

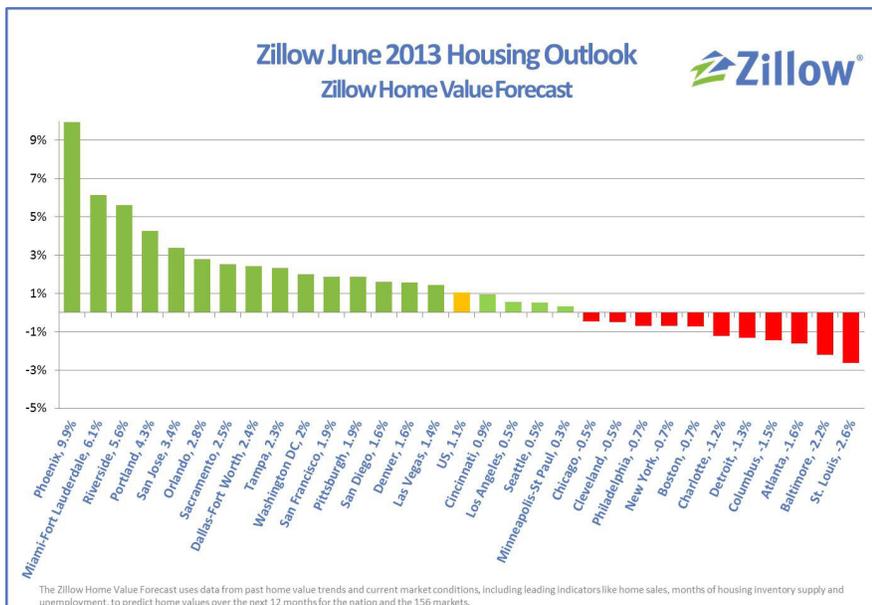
## JUNE 2012 (Q2)

### Overview

Zillow's second quarter Real Estate Market Reports, released today, show home values increased 2.1% from the first to the second quarter of 2012 to \$149,300 (Figure 1). On an annual basis, home values rose 0.2% from June 2011 levels (Figure 2), marking the first annual increase in U.S. home values since 2007. In addition to showing both quarterly and annual appreciation, national home values also rose for the fourth consecutive month, increasing 0.7%. Notably, home value appreciation in the second quarter was the highest since the fourth quarter of 2005.

Nationally, home values reached their bottom in February of 2012 and have since appreciated at very robust monthly growth rates. Despite encouraging monthly growth, we do not believe that this monthly rate is sustainable and expect it to taper off towards the end of the year. According to the Zillow Home Value Forecast, we expect national home values to appreciate by 1.1% over the next year (June 2012 to June 2013).

The housing market's recovery continues to show tremendous variation market by market. Sixty-seven of the 156 markets covered by the Zillow Home Value Forecast are expected to see increases in home values over the next year, with the largest increases expected in the Phoenix metro (9.9%) and the Miami metro (6.1%). We believe that ninety-six out of the 156 markets have already hit a bottom in home values, including Boston, Miami, and Phoenix. In some of the hardest hit markets, the bottoming process has been quite different than we had initially expected. Due to very low inventory levels paired with greater consumer and investor appetite and low mortgage rates, home values have appreciated faster than anticipated in markets like Phoenix and Miami, creating a V-shaped recovery in home values.



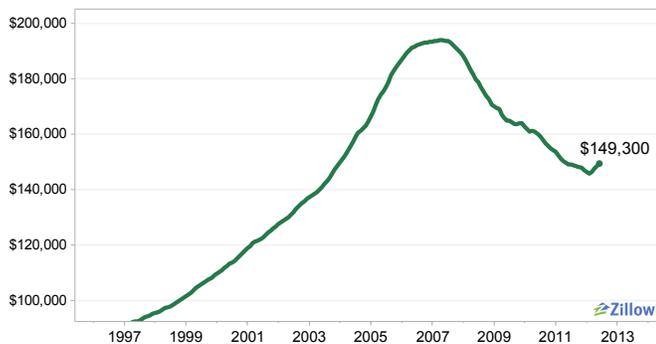
### Highlights

- Sixty-seven of the 156 markets covered by the Zillow Home Value Forecast are expected to see increases in home values over the next year, with the largest increases expected in the Phoenix metro (9.9%) and the Miami metro (6.1%).
- In the second quarter, home values rose 0.2% year-over-year, marking the first annual increase in U.S. home values since 2007.
- Overall, national home values are back to January 2004 levels, having fallen 22.9% since their peak in May 2007.
- The June Zillow Rent Index (ZRI) is up 5.2% from year-ago levels, and 68% of the 293 metropolitan areas covered by ZRI in this report experienced year-over-year gains.
- In general, we continue to believe that high levels of negative equity paired with higher than normal unemployment will keep foreclosure rates higher than normal for at least the next 2-3 years.

### Home Values

The Zillow Real Estate Market Reports cover 167 metropolitan areas (metros) of which 98 showed quarterly home value appreciation. Five metros remained flat, while 64 metros show home value losses. Nearly one-third of metros covered by the Real Estate Market Reports posted annual increases in home values. The largest annual increase was in Phoenix, where home values rose 12.1% from the second quarter of 2011 to the second quarter of 2012. Phoenix is benefiting from high demand for homes from investors looking to convert them into rentals, high demand from mainstream buyers pulled back into the market by historical affordability (almost 43% below the historical average) and constrained supply due to high negative equity (55.5% of Phoenix homeowners with a mortgage were in negative equity in 2012 Q1) and natural resistance of sellers to sell at market bottom.

**Figure 1:** U.S. Zillow Home Value Index  
June 2012

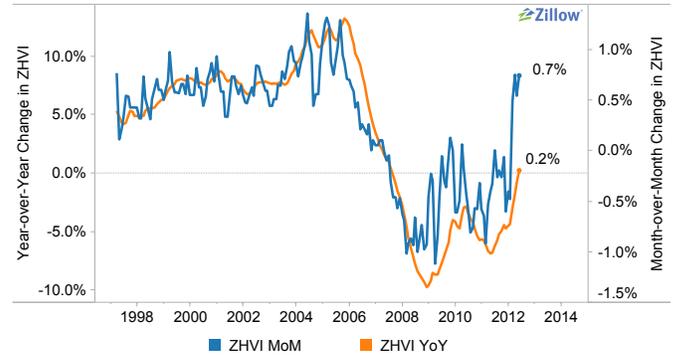


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### Rents

The June Zillow Rent Index (ZRI) is up 5.2% from year-ago levels, and 68% of the 293 metropolitan areas covered by ZRI in this report experienced year-over-year gains (Figure 3). The rental market remains strong even as home values start to once again appreciate in many markets. Markets that saw extremely strong year-over-year rent increases include Philadelphia (11.9%), Chicago (11%), Baltimore (11%), and San Francisco (9.5%). Continually rising rents will increase consumer demand for home purchases, especially in this low mortgage rate environment.

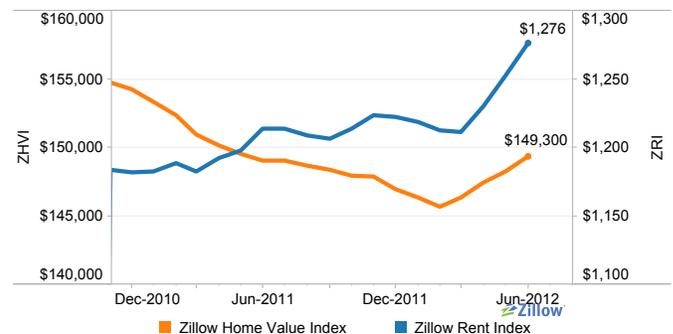
**Figure 2:** Change in U.S. Zillow Home Value Index  
June 2012



### Foreclosures

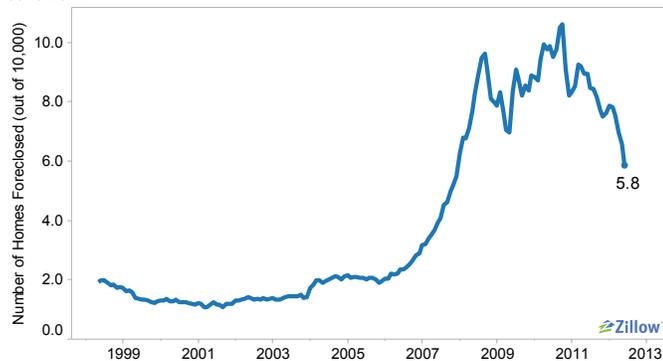
The rate of homes foreclosed continues to decline in June with 5.8 out of every 10,000 homes in the country being liquidated (Figure 4). This is the lowest foreclosure pace we've seen since December 2007 when 5.5 out of every 10,000 homes were being liquidated.

**Figure 3:** U.S. Zillow Home Value Index and U.S. Zillow Rent Index  
June 2012



Nationally, foreclosure re-sales also continued to slow, making up 15.6% of all sales in June, down from 16.4% in May. The decreasing prevalence of foreclosures in the monthly transactional mix is due to both seasonality (more non-foreclosure sales in the spring and summer) combined with the much slower pace of foreclosure liquidations over the past year. This lower level of foreclosure re-sales is contributing to home value appreciation, as these are usually sold at a discount and influence surrounding non-distressed sales. With foreclosure starts again increasing now that the National Foreclosure Settlement has been approved by the courts, we do expect some increase in foreclosure liquidations in the back half of this year, although lenders are being more aggressive in pursuing foreclosure alternatives for homes in the pipeline.

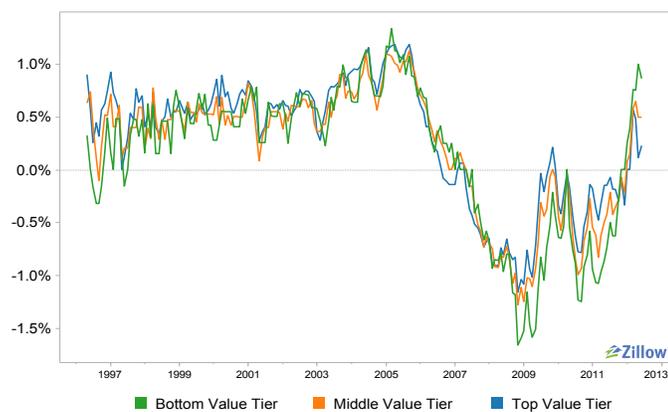
**Figure 4: U.S. Homes Foreclosed**  
June 2012



**Outlook**

Nationally, we believe that housing has finally turned a corner, and our forecast calls for U.S. home values to increase by 1.1% over the next year. In general, we continue to believe that high levels of negative equity paired with higher than normal unemployment will keep foreclosure rates higher than normal for at least the next 2-3 years. In some markets, we believe this combination will temper near-term price appreciation and lead to a U-shaped recovery in home values.

**Figure 5: Monthly Change in Zillow Home Value Index by Home Value Tier**  
June 2012

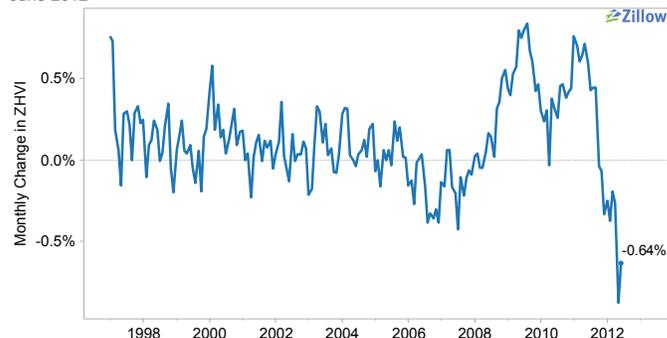


In other markets, however, we believe the trajectory of home values will look more like a step-function characterized by cycles of price spikes and plateaus. In these markets, negative equity-induced supply constraints in combination with mainstream buyer demand and robust investor demand will lead to short-term price spikes (as we’re seeing now in Phoenix and Miami). These price spikes will free some homeowners from negative equity, allowing them to sell, thereby easing supply constraints and dampening prices until the cycle is repeated.

Downside risks to our outlook are that the pace of foreclosures increases more than expected, job growth

becomes even more sluggish, or we have a political train wreck on the budgetary and tax issues we face at the end of this year. We, however, remain optimistic that low mortgage rates, high levels of affordability, rising rental prices, and slowly improving conditions in the overall economy will combine to keep the housing recovery on track, and we expect that both existing and new homes sales will continue to increase for the remainder of the year, being tempered only by low inventory levels (versus anemic demand).

**Figure 6: Spread in monthly home value appreciation between top and bottom tiers**  
June 2012



National Summary

	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012
<b>ZHVI (\$)</b>	149,000	148,600	148,300	147,900	147,800	146,900	146,300	145,600	146,300	147,400	148,200	149,300
<b>QoQ</b>	-0.7%	-0.6%	-0.5%	-0.7%	-0.5%	-0.9%	-1.1%	-1.5%	-0.4%	0.8%	1.8%	2.1%
<b>YoY</b>	-6.3%	-5.8%	-5.2%	-4.9%	-4.5%	-4.7%	-4.6%	-4.4%	-3.0%	-1.8%	-0.9%	0.2%
<b>Change from Peak</b>	-23.1%	-23.3%	-23.4%	-23.6%	-23.7%	-24.2%	-24.5%	-24.8%	-24.5%	-23.9%	-23.5%	-22.9%
<b>ZRI (\$)</b>	1,213	1,208	1,206	1,213	1,223	1,222	1,218	1,212	1,211	1,230	1,252	1,276
<b>QoQ</b>	1.8%	0.9%	-0.6%	0.0%	1.2%	1.3%	0.4%	-0.9%	-0.9%	1.0%	3.3%	5.4%
<b>YoY</b>					3.4%	3.5%	3.0%	2.0%	2.5%	3.2%	4.6%	5.2%
<b>Homes Foreclosed (out of 10,000)</b>	8.4	8.4	8.1	7.7	7.5	7.6	7.9	7.8	7.5	6.9	6.5	5.8

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

	ZHVI (\$)	ZHVI QoQ	ZHVI YoY	Peak Month	Change from ZHVI Peak	Change in ZHVI, June 2012 - June 2013	Projected Bottom in Home Values	Homes Foreclosed (out of 10,000)
New York, NY	336,900	0.8%	-2.7%	2006-06	-25.5%	-0.7%	2012 Q1	0.5
Los Angeles, CA	383,200	0.2%	-2.7%	2006-05	-37.8%	0.5%	2012 Q2	6.1
Chicago, IL	158,600	1.7%	-5.8%	2006-06	-36.3%	-0.5%	2012 Q1	
Dallas-Fort Worth, TX	123,900	1.4%	1.4%	2007-10	-13.7%	2.4%	2011 Q4	6.3
Philadelphia, PA	184,000	-0.6%	-3.5%	2007-06	-19.9%	-0.7%	2012 Q4	2.6
Miami-Fort Lauderdale, FL	148,300	4.7%	6.4%	2006-05	-51.7%	6.1%	2011 Q3	
Washington, DC	305,900	1.3%	1.1%	2006-02	-28.5%	2.0%	2011 Q4	3.0
Atlanta, GA	107,900	0.0%	-4.9%	2007-05	-38.6%	-1.6%		
Detroit, MI	74,000	1.2%	2.1%	2005-12	-52.2%	-1.3%	2011 Q3	
Boston, MA	307,600	1.0%	-1.2%	2005-09	-18.9%	-0.7%	2011 Q4	
San Francisco, CA	465,600	1.9%	-0.4%	2006-04	-33.6%	1.9%	2012 Q1	6.5
Phoenix, AZ	136,200	6.0%	12.1%	2006-03	-51.3%	9.9%	2011 Q3	17.2
Riverside, CA	182,400	2.1%	0.1%	2006-05	-54.6%	5.6%	2011 Q4	13.4
Seattle, WA	255,400	2.3%	-0.3%	2007-07	-32.3%	0.5%	2012 Q1	5.8
Minneapolis-St Paul, MN	164,800	0.9%	-2.0%	2006-04	-31.1%	0.3%	2012 Q1	6.1
San Diego, CA	342,500	1.7%	-0.1%	2005-10	-35.9%	1.6%	2012 Q1	5.8
St. Louis, MO	121,600	-1.1%	-4.0%	2007-03	-21.6%	-2.6%		
Tampa, FL	107,500	2.3%	1.7%	2006-06	-50.8%	2.3%	2011 Q4	
Baltimore, MD	213,000	0.3%	-2.3%	2006-06	-24.7%	-2.2%		3.2
Denver, CO	211,300	2.3%	3.5%	2006-04	-8.3%	1.6%	2011 Q4	1.1
Pittsburgh, PA	108,700	0.7%	3.3%	2012-06	0.0%	1.9%	2009 Q1	2.7
Portland, OR	212,800	2.7%	1.6%	2007-07	-24.6%	4.3%	2011 Q4	5.3
Cleveland, OH	108,400	0.6%	-2.3%	2005-12	-23.6%	-0.5%	2012 Q1	9.2
Sacramento, CA	202,900	1.0%	-2.1%	2005-11	-51.8%	2.5%	2011 Q4	11.9
Orlando, FL	118,200	3.4%	1.3%	2006-05	-54.2%	2.8%	2011 Q4	

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®, Diverse Solutions™ and RentJuice®. The company is headquartered in Seattle.

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