

## Windows on Wall Street

From Lincoln International

Housing starts continued their decline in December, according to preliminary data from the U.S. Census Bureau. Preliminary December figures came in at 1.006 million units, down 53.1% from January 2005 and the lowest level since June 1991. The recent decrease in housing starts is but one factor in the increasingly negative economic outlook. However, the Federal Reserve's decision to reduce the Discount Rate 500 basis points to 3.5% on January 30, 2008—following its previous reduction of 750 basis points—will give a boost to the economy's outlook. By decreasing the discount rate, the Fed made it cheaper to borrow and, thus, easier to access funds. The \$145 billion economic stimulus package proposed by President George W. Bush on January 18, 2008 should provide even more access to funds. The Window & Door stock index, which declined 21.9% year-over-year, reacted positively to these stimuli and bounced back by 7% between January 18th and 30th. It remains to be seen if the actions by the Fed and President Bush, and the subsequent reduction in average mortgage rates, are enough to restart the housing market and produce some near term growth.

### WD Stock Watch

As of January 16, 2007

Company	Current Price (\$)	52 week		*EV/ EBITDA
		High	Low	
The Black & Decker Corp.	\$72.72	\$97.01	\$63.35	7.8x
Building Materials Holding Corp.	6.98	25.08	4.40	4.9x
Drew Industries Inc.	26.61	44.18	20.17	7.2x
Fortune Brands Inc.	67.69	90.80	63.01	8.9x
The Home Depot Inc.	29.35	42.01	23.77	6.0x
Huttig Building Products Inc.	3.91	8.77	3.26	41.6x
Lowe's Companies Inc.	24.78	35.74	19.94	6.5x
Masco Corp.	22.15	34.00	17.92	7.8x
PPG Industries Inc.	66.42	82.42	58.59	7.4x
Quanex Corp.	52.74	55.51	36.08	6.7x
Wolseley PLC	14.16	28.16	12.06	7.0x

The WD Stock Watch includes a select list of publicly-traded companies involved in the window and door industry. For \*EV/EBITDA: EV (enterprise value) = Market value of stock plus debt outstanding minus cash, and EBITDA = Earnings before interest, taxes, depreciation and amortization. Data provided courtesy of Lincoln International.

### WD Stock Index



Note: Local currency converted to USD using historical spot rates. The WVD Stock Index consists of the above stocks weighted by market cap. Data provided courtesy of Lincoln International.

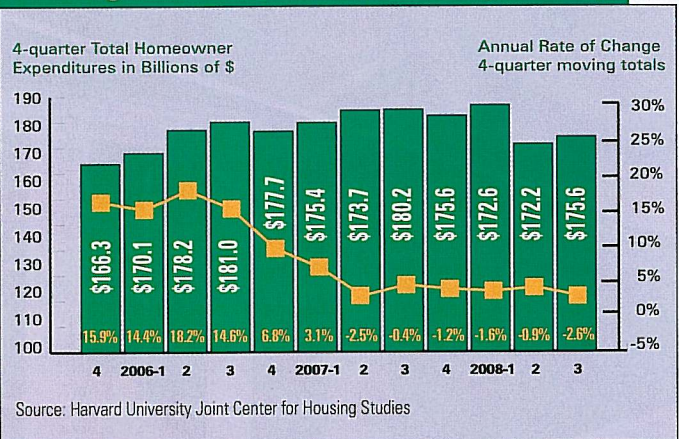
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## Market Snapshot—Remodeling

Tighter credit standards and falling consumer confidence are expected to depress remodeling spending for the remainder of the year, according to Harvard's Joint Center for Housing Studies. Its Leading Indicator for Remodeling Activity suggests homeowner spending for home improvement activity will continue to decline, falling by an annual rate of 2.6% through the third quarter of 2008. "Fewer home sales and falling home prices are dampening interest in spending on home improvements," notes Nicolas P. Retsinas, Joint Center director. "While remodeling expenditures are likely to continue to slump in 2008, there will remain a need for basic home improvements for an aging housing stock." Kermit Baker, director of Harvard's Remodeling Futures Program adds, "An expanding economy has helped cushion the remodeling market. Absent a more serious national downturn, remodeling activity is expected to see only modest declines in 2008."

### Leading Indicator for the Remodeling Industry



Source: Harvard University Joint Center for Housing Studies

## Realtors—Doors and Windows Add Value

In a national survey sponsored by Jeld-Wen Inc., 90 percent of realtors said a buyer's first impression of the front entry was important to their ability to sell a home. More than four out of five also reported they had experienced buyers declining to look inside a house based on the exterior appearance. More than half of the agents surveyed said they had advised clients in the past to upgrade their windows and doors, and 66 percent said they have mentioned energy efficient windows and doors in their home listings. "Buyers are growing discerning when it comes to energy efficiency and how that translates into future costs for them," noted one realtor surveyed. "Due to the large choice in homes today," noted another, "buyers are able to wait until they find homes that have upgrades."

## Closing Thoughts—Mainstream Green

"The time has come. Home buyers are ready for green, and NAHB is ready for today's home buyers." —Bob Jones, National Association of Home Builders' vice president and secretary and a home builder based in Bloomfield Hills, Mich.