yield	—

ROIC / WACC



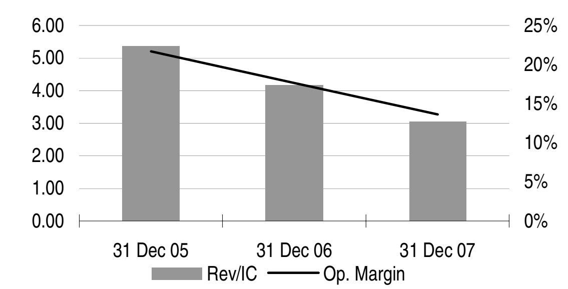
Historical valuation

Year	12/04A	12/05A	12/06E
Y/E closing price (US$)	**769.40**	**702.00**	**512.40**
Market cap. (US$ m)	**4,961.86**	**4,437.34**	**2,845.36**
End year net debt (US$ m)	**-163.3**	**128.8**	**-78.7**
Enterprise value (US$ m)	**2,682.07**	**2,974.16**	**2,766.63**

Key historical ratios

EV/EBITDA (x)	**3.0**	**2.5**	**2.5**
EV/IC (x)	**2.7**	**2.8**	**1.9**
P/E at closing price (x)	**11.6**	**7.8**	**5.3**

REV / IC Op. Margin



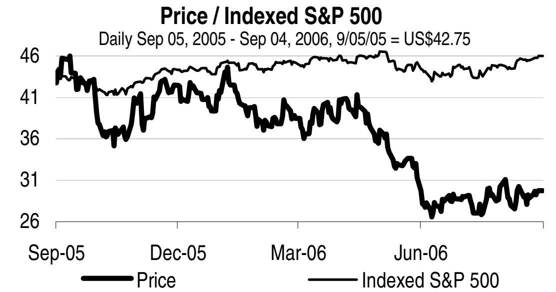
Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

Pulte PHM

NEUTRAL*

Price (04 Sep 06)	**29.73 (US$)**
52 week high - low	**46.00 - 26.56**
Target price (12 months)	**(from 30.00) 27.00 (US$)**
Analyst's Coverage Universe	**Homebuilding**
Weighting (vs. broad market)	**MARKET WEIGHT**

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

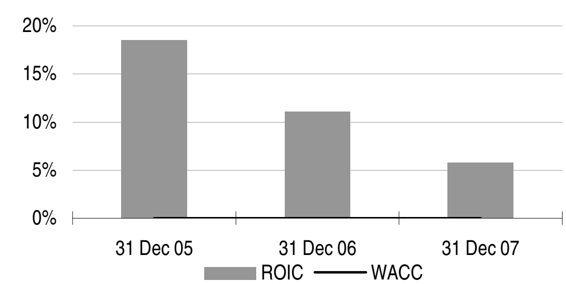


Year	12/05A	12/06E	12/07E
EPS (CS adj., US$)	**5.48**	**3.85**	**2.15**
P/E (x)	**5.4**	**7.7**	**13.8**
P/E rel. (%)	**32.7**	**52.2**	**73.9**
Revenue (US$ m)	**14,694.5**	**14,087.6**	**10,539.7**
EBITDA (US$ m)	**2,560.8**	**1,877.7**	**1,136.8**
IC (US$ m)	**9,343.9**	**10,826.3**	**11,992.2**
OCFPS (US$)	—	—	—
ROIC	**18.5%**	**11.1%**	**5.8%**
P/OCF (x)	—	—	—
EV/EBITDA (x)	**2.4**	**3.6**	**7.0**

Year	12/05A	12/06E	12/07E
Q1 EPS	**0.83**	**0.93**	**0.36**
Q2	**1.16**	**0.94**	**0.51**
Q3	**1.46**	**0.81**	**0.56**
Q4	**2.03**	**1.16**	**0.73**

Number of shares (m)	**129.23**	Enterprise value (US$m)	**6,816.52**
Net debt (current, US$ m)	**3,290.4**	Dividend (current, US$)	**0.16**
Net debt/total cap. (current)	**38.8%**	Dividend yield	**0.5%**

ROIC / WACC



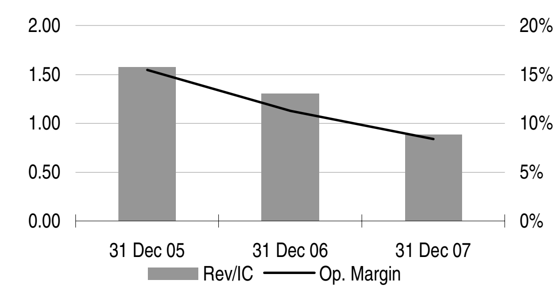
Historical valuation

Year	12/04A	12/05A	12/06E
Y/E closing price (US$)	**31.90**	**39.36**	**29.73**
Market cap. (US$ m)	**8,109.43**	**10,146.14**	**3,842.10**
End year net debt (US$ m)	**2,546.9**	**2,384.3**	**2,974.4**
Enterprise value (US$ m)	**6,389.01**	**6,226.36**	**6,816.52**

Key historical ratios

EV/EBITDA (x)	**3.5**	**2.4**	**3.6**
EV/IC (x)	**0.9**	**0.7**	**0.6**
P/E at closing price (x)	**8.4**	**7.2**	**7.7**

REV / IC Op. Margin



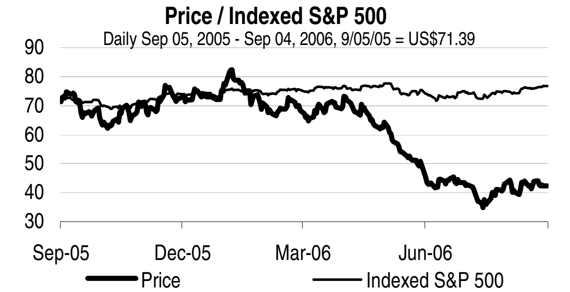
Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

Ryland Group RYL

NEUTRAL*

Price (04 Sep 06)	**42.38 (US$)**
52 week high - low	**82.37 - 34.82**
Target price (12 months)	**39.00 (US$)**
Analyst's Coverage Universe	**Homebuilding**
Weighting (vs. broad market)	**MARKET WEIGHT**

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

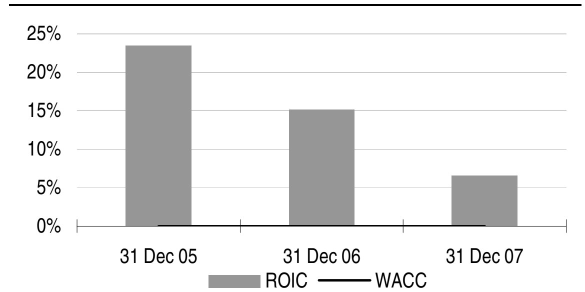


Year	12/05A	12/06E	12/07E
EPS (CS adj., US$)	**9.03**	**7.67**	**4.00**
P/E (x)	**4.7**	**5.5**	**10.6**
P/E rel. (%)	**28.3**	**37.4**	**60.1**
Revenue (US$ m)	**4,817.6**	**4,598.6**	**3,013.2**
EBITDA (US$ m)	**818.0**	**657.6**	**355.7**
IC (US$ m)	**2,298.0**	**2,683.6**	**3,036.2**
OCFPS (US$)	—	—	—
ROIC	**23.4%**	**15.2%**	**6.5%**
P/OCF (x)	—	—	—
EV/EBITDA (x)	**3.0**	**4.4**	**9.7**

Year	12/05A	12/06E	12/07E
Q1 EPS	**1.25**	**1.86**	**0.81**
Q2	**2.10**	**1.90**	**1.00**
Q3	**2.49**	**1.91**	**1.04**
Q4	**3.32**	**1.98**	**1.17**

Number of shares (m)	**46.75**	Enterprise value (US$m)	**2,905.63**
Net debt (current, US$ m)	**843.8**	Dividend (current, US$)	**0.49**
Net debt/total cap. (current)	**41.2%**	Dividend yield	**1.2%**

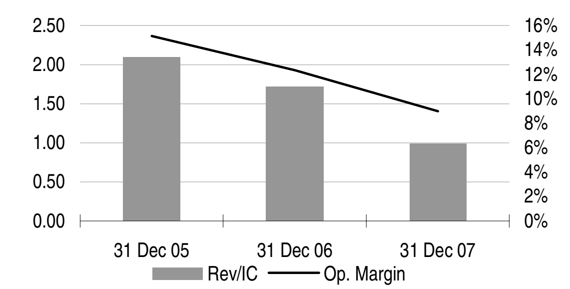
ROIC / WACC



Historical valuation

Year	12/04A	12/05A	12/06E
Y/E closing price (US$)	**57.54**	**72.13**	**42.38**
Market cap. (US$ m)	**2,743.43**	**3,356.91**	**1,981.18**
End year net debt (US$ m)	**470.6**	**460.6**	**924.5**
Enterprise value (US$ m)	**2,451.73**	**2,441.77**	**2,905.63**

REV / IC Op. Margin



Key historical ratios

EV/EBITDA (x)	**4.1**	**3.0**	**4.4**
EV/IC (x)	**1.8**	**1.3**	**1.1**
P/E at closing price (x)	**9.0**	**8.0**	**5.5**

Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

Standard Pacific SPF

NEUTRAL*

Price (04 Sep 06)	**23.70 (US$)**
52 week high - low	**44.37 - 21.02**
Target price (12 months)	**(from 28.00) 26.00 (US$)**
Analyst's Coverage Universe	**Homebuilding**
Weighting (vs. broad market)	**MARKET WEIGHT**

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

Year	12/05A	12/06E	12/07E
EPS (CS adj., US$)	**6.31**	**4.95**	**2.50**
P/E (x)	**3.8**	**4.8**	**9.5**
P/E rel. (%)	**22.6**	**32.2**	**55.3**
Revenue (US$ m)	**3,974.0**	**3,673.8**	**2,353.1**
EBITDA (US$ m)	**793.6**	**612.3**	**325.8**
IC (US$ m)	**3,267.6**	**4,250.3**	**4,922.5**
OCFPS (US$)	—	—	—
ROIC	**17.3%**	**9.7%**	**4.2%**
P/OCF (x)	—	—	—
EV/EBITDA (x)	**3.9**	**6.3**	**13.3**

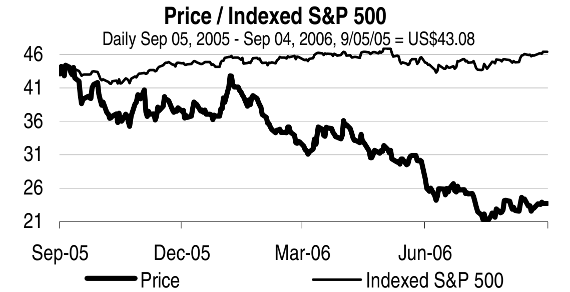
Number of shares (m)	**66.68**	Enterprise value (US$m)	**3,827.19**
Net debt (current, US$ m)	**1,537.0**	Dividend (current, US$)	**0.16**
Net debt/total cap. (current)	**53.2%**	Dividend yield	**0.7%**

Historical valuation

Year	12/04A	12/05A	12/06E
Y/E closing price (US$)	**32.07**	**36.80**	**23.70**
Market cap. (US$ m)	**2,149.39**	**2,488.83**	**1,580.29**
End year net debt (US$ m)	**898.6**	**1,499.8**	**2,246.9**
Enterprise value (US$ m)	**2,478.92**	**3,080.08**	**3,827.19**

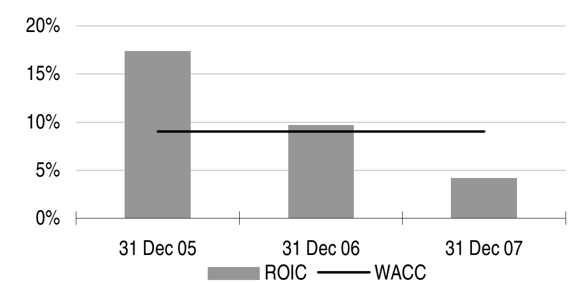
Key historical ratios

EV/EBITDA (x)	**4.2**	**3.9**	**6.3**
EV/IC (x)	**1.6**	**1.2**	**0.9**
P/E at closing price (x)	**7.1**	**5.8**	**4.8**

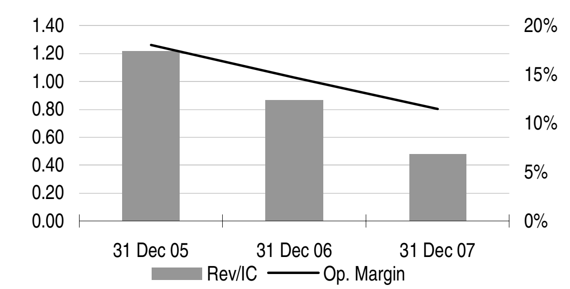


Year	12/05A	12/06E	12/07E
Q1 EPS	**1.18**	**1.38**	**0.43**
Q2	**1.54**	**1.44**	**0.68**
Q3	**1.42**	**0.80**	**0.54**
Q4	**2.22**	**1.33**	**0.85**

ROIC / WACC



REV / IC Op. Margin



Source: Company data, Credit Suisse estimates
On 09/04/06 the S&P 500 index closed at 1,313.25

Companies Mentioned *(Price as of 01 Sep 06)*

Beazer Homes USA (BZH, $40.31, NEUTRAL, TP $41.00, MARKET WEIGHT)
Centex (CTX, $51.13, NEUTRAL, TP $51.00, MARKET WEIGHT)
DR Horton (DHI, $22.05, OUTPERFORM, TP $25.00, MARKET WEIGHT)
KB Home (KBH, $42.42, UNDERPERFORM, TP $41.00, MARKET WEIGHT)
Lennar (LEN, $44.79, OUTPERFORM, TP $53.00, MARKET WEIGHT)
M.D.C. Holdings, Inc. (MDC, $42.88, NEUTRAL, TP $46.00, MARKET WEIGHT)
M/I Homes (MHO, $33.00, OUTPERFORM, TP $42.00, MARKET WEIGHT)
NVR Inc. (NVR, $512.40, NEUTRAL, TP $525.00, MARKET WEIGHT)
Pulte (PHM, $29.73, NEUTRAL, TP $27.00, MARKET WEIGHT)
Ryland Group (RYL, $42.38, NEUTRAL, TP $39.00, MARKET WEIGHT)
Standard Pacific (SPF, $23.70, NEUTRAL, TP $26.00, MARKET WEIGHT)

Disclosure Appendix

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