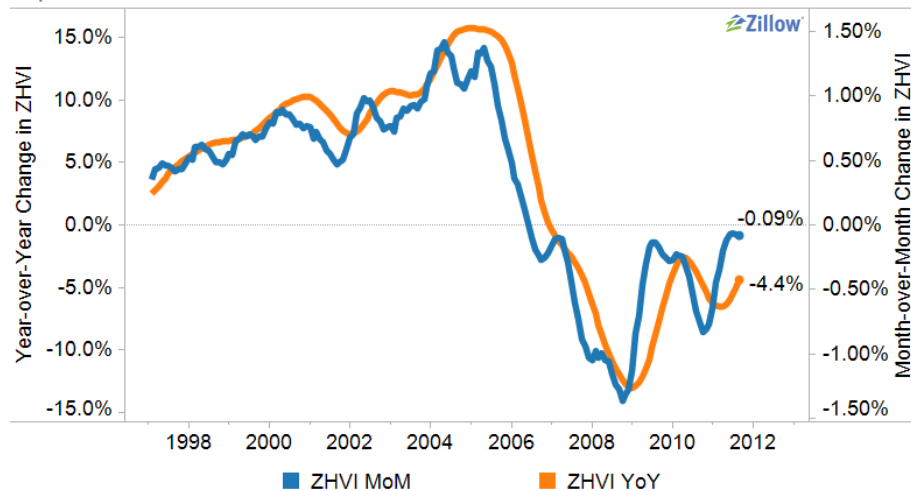


SEPTEMBER 2011 (Q3)

Overview

Despite recent economic turmoil around the European debt crisis, dragging levels of domestic consumer confidence, and high unemployment and negative equity, home values have remained essentially flat over the last quarter. According to the Q3 Zillow Real Estate Market Reports, released today, home values fell only 0.2 percent from the second to the third quarter of 2011. On a monthly basis, home values fell 0.09 percent between August and September, a higher rate than the 0.08 percent decline between July and August (Figure 1). This is in line with our previous forecast, which anticipated continued declines as we progress towards the bottom.

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



On a year-over-year basis home values were down 4.4 percent (Figure 1) with the Zillow Home Value Index at \$171,500 (Figure 2). Overall, this quarter could have looked a lot worse considering all of the economic headwinds and turbulence that materialized over the summer. In terms of strict fundamentals, housing affordability looks compelling with big resets in home value levels and historically low mortgage rates. At this point, however, it's clearly an issue of confidence, and high unemployment and economic uncertainty are not helping on this front. While we still have a ways to go in terms of home value depreciation, the pace at which home values are falling has declined considerably during the course of this year. This slower pace signals that a stabilization is on the horizon.

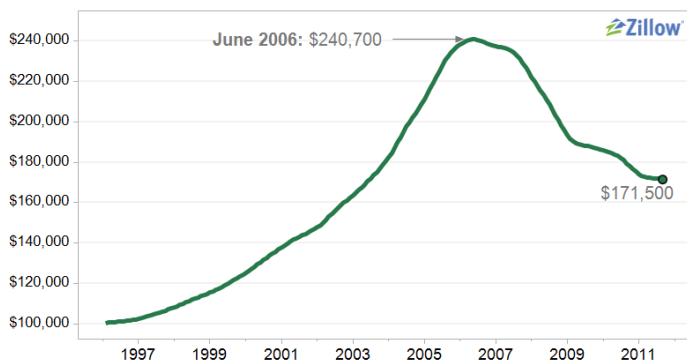
Highlights

- In the third quarter of 2011, home values were essentially flat, decreasing only 0.2 percent quarter-over-quarter. On a year-over-year basis home values were down 4.4 percent.
- Of the 157 metropolitan statistical areas covered in the Zillow Real Estate Market Report, 105 showed quarterly home value depreciation and 26 metros showed quarterly home value increases. Twenty-six metros remained flat.
- National negative equity edged up slightly to 28.6 percent of all single-family homes with mortgages, compared to 26.8 percent in the second quarter.
- The slower pace of home value depreciation signals that a stabilization is on the horizon. However, Zillow expects national home values to decline another 3-5 percent before reaching a definitive bottom in 2012, at the earliest.

Home Values

The Zillow Real Estate Market Report covers 157 metros of which 105 showed quarterly home value depreciation and 26 metros showed quarterly home value increases. Twenty-six metros remained flat. There are five markets that have experienced a decline of more than 10 percent from their peak and have also had three or more quarters of positive home value appreciation: Bay City (MI), Springfield (OH), Destin (FL), Fort Collins (CO), and Pueblo (CO). The hard hit Michigan markets of Ann Arbor, Bay City, Grand Rapids and Detroit have all seen at least two quarters of positive appreciation. Fort Myers (FL) saw a decline this quarter after two quarters in positive territory. A table of the largest 25 metropolitan statistical areas that Zillow covers and their quarter-over-quarter performance can be found on page 3 of this report.

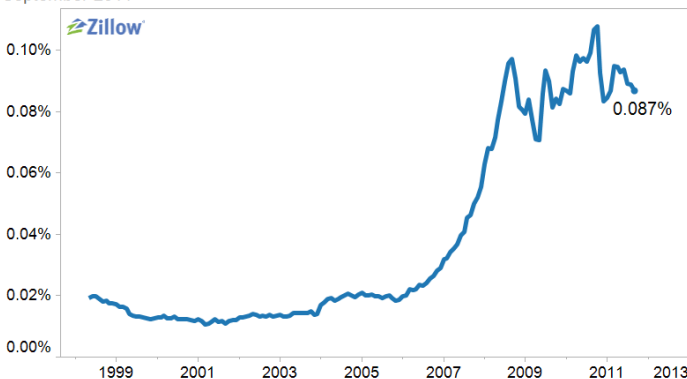
Figure 2: U.S. Zillow Home Value Index
September 2011



Foreclosures

The foreclosure liquidation rate declined to 8.7 out of every 10,000 homes in the country being liquidated in September (Figure 3). In September 2010 before the robo-signing

Figure 3: U.S. Foreclosure Rate
September 2011

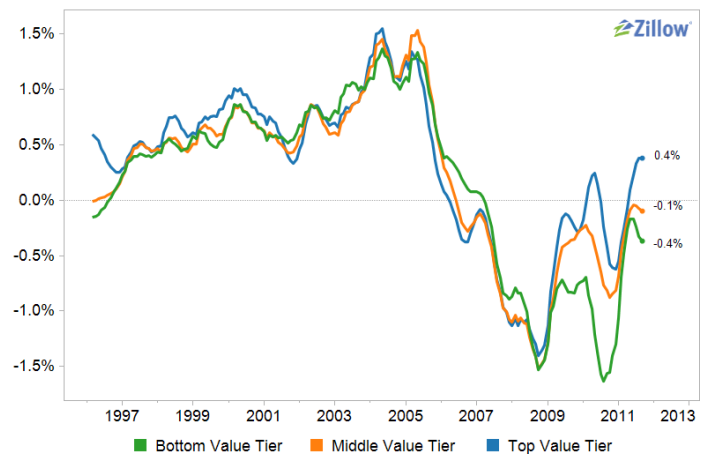


slowdowns, homes were foreclosed at a rate of 10.7 out of every 10,000 homes. Foreclosure re-sales made up 18.9 percent of all sales in September, up slightly from the Q2 level of 18.8 percent. Foreclosure re-sales have, however, significantly increased from their Q3 2010 levels of 15.1 percent. This long-tailed foreclosure pipeline will continue to depress home prices moving forward.

Negative Equity

National negative equity edged up slightly to 28.6 percent of all single-family homes with mortgages, compared to 26.8 percent in the second quarter. Negative equity fell in the second quarter on the basis of sharp improvements in depreciation rates and flat foreclosure rates. This quarter, however, home values remained relatively flat while foreclosure rates slowed further, and these two factors combined to increase negative equity.

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



Outlook

Home values nationally have fallen 28.8 percent since their peak in June 2006, and we expect them to decline another 3-5 percent before reaching a definitive bottom in 2012, at the earliest. Unemployment and negative equity, paired with fragile consumer confidence, remain the key factors preventing the housing market from stabilizing. We see little evidence that the recent reductions in the conforming loan limits have materially impacted the market, and data from the Zillow Mortgage Marketplace indicate that borrowers below the old limit and above the new limits are getting rates about 25 basis points higher than they were before. According to [our estimates](#), these changes affected less than 0.75 percent of all homes in the country.

National Summary

	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011
ZHVI (\$)	177,900	176,500	175,100	174,000	173,200	172,600	172,200	172,000	171,900	171,800	171,600	171,500
QoQ	-2.2%	-2.4%	-2.4%	-2.2%	-1.9%	-1.4%	-1.0%	-0.7%	-0.4%	-0.3%	-0.2%	-0.2%
YoY	-4.9%	-5.5%	-5.9%	-6.3%	-6.5%	-6.6%	-6.5%	-6.4%	-6.1%	-5.6%	-5.1%	-4.4%
Change from Peak	-26.1%	-26.7%	-27.3%	-27.7%	-28.1%	-28.3%	-28.4%	-28.5%	-28.6%	-28.6%	-28.7%	-28.8%
Homes Foreclosed (out of 10,000)	10.8	9.2	8.3	8.5	8.7	9.5	9.5	9.3	9.4	8.9	8.9	8.7
Foreclosure Re-Sales	15.8%	16.4%	17.0%	18.5%	20.1%	20.9%	20.7%	19.7%	18.8%	18.2%	18.1%	18.9%
Sold for Loss	30.9%	31.0%	31.4%	33.1%	35.0%	35.7%	35.3%	34.6%	33.9%	33.5%	33.6%	34.4%

Largest 25 Metropolitan Statistical Areas Covered by Zillow

	ZHVI (\$)	ZHVI QoQ	ZHVI YoY	Peak Month	Change from Peak	Homes Foreclosed (out of 10,000)	Foreclosure Re-Sales	Sold for Loss
New York, NY	348,400	-0.1%	-3.0%	2006-06	-23.8%	0.4	2.4%	21.5%
Los Angeles, CA	387,000	-0.7%	-5.9%	2006-05	-36.0%	12.5	25.7%	30.4%
Chicago, IL	169,900	-1.1%	-9.0%	2006-07	-37.4%			43.4%
Dallas-Fort Worth, TX	126,100	-1.0%	-3.3%	2007-08	-12.6%	8.7	17.7%	34.2%
Philadelphia, PA	192,300	-0.4%	-4.1%	2006-08	-18.5%	2.5	7.1%	20.2%
Miami-Fort Lauderdale, FL	138,200	-1.1%	-3.5%	2006-06	-55.1%			44.4%
Washington, DC	313,400	-0.3%	-1.4%	2006-03	-28.6%	5.0	13.6%	27.7%
Atlanta, GA	118,900	-3.0%	-10.5%	2007-06	-34.8%			53.2%
Detroit, MI	74,700	0.9%	-5.1%	2005-08	-53.0%			33.3%
Boston, MA	319,100	0.5%	-1.3%	2005-07	-19.9%			29.1%
San Francisco, CA	467,400	-1.7%	-7.5%	2005-09	-33.8%	13.6	25.6%	34.9%
Phoenix, AZ	122,400	-1.1%	-7.6%	2006-03	-56.6%	28.6	42.3%	54.5%
Riverside, CA	182,700	-1.5%	-5.0%	2006-06	-54.6%	24.6	45.4%	46.0%
Seattle, WA	257,000	-1.5%	-5.7%	2007-06	-32.7%	13.0	23.5%	32.9%
Minneapolis-St Paul, MN	158,700	-1.0%	-9.8%	2006-07	-35.7%	12.7	18.2%	39.9%
San Diego, CA	344,000	-1.4%	-5.8%	2005-09	-35.9%	12.3	27.1%	39.4%
St. Louis, MO	130,500	-1.1%	-6.3%	2007-05	-17.1%			31.9%
Tampa, FL	105,000	-2.5%	-9.2%	2006-05	-51.6%			48.1%
Baltimore, MD	221,200	-0.6%	-4.1%	2007-06	-26.5%	3.0	11.0%	24.1%
Denver, CO	197,300	0.3%	-3.5%	2006-06	-15.0%	11.7	23.7%	32.1%
Pittsburgh, PA	110,700	1.2%	3.2%	2007-07	-0.7%	3.1	8.3%	10.3%
Portland, OR	209,000	-0.2%	-4.3%	2007-06	-28.7%	8.7	14.6%	28.6%
Cleveland, OH	111,200	-0.2%	-4.8%	2005-07	-22.8%	8.7	20.0%	32.0%
Sacramento, CA	200,000	-1.9%	-11.2%	2005-10	-51.8%	21.2	39.2%	48.8%
Orlando, FL	115,500	-1.9%	-5.8%	2006-07	-55.3%			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.
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 June 2006.
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 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/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 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. Read full bio [here](#).

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. Read full bio [here](#).

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 24.6 million unique users visited Zillow's websites and mobile applications in October 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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