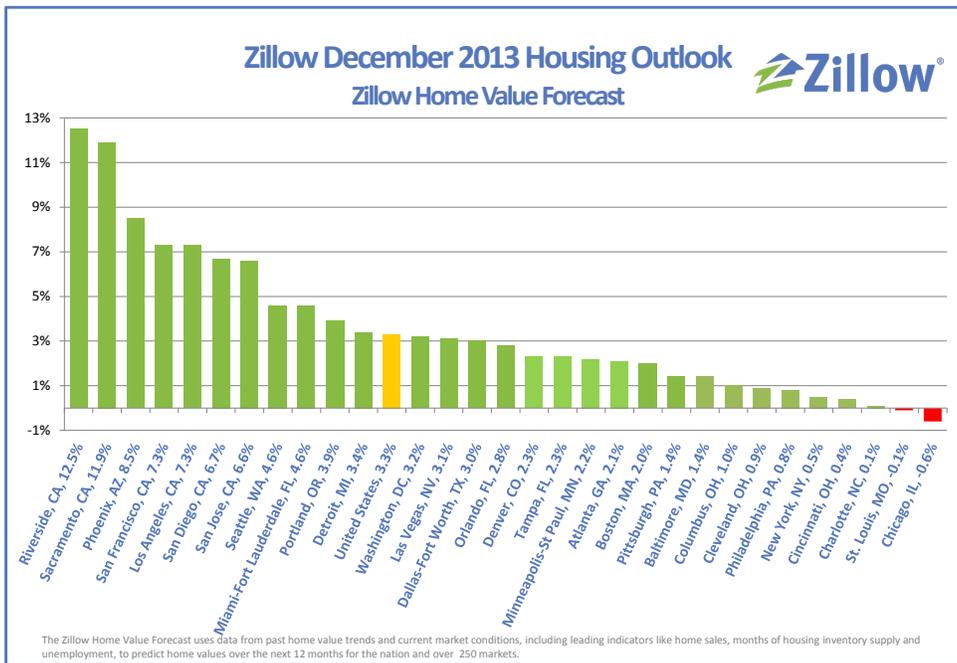


DECEMBER 2012 (Q4)

Overview

Zillow's fourth quarter Real Estate Market Reports, released today, show home values increased 2.5% from the third to fourth quarter of 2012 to \$157,400 (Figure 1). This quarter marks four consecutive quarters of national home value appreciation. On an annual basis, the Zillow Home Value Index (ZHVI) rose 5.9% from December 2011 levels (Figure 2), a significantly higher level of annual appreciation than what would be considered "normal" in a historical context. For example, in the 1990s the average annual home value appreciation was 2.6%. The housing recovery has become supercharged, especially in markets such as Phoenix and parts of California. Despite strong national appreciation, the housing recovery is uneven across the country with markets such as Atlanta and Chicago still lagging behind. We don't believe that the current pace of home value appreciation in many parts of the country is sustainable, due in part to the origin of this appreciation, which we believe to be negative-equity fueled inventory shortages. High rates of negative equity continue to keep homeowners locked in their homes thereby limiting the overall supply of for-sale homes and helping to fuel intense price appreciation.



According to the Zillow Home Value Forecast (ZHVF), we expect national home values to increase 3.3% over the next year (December 2012 to December 2013). Of the 258 markets covered by the ZHVF 210 markets are expected to see increases in home values over the next year, with the largest increases expected in the Riverside metro (12.5%) and the Sacramento metro (11.9%). Many California markets follow closely at the top of the list of markets expected to see the highest home value appreciation over the next year.

According to the ZHVF, 228 markets (88%) have already hit a bottom in home values, and another 21 are expected to hit a bottom by December 2013. Among the markets expected to see a bottom within the next year are Cincinnati (OH), Milwaukee (WI) and Dayton (OH). The slowly improving economy and continually low mortgage rates continue to translate into greater consumer confidence, higher household formation rates and increased home sales. Increased housing demand driven both by investor and consumer interest is spurring new construction, as home builders continue to be confident about future housing demand.

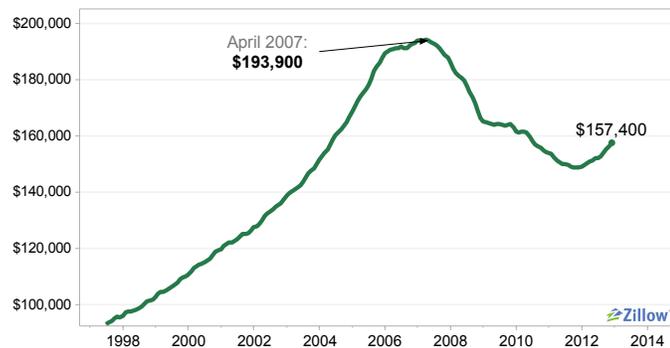
Highlights

- National home values rose 2.5% from the third to the fourth quarter of 2012. This marks the fourth consecutive quarter of increases.
- Of the 258 markets covered by the Zillow Home Value Forecast, 210 markets are expected to see increases in home values over the next year, with the largest increases expected in the Riverside (12.5%) and Sacramento (11.9%) metros.
- Nearly 70% of the metros covered by the Real Estate Market Reports posted annual increases in home values. Among the largest metros, Phoenix showed the largest annual increase with home values rising 22.5% from the fourth quarter of 2011.
- The December Zillow Rent Index (ZRI) is up 4.2% from year ago levels, and more than 60% of the 310 metropolitan areas covered by ZRI in this report experienced year-over-year gains.
- These conditions will carry well into 2013, however many markets will start to normalize and switch to more sustainable rates of appreciation.

Home Values

The Zillow Real Estate Market Reports cover 366 metropolitan areas (metros) of which 278 showed quarterly home value appreciation. Four metros remained flat, while 84 metros show home values losses. Nearly 70% of the metros covered by the Real Estate Market Reports posted annual increases in home values – a sign of the national housing recovery continuing to take hold. Among the largest metros, Phoenix showed the largest annual increase with home values rising 22.5% from the fourth quarter of 2011 to the fourth quarter of 2012. Overall, national home values are back to June 2004 levels, down 18.8% since their peak in April 2007. From their peak, home values fell 23.4% to the trough in home values in October 2011, and are now 6% above the trough level. A table of the top 30 metros can be found at the end of this report.

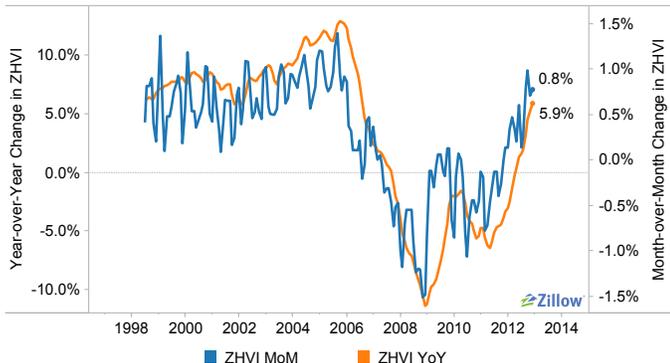
Figure 1: U.S. Zillow Home Value Index
December 2012



Rents

The Zillow Rent Index (ZRI) covers 459 metropolitan areas, and 64% of those metros reported annual increases in rents in December. As a point of comparison, nearly 70% of the metro areas covered by the ZHVI experienced annual home value increases. Nationally, rents increased 4.2% in December from year-ago levels, and rent growth continues to be robust, fueled by the entry of foreclosed households into the rental market and increasing household formation itself (newly formed households often choosing to rent before buying). Markets that saw extremely strong year-over-year rent increases include Boston (6.6%), Denver (6.5%), Chicago (5.3%), and San Francisco (5.1%).

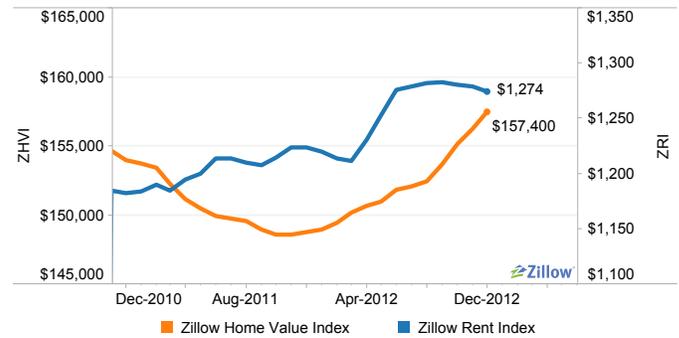
Figure 2: Change in U.S. Zillow Home Value Index
December 2012



Foreclosures

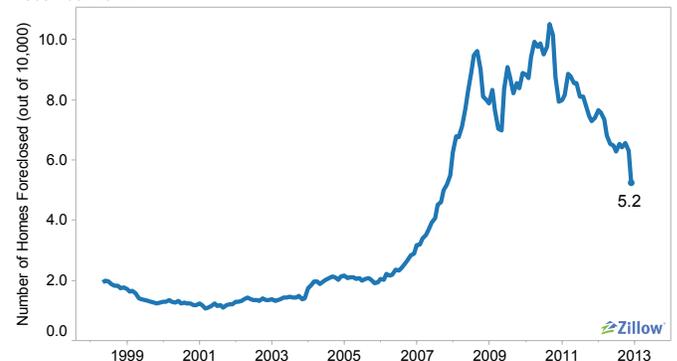
The rate of homes foreclosed continued to decline in

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



December with 5.22 out of every 10,000 homes in the country being liquidated through foreclosure. This is the lowest foreclosure pace we have seen since November 2007, when 5.18 out of every 10,000 homes were being liquidated. Nationally, foreclosure re-sales remain low, making up 12% of all sales in December, down 4% from the fourth quarter of 2011, underlining the limited inventory of foreclosure re-sales, especially given that we would normally expect their share to increase in the back end of the year as non-foreclosure sales reach their low point. The lack of foreclosure re-sales in many markets is contributing to home value appreciation, as investors are buying up the distressed and non-distressed inventory, especially on the lower end of the housing market, squeezing out many conventional buyers, especially those requiring a mortgage instead of paying cash for a home.

Figure 4: U.S. Homes Foreclosed
December 2012



Outlook

While the housing recovery has been rather uneven across the country, most metros are experiencing some form of home value appreciation and have seen a bottom in home values. We are in unusual times as many markets, such as California and Phoenix, are seeing a return to bubble-era home value appreciation fueled by supply shortages and intense investor activity. These conditions will carry well into 2013, however many markets will start to normalize and switch to more sustainable rates of appreciation. This volatility is hard on buyers and sellers, making long-term planning more difficult as they are tossed from one extreme of home value appreciation to the other. We do expect some moderation in this breakneck appreciation of home values over the next year (an increase of 3.3% over the next 12 months versus an increase of 5.9% over the past 12 months).

National Summary

	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012
ZHVI (\$)	148,900	149,400	150,100	150,600	150,900	151,800	152,000	152,400	153,600	155,100	156,200	157,400
QoQ	0.3%	0.6%	0.9%	1.1%	1.0%	1.1%	0.9%	1.0%	1.2%	2.0%	2.5%	2.5%
YoY	-3.1%	-2.6%	-1.4%	-0.3%	0.3%	1.3%	1.5%	1.9%	3.2%	4.4%	5.2%	5.9%
Change from Peak	-23.2%	-22.9%	-22.6%	-22.3%	-22.2%	-21.7%	-21.6%	-21.4%	-20.8%	-20.0%	-19.4%	-18.8%
ZRI (\$)	1,219	1,213	1,211	1,230	1,252	1,275	1,278	1,281	1,282	1,280	1,278	1,274
QoQ	0.4%	-0.8%	-1.0%	0.9%	3.2%	5.3%	3.9%	2.3%	0.5%	0.2%	-0.2%	-0.6%
YoY	3.0%	2.0%	2.3%	3.0%	4.4%	5.1%	5.4%	6.0%	6.2%	5.4%	4.5%	4.2%
Homes Foreclosed (out of 10,000)	7.6	7.6	7.3	6.8	6.5	6.5	6.3	6.5	6.4	6.5	6.3	5.2

Largest 30 Metropolitan Statistical Areas Covered by Zillow (Data for December 2012)

	ZHVI (\$)	ZHVI QoQ	ZHVI YoY	Peak Month	Change from ZHVI Peak	Change in ZHVI, Dec. 2012 - Dec. 2013	Projected Bottom in Home Values	Homes Foreclosed (out of 10,000)
New York, NY	345,700	1.2%	0.9%	2006-04	-23.9%	0.5%	2012 Q1	0.4
Los Angeles, CA	414,900	4.0%	7.9%	2006-03	-33.0%	7.3%	2012 Q1	5.8
Chicago, IL	161,600	-0.4%	-0.2%	2007-01	-37.9%	-0.6%	2012 Q1	
Dallas-Fort Worth, TX	130,500	1.6%	4.8%	2007-10	-9.6%	3.0%	2011 Q4	4.9
Philadelphia, PA	187,000	0.8%	0.5%	2007-04	-18.9%	0.8%	2012 Q1	1.1
Washington, DC	324,000	2.1%	5.2%	2005-12	-25.0%	3.2%	2011 Q1	2.5
Miami-Fort Lauderdale, FL	153,200	2.5%	9.7%	2006-04	-50.7%	4.6%	2011 Q4	
Atlanta, GA	114,300	2.5%	0.1%	2007-04	-34.6%	2.1%	2012 Q3	
Boston, MA	320,700	2.7%	5.3%	2005-10	-15.3%	2.0%	2011 Q4	
San Francisco, CA	526,200	4.8%	14.0%	2006-01	-26.0%	7.3%	2012 Q1	5.1
Detroit, MI	81,200	3.2%	9.7%	2005-05	-48.0%	3.4%	2011 Q4	
Riverside, CA	197,400	4.5%	9.3%	2006-04	-51.3%	12.5%	2012 Q1	12.7
Phoenix, AZ	157,800	4.6%	22.5%	2006-03	-44.2%	8.5%	2011 Q3	13.4
Seattle, WA	270,500	2.3%	6.5%	2007-06	-28.7%	4.6%	2012 Q1	8.3
Minneapolis-St Paul, MN	175,300	2.2%	7.5%	2006-04	-27.0%	2.2%	2012 Q1	4.8
San Diego, CA	373,400	4.6%	10.0%	2006-01	-30.5%	6.7%	2012 Q1	5.8
Tampa, FL	112,800	1.6%	5.6%	2006-04	-48.5%	2.3%	2011 Q4	
St. Louis, MO	126,200	0.3%	1.2%	2007-02	-17.9%	-0.1%	2011 Q4	
Baltimore, MD	222,000	1.1%	2.4%	2007-03	-22.4%	1.4%	2012 Q1	2.1
Denver, CO	228,600	3.1%	12.1%	2006-05	-0.8%	2.3%	2011 Q2	0.9
Pittsburgh, PA	112,000	1.7%	3.0%	2012-12	0.0%	1.4%	2009 Q1	2.2
Portland, OR	230,300	2.5%	7.7%	2007-05	-21.1%	3.9%	2011 Q4	3.4
Sacramento, CA	225,200	6.1%	11.7%	2005-10	-46.6%	11.9%	2012 Q1	11.3
Orlando, FL	125,600	2.4%	6.5%	2006-05	-51.9%	2.8%	2012 Q1	
Cincinnati, OH	121,900	-1.4%	-0.2%	2008-01	-14.9%	0.4%	2013 Q2	3.4
Cleveland, OH	111,000	0.9%	2.2%	2005-11	-22.1%	0.9%	2012 Q1	7.0
Las Vegas, NV	129,100	5.5%	13.9%	2006-04	-57.9%	3.1%	2012 Q1	11.3
San Jose, CA	630,800	4.9%	15.4%	2006-02	-14.7%	6.6%	2009 Q2	3.0
Columbus, OH	126,200	0.3%	2.6%	2006-04	-13.4%	1.0%	2012 Q1	8.8
Charlotte, NC	137,600	1.6%	2.7%	2008-04	-11.8%	0.1%	2011 Q2	8.0

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 April 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. The data in Zillow Real Estate Market Reports is aggregated from public sources by a number of data providers for over 923 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 350 markets at Zillow Real Estate Research. Zillow, Inc. operates Zillow.com®, Zillow Mortgage Marketplace, Zillow Rentals, Zillow Mobile, Postlets®, Diverse Solutions®, Buyfolio™, Mortech™ and HotPads™. The company is headquartered in Seattle.

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