

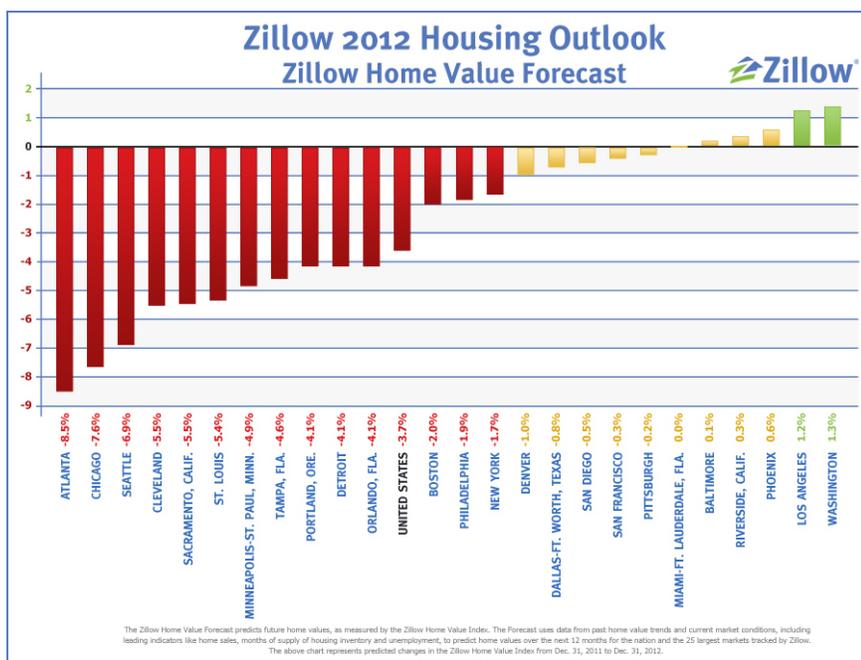
DECEMBER 2011 (Q4)

Overview

The Zillow Real Estate Market Reports, released today, show home values decreased 1.1 percent from the third to the fourth quarter of 2011 to \$146,900 (Figure 2). On an annual basis, this represents a 4.7 percent decline (Figure 1). December's data show that sequential improvements in year-over-year numbers have stopped, and the pace of monthly depreciation has once again picked up, with December's monthly depreciation rate at 0.6 percent. The main culprits behind December's weak housing numbers are increasing foreclosure liquidation rates and soft economic data.

New to this quarterly report is the Zillow Home Value Forecast, a forward-looking, model-based estimate of home values one year out from the current reported period. The forecast covers the top 25 metros and the nation and is based on an ensemble of statistical and machine learning models, each with a somewhat different approach to predicting the future movements of home values in a metro region. A closer look at our forecasting methodology can be found on [Zillow Real Estate Research](#).

Based on these forecasts, we expect more home value declines nationally in 2012. However, most markets will see improved trends over the course of the year.



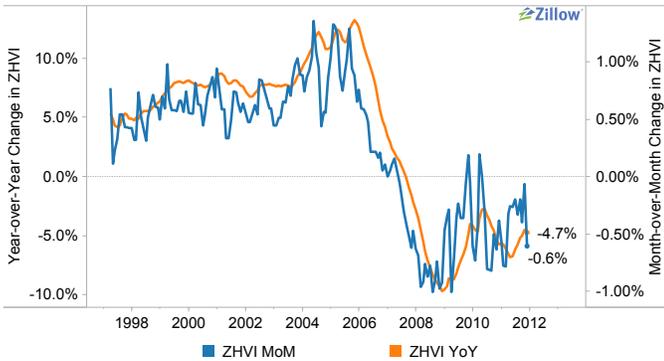
Highlights

- New to this report is the Zillow Home Value Forecast, which covers the top 25 metros and the nation, and shows national home values will continue to decline this year, falling a forecasted 3.7 percent through December 2012.
- In the fourth quarter, home values fell 1.1 percent from the third quarter to \$146,900. On a yearly basis, home values were down 4.7 percent.
- Of the 164 metropolitan statistical areas covered in the Zillow Real Estate Market Reports, 43 metros showed quarterly home value appreciation. Twenty-three metros remained flat, while 98 metros showed home value decreases.
- The rate of homes foreclosed increased this quarter to 8.2 out of every 10,000 homes, a noteworthy increase, but still significantly below the all-time high of 10.7 out of every 10,000 homes in October 2010 just prior to the robo-signing controversy.

Home Values

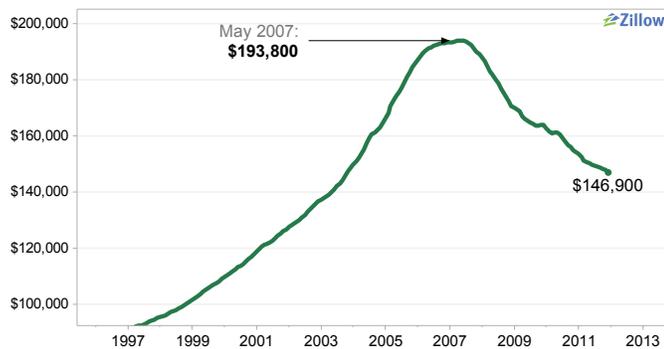
The Zillow Real Estate Market Reports cover 164 metropolitan statistical areas (MSAs) of which 43 MSAs showed quarterly home value appreciation. Twenty-three MSAs remained flat, while 98 markets showed home value decreases. Among the markets that showed significant appreciation on a quarter-over-quarter basis were El Centro (CA), Destin (FL), Bend (OR), Phoenix,

Figure 1: Change in U.S. Zillow Home Value Index
December 2011



and Punta Gorda (FL) - some of the hardest hit markets when the housing bubble burst. Major markets that experienced some of the highest declines this quarter were Chicago, Cleveland, and St. Louis. Additionally, Chicago is among the top ten MSAs where home values declined the most, falling 10.9 percent year-over-year. With regard to the highest annualized declines in 2011, Chicago was joined by major markets like Atlanta, Tucson, and Las Vegas which all ended the year with home values down more than 10 percent.

Figure 2: U.S. Zillow Home Value Index
December 2011



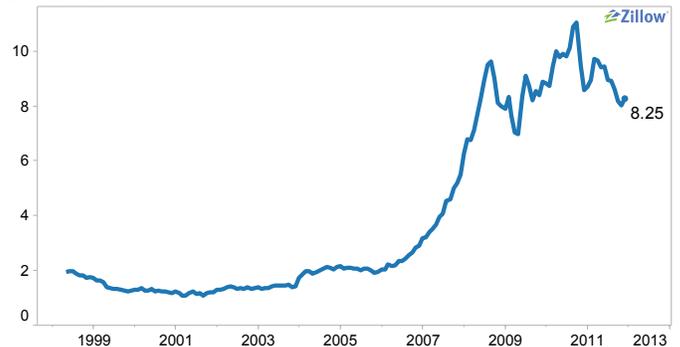
Overall, national home values have fallen 24.2 percent since their peak in May 2007. A table of the largest 25 metropolitan statistical areas that Zillow covers and their quarter-over-quarter and year-over-year performance can be found on Page 4 of this report. Nationally,

home values are back to late 2003 levels. Additionally, mortgage rates remain at historically low levels, and this combination of low home values and low financing rates are creating record levels of housing affordability. This fact will translate into more housing demand this year as broader economic conditions continue to improve, spurring home buyers and doubled-up households to enter the market. Unfortunately, since a lot of this housing demand will be soaking up cheap supply created by foreclosure, we expect home values to continue to fall modestly in most markets, even while home sales are rising.

Foreclosures

The rate of homes foreclosed increased in December with 8.2 out of every 10,000 homes in the country being liquidated, up from eight out of every 10,000 homes in November. This is a noteworthy increase relative to the artificially decreased rates that we have experienced over the past year due to slowdowns in foreclosure processing following the robo-signing controversies in the fall of 2010. This higher rate signifies banks, once again, are speeding up their foreclosure process as they work through the backlog of delinquent homeowners.

Figure 3: U.S. Foreclosure Rate
Number of homes out of 10,000 that were liquidated in month
December 2011



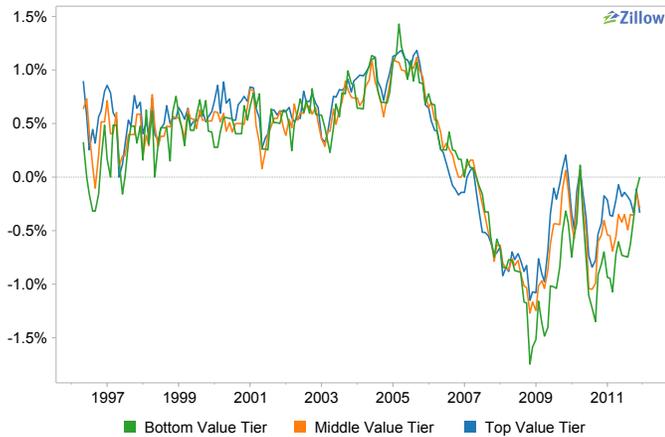
In turn, this means foreclosure re-sales will increase in the coming months which will put renewed downward pressure on home prices. In December, foreclosure re-sales made up 19.1 percent of all sales, up from 17.4 percent in September.

Price Tiers

The market is again seeing a separation in the appreciation trends of the three home value tiers (Figure 4). While home value trends in the bottom tier outperformed those in the top tier at the outset of the

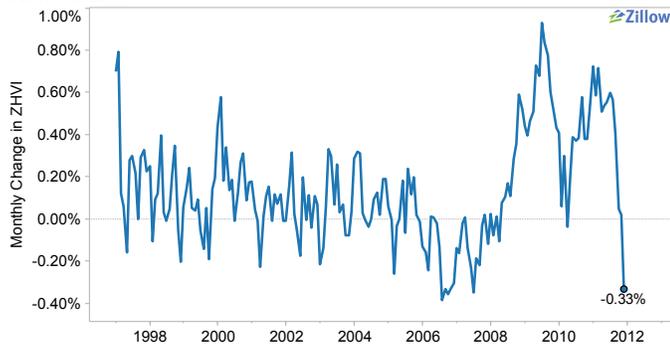
housing recession, the fates of the top and bottom tiers reversed in 2008, with the top tier consistently performing better than the bottom tier thereafter.

Figure 4: Monthly Change in Zillow Home Value Index by Home Value Tier
December 2011



Beginning mid-2011, the performance of the bottom tier began to improve and, in December, surpassed the top tier as bottom-tier home values were unchanged for the month while top-tier values fell 0.3 percent. Figure 5 shows the difference in monthly home value appreciation between the top and bottom tiers of home values (the simple difference between the blue and green lines in Figure 4). Housing demand in the bottom tier is benefiting from the bigger reset in home values – the bottom tier has seen home values fall 36 percent since their peak versus 24 percent for the top tier.

Figure 5: Spread in monthly home value appreciation between top and bottom tiers
December 2011



Outlook

As previously stated, we believe 2012 will be a transitional year for real estate. Positive developments will include markets showing organic growth, and home sales increasing as the year proceeds. However, we maintain our forecast that home values will continue to fall in 2012, with the Zillow Home Value Forecast showing

a 3.7 percent decline through December 2012. While we forecast only two markets to end the year higher than they started, most will see better trends over the course of the year. Fourteen out of the top 25 markets are expected to show significant further home value depreciation on a year-over-year basis in December 2012, with the Atlanta, Chicago, and Seattle MSAs showing the largest home value declines by the end of the year.

Negative equity will continue to cast a long shadow over the real estate market, keeping foreclosure rates elevated, and keeping a firm lid on significant home value growth even once values have bottomed in 2013. Negative equity has both demand and supply side implications, sapping demand since homeowners can't sell their current homes to buy another and increasing supply by significantly increasing the likelihood of foreclosure.

As has been the case for the past year, a key bright spot in the housing sector is the rental market where a large and growing pool of renters is spurring investors to purchase distressed inventory in order to convert it to rental inventory. Recent policy initiatives have supported this development. The Obama administration, for example, announced on Feb. 1 the start of a pilot program to allow investors to buy distressed properties in bulk if they agree to rent them out for a given period of time.

National Summary

	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011
ZHVI (\$)	153,300	152,100	150,900	150,400	150,000	149,600	149,300	148,800	148,500	147,900	147,800	146,900
QoQ	-1.6%	-1.7%	-2.1%	-1.9%	-1.4%	-0.9%	-0.7%	-0.8%	-0.7%	-0.9%	-0.7%	-1.1%
YoY	-5.7%	-5.8%	-6.1%	-6.6%	-6.8%	-6.8%	-6.2%	-5.8%	-5.2%	-5.1%	-4.5%	-4.7%
Change from Peak	-20.9%	-21.5%	-22.1%	-22.4%	-22.6%	-22.8%	-23.0%	-23.2%	-23.4%	-23.7%	-23.7%	-24.2%
Homes Foreclosed (out of 10,000)	8.7	8.9	9.7	9.6	9.4	9.4	8.9	8.9	8.6	8.1	8.0	8.2
Foreclosure Re-Sales	17.6%	19.4%	20.4%	20.1%	19.1%	18.0%	17.3%	17.1%	17.4%	17.9%	18.3%	19.1%
Sold for Loss	31.4%	33.8%	34.9%	34.7%	34.0%	33.3%	32.9%	33.0%	33.5%	34.3%	35.0%	36.0%

Largest 25 Metropolitan Statistical Areas Covered by Zillow (Data for December 2011)

	ZHVI (\$)	ZHVI QoQ	ZHVI YoY	Peak Month	Change from Peak	Forecasted Change in ZHVI, 12/2011- 12/2012	Homes Foreclosed (out of 10,000)	Foreclosure Re-Sales
New York, NY	336,500	-2.4%	-5.3%	2006-06	-25.6%	-1.7%	0.5	2.4%
Los Angeles, CA	383,100	-0.5%	-6.7%	2006-05	-37.8%	1.2%	10.5	27.6%
Chicago, IL	158,800	-3.6%	-10.9%	2006-06	-36.2%	-7.6%		
Dallas-Fort Worth, TX	120,500	-1.3%	-3.8%	2007-10	-16.0%	-0.8%	9.7	21.1%
Philadelphia, PA	185,300	-2.2%	-5.6%	2007-06	-19.4%	-1.9%	2.4	7.6%
Miami-Fort Lauderdale, FL	137,500	0.4%	-3.0%	2006-05	-55.2%	0.0%		
Washington, DC	302,500	0.1%	-1.1%	2006-04	-29.3%	1.3%	3.9	15.2%
Atlanta, GA	109,100	-2.0%	-12.9%	2007-06	-37.9%	-8.5%		
Detroit, MI	72,900	1.0%	-5.7%	2005-12	-52.9%	-4.1%		
Boston, MA	302,900	-1.6%	-3.3%	2005-09	-20.1%	-2.0%		
San Francisco, CA	464,000	-0.3%	-5.8%	2006-04	-33.8%	-0.3%	10.7	26.0%
Phoenix, AZ	123,500	2.2%	-5.0%	2006-03	-55.8%	0.6%	23.9	35.0%
Riverside, CA	178,700	0.0%	-5.5%	2006-05	-55.6%	0.3%	19.8	42.7%
Seattle, WA	250,900	-0.9%	-8.5%	2007-07	-33.5%	-6.9%	10.9	23.9%
Minneapolis-St Paul, MN	163,000	-1.4%	-8.4%	2006-04	-31.9%	-4.9%	10.6	20.5%
San Diego, CA	337,300	-0.4%	-5.2%	2005-10	-36.9%	-0.5%	10.4	25.9%
St. Louis, MO	119,800	-3.5%	-7.9%	2007-03	-22.8%	-5.4%		
Tampa, FL	103,400	-0.9%	-9.1%	2006-06	-52.8%	-4.6%		
Baltimore, MD	214,100	-1.0%	-2.5%	2006-06	-24.4%	0.1%	2.8	10.6%
Denver, CO	203,400	-0.6%	-2.5%	2006-05	-11.8%	-1.0%	9.9	24.3%
Pittsburgh, PA	105,400	-1.1%	0.1%	2010-06	-2.0%	-0.2%	1.9	8.5%
Portland, OR	206,500	-1.1%	-6.8%	2007-06	-26.9%	-4.1%	12.2	17.2%
Cleveland, OH	107,400	-2.8%	-6.0%	2005-12	-24.3%	-5.5%	8.0	20.9%
Sacramento, CA	202,100	-0.3%	-9.1%	2005-11	-52.0%	-5.5%	18.4	37.3%
Orlando, FL	113,400	-0.1%	-7.0%	2006-05	-56.1%	-4.1%		

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 Home Value Index at the national level is calculated using a weighted average of the median home value for each county and includes data from 3,000 counties. It is expressed in dollars and is for a particular geographic region.
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. The data in the Zillow Real Estate Market Reports is aggregated from public and user submitted data for 164 metropolitan statistical areas dating back to 1996.

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. More than 30 million unique users visited Zillow’s websites and mobile applications in January 2012. Zillow, Inc. operates Zillow.com®, Zillow Mortgage Marketplace, Zillow Mobile, Postlets® and Diverse Solutions™. The company is headquartered in Seattle.

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