

U.S. Homebuilding

North Carolina Call Transcript: Increasing Lot Development Opening Doors for Growth

Equities

Americas
Home Construction

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On Track for Mid-to-High Single-Digit Starts Growth

To get real time updates on conditions, we host calls with local experts across the country throughout the year. We recently spoke with Jay Colvin, Director of the Charlotte and Raleigh markets for Metrostudy, to get an on-the-ground perspective. As a result of a faster pace of lot deliveries than initially anticipated, our expert sees continued growth in both markets in the years ahead, but at a slightly slower pace in Raleigh as it is further in the recovery. For 2015, he forecasts an increase in starts of around 8-9% and 5-7% for Charlotte and Raleigh, respectively. For 2016, growth is expected to be around 5% in both markets.

As Lot Constraints Ease, Inventory Levels Will Improve

In line with broader trends, inventories of new and existing homes in both markets remain well below equilibrium, though we've begun to see some limited growth. In Raleigh/Durham, listings of existing homes are +1.5% year to date. On the new home side, there are currently 4.9 months of supply, well below normalized levels of 7-8 months. As a result, prices are up 3%, this reflects a shift in product mix to include more affordably priced townhomes. In Charlotte, listing are +1% and there is currently just 4 months of supply. That said, as lot supply normalizes, we expect the number of new homes will follow.

Millennial Buyer Activity Gaining Momentum

While active-adults and baby-boomers are driving the largest portion of demand, millennial buyers are beginning to participate to a greater extent. Much of this is taking place in the townhome market in Charlotte and a shift in product mix to higher density projects is allowing builders to work around affordability issues. Further, our expert noted that he has witnessed an increase in young families and the older cohort of millennials seeking more traditional single family housing and looking to move out to the suburbs. This is in line with our findings from our most recent [US Housing Intentions Survey](#), which shows millennials are increasingly looking to homeownership.

Valuation: PTs are Based on 1.7x Current BV

The stocks currently trade at 1.7x BV (adj. for DTAs), in line target multiples. Our top pick in the group remains PHM. Other Buy-rated stocks include BZH, RYL & HOV.

Summary of Conditions

Although both Charlotte and Raleigh/Durham have seen improving demand trends over the last few months, the rate of growth has differed, given underlying fundamentals. While Charlotte had been lagging relative to Raleigh coming out of the downturn—given its greater reliance on the financial sector for job growth—we have started to see this market begin to catch up and our expert looks for this trend to gradually normalize over time. We provide additional color below:

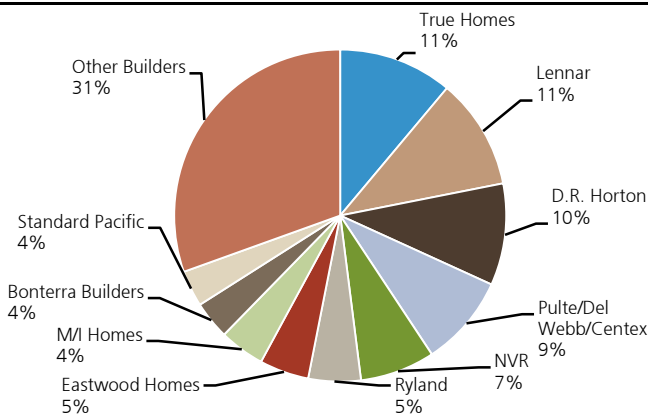
- Employment growth has been strong in both Charlotte (+4% YOY) and Raleigh (+3% YOY), and the quality of job creation is encouraging, with gains higher paying sectors such as financial services and professional & business services. This is supporting consumer interest in homeownership, which is reflected in sales that are up 17% and 6.5% year to date in Charlotte and Raleigh, respectively. Charlotte has been able to capitalize on a shorter land development timeline, which has resulted in more robust sales than Raleigh/Durham.
- While active-adults and baby-boomers are driving the largest portion of demand, millennial buyers are beginning to participate to a greater extent. Much of this is taking place in the townhome market in Charlotte and a shift in product mix to higher density projects is allowing builders to work around affordability issues. Further, our expert noted that he has witnessed an increase in young families and the older cohort of millennials seeking more traditional single family housing and looking to move out to the suburbs. This is in line with our findings from our most recent [US Housing Intentions Survey](#), which shows that millennials are increasingly looking to homeownership as a means to exit "doubled-up" households.
- In line with broader trends, inventories of new and existing homes in both markets remain well below equilibrium, though we've begun to see some limited growth. In Raleigh/Durham, listings of existing homes are +1.5% year to date. On the new home side, there are currently 4.9 months of supply, well below normalized levels of 7-8 months. As a result, prices are up 3%, though this reflects a shift in product mix to include more affordably priced townhomes. In Charlotte, listing are +1% and there is currently just 4 months of supply. That said, as lot supply normalizes, we expect the number of new homes will follow.
- Given these factors, our market expert, Jay Colvin of Metrostudy, expects continued growth in both markets in the years ahead, but at a slightly slower pace in Raleigh due to a more limited land supply. For 2015, he forecasts an increase in starts of around 8-9% and 5-7% for Charlotte and Raleigh, respectively. For 2016, growth is expected to be around 5% in both markets.

Builder Presence: Operating Stats

Charlotte

With approximately 8,200 new homes closed in 2014 (based on data collected by Metrostudy and reported as part of Builder Magazine's "Local Leaders" series), the Charlotte/Concord/Gastonia metropolitan area ranked as the 8th largest housing market in the country last year. Charlotte is similar to other major markets in the US in terms of the share of homes closed by bigger builders. In each of the 50 largest housing markets in the US, the 10 largest builders were responsible for approximately two-thirds of new home closings in 2014, which compares to 70% in Charlotte.

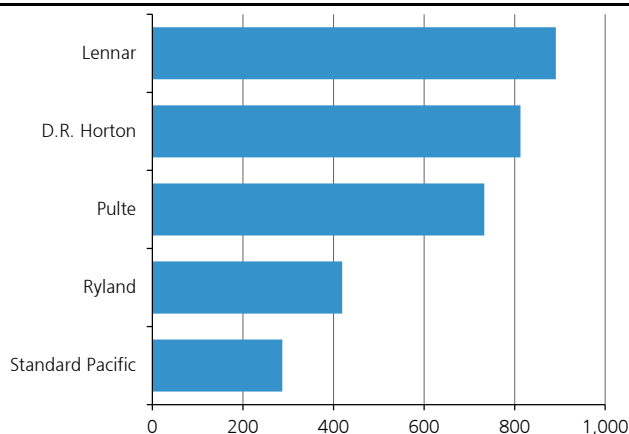
Figure 1: Share of 2014 Charlotte Closings, by Builder



Source: Builder Magazine (Metrostudy)

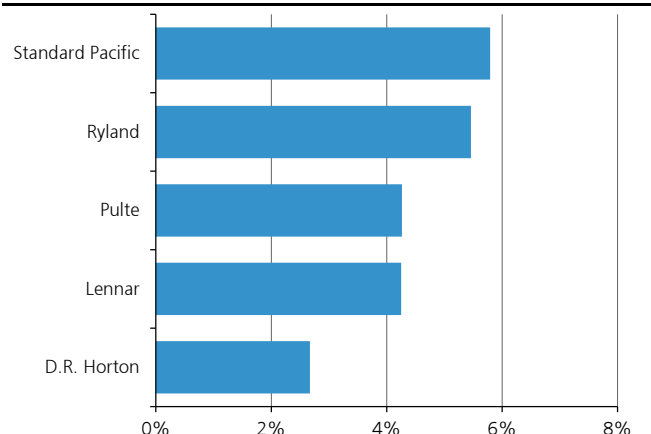
Within our coverage universe, Lennar closed the largest number of homes in the area last year, followed by D.R. Horton. However, relative to total company closings, Charlotte was a more important market for Standard Pacific.

Figure 2: 2014 Charlotte Area Closings



Note: Pulte includes the Del Webb and Centex brands in Figures 2 and 3.
Source: Builder Magazine (Metrostudy)

Figure 3: 2014 Charlotte Share of Total Company Closings

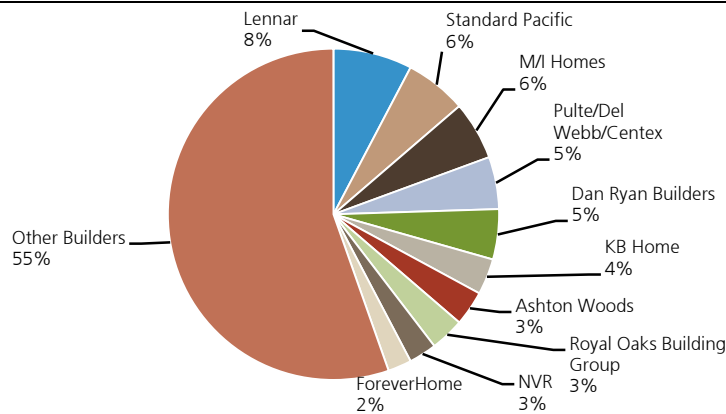


Note: Calendar year Charlotte closings obtained from Builder Magazine. UBS divides these closings by closings per company reports for the four fiscal quarters most closely coinciding with the 2014 calendar year.
Source: Builder Magazine (Metrostudy) and company reports

Raleigh

With approximately 6,100 new homes closed in 2014 (based on data collected by Metrostudy and reported as part of Builder Magazine's "Local Leaders" series), Raleigh ranked as the 14th largest housing market in the country last year. In terms of market share held by the largest builders, this area is more fragmented relative to other major housing markets in the US. In each of the 50 largest housing markets in the US, the 10 largest builders were responsible for approximately two-thirds of new home closings in 2014, which compares to 45% in Raleigh.

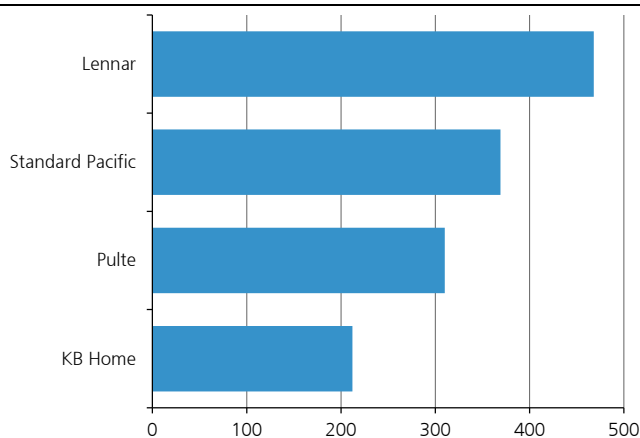
Figure 4: Share of 2014 Raleigh Closings, by Builder



Source: Builder Magazine (Metrostudy)

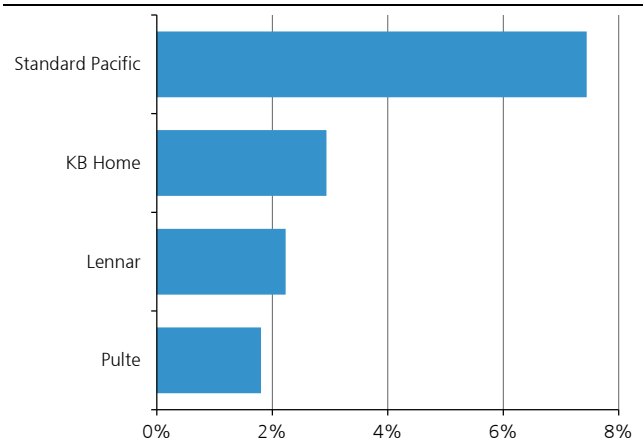
Within our coverage universe, Lennar closed the largest number of homes in the area last year. However, relative to total company closings, Raleigh was a more important market for Standard Pacific.

Figure 5: 2014 Raleigh Closings



Note: Pulte includes the Del Webb and Centex brands in Figures 5 and 6.
Source: Builder Magazine (Metrostudy)

Figure 6: 2014 Raleigh Share of Total Company Closings



Note: Calendar year Raleigh closings obtained from Builder Magazine. UBS divides these closings by closings per company reports for the four fiscal quarters most closely coinciding with the 2014 calendar year.
Source: Builder Magazine (Metrostudy) and company reports

Conference Call Transcript

We present below the transcript from our call with Jay Colvin from Metrostudy, a provider of market information on real estate development and new home construction. It has been edited for clarity.

Susan Maklari: Welcome to everyone that dialed in today. We're going to be getting an update on what's going on in the Carolinas, specifically in the Charlotte and Raleigh markets.

With us today is Jay Colvin from Metrostudy, who is going to give us an idea of what's been going on. With that Jay, I will turn it over to you.

Jay Colvin: Thanks, Susan. Overall the market in the Carolinas, specifically in Raleigh and Charlotte, continues to be very strong after a little bit of a slow start at the beginning of the year mostly due to some more adverse than normal weather.

Traffic has really picked up and sales have been picking up as well. We're seeing a much deeper pipeline of future new communities. We're also starting to see the follow through of lot development pick up. The broader market is really starting to pick up some steam and starting to capitalize on some of the fundamental job growth and employment and population growth that we've seen over the last couple of years.

To highlight some of the macro drivers—Raleigh/Durham added 25,000 jobs, or roughly 3%, over the last 12 months. The unemployment rate is pretty much flat from a year ago, at 5% driven by more job seekers, not necessarily employment losses. We are starting to see some folks come off the sidelines, which is a positive. In Charlotte the job growth has been much more robust with 37,000 jobs added over the last 12 months or about 3.6% growth. The unemployment rate continues to trend down at 5.6%.

We're seeing both growth in the quantity of jobs as well as much better quality of jobs. Wages are increasing and we've seen a lot of momentum in that. We've seen average weekly earnings in the Raleigh/Durham market up about 3% and in Charlotte it's up about 2%.

The 3% growth in Raleigh may not sound like much but you're talking about a pretty high average earning group there, so seeing 3% growth is really strong considering they're at already a higher basis. That's the blended average over the last 12 months but you've seen some growth that's in the higher single digits. We've seen some readings of 5% and even 7% year over year in that earnings number. The slack in the labor market is continuing to dissipate and you're starting to see much more robust increases in the wages. Certainly that's helping the pricing increases that we've been seeing over the last year.

As far as the inventory and sales trends that we've seen, in Raleigh/Durham closings are up about 6.5% year to date over the same period last year. We have actually begun to see some inventory growth as well, which has really been needed. There's been a continued decline in total inventory for sale in the market, which is good for pricing, but at a certain point in time you need greater inventory to increase the liquidity in the market and increase the flow of transactions.

It's great for the new homebuilders to be able to build into a very low inventory market but at a certain point in time they also need that move up buyer to be able and willing to get out of their home and move into a new home.

We've seen about a 1.5% increase in listings year to date, with most of that coming from the existing home side. The new home side has really been a stable in their inventory. We still have only about a 4.9 month supply for total listings in the Raleigh/Durham market, which historically very low. The 6.5-7 month range would be the National Association of Realtors' rule of thumb. Locally though, it's been higher than 7-8 months. Traditionally it's been a higher spec inventory market with all of the population growth so having less than a 5 month supply for total inventory is really short. That growth in listings has been good.

The shortage of inventory has also increased pricing about 3%. We would think it would be more, but most of that has been due to product mix. It's also resulting in the builders shifting gears a little bit and focusing more on the millennial buyer.

Townhome total sales volume increased 10% in the last year, which carry a lower price so that's holding back that headline overall price appreciation number. If you look at just the townhome volume and sales, their price is actually up 10%. You've seen a strong product mix focusing more towards infill and a little bit more millennial/younger buyers. And you've seen really strong follow through in the pricing and good demand on that side as well.

Charlotte's very similar although they have been able to capitalize on a little bit shorter development timeline, a little bit lower land base and a little bit quicker process for development. That's turned into great inventory and greater sales.

Their closings are up about 17% year to date, which is really significant growth in closings there. Same store listings increased 1% but they have an overall inventory of only 4 months in Charlotte.

Charlotte is a little bit behind in the cycle compared to Raleigh. Raleigh was last in and first out of the downturn. Charlotte was a little bit more of a leading market into the downturn, given its financial industry exposure, and then it rose a little bit slower out of it but now Charlotte is really starting to pick up pace.

With that low supply, prices are up about 2.5% in Charlotte and you've also started seeing that same follow through on townhomes. Townhomes have not traditionally been a big part of the market in Charlotte. It's been more of an ex-urban or a little bit more of a sprawl market, but you are starting to see an emphasis, especially from the millennial buyer, on more affordable product. So townhomes are really starting to pick up there. We think it will end up being a great mix overall and we will continue to see gains in the townhome market in Charlotte.

We've finished our second quarter survey of activity that's on the ground. These numbers are still preliminary. There'll be some revisions to it after we go through and really clean it up but these are fairly accurate numbers. **In Raleigh we saw an 8% increase in activity year to date. If you remember last time, we'd been relatively flat and actually seeing some year-over-year declines in activity. Most of that has been attributed to lot inventories. With this 8% increase we're on pace to break 9,000 units a year.**

It's not necessarily a significant number. It's just a threshold that we haven't crossed in a really long time. Again, most of that new growth is due to lot deliveries. New lot deliveries are up 16% year to date. We're still not delivering the 8,500-9,000 new lots a year but we're getting closer to it. This new lot development has enabled a really strong second quarter.

The other part of it is not just current lot deliveries but what's the pipeline for future communities and future lots? The pipeline has really started to grow as well. The last couple of years we've had weather impact us adversely and it's delayed lot deliveries. However, that slower lot delivery also enabled some of the municipalities to work through their backlog of lot development. You've started to see that backlog of projects that are in the approval stage starting to move through.

We've increased our lot deliveries and at the same time our pipeline of projects that had been approved and are moving through the development process, are also starting to grow. These are really positive things for the Raleigh/Durham market that have been especially land and lot constrained.

Charlotte is also seeing similar increases in construction activity. Starts are up 11% year to date. We don't think they're going to break the 10,000 unit threshold this year, but if we have a strong third and fourth quarter there's a possibility that that will take place. Certainly we expect that to happen within 2016 though.

Lot production has been much more robust in Charlotte. Year to date deliveries for lots are up 80%. This is still below that take down rate of annual starts, but you've seen the process to get projects through the entitlement pipeline and then actually develop them and bring them to market, been much easier in Charlotte. And so you're starting to see that pipeline build and you're seeing follow through.

Really strong lot production here. I think what you're seeing, and nationally we've seen this as well, is we've gone through most of our excess hangover of lot inventory from the downturn. It's all been raw land and new development focused for the last couple of years and now we're starting to see the fruits of those efforts. We think that this is something that we've been looking for. We're starting to see the signs of it. If the trend continues then I think this is a sign that we're going to take the next leg up for total volume in the market.

We're all seeing the product mix adjusting as well. Builders are finding ways to attack the affordability component by increasing densities and shifting a bit more to the townhome market, which has been great for the buyer profiles as well.

It was a really strong second quarter and year to date so far for both of the major Carolina markets. With those product shifts, we've seen pretty strong traffic increases. We're seeing some seasonality right now. The month of June schools are out, people are taking vacations so we started to see that normal seasonality. We're still up year over year but you are starting to see that trend. We should expect a return to a more normal market where you have some late summer seasonality and then fall pickup as well.

As I mentioned, as far as buyer profiles, it continues to be that active adult has been the biggest growth segment. **That said, we are starting to see much more millennial influence. We are starting to hear about young families or the older cohort of millennials that are married and starting to have kids. We are starting to see them seek more traditional single family housing and actually looking out to the suburbs.**

We have seen the more urban infill type buyer with that group. You've also started to see the development principles of building more urban themed developments but in the suburbs and that's attracting a good buyer mix as well.

Speaking of new communities, our community count is starting to increase. We've had about a 3% increase in community count in Charlotte. Raleigh is still going through the process of transitioning and it's still been a challenge to actually increase our community count versus what we're taking out of the market there. We have seen about a 1% increase in community count.

As far as the land market, because of the increase in lot development and because the pipeline of projects that are being titled and are under control has started to fill up, the land market has started to moderate a little bit in terms of pricing.

We had a multiyear run of pretty robust price increases on existing lot inventory as well as entitled raw land. It was really outstripping all of the price increases that the builders had been able to push through and all of the efficiencies that they've been able to take. All those gains and what you would think would translate into better margins, were really counteracted by the price of land. The market pipeline filling up a little bit is actually starting to moderate the pace of lot prices moving forward. They're still moving forward. We're seeing about a 3-5% annual appreciation of finished lots. This is a little bit lower than that on land, whereas we were seeing double digit price annual appreciation for those two assets over the last couple of years.

That pace of price increases on land was something that wasn't sustainable because it was getting to the point where builders were going to see some significant margin pressure. We think that it's a positive that land prices are starting to moderate a little bit.

The market continues to be pretty short as far as inventory. The luxury or higher end product still has a little bit more softness. This is the \$650k and above market in Raleigh/Durham and the \$550k and above for Charlotte. The national production builders have really geared their efforts towards that move up and second move up buyer. The disparity between a custom or higher end semi-custom home and a production level home at that price point, as far as quality or feature level and design, that's gotten a little bit better.

There's more competition at a lower price and you don't see as much separation in quality as the higher end. That market has remained a little bit softer. There are also some issues with getting jumbo loans and people willing to put down as much as they need for the higher end home.

We think that you will continue to see labor issues within the Charlotte market. As they have ramped up their volume, the construction labor market has not responded as quickly there. Because they're earlier on in the cycle for construction increases, we have been hearing about delays with getting framers, roofers, HVAC and plumbing. Those are the four biggest groups that we're having delays with.

That's been an issue in Raleigh for a while. It seems like Raleigh is a little bit ahead of the curve and you've seen some more robust construction growth there. We'll see that there are some delays that will impact volume growth in Charlotte because of that. Not as much as the lot supply issues have been.

The final anecdote I would add would be that we did see an exit in Raleigh from a pretty large regional builder out of the market. They had roughly 2-2.5% of the market share. They are divesting some of their major land position. They have some really highly coveted land positions so I expect in Raleigh you should see a little bit more market consolidation within the top 25 builders, which are pretty small in total market share compared to most areas of the country.

Depending on how long the workout phase of this builder exit takes, I think you will see the top 5 or 10 large, well-capitalized, national builder groups look to take over those positions. We should see some consolidation in the market across Raleigh/Durham and then some growth among the top 10 builders that have been really struggling to get enough land to grow their market share.

So, Susan, if we want to open it up to Q&A I'd be happy to dive into any of those more deeply.

Susan Maklari: I wanted to touch on the last topic that you were discussing, which was this builder that is leaving Raleigh. What drove their decision to do that? It sounds like there are some pretty solid fundamentals going on there and that things are actually getting better. It's interesting to me that they've chosen to leave now.

Jay Colvin: Because it's still an evolving situation I don't like going into too much detail. I don't think it was necessarily a choice to exit the market. They got into a position where they were land heavy and it's a situation where I think they just had too much land and they need to get rid of some of those positions. They're going to scale down their operations potentially. The fundamentals of the market are still strong, it's just this one impactful builder is going to exit.

Susan Maklari: Along those lines, we all heard about the Ryland and Standard Pacific deal. Will that have any impact given their position in the market? How do you think that'll shake out?

Jay Colvin: For Standard Pacific, Raleigh is a major part of their national footprint. They are within the top 3 or 4 builders consistently. Ryland is fairly new to the Raleigh market but they've grown pretty rapidly. They tend to have complementary positions. Ryland has been a little bit more oriented to the first time buyer and first move up. Standard Pacific has focused more on the move up but they've also had a really strong townhome buyer. They've gotten a little bit of a mix of that as well.

In Raleigh, Standard Pacific is actually the #1 townhome builder. They've got some complementary positions. There's not a lot of overlap there. If they can hold their combined volumes roughly, they should move up that ranking. They would be either the #1 or #2 builder depending on how the year shakes out. It is a similar situation in Charlotte as well.

I'm not exactly sure what their local management style or strategy will be, but if they maintain roughly what the two groups have done, I think they're going to be complementary. I don't think there's a lot of overlap there as far as pricing. There will be some there but I think the good thing is that they, for the most part, have really strong positions as far as communities across the two markets. I think it's good for them from an operational perspective to be able to maximize some efficiencies. Again, they don't have a lot of communities that are competing directly against each other so it shouldn't be a negative impact.

Susan Maklari: You noted that the higher end of the market is kind of softening a bit given that there's a lot of competition there. Are you seeing any builders starting to break out and get more aggressive in building entry level product given that it seems like the millennials are starting to become more involved?

Jay Colvin: Yes. I think some of it has been driven by land costs and to make the numbers work you had to go higher density. Townhomes have certainly been the

dwelling of choice for millennials and builders in both the markets are starting to put more of an emphasis on that.

5 or 6 years ago, if you looked at who built townhomes in Raleigh/Durham or Charlotte, there was only a few companies and they really maximized their market share of that townhome market versus the broader market. Now we're starting to see more builders add that product mix into their portfolio. We've actually seen smaller ones take that approach as well. Some of it is driven by the land costs, but also we've seen a nice follow through from the millennial buyers for townhomes.

That's certainly been a big part of it. The design for some of these greenfield communities that are coming out are having much more of an urban feel, even though they may be pretty far out from the core. We're seeing some community design start to react as well.

Looking at the overall volume gains, and I'll use Raleigh as the indicator because they're a little bit ahead. If you take the \$350k and above to say \$650k market, that got back to 2007 levels and actually crossed it in terms of volume. When we crossed that the market started to flatten out a little bit. That was the easiest market to regain share in and then we got to a certain point where you weren't able to see the type of volume gains that you would expect from it.

The sub \$350k market had been neglected. Some of it was driven by the costs and because some of builders were making more money at the higher end and they didn't need to focus on it. If you look at that market now compared to 2007 or even if you take it further back to 2002 for a more normalized market for volume growth, that market is still significantly underbuilt. Builders are seeing it as an opportunity and they're seeking to capture that to drive volume.

It's absolutely been a focus for more entry level, even though the entry level today is a different entry level than it was in 2005. It's a higher price point and a little bit more sophisticated buyer.

Susan Maklari: Turning to price, I know the last time we had talked price increases were rather significant and certainly well above the long term normalized averages. It sounds like that has decelerated quite a bit in the last few months. Can you give us some color on what's going on there and how to think about that going forward?

Jay Colvin: I think it's the product mix, because the builders are focusing more on a more entry level or first move up buyer and less on the downsizing for a second move up buyer. It's not necessarily that the headline price appreciation number has slowed. If you look at where they're focusing, you're still seeing those large price movements but they're just building more volume at a lower price point. That's kind of holding back that headline appreciation. If you start segmenting those product types and you look at for instance, townhomes, we saw 10% annual price appreciation there. We're still seeing strong price appreciation.

The mix of product is normalizing and that's helping to stabilize headline numbers. That's true with a lot of markets around the county. We were seeing these average price increases that were significant but it was really driven by the product mix. We were building 75% or 80% of the market above the average price point was where this new construction was going so you saw that cycle through and you saw these really large price gains.

Now that we're focusing a little bit more in between the median and average price, that should bring that total average back down to a more normal 2-3% annual rate.

Susan Maklari: Can you review for us how you think about growth for both of these markets going through the rest of 2015 and then looking out further from there into 2016?

Jay Colvin: My expectation for this year is really dependent on lot deliveries. If we were stuck at the type of lot deliveries that we had done last year then we would be roughly flat, maybe up 3%. It looks like the lot deliveries are going to be higher pace than what I initially thought. I think we'll probably end the year in Raleigh up about 5-7%. Charlotte will be a little bit higher than that at +8-9%.

If we hit that this year, then I think we'll get back in a more normalized 4-5% in 2016 or 2017, but we'll be on a bigger number so we'll see higher volumes.

If we have some sort of delay in lot deliveries and we don't continue to push this type of volume out the rest of the year, I think we'll end the year up 3-4% in Raleigh and 8% in Charlotte. Then you'll see sort of that same trend in the next year. It really depends on when that lot pipeline actually comes through. To recap, up roughly 5-7% in Raleigh this year and +8-9% in Charlotte. The following year should be about +5% in both markets.

Susan Maklari: Jay, thank you for that overview, and thanks to everyone that has dialed in to listen today. We will be back next week with another update.

Statement of Risk

The primary risk facing homebuilders currently is that the recent improvements experienced slow or reverse, driven by 1) a weaker macroeconomic backdrop and the related lower level of job creation or 2) the impact from recent increases in mortgage rates. Additional risks include increased costs for either land, labor or materials and the potential for the more limited availability of mortgage financing to negatively impact demand.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	45%	36%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 June 2015.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS Securities LLC: Susan Maklari.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Beazer Homes ^{4, 6, 16}	BZH.N	Buy	N/A	US\$19.19	17 Jul 2015
Hovnanian Enterprises ¹⁶	HOV.N	Buy	N/A	US\$2.29	17 Jul 2015
PulteGroup, Inc. ¹⁶	PHM.N	Buy	N/A	US\$20.09	17 Jul 2015
Ryland Group ¹⁶	RYL.N	Buy	N/A	US\$46.13	17 Jul 2015

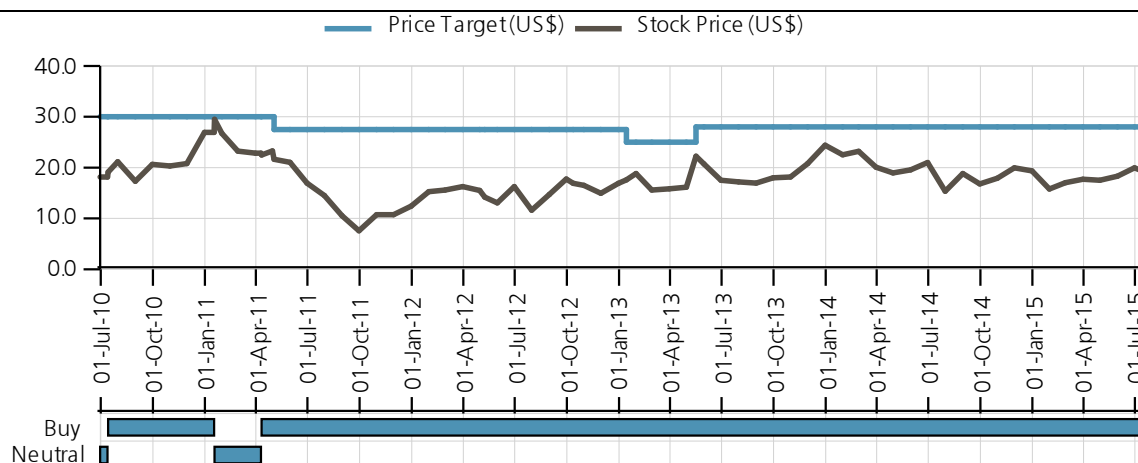
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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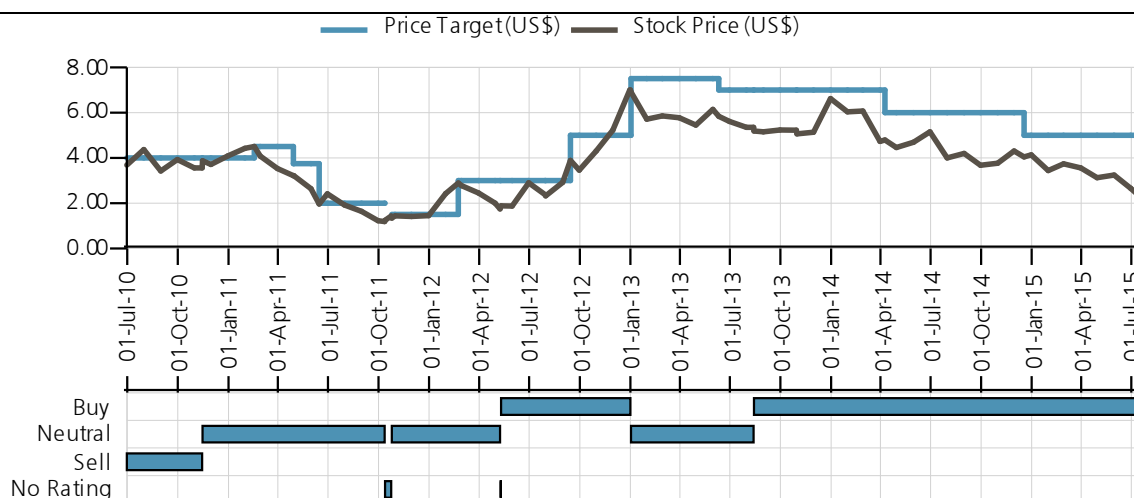
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Beazer Homes (US\$)



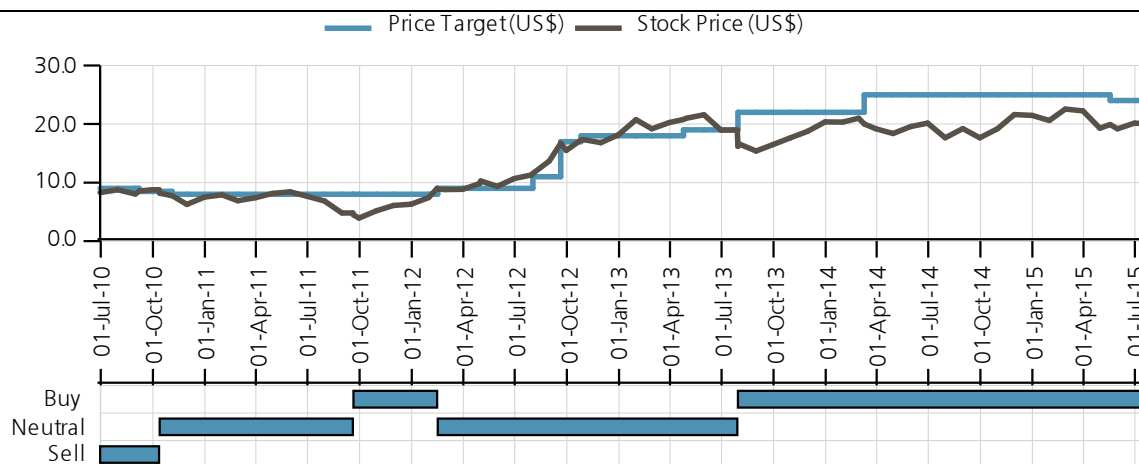
Source: UBS; as of 17 Jul 2015

Hovnanian Enterprises (US\$)



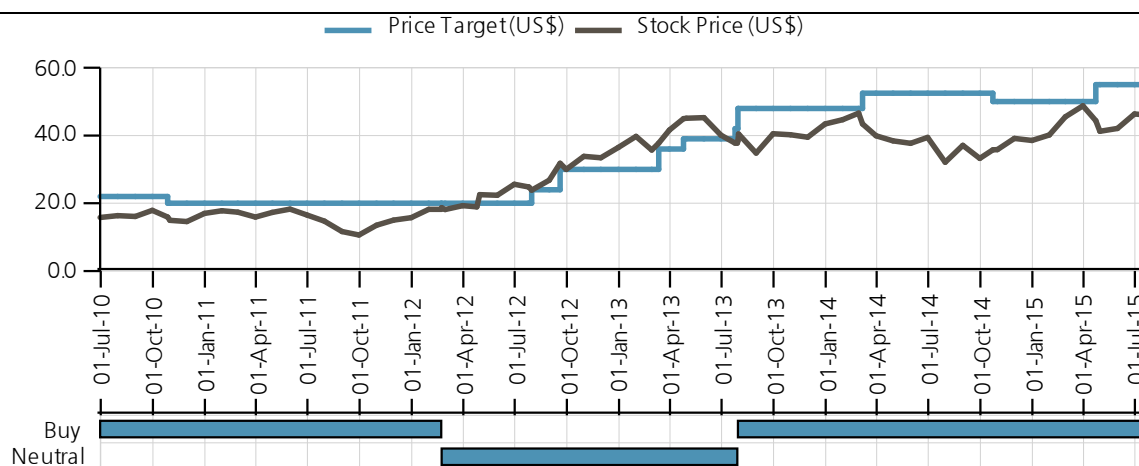
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PulteGroup, Inc. (US\$)



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Ryland Group (US\$)



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