Zillow® Real Estate Market Report

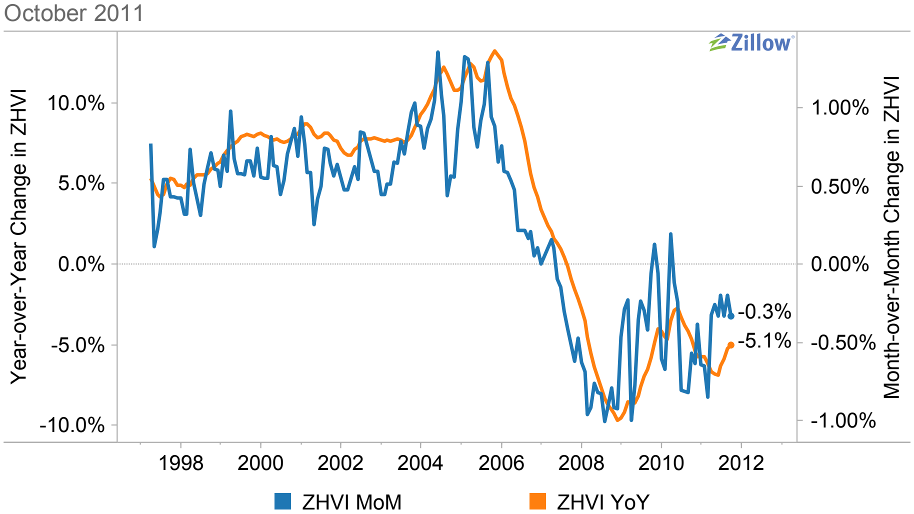
OCTOBER2011

Overview

The Zillow Real Estate Market Reports, released today, show home values dipped 0.3 percent from September levels (Figure 1) to $147,900 (Figure 2), representing a 5.1 percent decline on a year-over-year basis. The rate of monthly depreciation has stabilized around -0.2 percent to -0.3 percent over the last few months, an improvement compared to the fall of last year, when rates reached more than 0.8 percent monthly depreciation.

Continued home value depreciation is a reflection of an abundance of housing supply relative to continued anemic demand despite record high housing affordability and historically low mortgage rates. Low consumer confidence and fears of further price declines continue to contribute to a crisis of confidence among potential buyers. We are encouraged by the positive, albeit slow, progress in working down unemployment, as reflected both in the general unemployment measure (U-3) and the U-6 measure which we think is a better predictor of household formation rates (Figure 3). The U-6 unemployment measure considers the unemployed seeking full-time employment plus marginally attached workers and those working part-time for economic reasons.

Figure 1: Change in U.S. Zillow Home Value Index
October 2011



Highlights

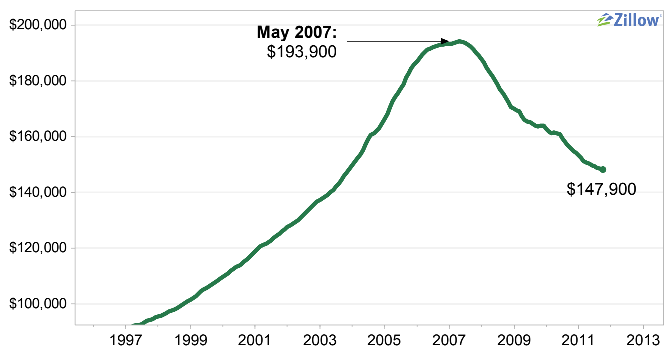
- In October, home values fell slightly, decreasing 0.3 percent month-over-month. On a yearly basis, home values were down 5.1 percent.
- Of the 156 metropolitan statistical areas covered in the Zillow Real Estate Market Reports, 95 showed monthly home value depreciation and 39 metros showed monthly home value increases. Twenty-two metros remained flat.
- The foreclosure liquidation rate declined to 8.1 out of every 10,000 homes, down from the all-time high of 10.7 out of every 10,000 homes in October 2010 just prior to the robo-signing controversy.
- Nationally, home values have fallen 23.7 percent since their peak in May 2007. We expect homes values to fall another 2-4 percent before reaching a bottom in 2012.

Home Values

The Zillow Real Estate Market Reports cover 156 metropolitan statistical areas of which 95 showed monthly home value depreciation and 39 metros showed monthly home value increases in October. Twenty-two metros remained flat. Encouragingly, Miami (FL) home values were flat on a monthly basis while Phoenix (AZ) and Detroit (MI) both saw positive monthly gains.

Ten metros saw home value appreciation on an annualized basis with seven of those metros also having monthly appreciation: Fort Collins (CO), Honolulu (HI), Madison (WI), Lincoln (NE), Oklahoma City (OK), Fort Myers (FL) and Tulsa (OK).

Figure 2: U.S. Zillow Home Value Index
October 2011



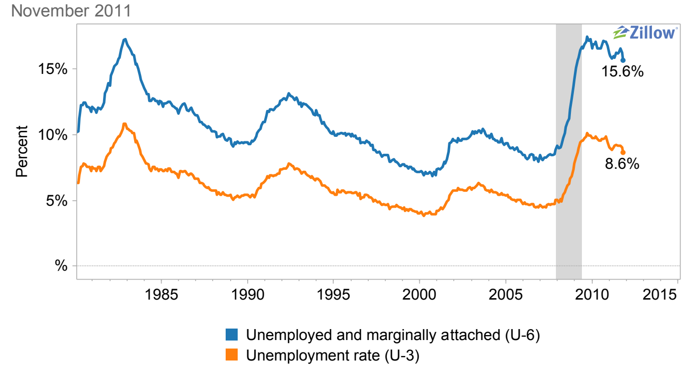
Of the top thirty metro regions, Atlanta (GA), Las Vegas (NV) and Tampa (FL) had the highest annualized depreciation rates while San Jose (CA), Washington (DC) and Pittsburgh (PA) had the best annualized performance. Pittsburgh was the only metro in the top thirty with a positive annualized change in home values.

Foreclosures

The foreclosure liquidation rate continued to decline with 8.1 out of every 10,000 homes in the country being liquidated in October (Figure 4). For context, just prior to the robo-signing controversy, the foreclosure liquidation rate reached an all-time high of 10.7 out of every 10,000 homes in October 2010.

In the first and second quarters of 2011, we were seeing a decline in the number of homes in foreclosure despite lower liquidation rates (where liquidation marks the end of the foreclosure process), primarily because of lower rates of new foreclosure initiations (Figure 5). In other words, despite a lower exit rate at the bottom of the foreclosure funnel, fewer homes were being added to the top of the funnel, resulting in fewer homes in the funnel overall. The lower rate of new foreclosure initiations is

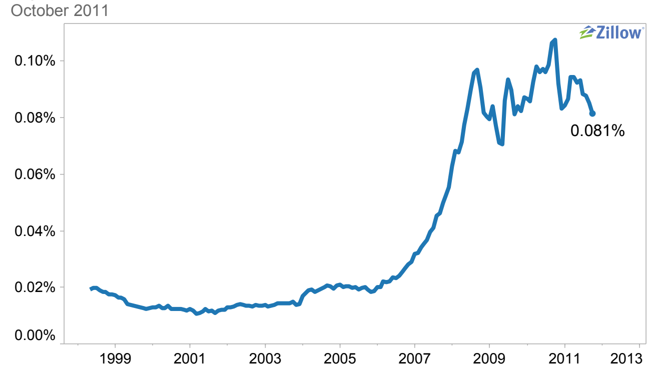
Figure 3: Unemployment Trends
November 2011



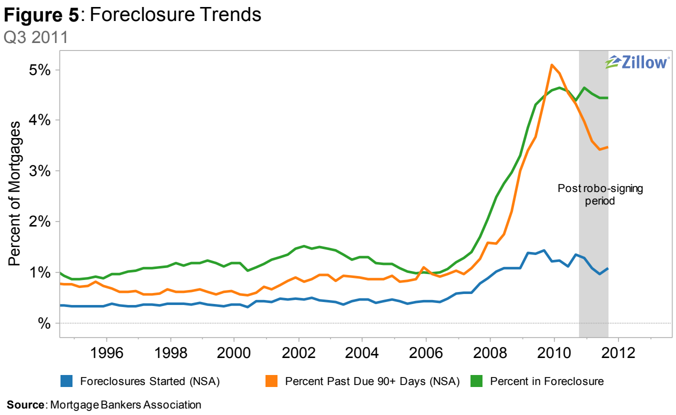
Source: BLS

presumably reflected in more homes remaining in 90+ days delinquency status than would have otherwise been the case. Overall, the percent of loans in 90+ days delinquency status has fallen but at a slower pace than would have occurred had more of these homes entered into foreclosure status (Figure 5).

Figure 4: U.S. Foreclosure Rate
October 2011



In the third quarter, we saw an increase in the rate of foreclosure starts compounded by further declines in the rate of liquidation. As a result, there was little change in the cumulative number of homes in foreclosure status in contrast to falling levels in previous quarters. We do expect an increase in the foreclosure liquidation rate either in conjunction with a settlement between major lenders and servicers and various states' attorneys general or, alternatively, in the aftermath of the settlement effort falling apart. This will cause the cumulative number of homes in foreclosure status to begin to fall again as these homes become REO, unfortunately putting renewed downward pressure on home values.



Foreclosure re-sales made up 19.4 percent of all sales in October. After foreclosure re-sales took a dip earlier this year, we've seen a continual increase in re-sales over the last several months.

Outlook

Nationally, home values have fallen 23.7 percent since their peak in May 2007. We expect homes values to fall another 2-4 percent before reaching a bottom in 2012. Drivers that will continue to impact home values include unemployment, negative equity, and consumer confidence. In general, an equilibrium between housing supply and demand has to be found. The large supply of homes will in part be absorbed by the pool of potential buyers that are currently on the fence and doubled-up in other households. The Census reports that in spring 2011, the number of doubled-up households, where multiple adults live as part of the same household, was 21.8 million, up from 19.7 million four years earlier.

Methodological Note

New to the Zillow Real Estate Market Reports this month, Zillow has substantially increased the coverage of the Zillow Home Value Index (ZHVI) by adding 18 million homes to the index and increasing the number of counties covered from 750 to nearly 3,000. By expanding our footprint, we're able to provide a more accurate picture of the housing market at both the national and metro level. At a metro level, these changes are relatively minor since most homes within the major metropolitan areas were already covered previously. Nationally, the addition of homes in more rural locations (typically with lower values) results in a lower national ZHVI. The September ZHVI under the old data footprint was $171,500 whereas the September ZHVI in the new data footprint is $148,400. The full historical ZHVI time series for this new data footprint has been re-computed back to 1996 so there is no discontinuity.

National Summary

	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011
ZHVI ($)	154,800	154,200	153,200	152,200	150,900	150,400	150,000	149,500	149,200	148,700	148,400	147,900
MoM	-0.6%	-0.4%	-0.6%	-0.7%	-0.9%	-0.3%	-0.3%	-0.3%	-0.2%	-0.3%	-0.2%	-0.3%
YoY	-5.4%	-5.7%	-5.8%	-5.8%	-6.2%	-6.7%	-6.8%	-6.9%	-6.3%	-5.9%	-5.3%	-5.1%
Change from Peak	-20.2%	-20.5%	-21.0%	-21.5%	-22.2%	-22.4%	-22.6%	-22.9%	-23.1%	-23.3%	-23.5%	-23.7%
Homes Foreclosed (out of 10,000)	9.2	8.3	8.4	8.7	9.4	9.4	9.2	9.3	8.8	8.8	8.5	8.1
Foreclosure Re-Sales	16.2%	16.4%	17.8%	19.6%	20.7%	20.5%	19.6%	18.6%	17.9%	17.7%	18.2%	19.4%
Sold for Loss	30.9%	30.3%	31.8%	34.3%	35.4%	35.2%	34.6%	33.9%	33.4%	33.5%	34.0%	34.9%

Largest 25 Metropolitan Statistical Areas Covered by Zillow (Data for October 2011)

	ZHVI ($)	ZHVI MoM	ZHVI YoY	Peak Month	Change from Peak	Homes Foreclosed (out of 10,000)	Foreclosure Re-Sales	Sold for Loss
New York, NY	342,500	-0.5%	-4.4%	2006-06	-24.3%	0.4	2.6%	21.8%
Los Angeles, CA	382,700	-0.5%	-7.4%	2006-05	-37.9%	11.5	27.2%	31.6%
Chicago, IL	163,600	-1.1%	-10.4%	2006-06	-34.3%			44.6%
Dallas-Fort Worth, TX	120,600	-1.2%	-4.9%	2007-10	-16.0%	8.3	19.9%	33.6%
Philadelphia, PA	188,400	-0.5%	-4.6%	2007-06	-18.1%	2.5	7.4%	20.7%
Miami-Fort Lauderdale, FL	136,800	-0.1%	-4.9%	2006-05	-55.4%			44.8%
Washington, DC	301,400	-0.2%	-1.9%	2006-04	-29.6%	4.9	15.1%	28.3%
Atlanta, GA	109,700	-1.4%	-14.7%	2007-06	-37.6%			53.8%
Detroit, MI	72,900	1.0%	-6.7%	2005-12	-52.9%			33.2%
Boston, MA	305,700	-0.6%	-2.7%	2005-09	-19.4%			29.9%
San Francisco, CA	464,000	-0.3%	-6.3%	2006-04	-33.8%	12.5	26.0%	35.7%
Phoenix, AZ	120,600	0.2%	-8.4%	2006-03	-56.9%	24.5	40.9%	55.9%
Riverside, CA	178,100	-0.2%	-5.9%	2006-05	-55.7%	22.5	45.1%	47.6%
Seattle, WA	252,400	-0.2%	-9.4%	2007-07	-33.1%	11.5	25.2%	32.7%
Minneapolis-St Paul, MN	164,000	-0.6%	-9.1%	2006-04	-31.5%	10.5	18.9%	39.9%
San Diego, CA	339,000	0.1%	-5.5%	2005-10	-36.5%	11.3	26.6%	40.6%
St. Louis, MO	121,500	-1.9%	-9.1%	2007-03	-21.7%			33.2%
Tampa, FL	103,900	-0.3%	-10.7%	2006-06	-52.5%			48.4%
Baltimore, MD	214,600	-0.8%	-3.2%	2006-06	-24.2%	3.1	11.3%	24.1%
Denver, CO	203,500	-0.5%	-2.9%	2006-05	-11.8%	10.0	23.6%	33.7%
Pittsburgh, PA	106,500	0.1%	0.4%	2010-06	-1.0%	2.7	8.5%	11.3%
Portland, OR	208,100	-0.4%	-6.8%	2007-06	-26.3%	12.2	15.3%	29.3%
Cleveland, OH	109,800	-0.8%	-5.1%	2005-12	-22.6%	9.0	20.3%	32.4%
Sacramento, CA	201,400	-0.5%	-10.4%	2005-11	-52.2%	19.2	39.0%	50.3%
Orlando, FL	112,600	-0.7%	-8.1%	2006-05	-56.4%			60.1%

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 3,000 counties. 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.
Homes Foreclosed	Also referred to the foreclosure liquidation rate. The number out of 10,000 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 May 2007.
Change 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 Reports are a monthly overview of the national and local real estate markets. The reports are compiled by Zillow Real Estate Research. For more information visit www.zillow.com/research. The data in the Zillow Real Estate Market Reports is aggregated from public and user submitted data for 156 metropolitan statistical areas dating back to 1996.

About Dr. Stan Humphries, Zillow Chief Economist
Humphries is in charge of data and analytics. He spearheaded the creation of the Zestimate, its algorithm and, in turn, the Zillow Home Value Index. Humphries has a Bachelor of Arts from Davidson College, a Masters of Science in Foreign Service from Georgetown University, and a Ph.D. in Government from the University of Virginia.

About Dr. Svenja Gudell, Zillow Senior Economist
Gudell helps oversee negative equity valuations, forecasting and foreclosure research, among other research topics. She is also involved in research collaborations with other organizations and academics. Gudell holds a Ph.D. in Finance from the University of Rochester, a Masters of Arts in Economics from New York University and a Bachelor of Arts from the University of Rochester.

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. Nearly 22.5 million unique users visited Zillow's websites and mobile applications in November 2011. Zillow, Inc. operates Zillow.com®, Zillow Mortgage Marketplace, Zillow Mobile, Postlets® and Diverse Solutions™. The company is headquartered in Seattle.

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