

Quarterly Report 3Q 2006

A Review of the United States Real Estate Market

United States

UNITED STATES - TOP METROPOLITAN AREAS

Home Values in Top Metropolitan Areas Continue to Rise

Appreciation slows but remains positive for most of the nation's 36 markets covered this quarter.

Across the 36 metro markets covered this quarter by Zillow.com¹, the overall Zindex rose 4.8% year-over-year to \$274,580 (see Table 1). Appreciation of single-family homes outpaced that of condominiums with the former reporting year-over-year performance of 5.1% and the latter 3.6%. The single-family home Zindex for the 36 metro markets was up to \$284,576 while the condo Zindex reached \$257,249. The historical trends for the single-family home and condo Zindex for these metro areas are shown in Figures 1 and 2.

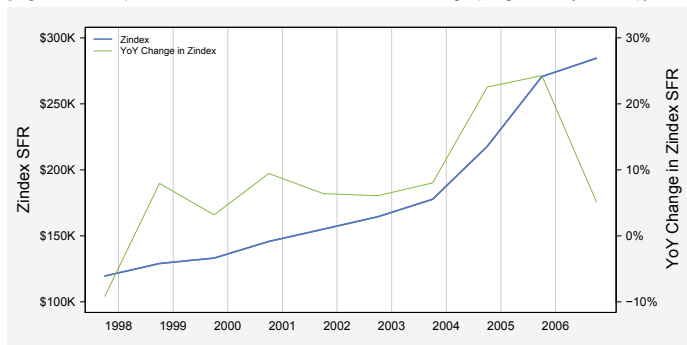
Of the 36 U.S. metropolitan areas covered, the five with the highest valued real estate (measured by the Zindex™ home value indicator) in the third quarter of 2006 were San Francisco-Oakland-San Jose (\$702,298), Los Angeles-Riverside-Orange County (\$555,391), San Diego (\$535,533), New York-Northern New Jersey-Long Island (\$472,042) and Sacramento-Yolo (\$403,886). The five metro areas with the least expensive real estate were Oklahoma City (\$98,323), San Antonio (\$100,108), Memphis (\$106,664), Dayton-Springfield (\$109,162), and Houston-Galveston-Brazoria (\$126,821).

The five fastest appreciating metropolitan areas in the nation (as measured by year-over-year change between Q3 2005 and Q3 2006) were Jacksonville (19.1%), Portland-Salem (17.9%), Orlando (17.6%), Richmond-Petersburg (16.2%) and Tampa-St. Petersburg-Clearwater (15.9%), while the five slowest appreciating metro areas were Hartford (-3.7%), Cincinnati-Hamilton (-3.3%), San Diego (-1.6%), Boston-Worcester-Lawrence-Lowell-Brockton (-1.5%) and Sacramento-Yolo (-1.1%).

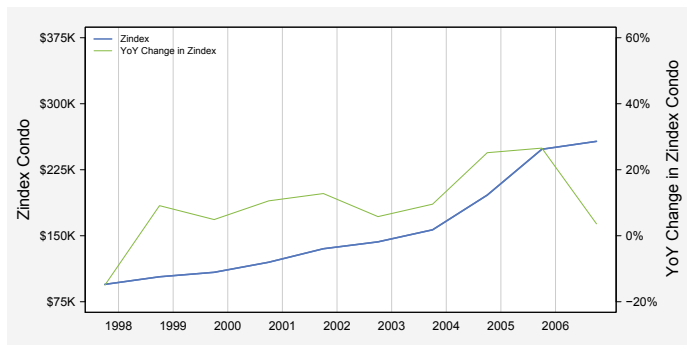
[Table 1. Overall Metropolitan Area Zindex Performance]

	Zindex (\$)			YoY Zindex Change (%)		
	Overall	Single-Family Homes	Condos	Overall	Single-Family Homes	Condos
United States (36 Metros Covered)	274,580	284,576	257,249	4.8	5.1	3.6
Midwest Region	175,560	185,338	179,814	4.9	4.2	3.1
Northeast Region	351,111	352,648	282,101	-1.8	-0.9	-3.5
South Region	188,295	190,657	231,555	10.7	10.9	9.7
West Region	395,902	415,480	350,772	3.7	4.5	0.8

[Figure 1. Metropolitan Area Zindex and Year-over-Year Change (Single-Family Homes)]



[Figure 2. Metropolitan Area Zindex and Year-over-Year Change (Condominiums)]



¹ Herein, "metropolitan area" is defined as a United States Office of Management and Budget (OMB) Bureau Metropolitan Statistical Area (MSA) or, if applicable, Consolidated Metropolitan Statistical Area (CMSA) / Combined Statistical Area (CSA).

SOUTHERN REGION

Jacksonville, Orlando and Richmond metropolitan areas continue to see marked price appreciation

The Southern metropolitan areas fared well in the third quarter overall (see Table 2). Jacksonville, Orlando and Richmond-Petersburg topped the list in terms of highest Zindex appreciation in the region; all with year-over-year changes in their metro Zindex above 16%. The slowest performance in the region was seen by the West Palm Beach-Boca Raton metro area which saw a year-over-year Zindex increase of only 3.2%.

The most expensive metro area covered in the region, Washington-Baltimore (Q3 Zindex of \$375,495), saw year-over-year appreciation of 11.9%. The least expensive metro area in the region was Oklahoma City with a third quarter Zindex of \$98,323 (and year-over-year appreciation of 13.2%).

[Table 2. Zindex Performance by Metropolitan Area (South)]

	All Residential Zindex		Single Family Residence Zindex		Condominium Zindex	
	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)
United States (36 Metro Areas Covered)	274,580	4.8	284,576	5.1	257,249	3.6
Charlotte-Gastonia-Rock Hill, NC-SC	147,062	9.8	148,072	7.4	124,207	22.3
Dallas-Fort Worth, TX	134,412	5.4	138,761	4.8	86,627	9.2
Houston-Galveston-Brazoria, TX	126,821	8.8	131,932	7.9	105,958	11.2
Jacksonville, FL	194,773	19.1	204,600	19.5	209,734	8.8
Memphis, TN-AR-MS	106,664	3.9	108,182	4.2	128,193	2.4
Miami-Fort Lauderdale, FL	303,368	12.9	359,092	13.4	226,492	15.7
Nashville, TN	150,002	8.9	152,910	8.3	128,450	8.6
Oklahoma City, OK	98,323	13.2	99,386	12.8	67,876	17.0
Orlando, FL	245,012	17.6	259,057	16.2	171,024	23.1
Raleigh-Durham-Chapel Hill, NC	189,590	10.4	190,893	10.3	153,174	19.2
Richmond-Petersburg, VA	223,067	16.2	226,116	16.4	183,908	21.2
San Antonio, TX	100,108	15.0	102,297	14.0	121,620	83.0
Tampa-St. Petersburg-Clearwater, FL	203,385	15.9	219,960	17.4	173,209	12.8
Washington-Baltimore, DC-MD-VA-WV	375,495	11.9	396,239	13.4	317,984	10.2
West Palm Beach-Boca Raton, FL MSA	303,732	3.2	347,387	2.7	205,821	6.6

NORTHEASTERN REGION

New York metro continues to see healthy appreciation while the Boston metropolitan area sees year-over-year decline

The New York metropolitan area (New York-Northern New Jersey-Long Island) led the four Northeastern metro areas covered in terms of third quarter Zindex appreciation (see Table 3). In New York metro, the Zindex increased 6.1% on a year-over-year basis, reaching \$472,042. Single-family homes in the New York metropolitan area led the strong overall market performance with 6.6% year-over-year Zindex growth, while the condominium market declined slightly on a year-over-year basis (-0.4%).

The Philadelphia metropolitan area (Philadelphia-Wilmington-Atlantic City) showed modest price growth in Q3 with the Zindex topping \$275,044, a 4.9% year-over-year increase. Here, also, the single-family home market performed stronger than the condo market (5.9% versus 2.1%, respectively). Both the Boston metro area (Boston-Worcester-Lawrence-Lowell-Brockton) and Hartford metro turned in negative quarters in terms of year-over-year Zindex growth, reporting changes of -1.5% and -3.7%, respectively.

[Table 3. Zindex Performance by Metropolitan Area (Northeast)]

	All Residential Zindex		Single Family Residence Zindex		Condominium Zindex	
	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)
United States (36 Metro Areas Covered)	274,580	4.8	284,576	5.1	257,249	3.6
Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH	392,903	-1.5	397,873	-1.6	296,946	-2.1
Hartford, CT	256,323	-3.7	270,586	-4.5	173,464	-5.6
New York-Northern New Jersey-Long Island, NY-NJ-CT-PA	472,042	6.1	449,290	6.6	408,255	-0.4
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	275,044	4.9	281,774	5.9	229,399	2.1

MIDWEST REGION

Chicago metro remains the most expensive Midwest metropolitan market but Kansas City metro is appreciating the fastest over the past quarter

The Kansas City metropolitan area led the Midwest metro areas in appreciation with a 13.6% year-over-year change in the Zindex (see Table 4). Both Cincinnati-Hamilton and Minneapolis-St. Paul experienced declines in year-over-year Zindex appreciation (-3.3% and -1.1% respectively), however, both had positive quarter-over-quarter appreciation rates of 5.4% and 1.4%, respectively.

The most expensive Midwest metro market was Chicago-Gary-Kenosha with an overall Q3 Zindex of \$265,266 and the least expensive market was the Dayton-Springfield metro area with a Q3 Zindex of \$109,162.

[Table 4. Zindex Performance by Metropolitan Area (Midwest)]

	All Residential Zindex		Single Family Residence Zindex		Condominium Zindex	
	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)
United States (36 Metro Areas Covered)	274,580	4.8	284,576	5.1	257,249	3.6
Chicago-Gary-Kenosha, IL-IN-WI	265,266	7.7	277,599	7.4	216,152	8.1
Cincinnati-Hamilton, OH-KY-IN	147,366	-3.3	153,407	-3.5	123,026	10.2
Cleveland-Akron, OH	137,031	5.6	142,615	6.3	125,064	4.9
Columbus, OH	136,511	1.7	142,101	2.2	109,001	-1.2
Dayton-Springfield, OH	109,162	3.1	113,500	3.9	96,235	0.3
Detroit-Ann Arbor-Flint, MI	152,126	3.2	216,385	-9.5	182,395	-4.7
Kansas City, MO-KS	133,715	13.6	128,803	15.2	134,598	--
Minneapolis-St. Paul, MN-WI	241,573	-1.1	249,278	-3.2	179,960	0.6
St. Louis, MO-IL	153,595	8.1	155,785	8.0	153,547	9.3

WESTERN REGION

The Seattle and Portland metropolitan areas continue to see high price appreciation in third quarter

In the western part of the country, the Northwest metropolitan areas of Seattle-Tacoma-Bremerton and Portland-Salem saw the fastest third quarter growth in the overall Zindex, increasing by 15.6% and 17.9% year-over-year, respectively (see Table 5). The Seattle-Tacoma-Bremerton Zindex reached \$337,584 in the last quarter while the Portland-Salem Zindex reached \$271,858. The metropolitan areas of San Diego and Sacramento-Yolo experienced negative year-over-year declines in their Zindex(-1.6% and -1.1%, respectively). The most expensive metro area in the region was San Francisco-Oakland-San Jose with an overall Zindex of \$702,298 (up 2.9% on a year-over-year basis) and the least expensive metro area was Denver-Boulder-Greeley with a Zindex of \$227,672 (up 1.6% on a year-over-year basis).

The Phoenix-Mesa metro area saw a slight decline quarter-over-quarter of -1.1% (dropping from \$267,120 in the second quarter to \$264,215 in the third quarter) but was up 9.6% year-over-year. The Los Angeles-Riverside-Orange County metro area was essentially flat quarter-over-quarter but was up 7.3% on a year-over-year basis. The third quarter Zindex for LA was \$555,391.

[Table 5. Zindex Performance by Metropolitan Area (West)]

	All Residential Zindex		Single Family Residence Zindex		Condominium Zindex	
	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)	Current Value (\$)	Change YoY (%)
United States (36 Metro Areas Covered)	274,580	4.8	284,576	5.1	257,249	3.6
Denver-Boulder-Greeley, CO	227,672	1.6	251,162	2.9	152,898	-1.5
Los Angeles-Riverside-Orange County, CA	555,391	7.3	568,208	6.6	448,712	5.2
Phoenix-Mesa, AZ	264,215	9.6	280,362	7.8	191,207	17.7
Portland-Salem, OR-WA	271,858	17.9	284,590	18.4	220,845	15.1
Sacramento-Yolo, CA	403,886	-1.1	404,417	-1.4	294,957	-3.1
San Diego, CA	535,533	-1.6	565,628	-1.0	401,094	-4.6
San Francisco-Oakland-San Jose, CA	702,298	2.9	729,496	3.1	524,364	0.9
Seattle-Tacoma-Bremerton, WA	337,584	15.6	361,736	15.7	258,088	19.3

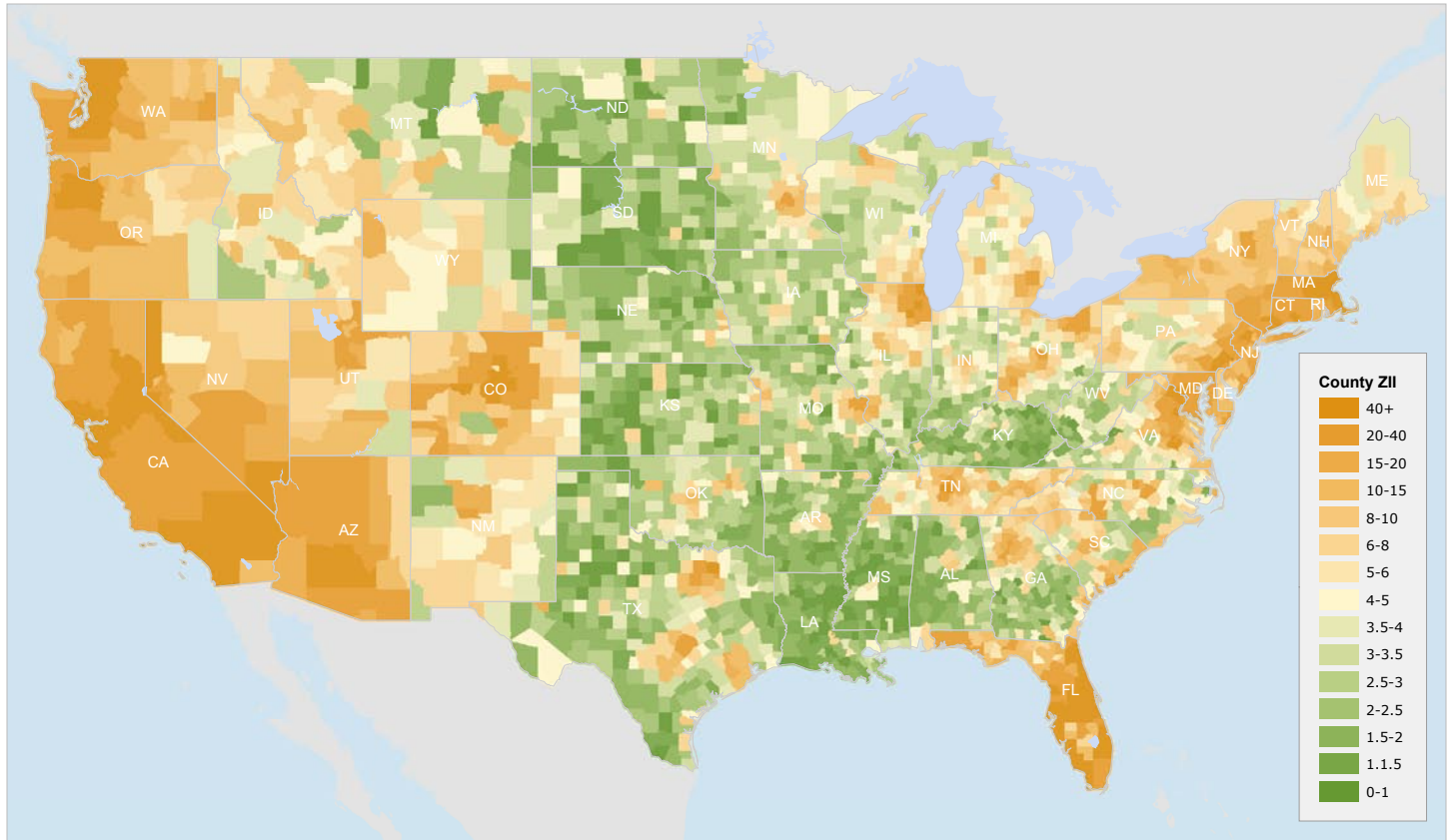
ZILLOW INTEREST INDEX™

Zillow.com users drawn to areas with high appreciation in the past couple of years

To give the public some idea of where interest in real estate is most intense within the country, we've constructed the Zillow Interest Index (ZII). 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. For the nation overall,

we are displaying ZII data down to the county level. The geographic distribution of the ZII across the nation is shown in Figure 3. Some of the hottest areas of interest include the entire West Coast, Arizona, Las Vegas, Florida and the D.C.-Boston corridor. The areas around Denver and Chicago are also particularly hot spots.

[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.