

Housing stocks go through the roof

By Matt Krantz, USA TODAY

Investors eager to pile onto the real estate boom but not wanting to plunk down \$200,000 to buy a house are finding an even better way to play: stocks.

Shares of everything from home builders to mortgage lenders and makers of building materials are surging, even faster than home prices, as the industry rocks.

Hot stock performers			
Housing-related stocks are enjoying their own boom.			
	Thurs. close	Thurs. chg.	2005 chg.
Toll Bros. (TOL)	\$91.65	6.9%	33.6%
Beazer Homes (BZH)	\$53.85	5.2%	10.5%
Hovnanian Enterprises (HOV)	\$61.38	5.2%	23.9%
D.R. Horton (DHI)	\$34.72	4.8%	14.8%
Pulte Homes (PHM)	\$76.32	4.3%	19.6%
Lennar (LEN)	\$57.47	3.8%	1.4%
KB Home (KBH)	\$66.35	3.6%	27.1%
Centex (CTX)	\$64.50	3.0%	8.3%

Source: CSI

Toll Bros., a high-end home builder, Thursday became the latest stock to take off, again. Shares rocketed \$5.92 to \$91.65 after the company reported 135% higher quarterly profit and boosted its earning forecast for the current fiscal year.

Toll underscores how different types of stocks are giving investors homelike returns, including:

•**Home builders.** Owning shares of home builders, in many cases, has been even more lucrative than owning homes. Shares of Toll are up 131% since the end of 2003, which blows away the 21% rise of the median sales price of existing homes during that period, the National Association of Realtors says.

Despite the run in Toll shares, there's still room to rise, says Lawrence Horan, analyst at

Parker/Hunter. He says Toll has presold an 11-month supply of homes and has enough land to build on for years.

Bill Mack, stock analyst at Standard & Poor's, says the entire group can still perform well. "I don't think it's yet overplayed," he says. Consider that Toll sells at 11.2 times its expected 2005 earnings, vs. 15.9 for the Standard & Poor's 500.

•**Residential REITs (real estate investment trusts).** Shares of these companies, which manage apartments, have returned 31% in the past year and 51% during the past three, according to SNL Financial. These stocks have benefited from some of the same factors that have propelled real estate, namely the demand for housing, says Glenn Doggett, SNL associate director.

But some of the players have boosted exposure to the housing boom by developing single-family homes. Others have profited by selling apartments to builders planning to convert them to condos, Doggett says. Late last year, Archstone-Smith Trust paid a special dividend to shareholders after selling a property to a condo converter for \$596 million, SNL says.

•**Building products.** Makers of everything from lumber to concrete and carpet are booming. Building Materials Holding's shares have jumped 64% this year as builders across the nation buy its lumber.

•**Mortgage lenders.** With long-term interest rates so low, the demand for both refinancings and new loans remains strong, says Edwin Groshans, analyst at Fox-Pitt Kelton. Thursday, the 10-year Treasury note yield was 4.08%, near a three-month low. But if these low rates eventually go away, that could spell trouble for the industry. The 10-year yield "can go to 4.25% and we can still have a strong (real estate) market," he says. "But if we get close to 5%, things will slow down."