

JULY 2012

Overview

Zillow's July [Real Estate Market Reports](#), released today, show that home values increased 0.5 percent to \$151,600 from June to July (Figure 1), marking another month of healthy monthly appreciation. Compared to July 2011, home values are up by 1.2 percent (Figure 2), supported in many places by low for-sale inventory. Inventory shortages are being fueled by negative equity and a slowed distribution of REOs. According to Zillow's [first quarter Negative Equity Report](#), 31.4 percent of homeowners with a mortgage are underwater. A more in-depth analysis of the impact of negative equity on inventory shortages can be found on [Zillow Research](#). In conjunction with rising home values, rents continued to rise in July, appreciating by 0.2 percent from June to July. On an annual basis, rents across the nation are up by 5.4 percent (Figure 3).

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

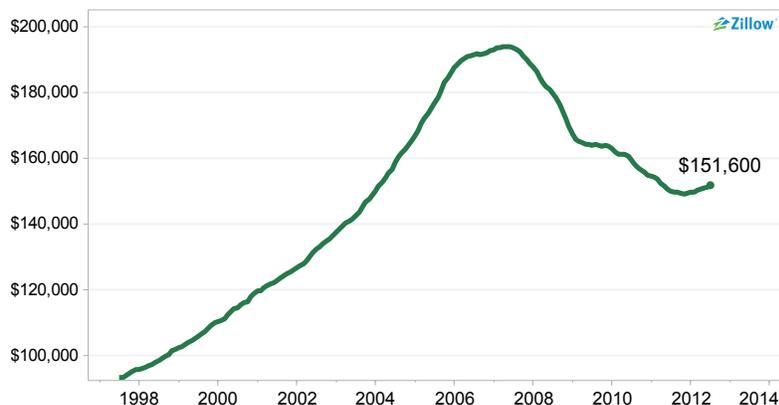
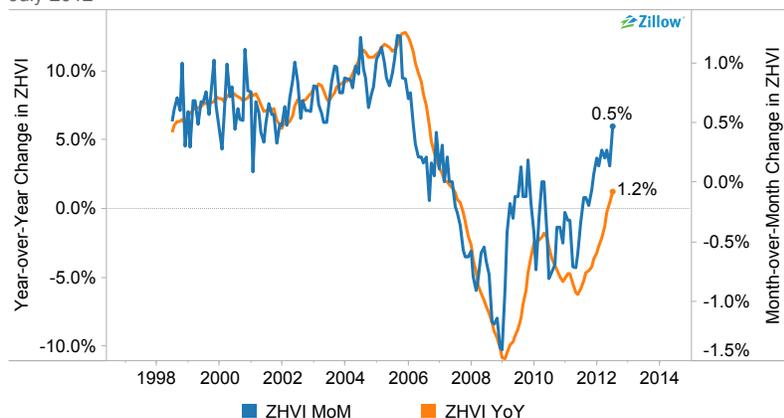


Figure 2: Change in U.S. Zillow Home Value Index
July 2012



Highlights

- Of the 167 markets covered by the ZHVI, 102 reported monthly home value appreciation. Among the top 30 metros, 21 experienced monthly home value appreciation, and 14 saw annual increases.
- National home values are down 21.7% since their peak in April 2007.
- The Zillow Rent Index (ZRI) shows month-over-month gains for over 70% of the metropolitan areas covered by the ZRI. Nationally, rents are up 5.4% annually.
- High levels of negative equity paired with relatively high unemployment will keep foreclosure rates higher than normal for at least the next 2-3 years. We expect that most markets will have reached their bottom by the end of this year and will start to show modest home value appreciation.

Home Values

The Zillow Real Estate Market Reports cover 167 metropolitan areas (metros) of which 102 showed monthly home value appreciation. Among the top 30 metros, 21 experienced monthly home value appreciation and 14 saw annual increases. The largest monthly decline among the top 30 metros took place in St. Louis, where home values fell by 0.4 percent from June to July. Leading the pack on the appreciation side are Phoenix, San Jose and San Francisco, which experienced 2.2, 1.2 and 1.2 percent home value appreciation, respectively. Overall, national home values are down 21.7 percent since their peak in April 2007.

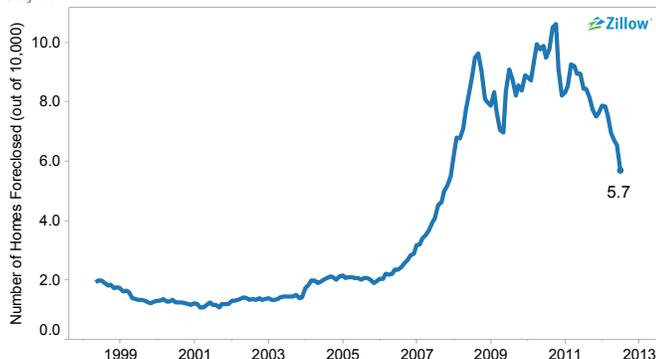
Figure 3: U.S. Zillow Home Value Index and U.S. Zillow Rent Index July 2012



Rents

The Zillow Rent Index (ZRI) covers 306 metropolitan areas and shows year-over-year gains for 194 metropolitan areas covered by the ZRI. The rental market remains strong, especially in markets that continue to experience consistent home value declines. Metropolitan areas that saw extremely strong year-over-year rent appreciation include Philadelphia (11.7 percent), Chicago (12.6 percent), and Baltimore (11.9 percent).

Figure 4: U.S. Homes Foreclosed July 2012



Foreclosures

The rate of homes foreclosed continues to decline in July with 5.7 out of every 10,000 homes in the country being liquidated. Nationally, foreclosure re-sales slowed a bit, making up 14.9 percent of all sales in July (Figure 4). The slowing of foreclosure re-sales is also contributing to home value appreciation, as these are usually sold at a discount and influence surrounding non-distressed sales.

Outlook

Nationally, we continue on the road to recovery with our forecast calling for U.S. home values to increase annually by 1.1 percent by June 2013. In general, we believe that high levels of negative equity paired with relatively high unemployment will keep foreclosure rates higher than normal for at least the next 2-3 years. We expect that most markets will have reached their bottom by the end of this year and will start to show modest home value appreciation.

National Summary

	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012
ZHVI (\$)	149,600	149,400	149,100	149,000	149,100	149,400	149,600	150,000	150,300	150,700	150,900	151,600
MoM	-0.1%	-0.1%	-0.2%	-0.1%	0.1%	0.2%	0.1%	0.3%	0.2%	0.3%	0.1%	0.5%
YoY	-5.3%	-4.7%	-4.5%	-4.2%	-3.7%	-3.2%	-2.8%	-2.2%	-1.3%	-0.3%	0.4%	1.2%
Change from Peak	-22.8%	-22.9%	-23.0%	-23.1%	-23.0%	-22.9%	-22.8%	-22.6%	-22.4%	-22.2%	-22.1%	-21.7%
ZRI (\$)	1,209	1,207	1,214	1,223	1,223	1,219	1,213	1,211	1,230	1,252	1,275	1,278
MoM	-0.3%	-0.2%	0.6%	0.7%	0.0%	-0.3%	-0.5%	-0.2%	1.6%	1.8%	1.8%	0.2%
YoY				3.3%	3.5%	3.0%	2.0%	2.3%	3.0%	4.4%	5.1%	5.4%
Homes Foreclosed (out of 10,000)	8.4	8.1	7.7	7.5	7.6	7.9	7.8	7.5	6.9	6.7	6.5	5.7

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

	ZHVI (\$)	ZHVI MoM	ZHVI YoY	Peak Month	Change from ZHVI Peak	ZRI (\$)	ZRI YoY	Homes Foreclosed (out of 10,000)
New York, NY	340,600	0.0%	-3.1%	2006-06	-24.9%	-	-	0.5
Los Angeles, CA	387,300	0.4%	-1.7%	2006-05	-37.3%	2,289	5.6%	5.9
Chicago, IL	161,700	0.0%	-5.8%	2006-08	-37.8%	1,532	12.6%	-
Dallas-Fort Worth, TX	126,500	-0.3%	1.0%	2007-10	-12.2%	1,320	3.3%	6.0
Philadelphia, PA	184,900	-0.2%	-3.7%	2007-06	-19.6%	1,495	11.7%	3.3
Washington, DC	312,300	0.5%	1.4%	2006-01	-27.4%	2,076	7.3%	2.6
Miami-Fort Lauderdale, FL	145,600	0.8%	3.8%	2006-05	-53.0%	1,594	4.5%	-
Atlanta, GA	113,500	0.0%	-4.1%	2007-05	-35.0%	1,143	-0.4%	-
Boston, MA	310,400	0.5%	0.4%	2005-09	-18.1%	1,951	4.5%	-
San Francisco, CA	479,900	1.2%	2.6%	2005-10	-32.3%	2,475	8.8%	6.0
Detroit, MI	77,400	0.5%	4.0%	2005-06	-50.3%	1,034	6.4%	-
Riverside, CA	183,700	0.5%	0.1%	2006-05	-54.5%	1,547	-1.1%	13.6
Phoenix, AZ	140,500	2.2%	13.4%	2006-04	-50.1%	1,155	1.0%	17.1
Seattle, WA	259,800	0.5%	0.0%	2007-07	-31.6%	1,629	4.4%	6.2
Minneapolis-St Paul, MN	168,100	0.7%	0.1%	2006-05	-29.8%	1,457	8.7%	5.4
San Diego, CA	344,200	0.4%	-0.6%	2005-11	-35.8%	2,092	0.4%	5.8
Tampa, FL	108,500	0.4%	-0.2%	2006-05	-50.4%	1,179	2.5%	-
St. Louis, MO	123,900	-0.4%	-4.5%	2007-03	-19.2%	1,129	0.9%	-
Baltimore, MD	217,300	-0.1%	-1.3%	2007-04	-23.8%	1,684	11.9%	2.4
Denver, CO	212,600	1.0%	4.9%	2006-05	-7.8%	1,505	6.1%	0.4
Pittsburgh, PA	109,300	0.1%	2.3%	2012-03	-0.4%	1,066	11.7%	2.5
Portland, OR	218,900	0.6%	1.9%	2007-06	-25.0%	1,401	5.3%	5.8
Sacramento, CA	204,000	0.7%	-1.5%	2005-11	-51.6%	1,478	5.0%	10.8
Orlando, FL	121,400	0.2%	-0.1%	2006-07	-53.4%	1,212	3.4%	-
Cleveland, OH	109,900	0.1%	-2.3%	2005-12	-22.7%	1,082	1.8%	7.3

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. 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 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 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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