



## Will the U.S. Continue to Follow the “Anglophone” Housing Market?

By Ian Davis

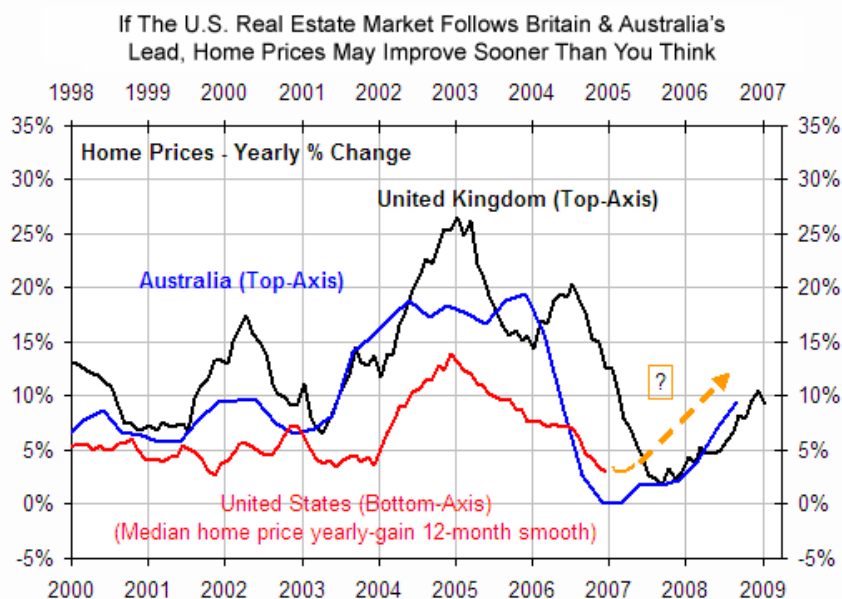
In 2003, home prices in Australia and the U.K. were going up 20% or more a year. America’s housing markets followed the trend, lagging by about two years.

In 2005, property “crashed” in the U.K. and Australia. I write crash in quotes because GDP growth continued in both countries and average home prices didn’t actually decline – they simply stopped going up. By 2006 and into early 2007, growth in housing prices had resumed in the U.K. and Australia. All of the experts in those countries had predicted it would take years for the housing markets to recover.

I believe the same thing will happen in the U.S.

The situation in these countries two years ago was much like the one that exists in the U.S. today. There was a lot of media hype about the fall in real estate prices. But look at what actually happened...

Below, you’ll find a chart that shows what happened in the U.K. and Australia, and how closely the U.S. market has followed these other Anglophone property markets. I’ve skewed the time axis for the U.S. data by two years, so that the markets all line up.



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In November, the supply of homes for sale in the U.S. reached a peak, and homebuilder confidence surveys came in near an all-time low. Housing was unaffordable. These are terrible conditions for anyone trying to sell a home. Ironically, that's the best time to buy homebuilding stocks, because they trade at extremely low prices during these crisis periods.

I recommended buying Toll Brothers (TOL) back then. And, if you haven't bought shares yet, it's not too late.

There's a very good chance that our property crash, like the U.K.'s and Australia's, won't last long. These countries' housing markets were even more overheated than ours. Yet two years later, growth started to accelerate again.

It has now been about two years since growth in U.S. home prices began to weaken. It may be time for the U.S. market to turn around. GDP growth continues at a solid pace, and inflation will continue to support real estate prices. I expect prices on homes will begin to increase again, much sooner than most "experts" are predicting.

#### **CONCLUSION:**

The real estate market's slump may be nearing its end. As buyers return to the market and home prices begin rising again, homebuilding stocks will continue to perform well. Despite the quick run-up that we've had lately in Toll Brothers, I recommend that you keep your position on the table.

INVESTMENT	SYMBOL	REF. PRICE	REF. DATE	RECENT PRICE	TOTAL RETURN	ADVICE
Toll Brothers	TOL	\$28.05	11/6/2006	\$35.35	26.02%	HOLD
Home Depot	HD	\$36.40	11/13/2006	\$40.83	12.17%	HOLD
The Thai Fund	TTF	\$10.92	12.4.2006	\$9.27	-15.11%	SOLD
Wal-Mart	WMT	\$47.63	1/29/2007	\$48.08	0.94%	BUY

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