

AUGUST 2011

Overview

Exactly a month ago, we were expecting August home value trends to weaken based on disappointing [July existing home sales](#) and [pending home sales](#), a weak [September jobs report](#), and [weaker consumer confidence in August](#). However, [August existing home sales](#) were released and they surprised to the upside—up 7.7% between July and August.

Today, the Zillow Real Estate Market Report reveals a market in which home value trends didn't weaken as much as we feared a month ago. August home values were essentially flat from a month ago, up just 0.09% from July to August (see Figures 1 and 2). On a year-over-year basis, home values were still down, falling 4.5% since August 2010. The peak to current decline now stands at 28.3% (relative to June 2006). We do remain concerned, however, about the impact that recent economic turmoil and renewed fears of another recession will have on September home sales and home value trends.

Figure 1: U.S. Zillow Home Value Index
August 2011

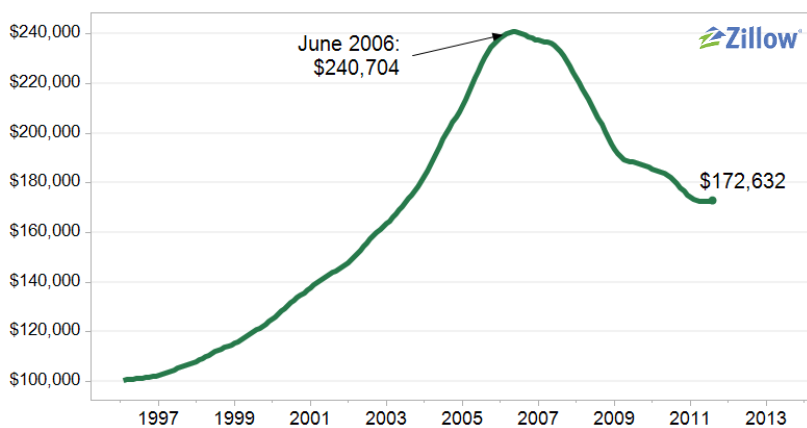
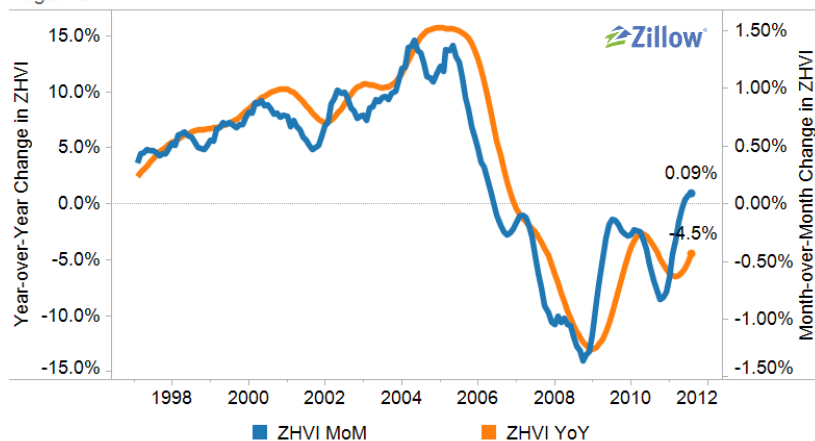


Figure 2: Change in U.S. Zillow Home Value Index
August 2011



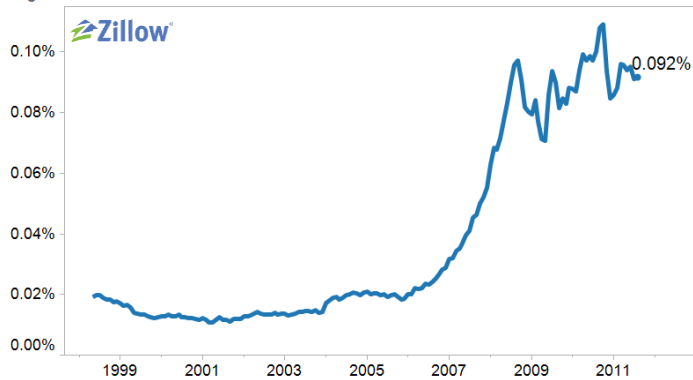
Highlights

- In August, home values were essentially flat, increasing just 0.09% month-over-month, while still falling annually with a 4.5% decline since August 2010.
- Of the 157 metropolitan statistical areas covered in the Zillow Real Estate Market Report, 74 showed monthly home value depreciation, 68 metros showed monthly home value increases, and fifteen metros remained flat in terms of home value growth.
- There is a substantial difference in trends for the top and bottom tier of home values. Currently, home values in the top tier appreciated 0.46% from July to August while those in the bottom tier are essentially flat at 0.06% appreciation per month.
- With little improvement in the areas of negative equity and unemployment—the two biggest factors affecting long-term housing market recovery—we continue to expect that a definitive bottom will not occur until 2012 at the earliest.

Home Values

The Zillow Real Estate Market Report covers 157 metros of which 74 showed monthly home value depreciation and 68 metros showed monthly home value increases. Fifteen metros remained flat. There are encouraging signs in some very hard hit markets. Detroit, for example, where home values are still down 6.5% from a year ago, has seen five consecutive months of positive monthly appreciation. Fort Myers, FL, has seen nine months of positive monthly home value appreciation and five months of positive annual appreciation. A table of the largest 25 metropolitan statistical areas that Zillow covers and their month-over-month performance can be found on page 3 of this report.

Figure 3: U.S. Foreclosure Rate
August 2011



Foreclosures

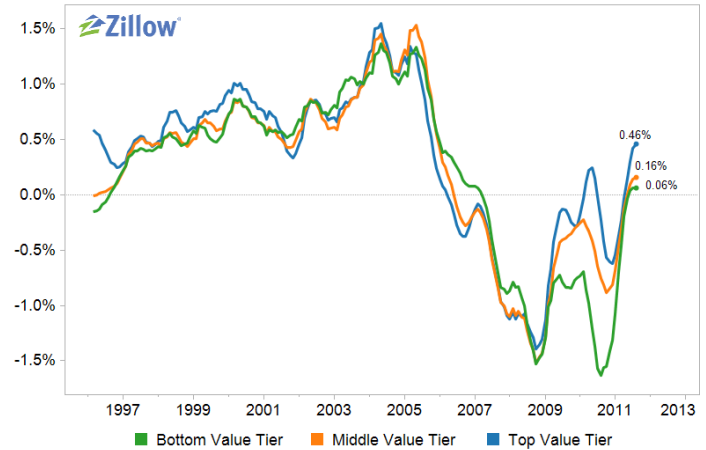
The foreclosure liquidation rate remained steady at around 9.2 out of every 10,000 homes in the country being liquidated in August, well down from the rate of 10.9 out of every 10,000 homes in October 2010 before the robo-signing slowdowns (see Figure 3). Foreclosure re-sales made up 19.5% of all sales in August, up slightly from the July level of 18.9%. We believe that both foreclosure re-sales and foreclosure liquidation rates are suppressed currently and that this constraint is improving the supply-demand imbalance in many markets, but doing so at the expense of longer or deeper negative trends in the future.

Home Value Tiers

The market is again seeing a separation in the appreciation trends of the three home value tiers as seen in Figure 4. Figure 5 shows the difference in monthly home value appreciation between the top and bottom tiers of home values (the simple difference between the blue and green lines in Figure 4). Home value trends in the bottom tier outperformed those in the top tier at the outset of the housing recession (July 2006). This likely occurred because buyers of expensive homes became skittish about prices as demand weakened whereas subprime lending was still fueling substantial demand in the lower value tiers of homes. The fates of the top and bottom tiers reversed by early 2009, though, at which time the top tier consistently performed

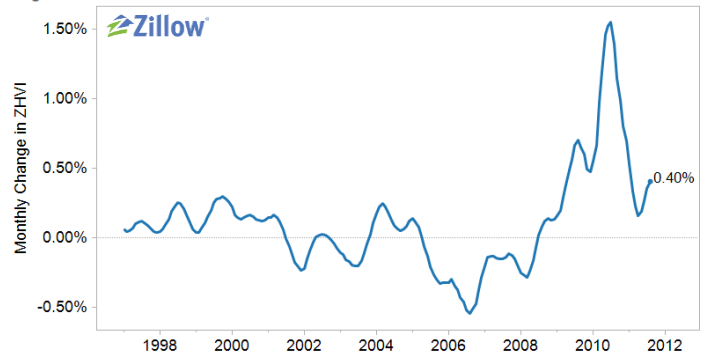
better than the bottom tier. The difference between the top and bottom tiers was at its greatest in July 2010, after the federal home buyer tax credit had expired and the bottom fell out of the bottom tier. At this time, monthly appreciation in the

Figure 4: Monthly Change in Zillow Home Value Index by Home Value Tier
August 2011



top tier was -0.02% while appreciation in the bottom tier was -1.57%, a staggering 18.6% annualized difference in home value trends. Currently, home values in the top tier are appreciating at 0.46% per month while those in the bottom tier are essentially flat at 0.06% appreciation per month.

Figure 5: Spread in monthly home value appreciation between top and bottom tiers of homes.
August 2011



Outlook

There is no change in our assessment of the two biggest long-term factors affecting home value trends: negative equity and unemployment. In the near-term, the pace of foreclosure liquidations is impacting home value trends, which, in turn affects the REO saturation rate with some lag. We believe the liquidation rate has been lower than it would be otherwise, while the attorneys general of most states try to hammer out a deal with lenders and servicers over foreclosure processes and guidelines. With or without this settlement, the pace of foreclosure liquidations will pick up again, eventually putting more REOs into local markets and putting more downward pressure on prices. Nothing we have seen so far causes us to change our expectation that we won't see a definitive bottom until 2012 at the earliest.

National Summary

	Sep 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011
ZHVI	179,410	177,909	176,467	175,106	173,975	173,209	172,655	172,382	172,306	172,361	172,484	172,632
MoM	-0.75%	-0.84%	-0.81%	-0.77%	-0.65%	-0.44%	-0.32%	-0.16%	-0.04%	0.03%	0.07%	0.09%
YoY	-4.35%	-4.93%	-5.45%	-5.92%	-6.27%	-6.47%	-6.54%	-6.45%	-6.20%	-5.79%	-5.22%	-4.50%
Fall from Peak	-25.5%	-26.1%	-26.7%	-27.3%	-27.7%	-28.0%	-28.3%	-28.4%	-28.4%	-28.4%	-28.3%	-28.3%
Homes Foreclosed	0.108%	0.109%	0.093%	0.084%	0.086%	0.088%	0.096%	0.096%	0.094%	0.095%	0.091%	0.092%
Foreclosure Re-Sales	15.3%	16.1%	16.6%	17.3%	18.8%	20.4%	21.2%	20.9%	20.0%	19.2%	18.9%	19.5%
Sold for Loss	30.7%	31.2%	31.3%	31.7%	33.4%	35.3%	35.8%	35.4%	34.7%	34.0%	33.7%	34.0%

Largest 25 Metropolitan Statistical Areas Covered by Zillow

	ZHVI Level	ZHVI MoM	ZHVI YoY	Peak Month	Fall from Peak	Homes Foreclosed	Foreclosure Re-Sales	Sold for Loss
New York, NY	350,729	0.21%	-2.93%	2006-06	-23.3%	0.004%	2.48%	21.8%
Los Angeles, CA	389,902	-0.02%	-6.07%	2006-05	-35.6%	0.129%	25.4%	30.5%
Chicago, IL	172,770	0.11%	-9.06%	2006-07	-36.3%			43.4%
Dallas-Fort Worth, TX	127,954	0.08%	-2.80%	2007-08	-11.4%	0.088%	18.6%	33.1%
Philadelphia, PA	194,320	0.21%	-4.15%	2006-08	-17.7%	0.032%	7.17%	19.5%
Miami-Fort Lauderdale, FL	139,899	-0.07%	-3.28%	2006-06	-54.5%			44.0%
Washington, DC	315,405	0.07%	-1.60%	2006-04	-28.1%	0.057%	14.1%	27.4%
Atlanta, GA	121,721	-0.54%	-9.99%	2007-06	-33.3%			51.2%
Detroit, MI	75,013	0.55%	-6.51%	2005-08	-52.8%			33.6%
Boston, MA	316,186	-0.06%	-3.01%	2005-07	-20.6%			24.4%
San Francisco, CA	474,695	-0.20%	-7.14%	2005-09	-32.8%	0.130%	25.5%	35.5%
Phoenix, AZ	123,094	-0.25%	-8.01%	2006-03	-56.4%	0.323%	44.2%	53.1%
Riverside, CA	184,283	-0.34%	-4.39%	2006-06	-54.2%	0.259%	46.1%	44.7%
Seattle, WA	259,800	-0.29%	-6.26%	2007-06	-31.9%	0.136%	22.2%	31.6%
Minneapolis-St Paul, MN	159,567	-0.24%	-10.73%	2006-07	-35.4%	0.119%	19.6%	40.3%
San Diego, CA	347,298	-0.33%	-5.77%	2005-09	-35.3%	0.126%	27.2%	39.1%
St. Louis, MO	130,746	-0.20%	-7.31%	2007-05	-16.9%			30.7%
Tampa, FL	106,394	-0.67%	-9.02%	2006-05	-51.0%			47.9%
Baltimore, MD	223,978	0.21%	-3.93%	2007-06	-25.6%	0.032%	12.0%	24.6%
Denver, CO	197,967	0.28%	-4.24%	2006-06	-14.7%	0.114%	23.9%	31.5%
Pittsburgh, PA	110,525	0.51%	2.84%	2007-07	-0.8%	0.038%	8.3%	8.7%
Portland, OR	211,359	0.32%	-4.55%	2007-06	-27.9%	0.079%	16.5%	29.3%
Cleveland, OH	112,269	0.26%	-4.86%	2005-07	-22.1%	0.070%	19.7%	32.2%
Sacramento, CA	202,359	-0.47%	-11.32%	2005-10	-51.3%	0.224%	40.8%	47.7%
Orlando, FL	117,412	-0.11%	-5.11%	2006-07	-54.5%			61.1%

Glossary of Terms

Zillow Home Value Index (ZHVI)	The Zillow Home Value Index is the median Zestimate® valuation for a given geographic area on a given day and includes the value of all single-family residences, condominiums and cooperatives, regardless of whether they sold within a given period. The Home Value Index at the national level is calculated using a weighted average of the median home value for each county and includes data from 440 metropolitan statistical areas. It is expressed in dollars and is for a particular geographic region.
Foreclosure Re-sales / REOs	The percentage of sales in a given geography that were foreclosure re-sales (a sale of a home that occurred within 12 months after the home was foreclosed). This metric captures mostly bank-owned sales. Reported monthly and compiled from data dating back to 1998. Each data point is a weighted average of the value in the prior three months (with the most recent month weighted highest). The historical percent of foreclosure re-sales is re-computed twice a month.
REO Saturation Rate	The percent of sales that are foreclosure re-sales.
Homes Foreclosed (%)	Also referred to the foreclosure liquidation rate. The percentage of all homes in a given geography that have been foreclosed on in a given month. A foreclosure is when a homeowner loses their home to their lending institution or if it is sold to a third party at an auction. Reported monthly and compiled from data dating back to 1998. Each data point is a weighted average of the value in the prior three months (with the most recent month weighted highest). The historical percent of homes foreclosed is re-computed twice a month.
Sold for Loss (%)	The percentage of homes in a given geography that sold for less than the previous purchase price. This excludes foreclosed homes and sales and the consecutive sale of the foreclosed home. Reported monthly and compiled from data dating back to 1998. Each data point is a weighted average of the value in the prior three months (with the most recent month weighted highest). The historical percent of homes sold for a loss is re-computed twice a month.
Peak Month	The month that recorded the highest Zillow Home Value Index to date. For the United States, the peak month was June 2006.
Fall from Peak	The percentage change from the month that recorded the highest Zillow Home Value Index to the current month.

About Zillow Real Estate Market Reports

The Zillow Real Estate Market Report is a monthly overview of the national and local real estate markets. The report is compiled by Zillow Real Estate Research. For more information visit www.zillow.com/blog/research. The data in the Zillow Real Estate Market Report is aggregated from public and user submitted data for 157 metropolitan statistical areas dating back to 1996.

About Zillow, Inc.

Zillow (NASDAQ: Z) is the leading [real estate](#) information marketplace, providing vital information about homes, real estate listings and [mortgages](#) through its website and mobile applications, enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals best suited to meet their needs. More than 24 million unique users visited Zillow's websites and mobile applications in September 2011. Zillow, Inc. operates [Zillow.com](#)®, [Zillow Mortgage Marketplace](#), [Zillow Mobile](#) and Postlets. The company is headquartered in Seattle.

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