

Bad, Ugly and Uglier? Credit Suisse Homebuilding Overview

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2Q06 Earnings Highlights

Second Quarter Highlights

- Order growth range: LEN (-3%); MDC (-43%); Group Median (-27%)
- Average new order price declined 1% year-over-year and 2% sequentially
- Operating margins fell 280 basis points on average to 13.8%.
 - Gross margins fell 240 basis points to 25.5%, ranging from 22.8% to 30.6%
 - Total SG&A increased 40 basis points to 11.7%, ranging from 7.0% to 16.9%
 - MDC down the most (440 basis points to 11.6%); MHO up 90 basis points to 11.9%
- Current backlog down 15% YoY; DHI down 4%; WCI down 43%

Second Quarter Highlights

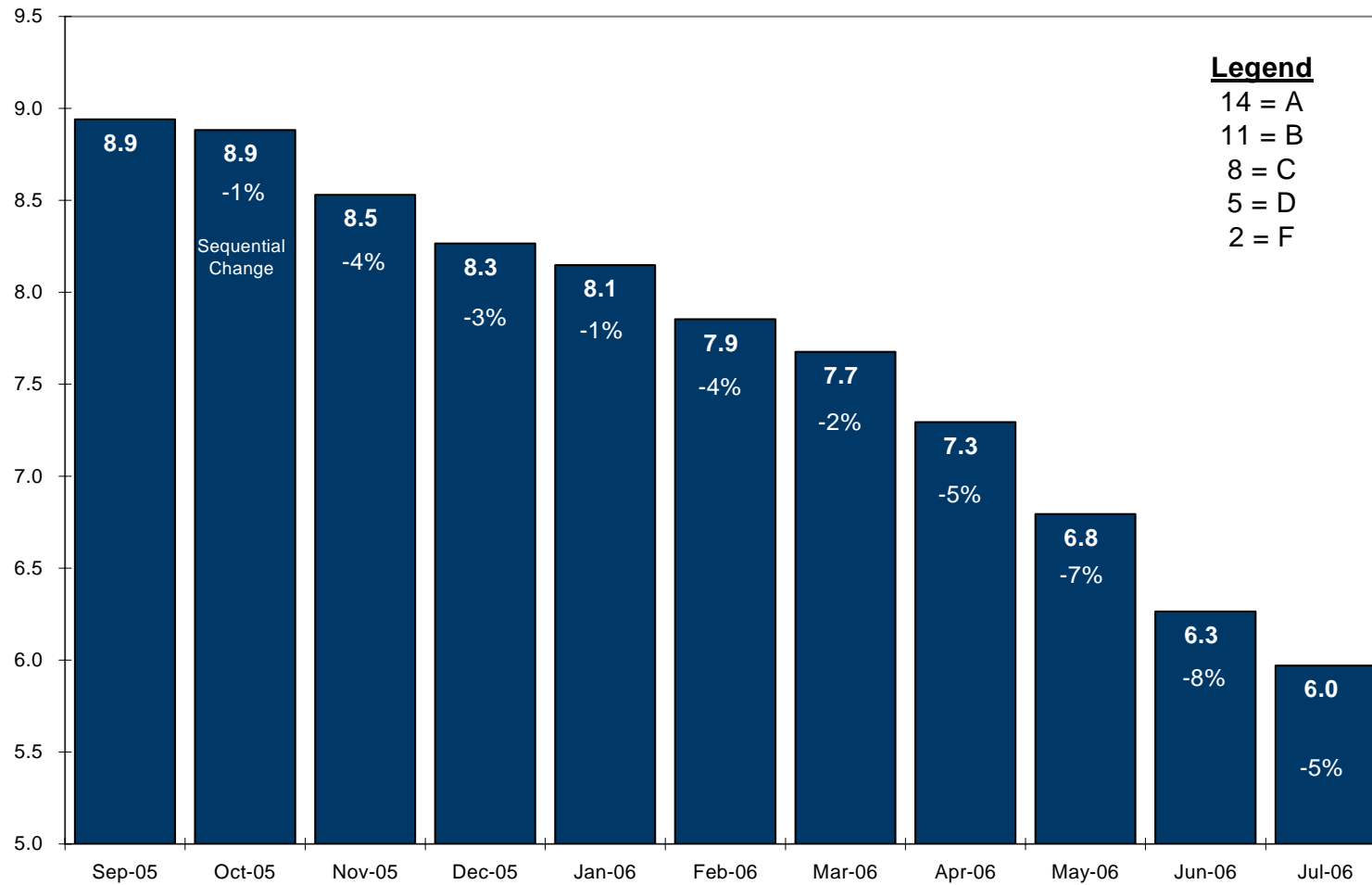
- 1.2% of outstanding shares repurchased in the quarter on average
- Cancellation rates increased to 35% on average versus 30% last quarter and 20% last year, with MDC the highest at 43%
- Disclosed incentives ranged from 5-7% of sales, up from 2-5% in 2Q05
- Since May, Consensus expectations for 2007 EPS imply a 27% decrease, down from a 6% decline. During this time, the stock's declined 10% on average.
- Builders abandoned / wrote-off \$283 million of deposits/land (PHM and DHI wrote off the most at \$62 million and \$57 million, respectively.) This represents 6-7% of total deposits.

Second Quarter Highlights

- Community count growth: HOV (+30%); KBH (1%); Median (+18%)
- Lot count growth range: TOL (+34%); MDC (-15%); Median (+2%)
- ROC fell to 16.9% versus 17.8% last year

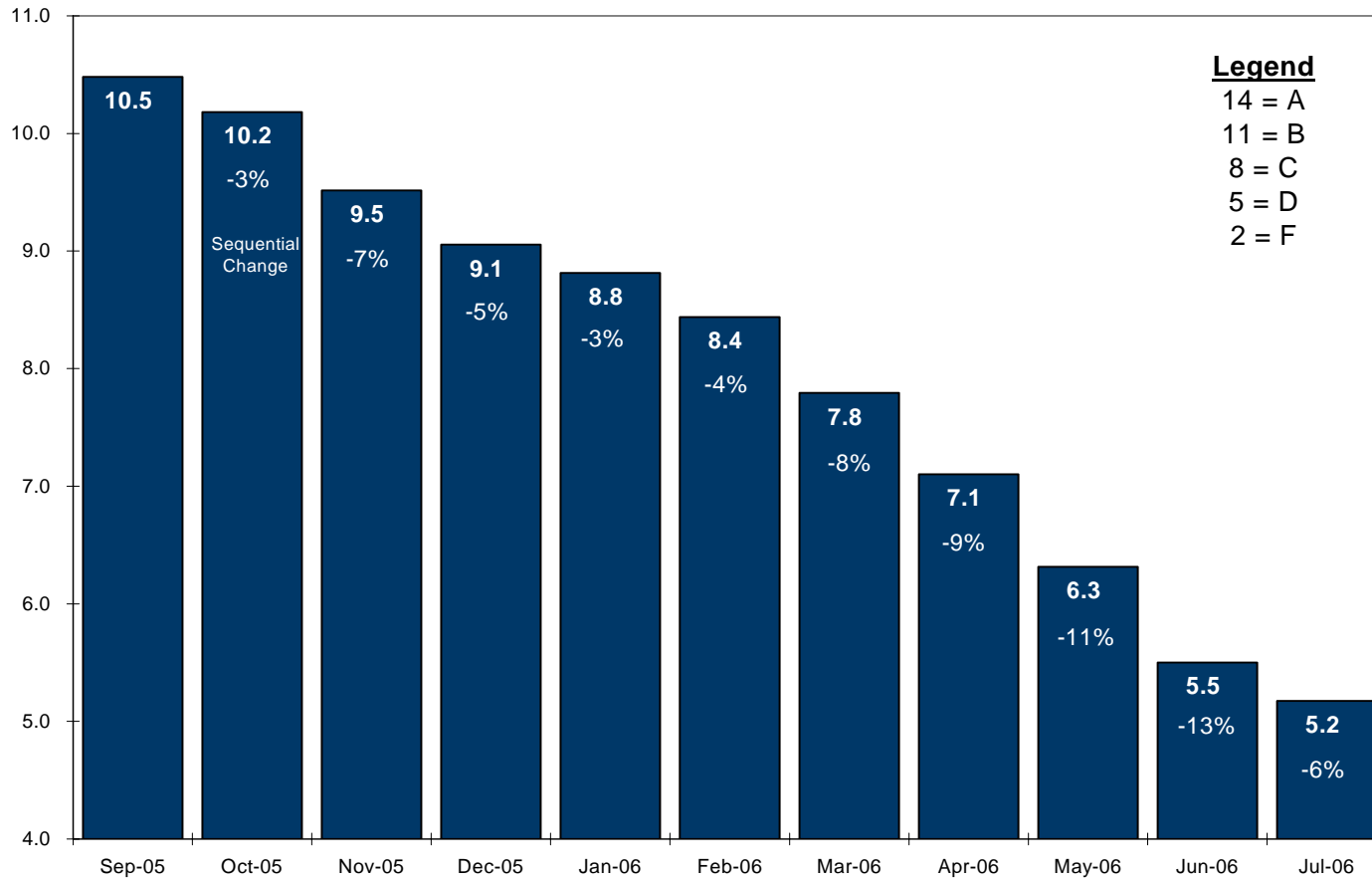
July Survey Results

Equal-Weighted Scores Continue to Slide Through July



Source: Credit Suisse Estimates

But Profit Weighted Scores Indicate That High Margin Markets Are Falling Fastest



Source: Credit Suisse Estimates

Credit Suisse Survey – Market Breakdown

Markets	May-06	Jun-06	Jul-06
San Antonio	13	13	13
Albuquerque	13	12	12
Charlotte	12	12	12
Austin	11	11	11
Houston	10	11	11
Baltimore	9	9	9
Dallas-Fort Worth	8	9	9
Philadelphia	9	8	9
Raleigh-Durham	10	10	9
Jacksonville	10	8	8
Bay Area	8	7	7
Orlando	8	7	7
Atlanta	8	7	6
Las Vegas	7	6	6
Los Angeles	8	7	6
Metro New Jersey	6	6	6
Chicago	5	5	5
Fresno	6	5	5
Indianapolis	5	5	5
Miami-West Palm	6	5	5
Minneapolis	5	5	5
Tampa	7	5	5
Bakersfield	6	5	4
Cincinnati	4	4	4
Riverside-San Bernardino	7	5	4
Washington DC	5	4	4
Phoenix	3	3	3
Sacramento	3	3	3
San Diego	5	5	3
Cleveland	3	3	2
Denver	5	4	2
Columbus	1	1	1
Detroit	1	1	1
Fort Myers	4	2	1
Equal Weighted	6.8	6.3	6.0
Profit Weighted (2005)	6.3	5.5	5.2

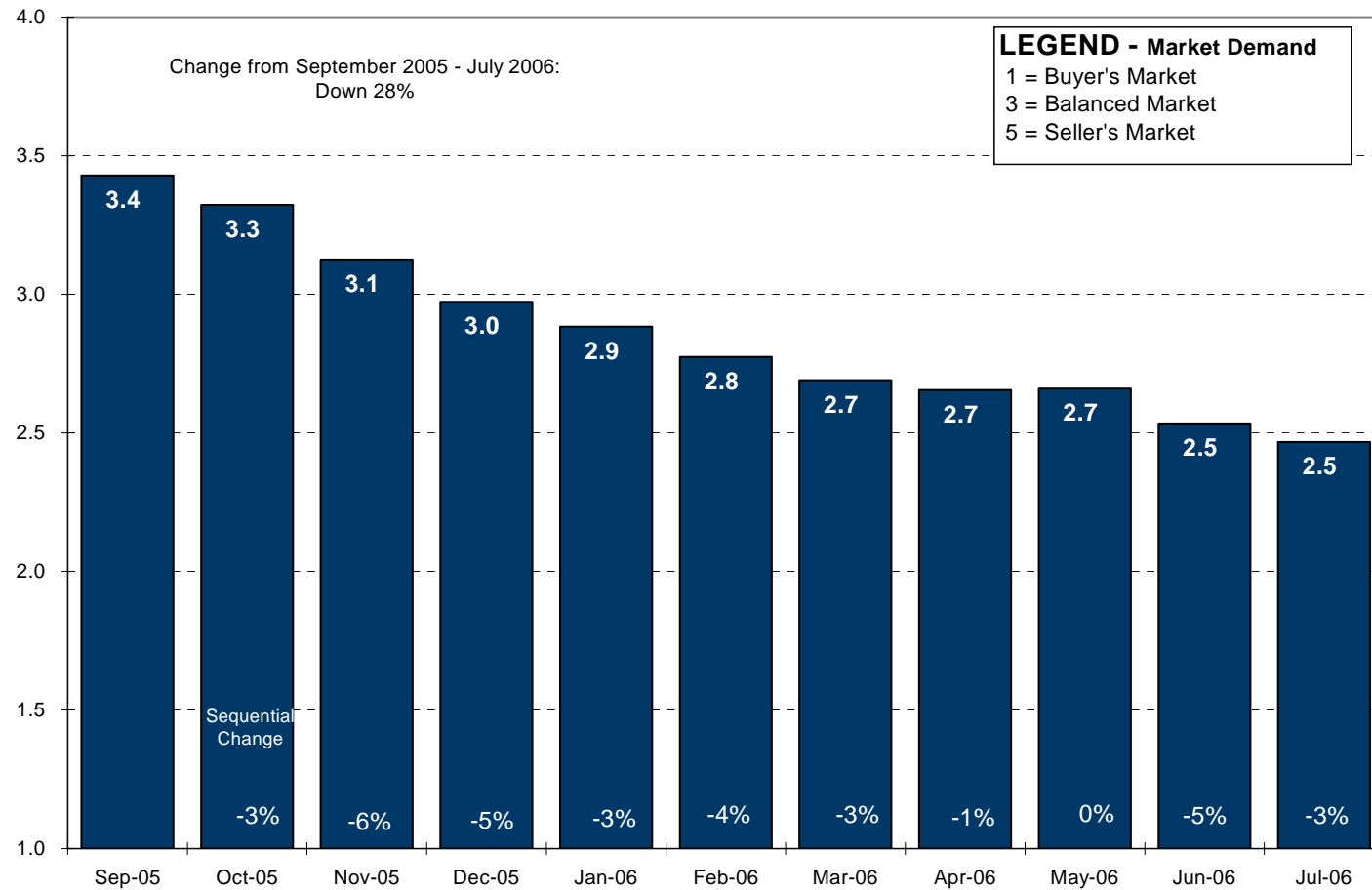
Scoring Metrics	Grade	Score
Very Healthy & Positive Bias:	A+	15
Very Healthy & Stable:	A	14
Very Healthy & Negative Bias:	A -	13
Healthy & Positive Bias:	B +	12
Healthy & Stable:	B	11
Healthy & Negative Bias:	B -	10
Moderate & Positive Bias:	C +	9
Moderate & Stable:	C	8
Moderate & Negative Bias:	C -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

Sequential Market Trends	% Total
Improving Markets	3%
Deteriorating Markets	26%
Unchanged Markets	71%

Source: Credit Suisse Estimates

Realtor Scores Demonstrate Similar Trends

Based On Responses From ~1,200 Realtors



Source: Credit Suisse Estimates,
Realtor.org

Recent Changes in Select MLS Existing Inventory

(Orlando and Metro DC are as of June, other markets as of July)

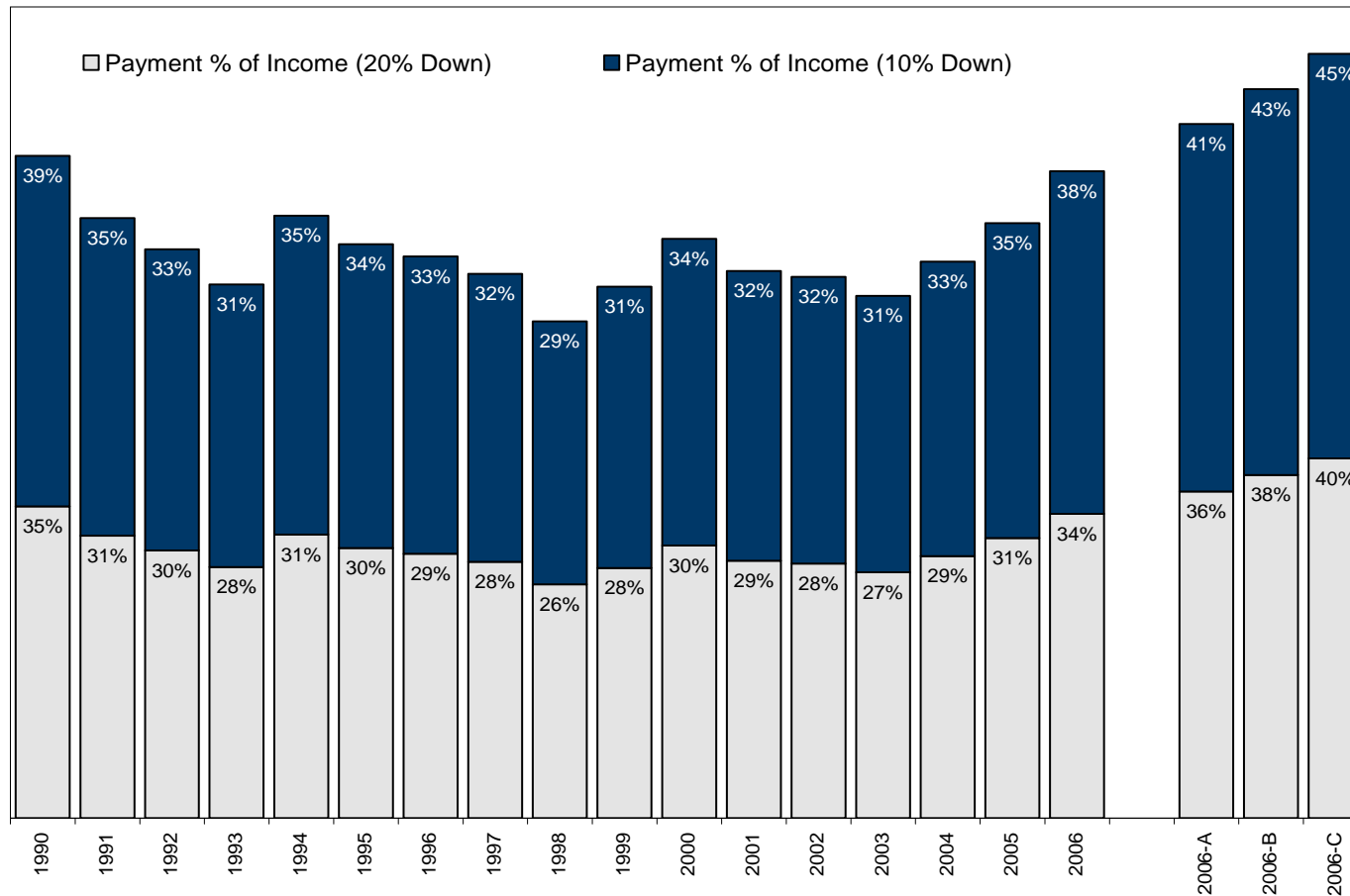
- (1) Phoenix (up 278% versus last year)
- (2) Orlando (up 397% versus last year)
- (3) Metro D.C. (up 177% versus last year)
- (4) Las Vegas (up 69% versus last year)
- (5) Fresno (up 121% since Sept 2005)
- (6) Los Angeles (up 93% since Sept 2005)
- (7) Inland Empire (up 90% since Sept 2005)

Source: Local MLS Listings

Macro Outlook & Fundamental Headwinds

Rates Are Still Low But Affordability Already Pressured

(assumes gross income and 30-year FRM; scenarios assume a 75bp, 125bp and 175bp increase from current rates)

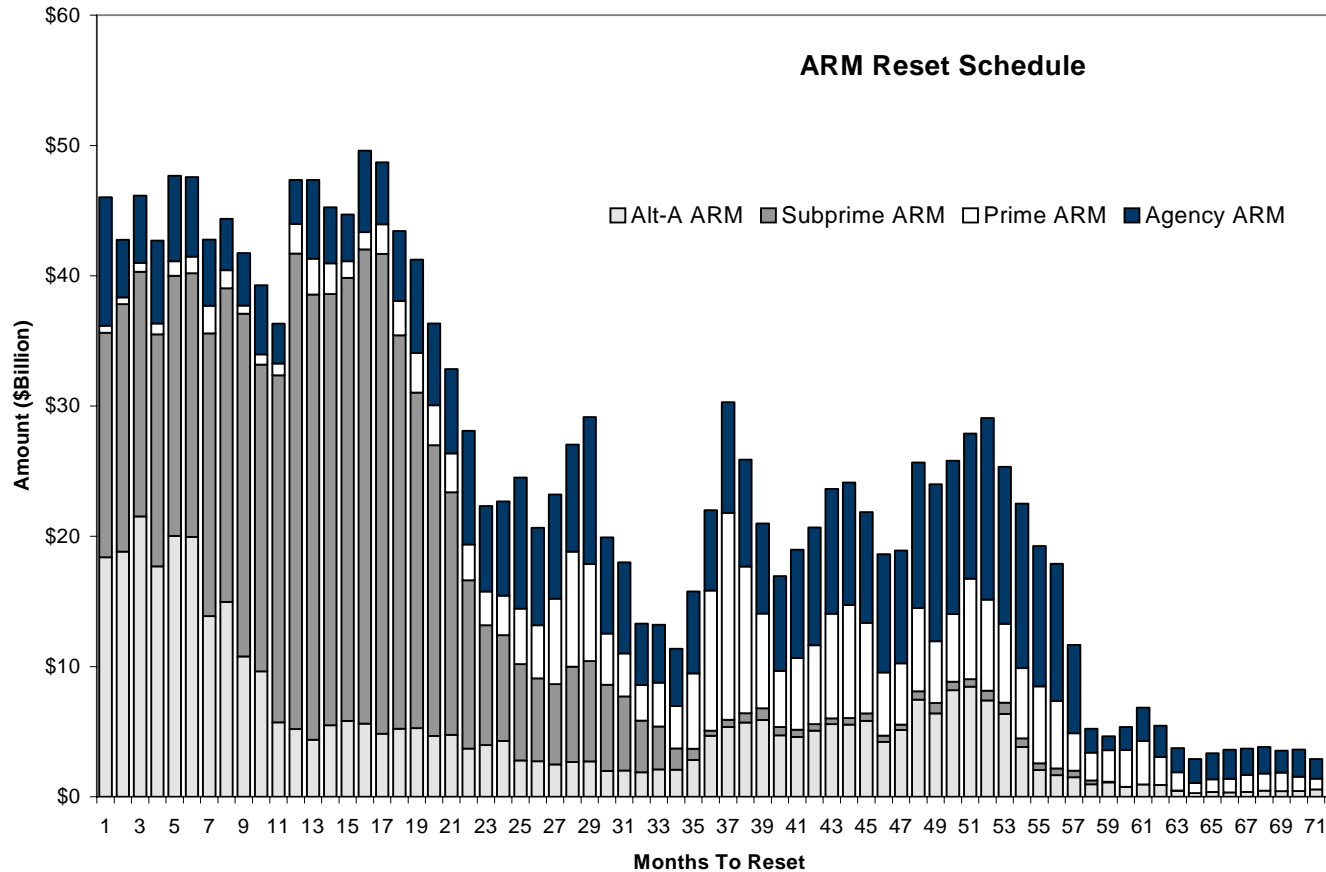


Source: U.S. Census, NAR

Affordability Constraints Have Forced Buyers Into Risky Loans

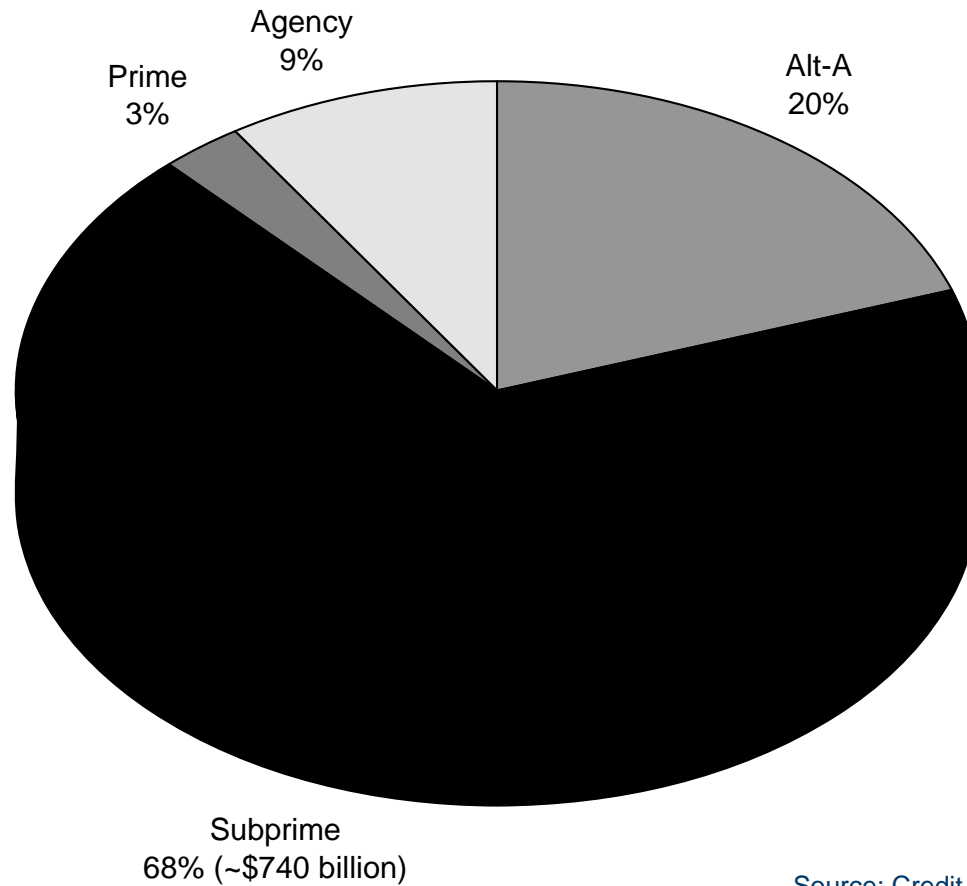
Approximately \$1 trillion of adjustable rate mortgages (~9% of total mortgage debt outstanding)

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Source: Credit Suisse Fixed Income Research

Subprime Borrowers Account For Majority of Resets Through '07



Source: Credit Suisse Fixed Income, Fannie Mae, Credit Suisse Estimates

Payment Shock Will Affect Subprime ARM Borrowers

Date of Purchase:	July 2005
Mortgage Product:	2/28 ARM Full. Amort.
Mortgage Amount:	\$150,000
Initial Rate:	6.9%
Initial Monthly Payment:	\$985
Date of Reset:	July 2007
Current Fully Indexed Rate:	10.4%
Reset Rate w/200 bp cap:	8.9%
New Monthly Payment:	\$1,211
Payment Increase:	22.9%

Date of Purchase:	July 2005
Mortgage Product:	2/28 ARM Interest Only
Mortgage Amount:	\$150,000
Initial Rate:	6.9%
Initial Monthly Payment:	\$859
Date of Reset:	July 2007
Current Fully Indexed Rate:	10.4%
Reset Rate w/200 bp cap:	8.9%
New Monthly Payment:	\$1,211
Payment Increase:	41.0%

* Reset rate (based off of LIBOR) assumed to remain unchanged through 2007 from current level. 2-year ARMs account for approximately 65% of all subprime ARMs.

But Most People Will Refinance... Right?

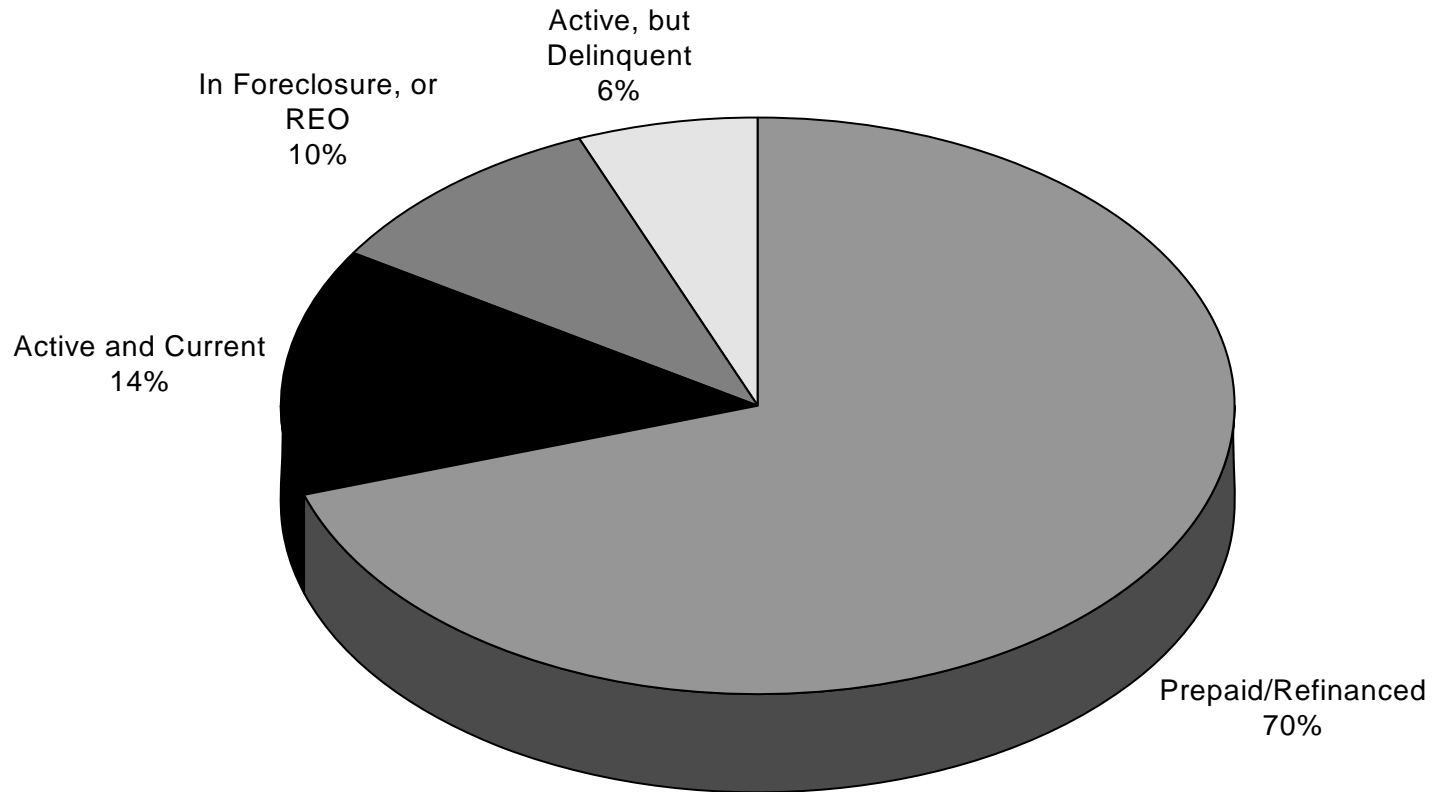
- Borrowers have three basic options:

2/28 Subprime Fully Amortized Borrower		2006	2007	2008
Options				
1: Refinance into ARM	Payment	\$985	\$1,153	\$1,153
	% Change		17%	0%
2: Refinance into FRM	Payment	\$985	\$1,207	\$1,207
	% Change		23%	0%
3: Can't Refinance/Mortgage Resets	Payment	\$985	\$1,211	\$1,328
	% Change		23%	10%

2/28 Subprime Interest Only Borrower		2006	2007	2008
Options				
1: Refinance into ARM	Payment	\$859	\$1,063	\$1,063
	% Change		24%	0%
2: Refinance into FRM	Payment	\$859	\$1,125	\$1,125
	% Change		31%	0%
3: Can't Refinance/Mortgage Resets	Payment	\$859	\$1,211	\$1,328
	% Change		41%	10%

* Current 2/28 Subprime ARM rate is 8.5% and FRM rate is 9.0%

Status of Subprime ARM Resets from 1Q06

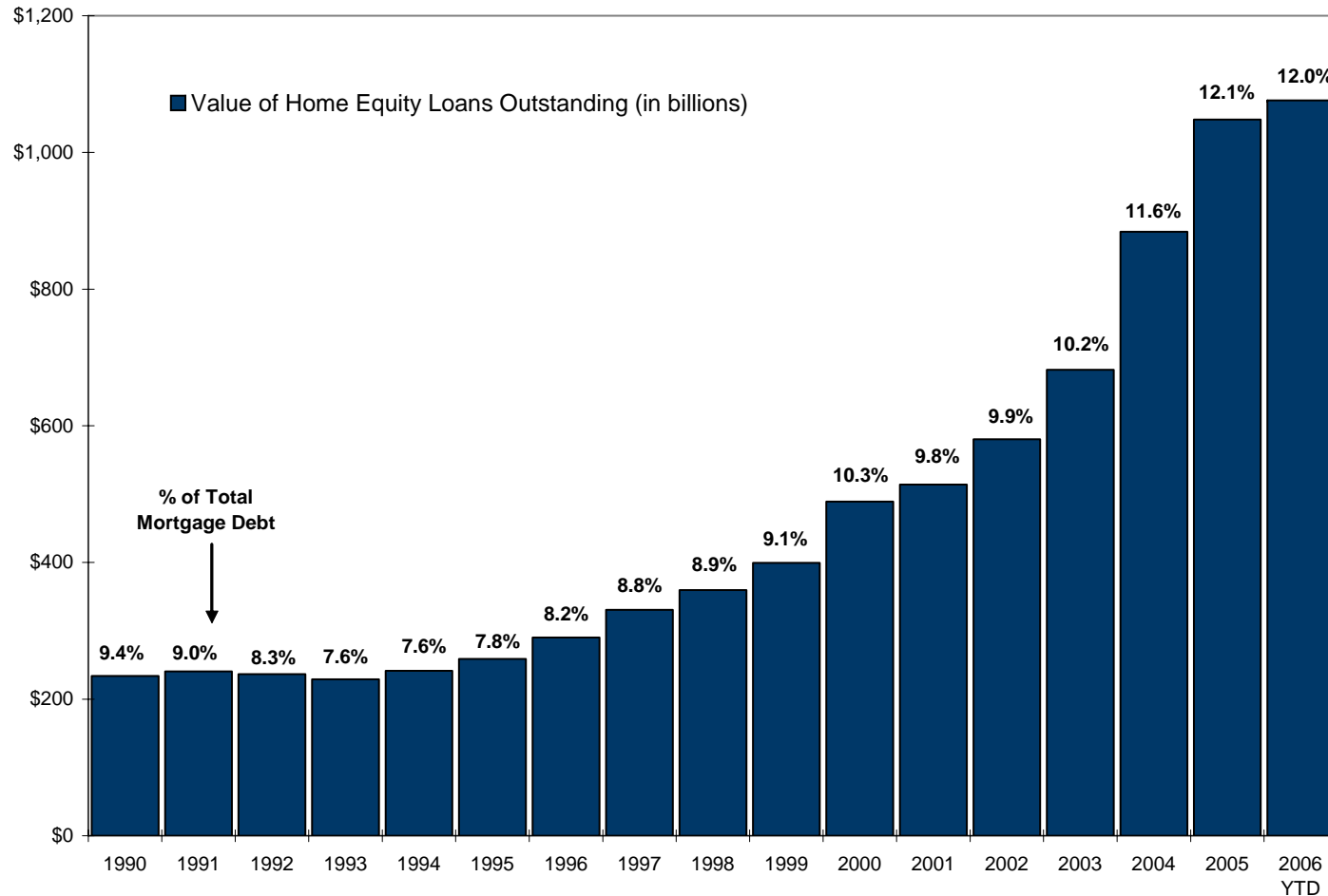


But as the market gets tougher, refinancing will become more difficult...

Source: Fannie Mae

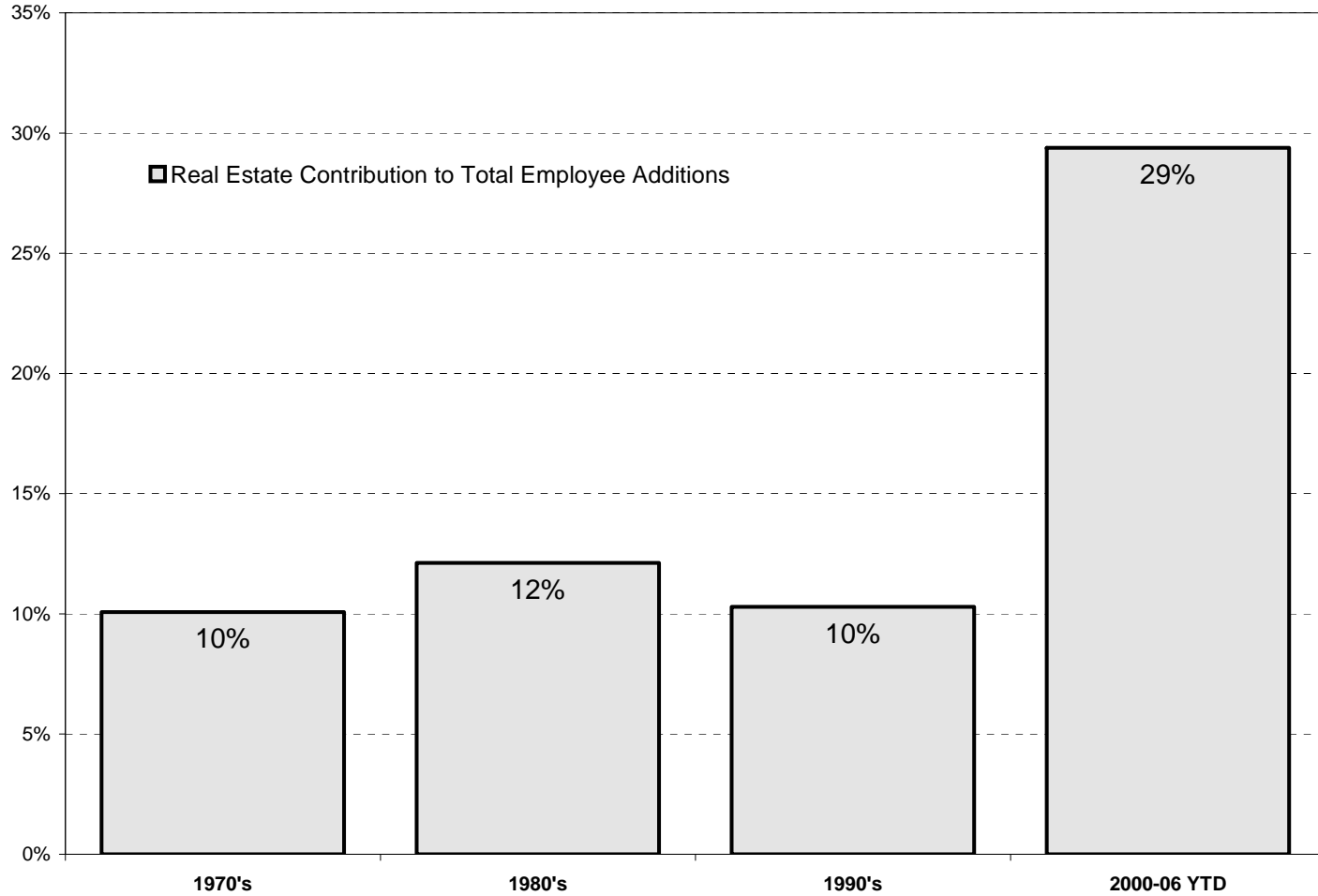
And Don't Forget About Those Home Equity Loans!

(which would push reset total above \$1.5 trillion)



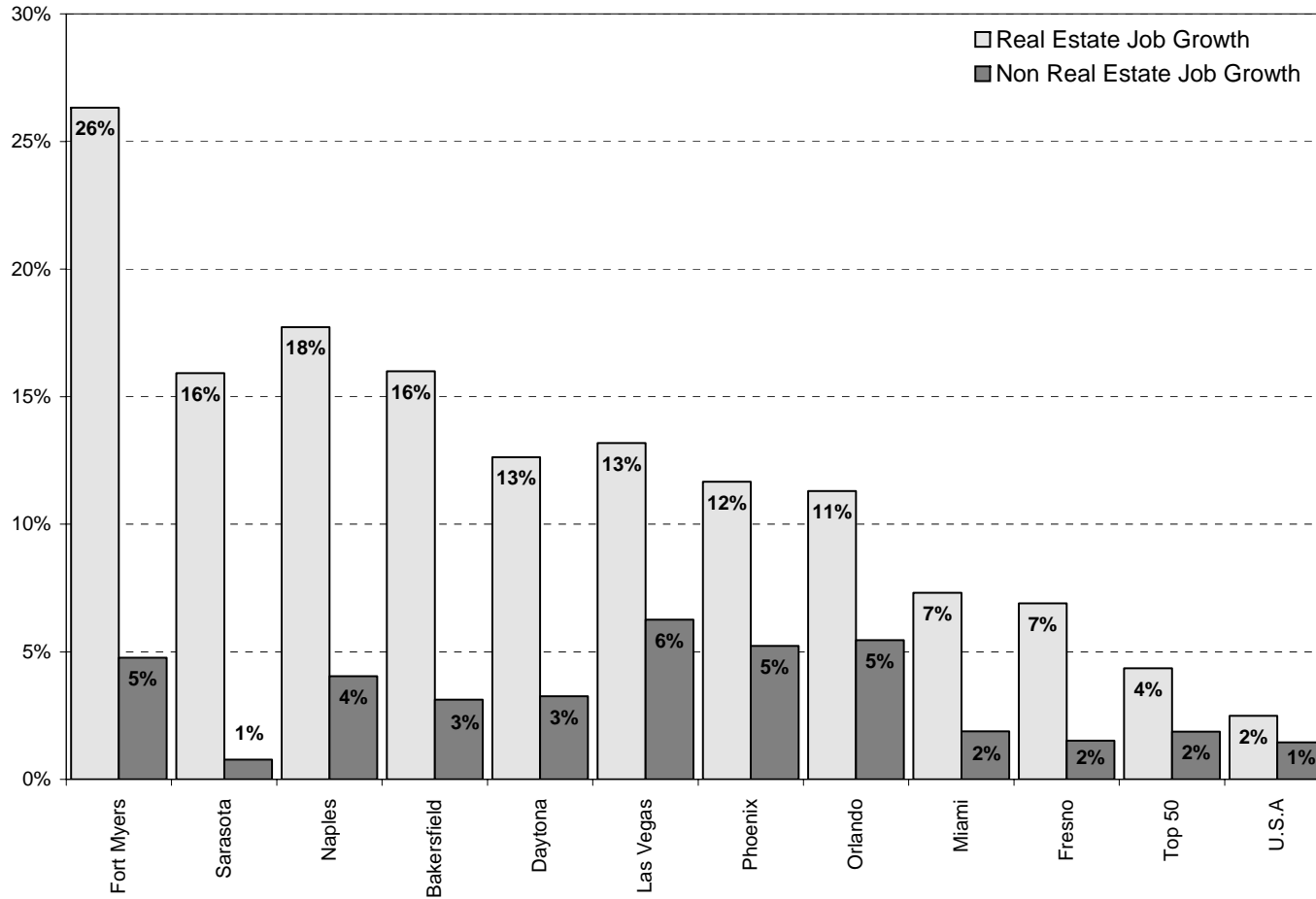
Source: Federal Reserve

Real Estate Contribution to Job Growth At Record Levels



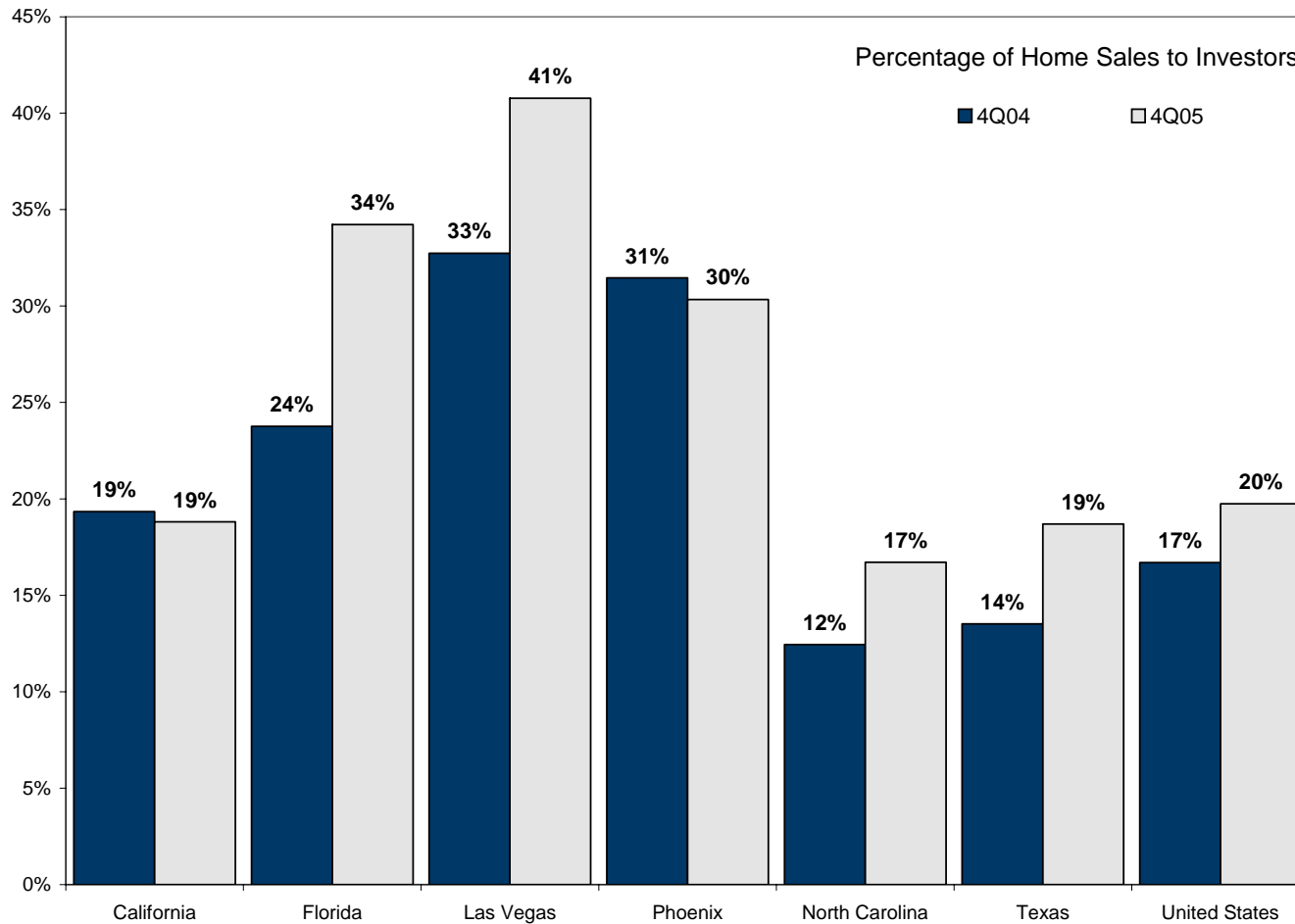
Source: BLS, Credit Suisse Analysis

Previously Frothy Markets Have Received Tremendous Job-Related Growth From Real Estate



Source: BLS, Credit Suisse Analysis

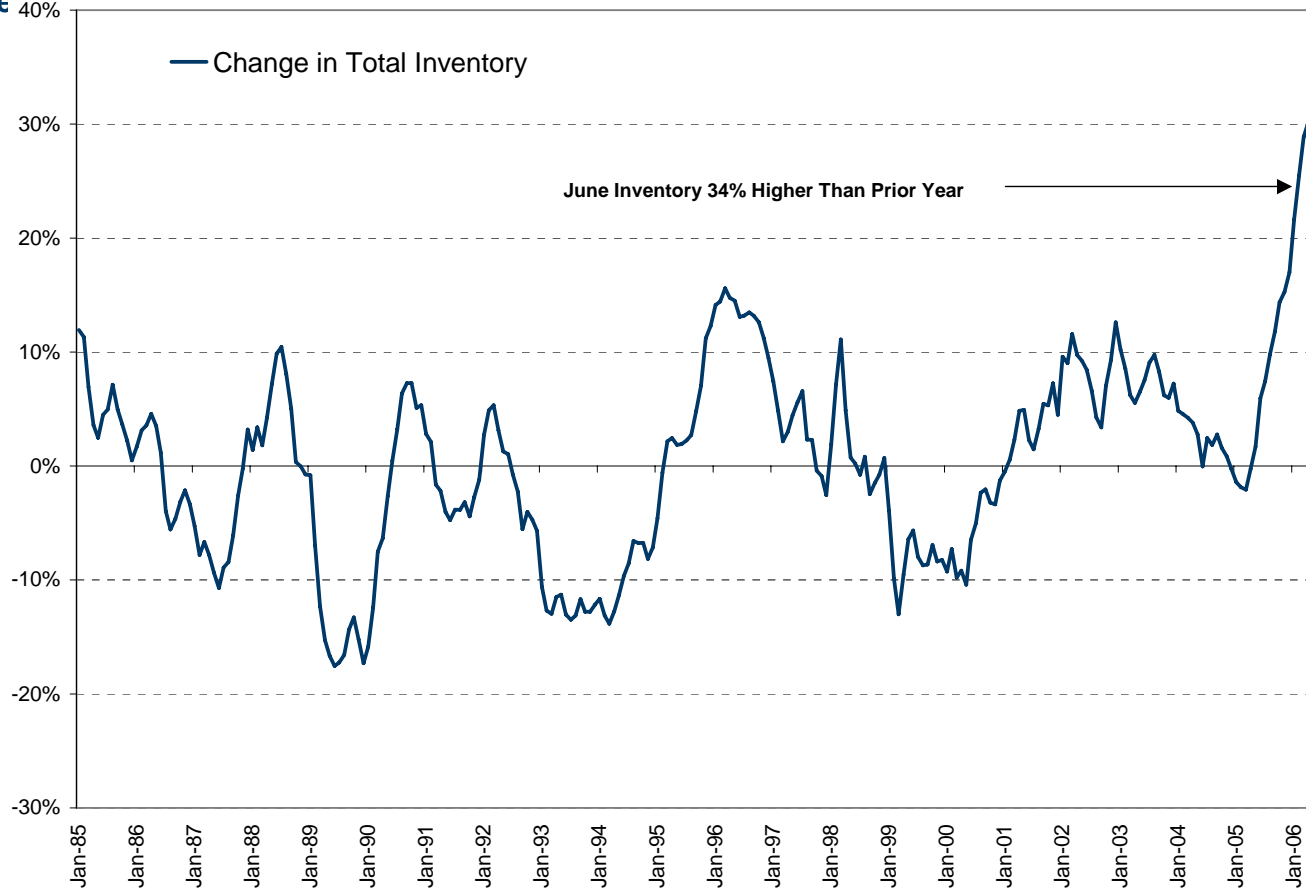
Investors Moving On To Greener Pastures



Source: Loan Performance, Credit Suisse Analysis

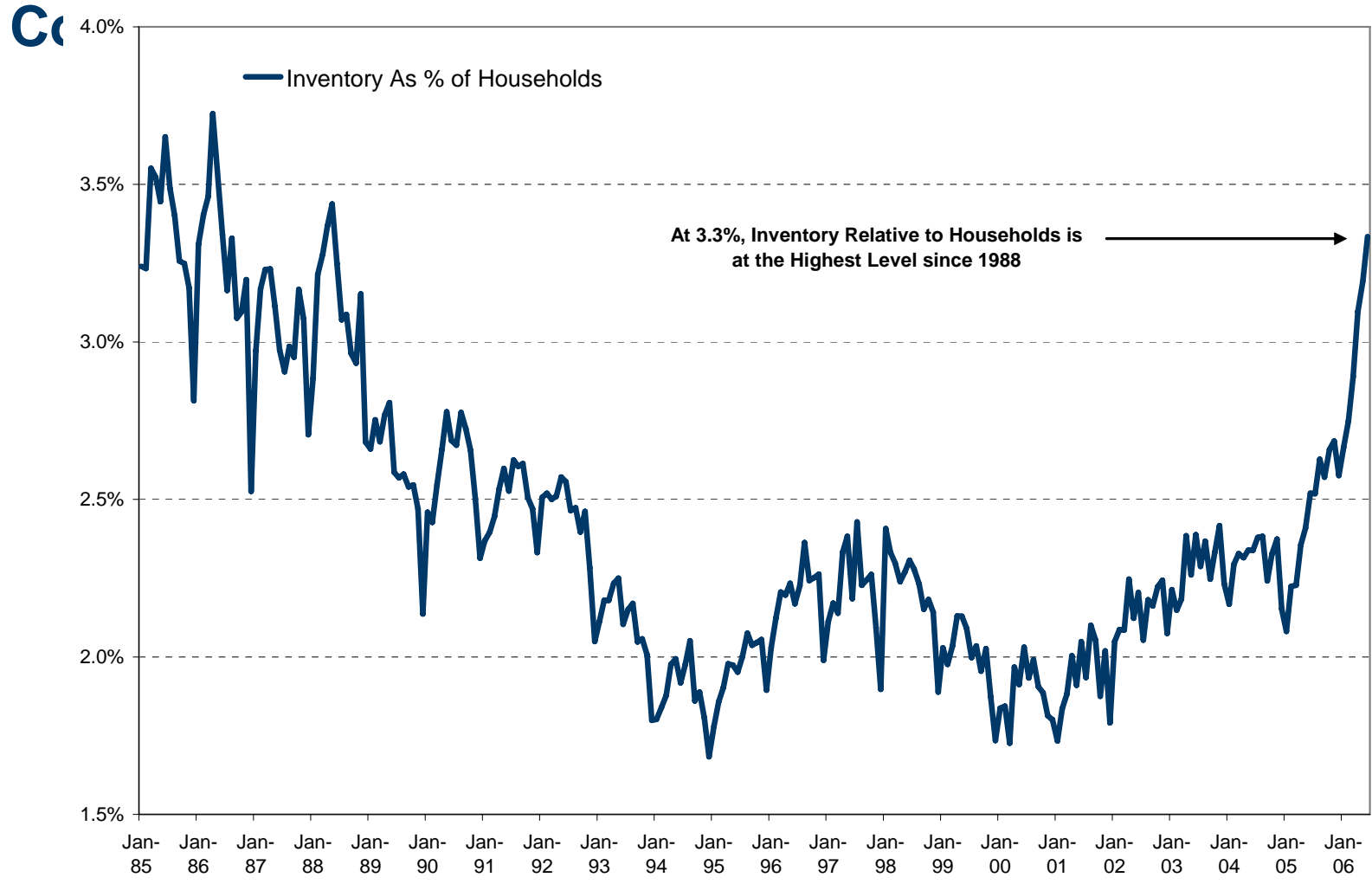
Inventory Overhang Going to Take Time to Work Through

(includes new



Source: U.S. Census, NAR

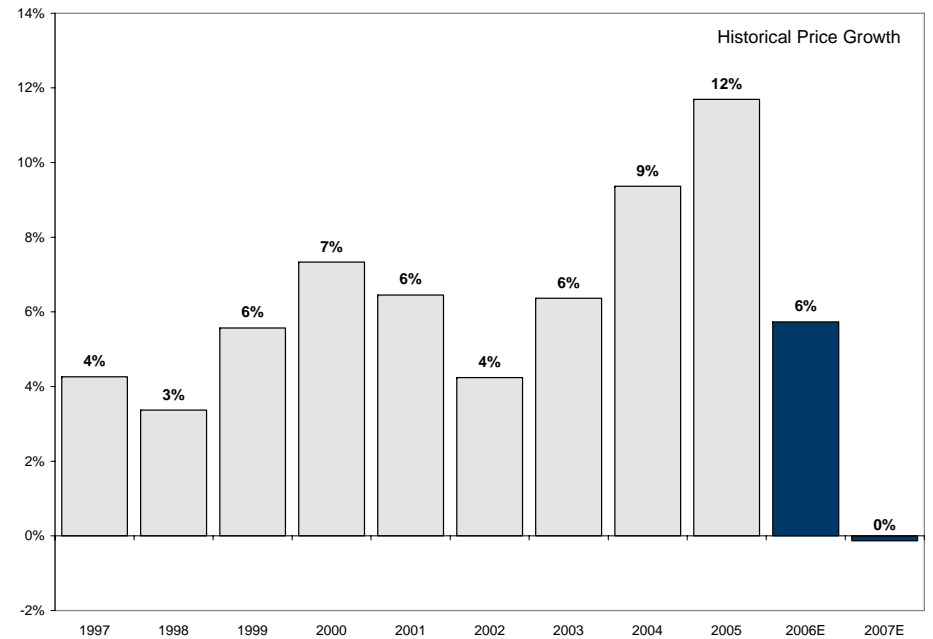
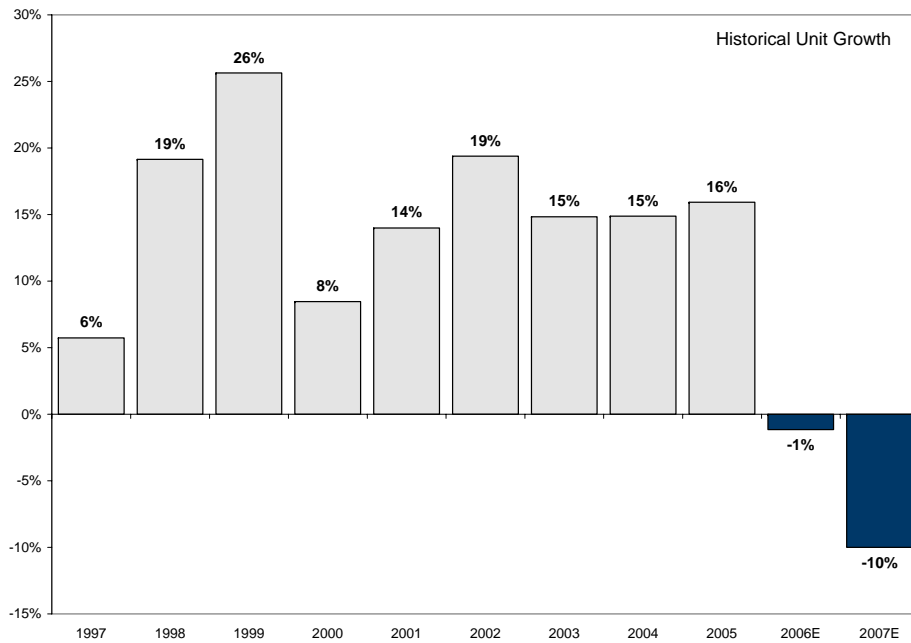
Relative to Existing Stock, Inventory Becoming a



Source: U.S. Census, NAR

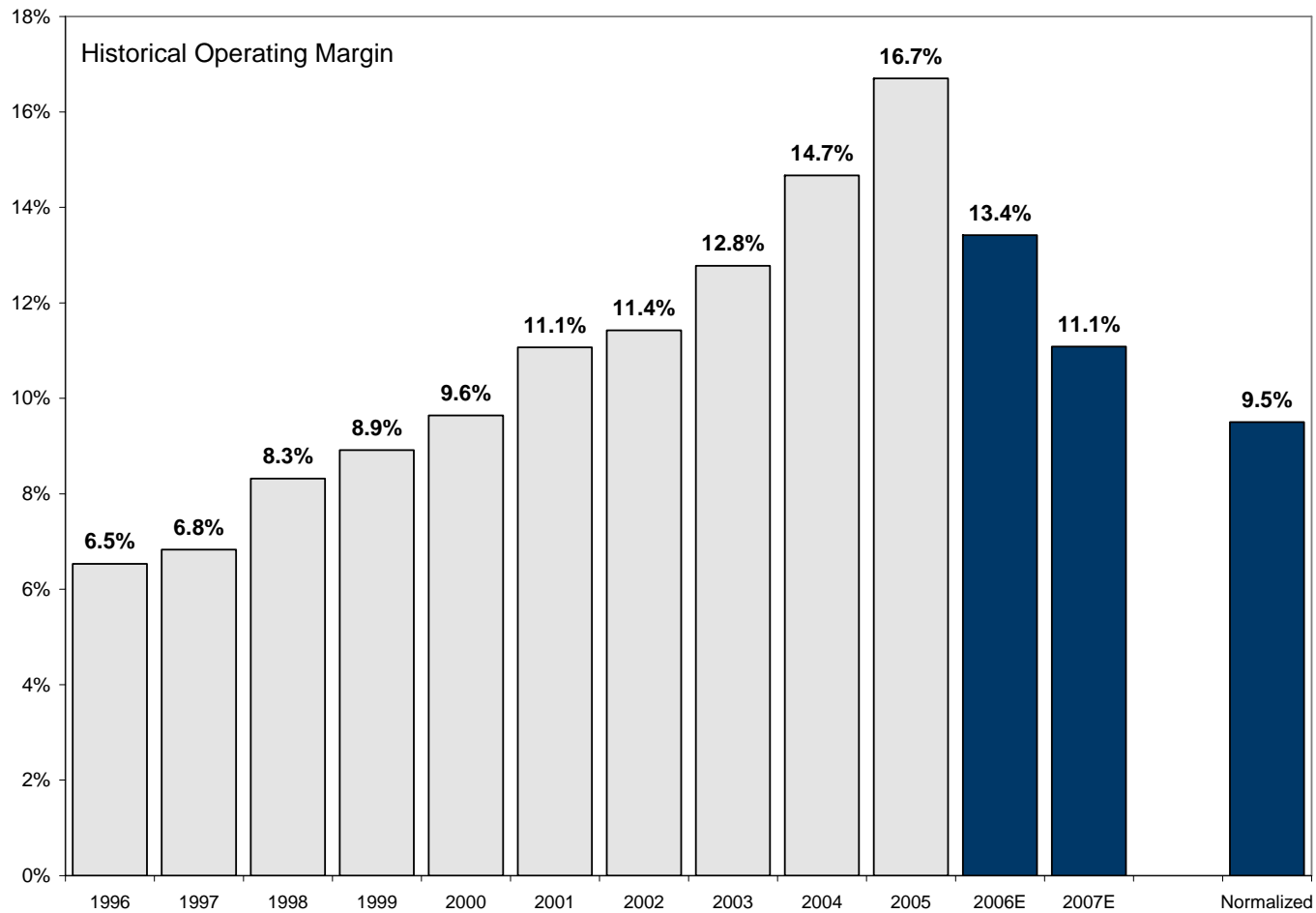
2007 Outlook

Unit and Price Growth Expected to Slow



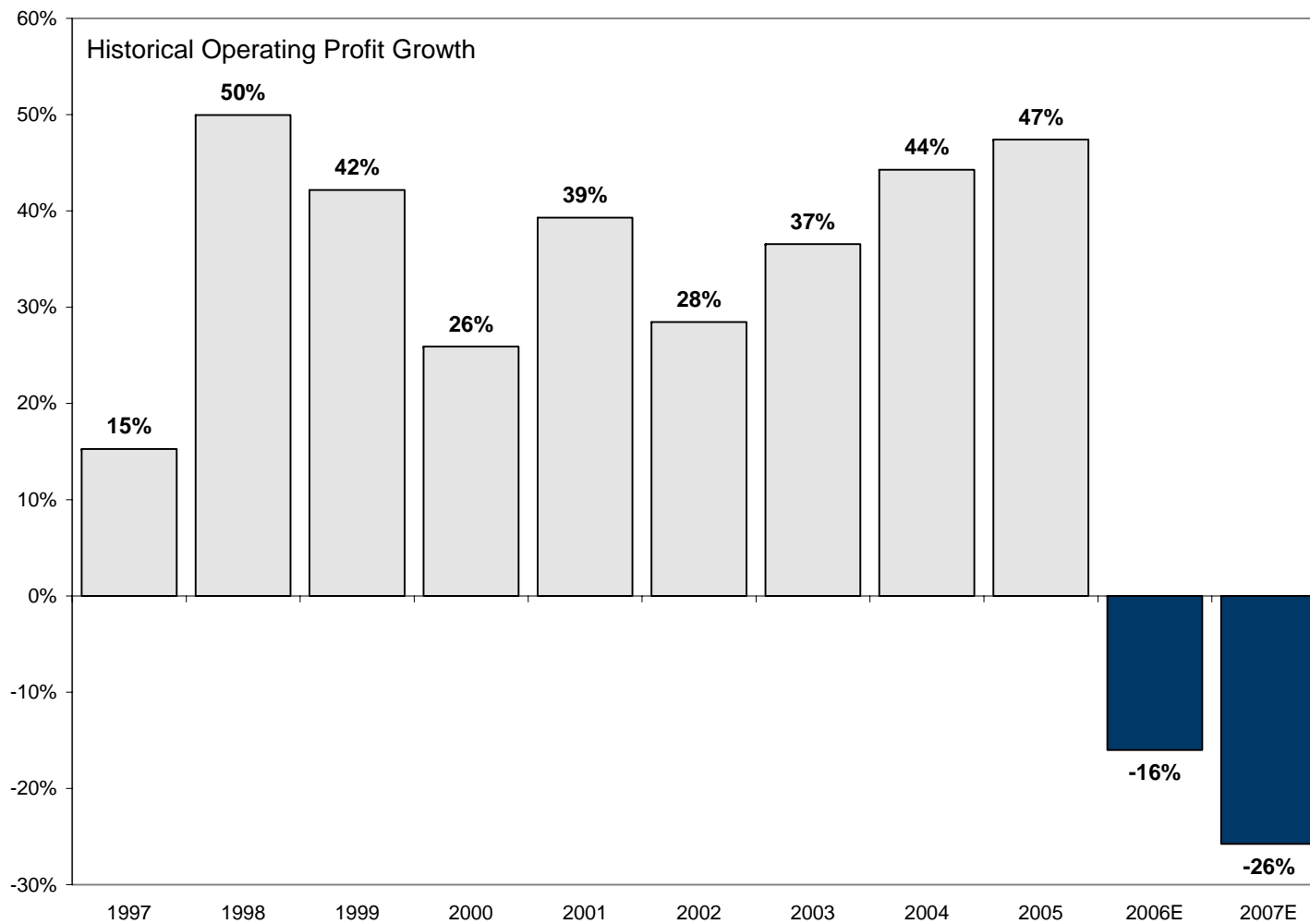
Source: Company Data, Credit Suisse
Estimates

Margins Will Continue to Come Under Pressure



Source: Company Data, Credit Suisse
Estimates

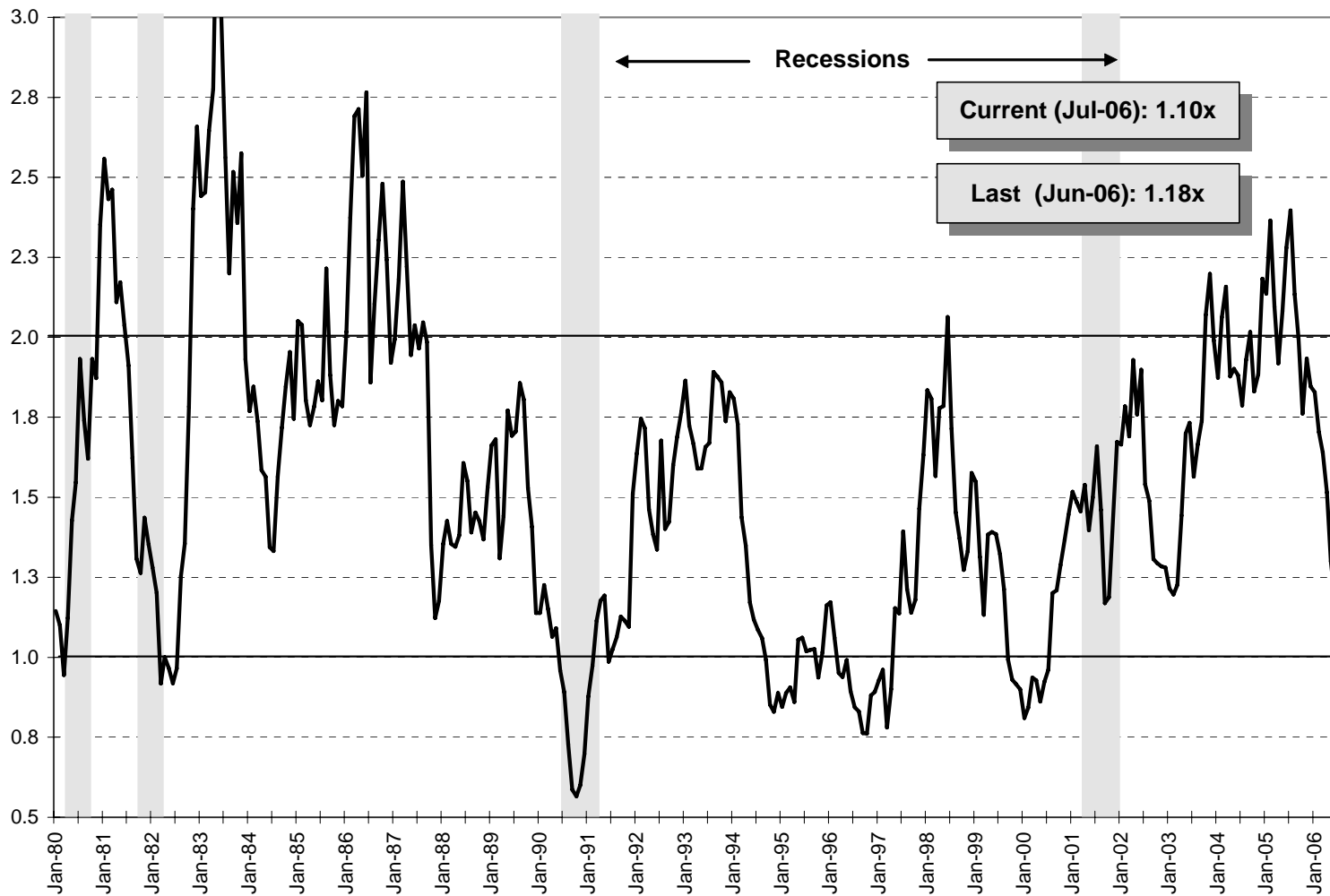
Profit Growth Turns Negative



Source: Company Data, Credit Suisse
Estimates

Valuation

Historical Price to Book Multiples



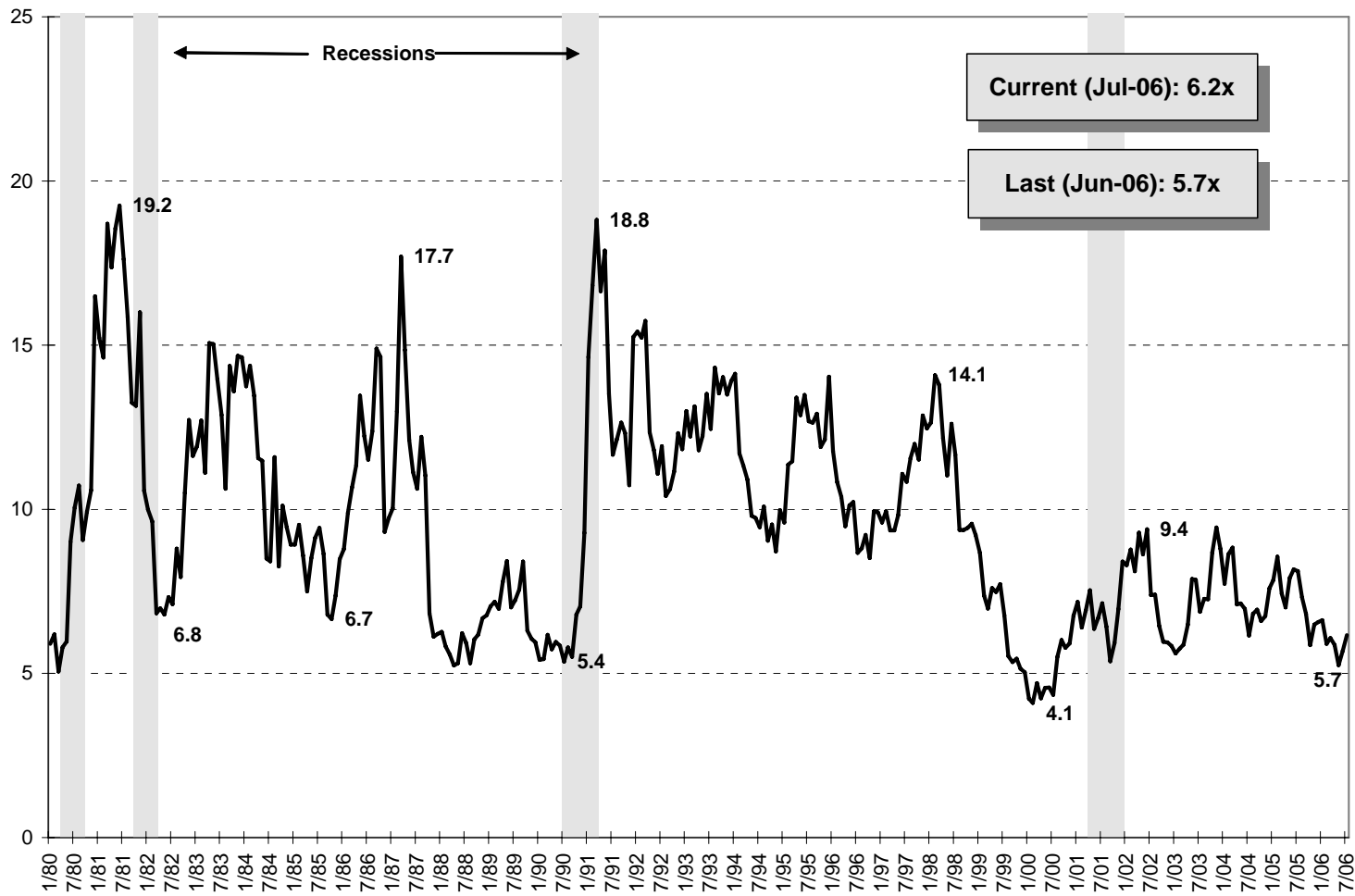
Source: Company Data, Credit Suisse
Estimates

Homebuilder Price to Book Valuation

Companies	Tangible Price	Price to	Price to	Price to Book	
	to Book	Book	2006E Book	Peak	Trough
Beazer Homes	1.2	1.1	1.0	2.2	0.5
Centex	1.3	1.2	1.0	2.6	0.7
D.R. Horton	1.3	1.1	1.1	4.3	0.8
Hovnanian	1.1	0.9	0.8	3.9	0.4
KB Home	1.3	1.2	1.1	3.4	0.8
Lennar	1.4	1.3	1.2	4.2	0.4
MDC Holdings	1.0	1.0	0.9	2.5	0.0
M/I Homes	0.8	0.8	0.7	2.0	0.0
NVR	3.1	3.0	2.4	8.9	0.6
Pulte	1.3	1.2	1.1	2.4	0.5
Ryland	1.4	1.4	1.3	3.3	0.5
Standard Pacific	0.9	0.9	0.7	2.2	0.5
Toll Brothers	1.4	1.4	1.2	4.0	0.7
WCI Communities	0.7	0.7	0.7	2.5	0.6
Median	1.3	1.2	1.0	2.9	0.5

Source: Company Data, Credit Suisse
Estimates

Historical Forward P/E Multiples



Source: Company Data, Credit Suisse
Estimates

Homebuilder Price to Earnings Valuation

Companies	Earnings Per Share						EPS CAGR	PE Ratios	
	2006	YOY % Chg	2006 FC	2007E	YOY % Chg	2007 FC	3-Year	2006	2007
Beazer Homes	\$9.30	7%	\$9.61	\$6.85	-26%	\$7.14	35%	4.8	6.5
Centex	\$6.55	-34%	\$6.50	\$5.75	-12%	\$5.69	33%	7.6	8.7
D.R. Horton	\$3.92	-15%	\$3.71	\$2.95	-25%	\$2.87	48%	5.8	7.7
Hovnanian	\$6.75	-6%	\$6.46	\$3.90	-42%	\$4.60	47%	4.3	7.5
KB Home	\$9.55	0%	\$9.71	\$6.95	-27%	\$7.74	39%	4.8	6.6
Lennar	\$7.75	-7%	\$7.64	\$5.75	-26%	\$5.98	33%	6.0	8.1
MDC Holdings	\$6.75	-39%	\$7.52	\$4.25	-37%	\$4.81	42%	6.9	10.9
M/I Homes	\$6.10	-12%	\$6.62	\$4.10	-33%	\$4.71	17%	5.6	8.4
NVR	\$96.65	8%	\$96.88	\$73.60	-24%	\$66.29	35%	5.5	7.2
Pulte	\$3.90	-28%	\$3.93	\$3.05	-22%	\$3.18	45%	7.8	10.0
Ryland	\$7.75	-14%	\$7.77	\$5.35	-31%	\$5.58	40%	5.6	8.1
Standard Pacific	\$5.05	-21%	\$5.05	\$3.25	-36%	\$3.16	49%	4.8	7.4
Toll Brothers	\$4.65	-3%	\$4.70	\$3.75	-19%	\$3.68	49%	5.9	7.3
WCI Communities	\$3.40	-22%	\$3.59	\$2.00	-41%	\$1.90	22%	5.0	8.4
Median		-13%	-12%		-29%	-27%	38%	5.6	7.9
			FC Growth			FC Growth			

Source: Company Data, Credit Suisse
Estimates

Homebuilder Comparable Analysis

Companies	Ticker	Rating	Price	52 Week		Market Cap	Firm Value	Total Sales		LTM Total EBIT		Annual EBIT Margins		Lot Inventory Total / Year Supply / % Opt.	Deposit % Option Value	Off Balance Sheet Inv % of Total
			as of 4-Aug-06	High	Low			LTM	3-Yr CAGR	Margin	BP Chg	Peak	Trough			
Beazer Homes	BZH	Neutral	\$44.24	\$82.14	\$36.27	\$1,744.6	\$3,512.1	\$5,288	24%	15.0%	40	15.4%	4.6%	105K / 6 / 56%	7%	39%
Centex	CTX	Neutral	\$49.79	\$79.40	\$42.90	\$6,072.8	\$10,828.8	\$12,125	21%	13.7%	(10)	14.4%	2.2%	283K / 7 / 60%	4%	43%
D.R. Horton	DHI	Outperform	\$22.71	\$41.66	\$19.52	\$7,103.7	\$12,433.3	\$14,787	27%	17.7%	(110)	18.2%	9.4%	340K / 6 / 43%	5%	41%
Hovnanian	HOV	Neutral	\$29.10	\$70.36	\$24.79	\$1,830.9	\$3,940.0	\$5,698	28%	13.8%	(80)	15.6%	0.1%	122K / 7 / 72%	9%	57%
KB Home	KBH	Underperform	\$46.00	\$81.99	\$37.89	\$3,658.0	\$7,204.8	\$10,386	23%	14.9%	200	15.0%	6.3%	184K / 5 / 50%	4%	39%
Lennar	LEN	Outperform	\$46.83	\$66.69	\$38.66	\$7,359.7	\$9,951.9	\$14,819	24%	16.0%	20	17.1%	9.5%	333K / 7 / 69%	8%	34%
MDC Holdings	MDC	Neutral	\$46.39	\$85.63	\$42.27	\$2,084.7	\$2,989.7	\$5,204	28%	15.6%	(150)	17.3%	3.0%	44K / 3 / 33%	5%	35%
M/I Homes	MHO	Outperform	\$34.36	\$60.15	\$29.95	\$484.8	\$1,136.7	\$1,352	9%	13.5%	70	14.2%	5.8%	27K / 6 / 35%	6%	34%
NVR	NVR	Neutral	\$527.02	\$905.08	\$386.55	\$3,015.6	\$3,042.8	\$5,896	19%	20.4%	(90)	22.0%	5.8%	104K / 7 / 100%	8%	91%
Pulte	PHM	Neutral	\$30.39	\$47.50	\$26.02	\$7,709.5	\$11,756.7	\$14,946	25%	16.0%	(90)	17.0%	4.7%	362K / 8 / 45%	6%	44%
Ryland	RYL	Neutral	\$43.26	\$83.15	\$33.86	\$1,947.8	\$2,939.8	\$4,869	19%	15.7%	120	16.1%	0.0%	76K / 4 / 55%	8%	45%
Standard Pacific	SPF	Neutral	\$24.19	\$48.74	\$20.24	\$1,578.8	\$3,663.1	\$4,068	29%	19.5%	20	19.8%	7.3%	68K / 6 / 43%	8%	27%
Toll Brothers	TOL	Neutral	\$27.30	\$56.12	\$22.22	\$4,225.0	\$6,007.4	\$6,223	35%	24.6%	330	25.1%	9.9%	91K / 10 / 51%	6%	38%
WCI Communities	WCI	Underperform	\$16.85	\$33.80	\$14.61	\$743.6	\$2,241.7	\$1,281	29%	17.9%	370	20.3%	17.4%	20K / 6 / 15%	11%	13%
Median						\$2,550.2	\$3,801.6		25%	15.8%	20	17.1%	5.8%	104K / 6 / 51%	7%	39%

Companies	Tot Debt/ Cap	LTM Int Coverage	Return on Equity	Return on Capital	Inv. Turns	NWC	JV	LTM JV	Tangible	Price to Book	Price to 06E Book	Price to Book		Firm Value to 2006 EBITDA	3-Yr Median FV / LTM EBITDA	LTM FCF Yield
						as a % Sales	Invest. % Assets	Income % EBIT	Price to Book			Price to Book	Peak			
Beazer Homes	52.3%	7.4	29.6%	17.0%	1.3	51%	3%	0%	1.2	1.1	1.0	2.2	0.5	4.6	5.2	-13%
Centex	49.1%	8.2	24.1%	14.3%	1.0	49%	1%	0%	1.3	1.2	1.0	2.6	0.7	7.1	6.3	-14%
D.R. Horton	46.9%	5.1	27.2%	16.8%	1.1	58%	0%	0%	1.3	1.1	1.1	4.3	0.8	5.6	5.8	-24%
Hovnanian	52.2%	7.0	27.3%	14.9%	1.4	47%	4%	5%	1.1	0.9	0.8	3.9	0.4	4.7	5.7	-31%
KB Home	54.5%	7.5	33.5%	18.1%	1.2	50%	4%	1%	1.3	1.2	1.1	3.4	0.8	5.1	6.0	-14%
Lennar	33.5%	12.5	29.4%	20.9%	1.4	43%	11%	2%	1.4	1.3	1.2	4.2	0.4	4.4	5.4	1%
MDC Holdings	31.9%	14.5	25.8%	18.1%	1.3	50%	0%	0%	1.0	1.0	0.9	2.5	0.0	5.2	5.0	-11%
M/I Homes	51.6%	5.1	18.2%	10.8%	0.9	72%	4%	0%	0.8	0.8	0.7	2.0	0.0	6.8	5.8	-23%
NVR	16.9%	63.3	88.1%	67.8%	4.5	15%	NM	NM	3.1	3.0	2.4	8.9	0.6	2.7	4.6	17%
Pulte	39.4%	11.5	24.1%	16.3%	1.2	53%	2%	3%	1.3	1.2	1.1	2.4	0.5	6.2	6.1	-11%
Ryland	45.6%	12.4	35.1%	21.2%	1.5	43%	0%	0%	1.4	1.4	1.3	3.3	0.5	4.4	4.9	0%
Standard Pacific	53.4%	6.5	26.2%	14.6%	0.9	79%	7%	9%	0.9	0.9	0.7	2.2	0.5	5.9	5.7	-23%
Toll Brothers	41.3%	12.8	31.9%	20.8%	0.8	62%	3%	3%	1.4	1.4	1.2	4.0	0.7	4.2	7.0	-4%
WCI Communities	58.7%	4.6	22.4%	12.1%	1.1	70%	2%	0%	0.7	0.7	0.7	2.5	0.6	5.9	7.5	-7%
Median	48.0%	7.8	27.2%	16.9%	1.2	51%	3%	0%	1.3	1.2	1.0	2.9	0.5	5.1	5.7	-12%

Companies	Earnings Per Share					EPS CAGR 3-Year	PE Ratios		NTM PE Median 3 Yr.	Div Yield %	Insider Ownership	LTM Avg Closing Price	Average Trading Volume	Stock Performance		
	2006	YOY % Chg	2006 FC	2007E	YOY % Chg		2007 FC	2006						2007	2005	2006
Beazer Homes	\$9.30	7%	\$9.61	\$6.85	-26%	\$7.14	4.8	6.5	6.3	0.9%	3%	\$284,400	1,279,732	49%	-39%	
Centex	\$6.55	-34%	\$6.50	\$5.75	-12%	\$5.69	7.6	8.7	7.0	0.3%	5%	\$308,400	2,556,827	20%	-30%	
D.R. Horton	\$3.92	-15%	\$3.71	\$2.95	-25%	\$2.87	5.8	7.7	7.5	1.8%	9%	\$271,500	4,275,559	18%	-36%	
Hovnanian	\$6.75	-6%	\$6.46	\$3.90	-42%	\$4.60	4.3	7.5	7.2	0.0%	41%	\$322,600	1,736,748	0%	-41%	
KB Home	\$9.55	0%	\$9.71	\$6.95	-27%	\$7.74	4.8	6.6	6.8	2.2%	5%	\$268,400	2,572,230	39%	-37%	
Lennar	\$7.75	-7%	\$7.64	\$5.75	-26%	\$5.98	6.0	8.1	7.9	1.4%	15%	\$323,800	2,704,203	8%	-23%	
MDC Holdings	\$6.75	-39%	\$7.52	\$4.25	-37%	\$4.81	4.2%	6.9	7.4	2.2%	26%	\$342,100	977,040	-7%	-25%	
M/I Homes	\$6.10	-12%	\$6.62	\$4.10	-33%	\$4.71	5.6	8.4	6.7	0.3%	13%	\$301,700	286,310	-26%	-15%	
NVR	\$96.65	8%	\$96.88	\$73.60	-24%	\$66.29	35%	5.5	7.2	0.0%	11%	\$392,100	91,790	-9%	-25%	
Pulte	\$3.90	-28%	\$3.93	\$3.05	-22%	\$3.18	45%	7.8	10.0	7.3	0.5%	17%	\$325,600	3,265,827	23%	-23%
Ryland	\$7.75	-14%	\$7.77	\$5.35	-31%	\$5.58	40%	5.6	8.1	1.1%	6%	\$288,900	1,646,640	25%	-40%	
Standard Pacific	\$5.05	-21%	\$5.05	\$3.25	-36%	\$3.16	49%	4.8	7.4	6.4	0.7%	4%	\$355,000	1,442,076	15%	-34%
Toll Brothers	\$4.65	-3%	\$4.70	\$3.75	-19%	\$3.68	49%	5.9	7.3	8.6	0.0%	23%	\$675,800	3,977,967	1%	-21%
WCI Communities	\$3.40	-22%	\$3.59	\$2.00	-41%	\$1.90	22%	5.0	8.4	8.0	0.0%	3%	\$521,400	1,391,675	-9%	-37%
Median		-13%			-12%											
				FC Growth		FC Growth						\$355,800		11%	-31%	

Companies Mentioned (Price as of 04 Aug 06)

Beazer Homes USA (BZH, \$44.24, NEUTRAL, TP \$46.00, MARKET WEIGHT)
Centex (CTX, \$49.79, NEUTRAL, TP \$52.00, MARKET WEIGHT)
DR Horton (DHI, \$22.71, OUTPERFORM, TP \$25.00, MARKET WEIGHT)
Hovnanian Enterprises (HOV, \$29.10, NEUTRAL, TP \$32.00, MARKET WEIGHT)
KB Home (KBH, \$46.00, UNDERPERFORM, TP \$49.00, MARKET WEIGHT)
Lennar (LEN, \$46.83, OUTPERFORM, TP \$55.00, MARKET WEIGHT)
M.D.C. Holdings, Inc. (MDC, \$46.39, NEUTRAL, TP \$46.00, MARKET WEIGHT)
M/I Homes (MHO, \$34.36, OUTPERFORM, TP \$42.00, MARKET WEIGHT)
NVR Inc. (NVR, \$527.02, NEUTRAL, TP \$525.00, MARKET WEIGHT)
Pulte (PHM, \$30.39, NEUTRAL, TP \$30.00, MARKET WEIGHT)
Ryland Group (RYL, \$43.26, NEUTRAL, TP \$39.00, MARKET WEIGHT)
Standard Pacific (SPF, \$24.19, NEUTRAL, TP \$28.00, MARKET WEIGHT)
Toll Brothers (TOL, \$27.30, NEUTRAL, TP \$30.00, MARKET WEIGHT)
WCI Communities, Inc. (WCI, \$16.85, UNDERPERFORM, TP \$18.00, MARKET WEIGHT)

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▪ Restricted	3%	

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