



ANALYST QUICK NOTES

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Housing Companies

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Weekly Stock Lists: Housing Companies

- Argus Economics thinks the housing market is in the middle innings of a long upcycle. The market, which has been recovering since 2011, is not overheated – supply and demand have both been muted. The consumer is in good shape, as the job market is improving and stocks are near all-time high, supporting home purchases. Mortgage rates remain low, with a 30-year fixed mortgage rate at 4.25%. Affordability is a positive factor as well. Homeowners once again believe that home improvement is a good investment.
 - Here are five BUY-rated companies in Argus coverage that are likely to benefit from solid growth in the housing market:
 - Toll Brothers (TOL): This is a play on the high end of the housing market. TOL is the only publicly traded company in this segment and benefits from economies of scale.
 - DR Horton (DHI): Good geographic diversification, solid financial strength and a growing presence on the entry level segment of the market.
 - Lennar (LEN): Lennar is the nation's second-largest builder of homes based on both the number and dollar value of homes it delivered in FY16. The company is managing its building and land-acquisition activity to drive profitability and cash generation rather than sales.
 - Lowes Cos. (LOW): Lowes is one of the stronger players in the retail sector. As we see it, LOW has upside approaching and reaching peak margins.
 - Honeywell Inc. (HON): This diversified industrial company's Home & Building segment accounts for about 25% of total corporate sales. The segment manufactures and markets air conditioners, fans, filters, doorbells and digital home monitoring systems. The segment is growing at a low-single-digit rate, while margins are near 20%. HON recently boosted its dividend 18%.
 - For more information on these companies, please see our Analyst Reports at www.argusresearch.com.
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