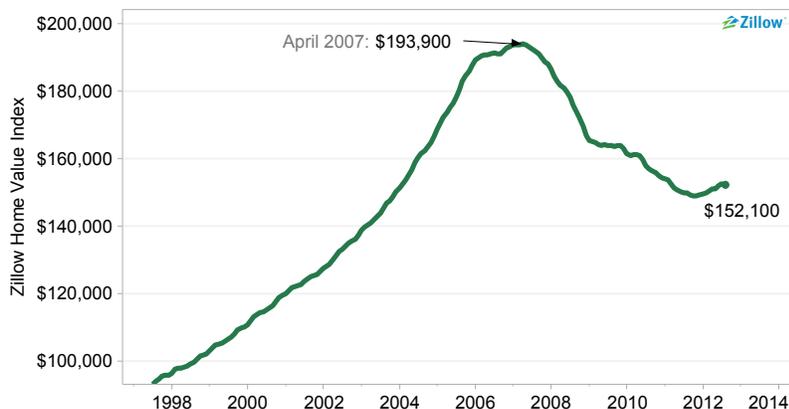


## AUGUST 2012

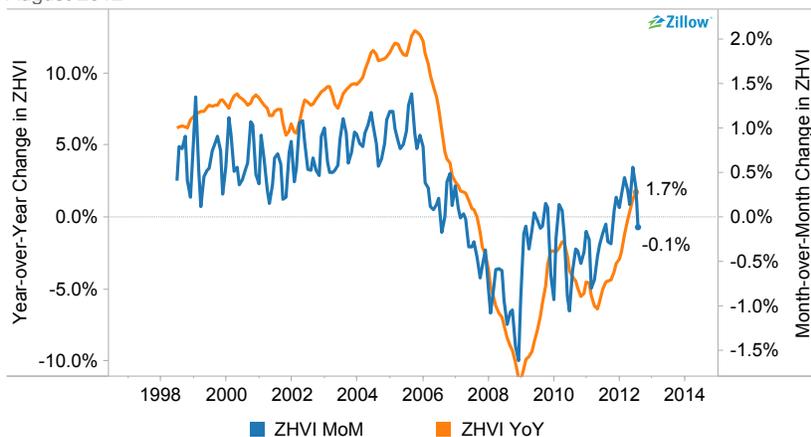
### Overview

Zillow's August Real Estate Market Reports, released today, show that national home values decreased 0.1% to \$152,100 from July to August (Figure 1). This is the first monthly decline after nine consecutive months of appreciation. This year has seen a turnaround in the housing market with sustained appreciation that, at times, has been very strong. As we enter the back half of this year, we expect home values to see more volatility with a saw tooth pattern setting in characterized by months of home value declines interspersed with months of appreciation. Overall, the positive trend will hold as evidenced by home values being up by 1.7% (Figure 2) in August 2012 on a year-over-year basis. Rents continued to rise in August, appreciating by 0.2% from July to August. On an annual basis, rents across the nation are up by 5.9% (Figure 3), indicating that demand, fueled by elevated foreclosure levels, is still outpacing investor-driven increases in rental supply.

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



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



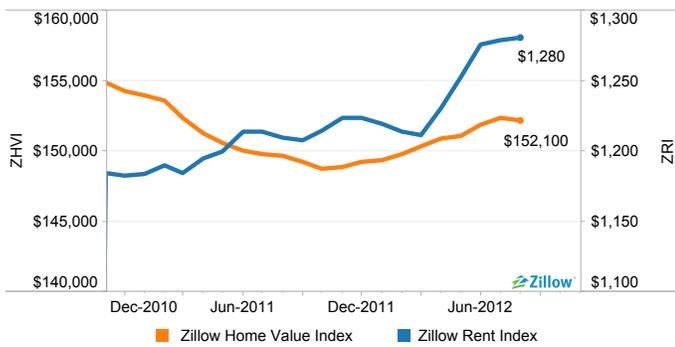
### Highlights

- The August Zillow Real Estate Market Reports have been significantly expanded this month to cover 369 metropolitan and micropolitan areas. In August, 135 (36.6%) of the 369 markets showed monthly home value appreciation.
- National home values decreased 0.1% from July to August. This is the first monthly decline after nine consecutive months of appreciation.
- The Zillow Rent Index (ZRI) shows national rents are up 5.9% annually. Markets that saw extremely strong annual rent appreciation include Indianapolis (13.7%), Chicago (12.8%), Philadelphia (10.5%), and Baltimore (12.4%).
- Nationally, the slow housing recovery continues to unfold with our forecast calling for future appreciation, albeit at a slower than "normal" pace. We expect that most markets will have reached their bottom by the end of this year and will start to show home value appreciation

Home Values

The August Zillow Real Estate Market Reports, the first indication of August national home value trends anywhere, have been significantly expanded this month to cover 369 metropolitan and micropolitan areas, more markets than any other freely available source of market data. In August, 135 (36.6%) of the 369 markets showed monthly home value appreciation. Among the top 30 metros, 13 experienced monthly home value appreciation and 21 saw annual increases. The largest monthly decline among the top 30 metros took place in Atlanta, where home values fell by 1.5% from July to August. Leading the pack on the appreciation side are Phoenix, Las Vegas, and Miami-Fort Lauderdale which experienced 1.6, 1.1 and 1.0% monthly home value appreciation, respectively. Overall, national home values are down 21.5% since their peak in April 2007 and up 2.3% from the post-recession trough in October of 2011.

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



Rents

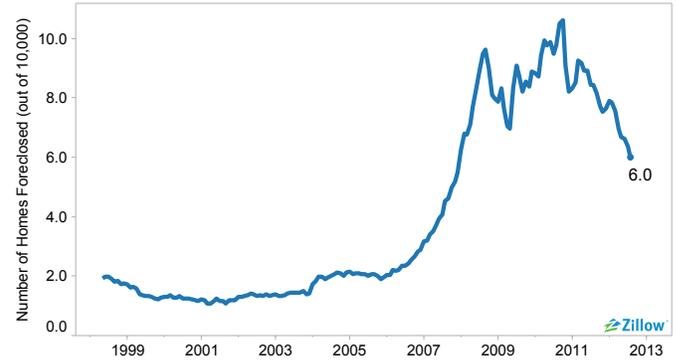
The Zillow Rent Index (ZRI) covers 296 metropolitan areas and shows year-over-year gains for 201 metropolitan areas covered by the ZRI. Even as the housing market picks up steam again, the rental market remains strong (Figure 3). Markets that saw extremely strong annual rent appreciation include Indianapolis (13.7%), Chicago (12.8%), Philadelphia (10.5%), and Baltimore (12.4%). Las Vegas, which has seen extremely high levels of affordability and a flurry of investor activity over the past year, has seen home values increase steadily (up 4.9% on a year-over-year basis in August), while rents have seen lackluster growth or depreciation. Currently, rents are down 2.4% from August 2011.

Foreclosures

The rate of homes foreclosed continues to decline in August with 5.99 out of every 10,000 homes in the country being liquidated. Nationally, foreclosure re-sales

continue to fall, making up 13.8% of all sales in August (Figure 4). This is down 2.3 percentage points from August 2011. We do not believe that an expected increase in foreclosure re-sales towards the end of this year will cause monthly home value trends to go negative on a consistent basis, although they will create some monthly volatility and keep a lid on near-term home value appreciation.

Figure 4: U.S. Homes Foreclosed August 2012



Outlook

Nationally, the slow housing recovery continues to unfold with our forecast calling for future appreciation, albeit at a slower than “normal” pace. We expect that most markets will have reached their bottom by the end of this year and will start to show home value appreciation. The implementation of a third round of quantitative easing by the Federal Reserve will ensure that the current low mortgage rate environment continues. While higher mortgage rates would not be particularly helpful to the nascent housing recovery, we believe there isn’t much room for rates to go lower and, even if there were, we don’t seem to be in a particularly rate-driven environment currently as home sales appear more sensitive at this point to employment trends and local supply constraints on for-sale inventory. This is itself often a function of negative equity which is preventing potential sellers from entering the market. Of more concern is the complex of budget and tax changes associated with the year-end “fiscal cliff” which is likely creating uncertainty right now with consequences for employment growth and, if not successfully navigated, will create real disruptions in the economy soon and, if the experience with last fall’s debt ceiling debate is any indication, substantial hits to consumer confidence, both of which will impact home sales and, ultimately, home values.

National Summary

	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012
ZHVI (\$)	149,200	148,700	148,800	149,200	149,300	149,700	150,300	150,800	151,000	151,800	152,300	152,100
MoM	-0.3%	-0.3%	0.1%	0.2%	0.1%	0.2%	0.4%	0.3%	0.1%	0.6%	0.3%	-0.1%
YoY	-4.5%	-4.4%	-3.8%	-3.2%	-3.0%	-2.5%	-1.3%	-0.3%	0.3%	1.2%	1.7%	1.7%
Change from Peak	-23.0%	-23.3%	-23.2%	-23.1%	-23.0%	-22.8%	-22.5%	-22.2%	-22.1%	-21.7%	-21.4%	-21.5%
ZRI (\$)	1,207	1,214	1,223	1,223	1,219	1,213	1,211	1,230	1,252	1,275	1,278	1,280
MoM	-0.2%	0.6%	0.7%	0.0%	-0.3%	-0.5%	-0.2%	1.6%	1.8%	1.8%	0.2%	0.2%
YoY			3.3%	3.5%	3.0%	2.0%	2.3%	3.0%	4.4%	5.1%	5.4%	5.9%
Homes Foreclosed (out of 10,000)	8.1	7.7	7.5	7.6	7.9	7.8	7.5	6.9	6.7	6.6	6.4	6.0

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

	ZHVI (\$)	ZHVI MoM	ZHVI YoY	Peak Month	Change from ZHVI Peak	ZRI (\$)	ZRI YoY	Homes Foreclosed (out of 10,000)
New York, NY	340,200	-0.3%	-2.9%	2006-04	-25.1%	-	-	0.4
Los Angeles, CA	392,500	0.4%	0.9%	2006-03	-36.6%	2,296	5.6%	6.2
Chicago, IL	160,800	-0.7%	-5.5%	2007-01	-38.2%	1,547	12.8%	-
Dallas-Fort Worth, TX	125,300	-1.1%	0.2%	2007-10	-13.2%	1,329	3.6%	7.1
Philadelphia, PA	185,700	-0.3%	-2.5%	2007-04	-19.4%	1,496	10.5%	1.9
Washington, DC	313,200	0.0%	1.7%	2005-12	-27.5%	2,080	7.0%	2.5
Miami-Fort Lauderdale, FL	148,600	1.0%	6.6%	2006-04	-52.2%	1,597	4.7%	-
Atlanta, GA	111,400	-1.5%	-5.4%	2007-04	-36.3%	1,144	-0.2%	-
Boston, MA	310,500	-0.2%	1.0%	2005-06	-18.0%	1,970	4.8%	-
San Francisco, CA	491,700	0.7%	5.4%	2006-01	-30.8%	2,475	8.0%	6.0
Detroit, MI	77,600	-0.5%	4.8%	2005-05	-50.3%	1,035	5.4%	-
Riverside, CA	186,600	0.7%	2.5%	2006-04	-53.9%	1,545	-1.2%	14.8
Phoenix, AZ	147,000	1.6%	19.1%	2006-03	-48.0%	1,159	1.7%	20.7
Seattle, WA	261,900	0.1%	1.4%	2007-05	-31.0%	1,635	4.5%	6.5
Minneapolis-St Paul, MN	169,500	-0.2%	1.6%	2006-04	-29.4%	1,461	8.5%	4.8
San Diego, CA	351,300	0.9%	2.4%	2006-01	-34.6%	2,111	1.6%	6.3
Tampa, FL	109,800	0.0%	2.5%	2006-04	-49.9%	1,183	2.4%	-
St. Louis, MO	123,700	-0.5%	-2.9%	2007-02	-19.5%	1,133	3.2%	-
Baltimore, MD	216,800	-0.3%	-0.9%	2007-03	-24.2%	1,691	12.4%	1.8
Denver, CO	217,100	0.8%	6.8%	2006-03	-5.8%	1,508	6.3%	0.4
Pittsburgh, PA	108,800	-0.4%	1.1%	2012-02	-1.2%	1,042	8.5%	3.3
Portland, OR	220,900	0.3%	3.0%	2007-05	-24.3%	1,407	5.9%	6.1
Sacramento, CA	207,400	0.5%	0.8%	2005-10	-50.9%	1,477	4.6%	11.2
Orlando, FL	121,300	-0.2%	0.8%	2006-05	-53.5%	1,215	3.1%	-
Cleveland, OH	109,300	-0.5%	-1.6%	2005-11	-23.3%	1,082	0.8%	8.4

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 847 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 mobile applications and websites, 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 Mobile, Postlets®, Diverse Solutions™ and RentJuice®. The company is headquartered in Seattle.

Zillow.com, Zillow, Zestimate, Postlets and RentJuice are registered trademarks of Zillow, Inc. Diverse Solutions is a trademark of Zillow, Inc.

For images or more information contact [pr@zillow.com](mailto:pr@zillow.com)