

Quarterly Report 3Q 2006

A Review of the Los Angeles Metropolitan Real Estate Market

Los Angeles

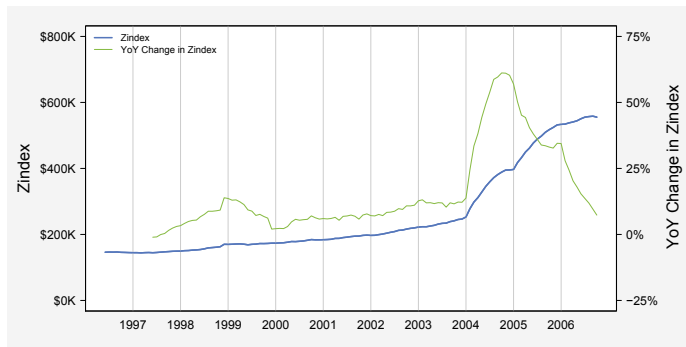
LOS ANGELES METROPOLITAN REGION

LA area real estate prices flat in third quarter of 2006

The real estate market for the Los Angeles-Riverside-Orange County metropolitan region (Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties) remained essentially flat in the third quarter relative to second quarter performance. While the third quarter value for the Zindex™ home value indicator of \$555,391 represented a 7.3% increase year-over-year, it was just shy of the \$555,414 Zindex value at the close of Q2 2006. Compared to national trends, the Los Angeles metro market performed better than the nation on a year-over-year basis (5% increase in Zindex year-over-year for the U.S. overall), but worse on a sequential basis where the Los Angeles area was flat but the nation saw a 2.4% increase in its Zindex from the second quarter (increasing from \$263,485 to \$269,814 in the third quarter of 2006).

In the Los Angeles metropolitan area, the Zindex for single-family homes (\$568,208) remained virtually unchanged from the second quarter (\$568,226) but was up 6.6% from the third quarter of 2005. Similarly, the Zindex for condominiums (\$448,712) was down less than 1% from the second quarter of 2006 (\$451,759) but was up 5.2% from the third quarter of 2005.

[Figure 1. Los Angeles Metro Zindex and Year-over-Year Change]



[Table 1. Los Angeles Metro Market Performance]

	All Residential Zindex		Single Family Residence Zindex		Condominium Zindex	
	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)
United States	269,814	5.0	279,534	5.4	257,953	3.4
Los Angeles-Riverside-Orange County, CA CMSA	555,391	7.3	568,208	6.6	448,712	5.2

[Table 2. Los Angeles Metro Counties Market Performance]

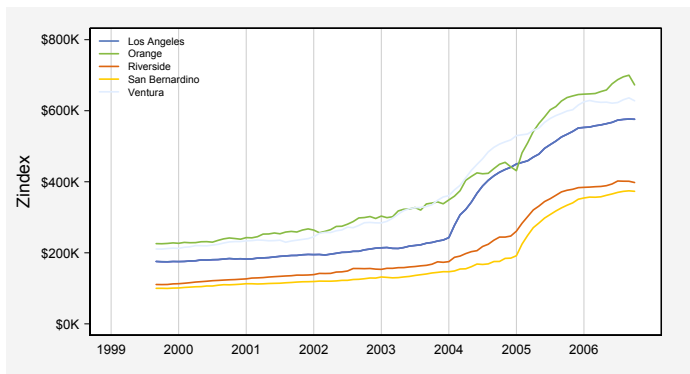
County	All Residential Zindex		Single Family Residence Zindex		Condominium Zindex	
	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)
Los Angeles County	575,952	7.9	580,504	7.1	463,394	7.5
Orange County	672,703	5.6	709,824	5.4	487,561	2.7
Riverside County	397,844	5.8	422,597	6.3	339,532	1.5
San Bernardino County	373,139	11.7	380,335	11.9	331,730	8.6
Ventura County	627,931	4.8	655,175	3.8	459,635	1.2

COUNTIES IN THE LOS ANGELES METRO REGION

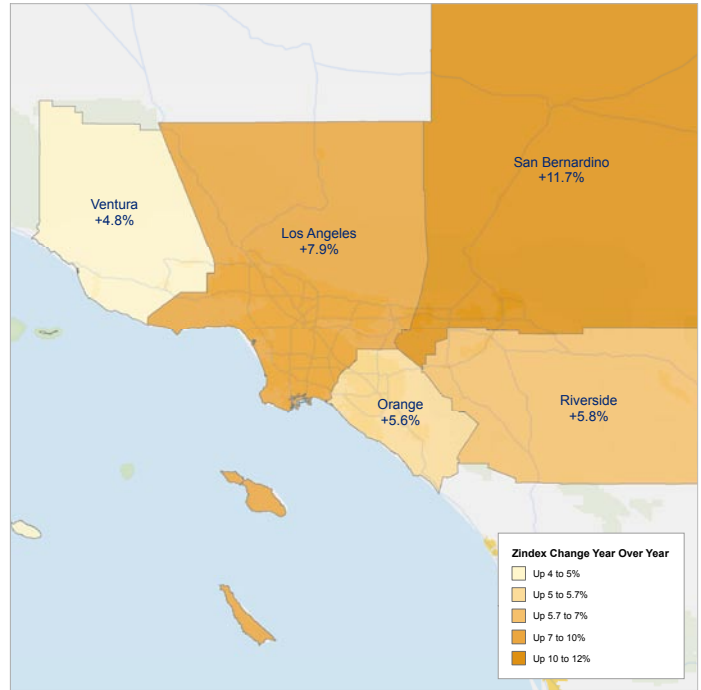
San Bernardino County has highest appreciation in the metro LA region

Market performance in the counties making up the metropolitan Los Angeles region is shown in Table 2. The strongest growth was seen in San Bernardino County with 11.7 % year-over-year growth in the third quarter versus the slowest appreciating county, Ventura County, with year-over-year growth of only 4.8%. Both Orange and Riverside Counties experienced declining Zindex values between the second and third quarters of 2006 (Orange County dropped from \$687,479 to \$672,703 and Riverside County dropped from \$402,151 to \$397,844). Zindex levels were highest in Orange County (\$672,703) and lowest in San Bernardino County (\$373,139).

[Figure 2. Zindex Trends by County]



[Figure 3: County Map of Year-over-Year Change in Zindex]



CITIES IN THE LOS ANGELES METRO REGION

Los Angeles area cities show divergent performance

The five cities in the Los Angeles metro region with the highest valued real estate (measured by the Zindex) in the third quarter of 2006 were Pacific Palisades (\$1,504,205), Newport Coast (\$1,590,219), Malibu (\$1,608,525), Beverly Hills (\$1,804,695), Rolling Hills (\$1,817,867) and Hidden Hills (\$2,172,454). All cities in the metro region are shown in the appendix. The five fastest appreciating cities in the area (as measured by year-over-year Zindex change between Q3 2005 and Q3 2006) were Avalon, Laguna Beach, Bell, Lake Los Angeles and Compton (all with year-over-year appreciation rates between 20% and 25%), while the five slowest appreciating cities were Thermal, Culver City, El Segundo, Laguna Woods and Palos Verdes Peninsula (-32%, -8.7%, -5.2%, -5.1%, and -4.0% year-over-year Zindex appreciation, respectively).

[Table 3. Highest and Lowest Valued/Appreciating Cities]

City/Town	All Residential Zindex		Single Family Residence Zindex		Condominium Zindex	
	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)
Avalon	837,569	20.2	853,730	24.7	766,737	14.6
Bell	503,177	23.0	470,777	23.9	355,146	17.1
Beverly Hills	1,804,695	6.0	2,039,587	8.7	1,041,238	15.6
Compton	423,673	24.9	417,499	24.7	356,116	19.0
Culver City	603,125	-8.7	671,007	-5.8	440,768	2.4
El Segundo	777,126	-5.2	798,769	-5.0	587,835	-1.6
Hidden Hills	2,172,454	6.4	2,172,978	6.4	--	--
Laguna Beach	1,242,212	22.7	1,266,515	22.3	927,344	18.9
Laguna Woods	356,670	-5.1	566,778	-0.9	355,171	-5.2
Lake Los Angeles	297,116	24.6	297,116	24.6	--	--
Malibu	1,608,525	2.7	1,774,310	3.8	1,012,185	19.0
Newport Coast	1,590,219	7.9	2,025,714	7.5	1,021,529	6.2
Pacific Palisades	1,504,205	0.2	1,616,422	0.9	1,038,146	13.4
Palos Verdes Peninsula	1,190,554	-4.0	1,204,608	-3.8	765,720	7.8
Rolling Hills	1,817,867	1.6	1,876,392	2.8	1,076,522	7.7
Thermal	201,876	-32.0	271,053	-10.2	--	--

(See appendix for the complete list for City Zindex Performance)

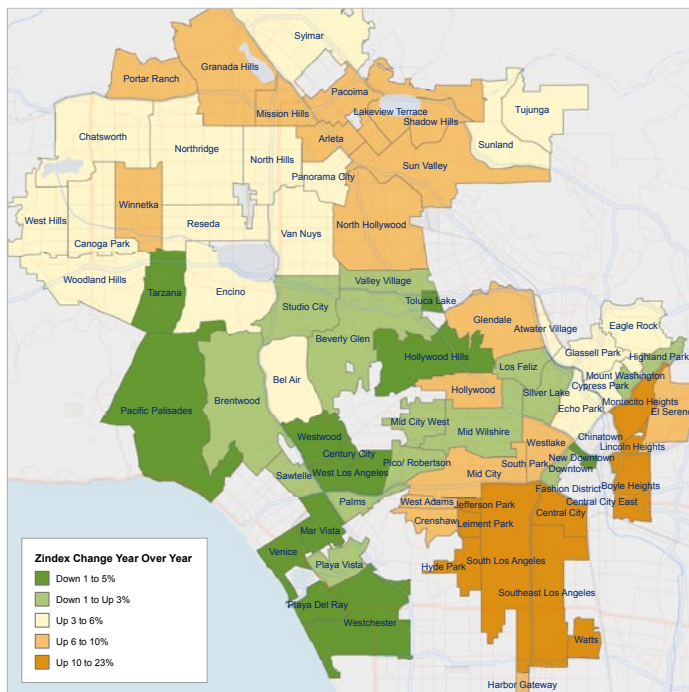
CITY OF LOS ANGELES NEIGHBORHOODS

Southern Los Angeles neighborhoods fare well over the past quarter

The southern neighborhoods of Los Angeles fared particularly well in the third quarter of 2006 in terms of home value appreciation (see neighborhood data in Table 4 and a map of year-over-year change in Zindex values by neighborhood in Figure 4). The five highest appreciating neighborhoods in Los Angeles were Hyde Park, Central City, South Los Angeles, Southeast Los Angeles and Watts with year-over-year Zindex changes between 16% and 23%. Also performing well were the northern neighborhoods between Portar Ranch and Granada Hills to the Northwest, and North Hollywood and Sun Valley to the Southeast (most with year-over-year Zindex growth in excess of 7%). Some of the more expensive LA neighborhoods such as Venice, Playa Del Ray, Pacific Palisades, Mar Vista, Hollywood Hills, West Los Angeles, Century City and Westchester experienced the lowest appreciation over the quarter (some with negative year-over-year Zindex changes greater than 4%).

The five most expensive neighborhoods in Los Angeles were Beverly Glen (Q3 Zindex of \$1,006,336), Hollywood Hills (\$1,107,676), Brentwood (\$1,392,935), Pacific Palisades (\$1,445,489) and Bel Air (\$1,676,021). The five least expensive neighborhoods were Lincoln Heights (Q3 Zindex of \$393,162), Watts (\$407,446), Civic Center/Little Tokyo (\$413,929), Boyle Heights (\$418,839) and Southeast Los Angeles (\$419,289).

[Figure 4. Neighborhood Map of Year-over-Year Change in Zindex]



[Table 4. Neighborhood Market Performance]

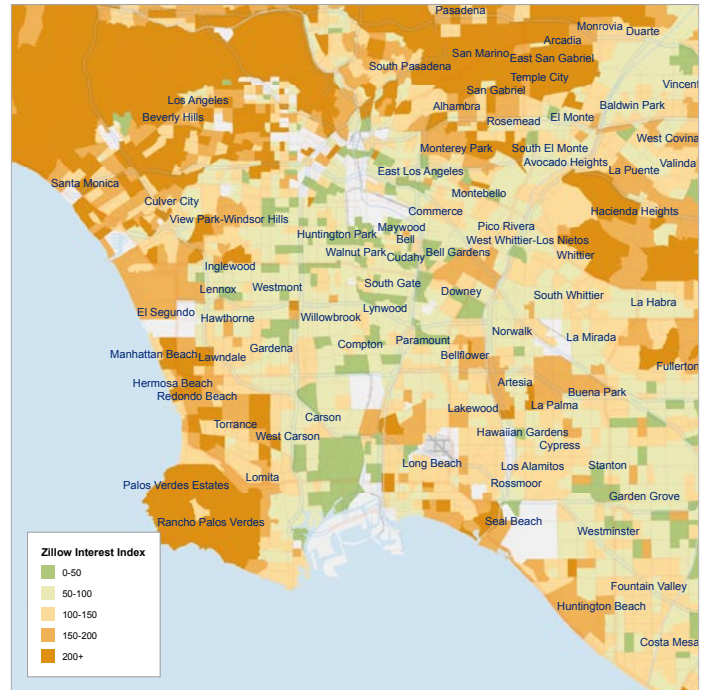
Neighborhood	Rank	Current Value (\$)	Change YoY (%)
Los Angeles		607,134	14.0
Arlleta	64	506,161	8.3
Atwater Village	30	659,568	6.5
Bel Air	1	1,676,021	5.1
Beverly Glen	5	1,006,336	2.0
Boyle Heights	75	418,839	16.3
Brentwood	3	1,392,935	1.3
Canoga Park	40	575,662	5.9
Central City	73	433,873	18.6
Century City	16	819,561	-2.8
Chatsworth	33	648,896	5.4
Civic Center/Little Tokyo	76	413,929	-4.7
Crenshaw	36	592,628	7.4
Cypress Park	52	543,362	5.7
Eagle Rock	46	562,930	4.4
Echo Park	49	548,272	6.0
El Sereno	72	454,651	9.2
Encino	28	690,309	3.9
Glassell Park	38	586,633	5.3
Glendale	11	932,931	9.1
Granada Hills	31	659,410	7.0
Harbor City	61	515,330	-1.9
Harbor Gateway	58	517,721	7.0
Highland Park	66	494,190	3.4
Hollywood	32	649,738	9.6
Hollywood Hills	4	1,107,676	-1.1
Hyde Park	63	513,552	16.9
Jefferson Park	68	486,349	13.5
Lakeview Terrace	53	542,778	6.9
Leimont Park	37	592,619	14.6
Lincoln Heights	78	393,162	13.9
Los Feliz	7	978,766	2.0
Mar Vista	15	820,448	-2.7
Mid City	39	579,261	7.0
Mid City West	6	988,871	3.5
Mid Wilshire	14	869,722	3.4
Mission Hills	45	567,337	8.3
Montecito Heights	69	465,747	14.8
Mount Washington	44	568,255	3.5
New Downtown	70	464,548	0.1
North Hills	50	547,177	5.3
North Hollywood	47	561,044	7.1
Northridge	34	635,537	5.9
Pacific Palisades	2	1,445,489	-4.4
Pacoima	65	499,455	10.5
Palms	27	695,320	1.8
Panorama City	62	514,237	5.6
Pico/Robertson	22	747,713	2.3
Playa Del Ray	35	628,360	-4.7
Playa Vista	24	709,932	0.5
Portar Ranch	18	812,305	6.8
Reseda	56	538,837	6.0
San Pedro	42	569,333	0.4
Sawtelle	23	725,489	1.5
Shadow Hills	19	782,881	8.4
Silver Lake	26	696,757	2.4
South Los Angeles	71	459,446	18.9
South Park	48	552,837	0.0
Southeast Los Angeles	74	419,289	22.2
Studio City	20	779,151	1.7
Sun Valley	55	540,864	7.5
Sunland	54	542,665	5.8
Sylmar	57	522,489	6.7
Tarzana	8	948,300	-2.1
Toluca Lake	9	947,498	-3.1
Tujunga	51	546,892	4.5
Valley Village	29	674,088	0.4
Van Nuys	41	571,258	4.6
Venice	12	932,123	-5.1
Watts	77	407,446	22.9
West Adams	60	515,386	9.6
West Hills	25	706,093	5.2
West Los Angeles	10	934,146	-3.2
Westchester	21	759,170	-4.0
Westlake	59	516,364	6.8
Westwood	13	923,186	-1.9
Wilmington	67	491,585	8.4
Winnetka	43	569,195	6.8
Woodland Hills	17	813,419	5.7

ZILLOW INTEREST INDEX

Pricey Rancho Palos Verdes, Beverly Hills and Santa Monica attract eyeballs on Zillow

As with our previous quarterly reports, we are again providing detail via the Zillow Interest Index (ZII) on where people are most often looking at homes in the Los Angeles metro area. The ZII is a simple ratio of the number of page views of individual homes in a geographic area divided by the number of homes in that area. The more people look at homes in an area, the more page views are generated on Zillow servers and the higher the ZII. This quarter, we are displaying ZII data down to the census tract level, a finer level of geography than the ZIP code level which was used previously. The geographic distribution of the ZII across the greater Los Angeles region is shown in Figure 5. The hottest areas of interest include the expensive areas of Rancho Palos Verdes, Beverly Hills, Santa Monica, Simi Valley, Encino and West Hollywood.

[Figure 5. Zillow Interest Index]



About the Zindex™

The Zindex home value indicator is the median Zestimate valuation for a given geographic area on a given day. Exactly half the Zestimates for a region are below this number and half the Zestimates are above it. It is expressed in dollars and is for a particular geographic region (e.g., Zindex = \$245,000 for Baltimore on July 1, 2005). Zillow believes the Zindex is the best measure of market performance because it is based on estimates of the current value of every home in the area and, thus, approximates the median sale price of the whole area were

every home sold on the same day. This is in contrast to the median sale price of homes which is biased potentially by the mix of housing sold in the period of time associated with it. For example, if high-end homes are not selling very well, but mid-range homes are, then the median sale price will be lower than a true measure of the typical value of homes in the market because the median sale price is taken from the set of mid-range home sales that transact in the period, ignoring the high-end homes that don't transact.

Report authors are Stan Humphries, Ph.D., Zillow.com Director of Advanced Analytics and Tommy Unger, Data Analyst. For more information or to request an interview, please contact Amanda Hoffman, (206) 470-7167 or press@zillow.com. Zillow.com™, Zestimate™ and Zindex™ are all trademarks of Zillow, Inc. © 2006 Zillow, Inc. All rights reserved.

