

November Market Trends	
Traffic	
Home Prices	
Incentives	

“Buyers are making very low offers. Sellers are countering but not as low as the offers are.”

Dallas, TX – Traffic Falls as Buyer Confidence Sours; Price Declines More Widespread than in Previous Months

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

Traffic falls off again in November. Agents noted a decrease in buyer traffic relative to October, as our traffic index fell to 19.1 in November from 28.3 in October, far short of a neutral reading of 50. In addition, buyer quality remains poor, according to agents, as fewer can qualify for loans. One agent said, “Just on Friday my friend at a title company was scheduled to close on 10 homes and 8 of them fell through at the last minute.” It appears the lack of lending programs for first-time homebuyers is having a measurable impact on buyer confidence given the area’s high use of subprime and stated income loans. In addition, falling prices continue to hurt buyer psychology.

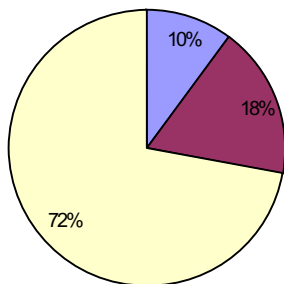
More agents see falling prices than in any prior month. Our price index fell to 22.4 in November from 38.1 in October, reaching a new low as a greater number of agents saw sequentially lower prices (a level of 50 would suggest flat pricing). 60% of agents said prices declined over the past 30 days, while 36% said prices were unchanged and just 4% said they were higher. In addition, agents said builders are stepping up their use of incentives, offering up to \$50,000-\$80,000 off the list price in addition to upgrades and higher agent commissions. Our incentive index fell to 12.1 from 20.4 in October. Agents also began to note tougher appraisals as appraisers are using cautious assumptions given the rising inventory and longer time to sell, which point to further pricing pressures ahead. Our home listing and time to sell indices fell to 21.6 and 8.8, respectively, from 31.9 and 14.9 in October, with readings below 50 pointing to sequential deterioration.

- ▶ “My last four potential buyers could not get pre-qualified.”
- ▶ “Foreclosures are up, and existing home sales are dramatically down.”

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.

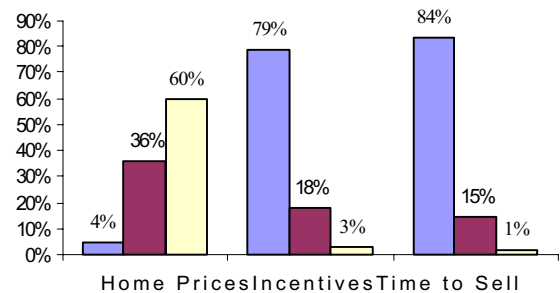
Growing Number of Agents See Falling Prices, Led by New Home Discounts

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.