

## MARCH 2012 (Q1)

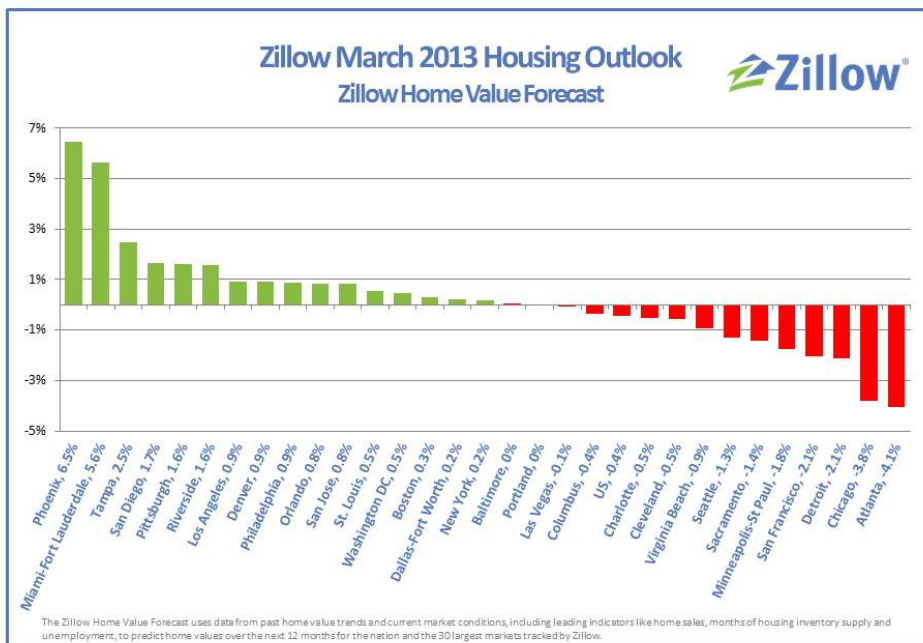
### Overview

Zillow's first quarter Real Estate Market Reports, released today, show home values decreased 0.5 percent from the fourth quarter of 2011 to the first quarter of 2012 to \$146,200 (Figure 1). On an annual basis, home values are down 3.1 percent from March 2011 levels (Figure 2). Despite showing quarterly and annual depreciation, the quarter ended positively with home values rising significantly in March (up 0.5 percent from February). While we are encouraged by strong data in March, it is too early to call rising home values a trend as we still expect some modest declines in national home values this year with a definitive national bottom later this year or early 2013.

According to the Zillow Home Value Forecast, we expect national home values to fall 0.4 percent over the next year. Markets that already appear to have reached a bottom include Boston, Dallas, Denver, Miami, Orlando, Philadelphia, Phoenix, Pittsburgh, St. Louis and Tampa. Additionally, we expect Baltimore, Los Angeles, and San Jose to reach a bottom this year. The trend in Las Vegas, New York, Portland, Riverside, and San Diego, however, is still uncertain enough to make near-term predictions difficult. Low home values paired with extraordinarily low mortgage rates should serve as a signal to consumers that now is a good time to buy. As more home buyers get off the fence, home sales, both existing and new, will continue increasing and help stabilize home prices in the long run.

### Highlights

- According to the Zillow Home Value Forecast, national home values will fall an additional 0.4 percent over the next year with a bottom later this year or in early 2013.
- The forecast shows markets that already appear to have reached a bottom include Boston, Dallas, Denver, Miami, Orlando, Philadelphia, Phoenix, Pittsburgh, St. Louis and Tampa.
- Eighteen markets covered by the ZHVI reported both quarterly and annual home value appreciation. Among these metros were Pittsburgh, Denver, Honolulu, Phoenix, and Miami-Fort Lauderdale – the latter two having been poster children of the housing downturn.
- The Zillow Rent Index (ZRI) shows year-over-year gains for over 70 percent of the metropolitan areas covered by the ZRI. By contrast, only 14 percent of the metro areas covered by the ZHVI experienced annual home value increases.



Home Values

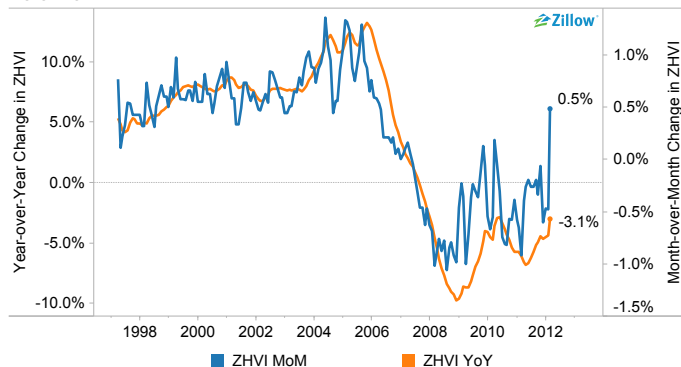
The Zillow Real Estate Market Reports cover 165 metropolitan areas (metros) of which 70 showed quarterly home value appreciation. Five metros remained flat, while 90 metros show home values losses. A sign of the times that a recovery is on the horizon exists in the 18 markets that reported both quarterly and annual home value appreciation. Among these metros were Pittsburgh, Denver, Honolulu, Phoenix, and Miami-Fort Lauderdale – the latter two having been poster children of the housing downturn.

Figure 1: U.S. Zillow Home Value Index  
March 2012



Overall, national home values are back to late 2003 levels, falling 24.6 percent since their peak in May 2007. A table of the largest 25 metropolitan areas that Zillow covers and their quarter-over-quarter and year-over-year performance can be found on Page 3 of this report.

Figure 2: Change in U.S. Zillow Home Value Index  
March 2012



Rents

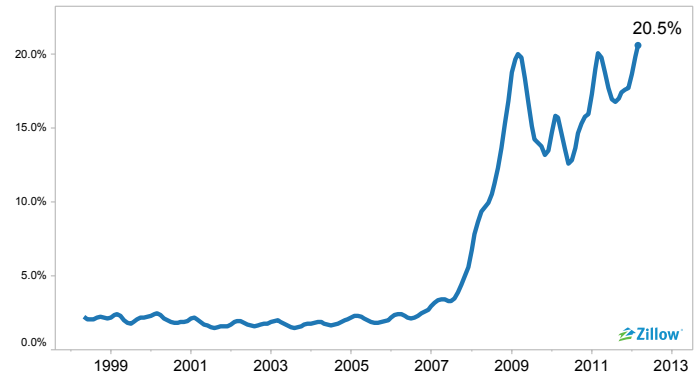
The Zillow Rent Index (ZRI) shows year-over-year gains for over 70 percent of the metropolitan areas covered by the ZRI. By contrast, only 14 percent of the metro areas covered by the ZHVI experienced annual home

value increases. In addition to high home affordability and low mortgage rates, rising rents will make home buying more attractive, increasing the longer term demand for homes and helping to put a floor under home values.

Foreclosures

Surprisingly, the rate of homes foreclosed significantly decreased in March with 7.4 out of every 10,000 homes in the country being liquidated. While we had been expecting an increase in foreclosure liquidations after the multi-state attorneys general settlement in February, we are not yet seeing evidence of this in the data. It is not yet clear whether an increase is in the offing or the pace of foreclosures will not ever return to pre-robo signing levels.

Figure 3: U.S. Foreclosure Re-Sales  
March 2012



Nationally, foreclosure re-sales increased to a new high making up 20.5 percent of all sales in March (Figure 3). Despite this month’s dip in the foreclosure liquidation rate, we expect foreclosure re-sales to continue their steady increase that we’ve seen over the last several months. While the heavy volume of foreclosures will put downward pressure on prices, this is an inevitable step on the road of housing market recovery.

Outlook

The pieces of a housing bottom and recovery are falling into place. While we expect a national bottom in housing prices later this year or in early 2013, some metros, such as Miami and Phoenix, have already hit bottom. The recovery in most areas will be a hyper-local process, where individual ZIP codes will start to recover before the metro area as a whole. This is already the case in the metro areas of Detroit and San Francisco.

National Summary

	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012
ZHVI (\$)	150,200	149,800	149,500	149,100	148,700	148,400	147,900	147,800	146,900	146,200	145,500	146,200
QoQ	-2.0%	-1.6%	-0.9%	-0.7%	-0.7%	-0.7%	-0.8%	-0.6%	-1.0%	-1.1%	-1.6%	-0.5%
YoY	-6.7%	-6.8%	-6.7%	-6.3%	-5.8%	-5.2%	-4.9%	-4.5%	-4.7%	-4.6%	-4.4%	-3.1%
Change from Peak	-22.5%	-22.7%	-22.9%	-23.1%	-23.3%	-23.4%	-23.7%	-23.7%	-24.2%	-24.6%	-24.9%	-24.6%
ZRI (\$)	1,192	1,197	1,213	1,213	1,208	1,206	1,213	1,223	1,222	1,218	1,212	1,211
QoQ	0.8%	0.8%	2.6%	1.8%	0.9%	-0.6%	0.0%	1.2%	1.3%	0.4%	-0.9%	-0.9%
YoY								3.4%	3.5%	3.0%	2.0%	2.5%
Homes Foreclosed (out of 10,000)	9.6	9.3	9.3	8.8	8.8	8.5	8.0	7.8	7.9	8.3	8.3	7.4

Largest 25 Metropolitan Statistical Areas Covered by Zillow (Data for March 2012)

	ZHVI (\$)	ZHVI QoQ	ZHVI YoY	Peak Month	Change from ZHVI Peak	Change in ZHVI, March 2012 - March 2013	Projected Bottom in Home Values	Homes Foreclosed (out of 10,000)
New York, NY	334,200	-0.6%	-4.7%	2006-06	-26.1%	0.2%	Q2 2012	0.4
Los Angeles, CA	382,100	-0.3%	-5.4%	2006-05	-38.0%	0.9%	Q1 2012	8.4
Chicago, IL	155,200	-2.4%	-9.7%	2006-06	-37.6%	-3.8%		
Dallas-Fort Worth, TX	121,500	0.5%	-2.0%	2007-10	-15.4%	0.2%	Q4 2011	7.8
Philadelphia, PA	184,900	-0.1%	-4.3%	2007-06	-19.6%	0.9%	Q1 2012	3.7
Miami-Fort Lauderdale, FL	141,300	2.7%	1.1%	2006-05	-54.0%	5.6%	Q4 2011	
Washington, DC	301,900	-0.2%	-0.2%	2006-04	-29.5%	0.5%	Q3 2011	3.9
Atlanta, GA	107,500	-1.2%	-8.7%	2007-06	-38.8%	-4.1%		
Detroit, MI	73,000	0.0%	-1.7%	2005-12	-52.8%	-2.1%		
Boston, MA	303,300	0.1%	-2.0%	2005-09	-20.0%	0.3%	Q1 2012	
San Francisco, CA	456,200	-1.6%	-4.5%	2006-04	-34.9%	-2.1%		9.2
Phoenix, AZ	128,000	3.5%	2.8%	2006-03	-54.2%	6.5%	Q3 2011	19.5
Riverside, CA	178,400	-0.2%	-3.5%	2006-05	-55.6%	1.6%	Q1 2012	17.2
Seattle, WA	248,600	-1.0%	-6.0%	2007-07	-34.1%	-1.3%		5.6
Minneapolis-St Paul, MN	163,000	-0.2%	-5.4%	2006-04	-31.9%	-1.8%		8.7
San Diego, CA	336,300	-0.3%	-4.0%	2005-10	-37.1%	1.7%	Q1 2012	8.0
St. Louis, MO	121,900	1.2%	-4.8%	2007-03	-21.4%	0.5%	Q4 2011	
Tampa, FL	104,900	1.4%	-4.2%	2006-06	-52.1%	2.5%	Q4 2011	
Baltimore, MD	212,100	-0.8%	-3.8%	2006-06	-25.1%	0.0%	Q3 2012	2.4
Denver, CO	205,900	1.2%	0.6%	2006-05	-10.7%	0.9%	Q4 2011	8.7
Pittsburgh, PA	107,600	2.1%	0.5%	2012-03	0.0%	1.6%	Q1 2009	2.7
Portland, OR	206,700	0.0%	-3.6%	2007-06	-26.8%	0.0%	Q1 2013	7.1
Cleveland, OH	107,600	0.1%	-2.8%	2005-12	-24.2%	-0.5%		6.5
Sacramento, CA	200,600	-0.8%	-6.4%	2005-11	-52.4%	-1.4%		15.5
Orlando, FL	113,800	0.2%	-3.6%	2006-05	-55.9%	0.8%	Q3 2011	

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 ZHVI at the national level is calculated as the median Zestimate of all homes in the US. It is expressed in dollars.
Zillow Rent Index (ZRI)	The Zillow Rent Index is the median Rent Zestimate (estimated monthly rental price) for a given geographic area on a given day, and includes the value of all single-family residences, condominiums, cooperatives and apartments in Zillow’s database, regardless of whether they are currently listed for rent. It is expressed in dollars.
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](http://www.zillow.com/research). The data in Zillow’s Real Estate Market Reports is aggregated from public sources by a number of data providers for 276 core-based statistical areas dating back to 1996. Mortgage and home loan data is typically recorded in each county and publicly available through a county recorder’s office.

### 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. In addition, Zillow operates an industry-leading economics and analytics bureau led by Zillow’s Chief Economist Dr. Stan Humphries. Dr. Humphries and his team of economists and data analysts produce extensive housing data and research covering more than 150 markets at Zillow Real Estate Research. Zillow, Inc. operates Zillow.com®, Zillow Mortgage Marketplace, Zillow Mobile, Postlets® and Diverse Solutions™. The company is headquartered in Seattle.

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