Zillow® Real Estate Market Report

<u>**Embargoed until 12:01 a.m. ET Tuesday, Jan. 10**</u>

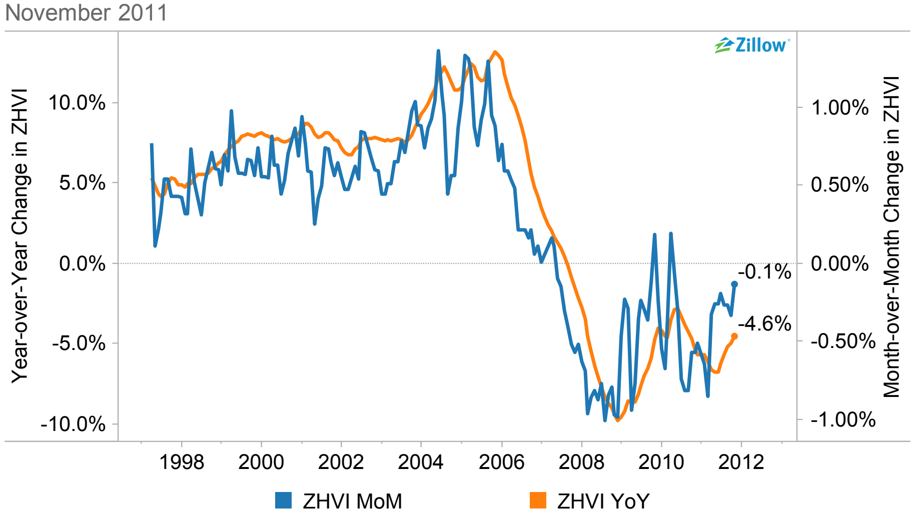
NOVEMBER2011

Overview

The Zillow Real Estate Market Reports, released today, show home values remained essentially flat from October to November falling only 0.1 percent (Figure 1) to $147,800 (Figure 2), representing a 4.6 percent decline on a year-over-year basis. While we still expect home values to fall further this year with a definitive bottom probably a year away, encouraging precursors to a true stabilization of home values are falling into place as the new year begins. Signs of a thaw in the broader economy include the lower unemployment claims number <u>released on Thursday</u>, the <u>addition of 200,000 jobs in December</u>, a string of three consecutive months of <u>improving consumer confidence</u>, and <u>holiday retail sales</u> that were much stronger than year-ago levels.

These events will lead to home sales showing a more consistent upward trend this year. With stronger home sales, we'll see a reduction in the amount of vacant housing inventory and an improved ability to absorb foreclosed homes. This increased demand will eventually start to put a floor under home values later this year.

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



Highlights

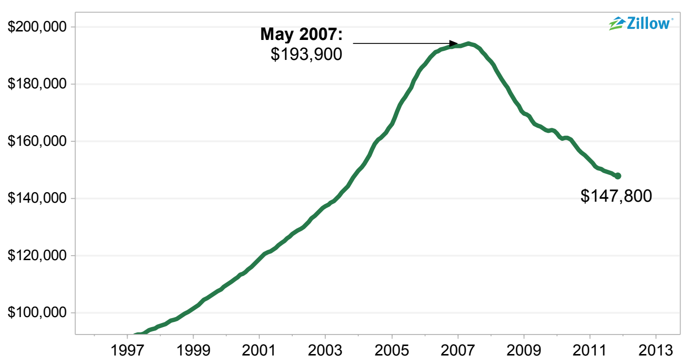
- In November, home values were essentially flat, decreasing only 0.1 percent month-over-month. On a year-over-year basis, home values were down 4.6 percent.
- Of the 165 metropolitan statistical areas covered in the Zillow Real Estate Market Reports, 66 showed monthly home value depreciation in November. In comparison, 125 metros experienced home value depreciation in November 2010.
- This is the fifth consecutive month that the foreclosure liquidation rate has fallen, with 8.1 out of 10,000 homes in the country being liquidated in November.
- Even with higher home sales this year and stable home values next year, the market will still need to deal with elevated foreclosure rates and negative equity, placing arrival of 'normal' housing market conditions at least three to five years out.

Home Values

The Zillow Real Estate Market Reports cover 165 metropolitan statistical areas of which 66 showed monthly home value depreciation and 66 metros showed monthly home value increases in November. Thirty-three metros remained flat. This is encouraging in comparison to the November 2010 reports in which 125 metros experienced home value depreciation. Overall, home values have fallen 23.8 percent since their peak in May 2007. A table of the largest 25 metropolitan statistical areas that Zillow covers and their month-over-month and year-over-year performance can be found on Page 3 of this report.

Home values are back to late 2003 levels and mortgage rates are still below 4 percent for a 30-year fixed rate mortgage. What's been holding buyers back has been a combination of unemployment, consumer confidence, and negative equity. Stronger payroll growth will help the first two of these factors. Jobs and improved confidence will also increase the household formation rate as some of the 22 million doubled-up households will dissolve and form individual households.

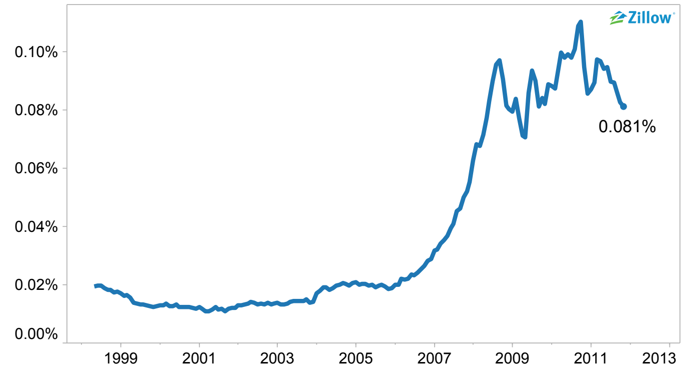
Figure 2: U.S. Zillow Home Value Index
November 2011



Foreclosures

The foreclosure liquidation rate continued to decline with 8.1 out of every 10,000 homes in the country being liquidated in November (Figure 3). For context, just prior to the robo-signing controversy, the foreclosure liquidation rate reached an all-time high of 11 out of every 10,000 homes in October 2010. This is the fifth consecutive month that the foreclosure liquidation rate has fallen. With an impending attorneys general settlement, the foreclosure liquidation rate is likely to increase significantly as banks increase their pace of foreclosure processing. Increased foreclosures in the monthly sales mix will put renewed downward pressure on prices. Thus, while many markets appear to be improving organically (i.e., without tax credits), the market isn't entirely free of policy intervention at this point due to what we believe is an artificially lower foreclosure liquidation rate.

Figure 3: U.S. Foreclosure Rate
November 2011



Foreclosure re-sales made up 19.1 percent of all sales in November. After foreclosure re-sales took a dip earlier in 2011, we've seen a continual increase in re-sales over the last several months, a reflection of the continual progress of working through the foreclosure pipeline.

Outlook

Overall, we are seeing several encouraging signs in the housing data such as; the sequential months of slowed depreciation rates, stabilizing markets, and organic improvement in value trends in the absence of government policy intervention. Essentially, look for 2012 to be a transitional year in real estate. Lots of things will look more positive than they have in a long time, specifically home sales and housing starts. Other things will unfortunately look quite familiar, like high foreclosure liquidation rates (as we start to clean out a pipeline that became engorged) and decreasing home values (since even with increased demand, we still have an imbalance of supply and demand). But the positive factors will lay the groundwork for better things to come, a true stabilization in home values latter this year or in early 2013.

It will be very important for consumers to draw a distinction between the end of sustained home value declines, which are maybe a year away, and the return to normal market conditions with historically normal appreciation rates. Even if we do get higher home sales this year and stable home values next year, it's still going to take markets two to four years after that to deal with elevated foreclosure rates and negative equity. We can expect below-trend housing appreciation during this interim period of time, placing the arrival of 'normal' housing market conditions at least three to five years out.

National Summary

	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011
ZHVI ($)	154,100	153,200	152,200	150,900	150,400	150,000	149,600	149,300	148,900	148,500	148,000	147,800
MoM	-0.5%	-0.6%	-0.7%	-0.9%	-0.3%	-0.3%	-0.3%	-0.2%	-0.3%	-0.3%	-0.3%	-0.1%
YoY	-5.7%	-5.7%	-5.7%	-6.2%	-6.6%	-6.8%	-6.8%	-6.3%	-5.8%	-5.2%	-5.0%	-4.6%
Change from Peak	-20.5%	-21.0%	-21.5%	-22.2%	-22.4%	-22.6%	-22.8%	-23.0%	-23.2%	-23.4%	-23.7%	-23.8%
Homes Foreclosed (out of 10,000)	8.6	8.7	8.9	9.7	9.7	9.4	9.5	9.0	8.9	8.6	8.3	8.1
Foreclosure Re-Sales	16.3%	17.7%	19.5%	20.5%	20.2%	19.2%	18.2%	17.4%	17.2%	17.6%	18.4%	19.1%
Sold for Loss	29.9%	31.5%	33.9%	35.0%	34.8%	34.1%	33.4%	33.0%	33.1%	33.6%	34.5%	35.3%

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

	ZHVI ($)	ZHVI MoM	ZHVI YoY	Peak Month	Change from Peak	Homes Foreclosed (out of 10,000)	Foreclosure Re-Sales	Sold for Loss
New York, NY	340,100	-0.8%	-4.7%	2006-06	-24.8%	0.5	2.5%	22.1%
Los Angeles, CA	383,100	0.1%	-6.9%	2006-05	-37.8%	10.5	27.2%	32.3%
Chicago, IL	161,700	-0.7%	-10.2%	2006-06	-35.0%			45.4%
Dallas-Fort Worth, TX	120,700	-0.4%	-4.4%	2007-10	-15.9%	9.3	20.6%	33.9%
Philadelphia, PA	187,100	-0.7%	-5.0%	2007-06	-18.6%	2.3	7.7%	21.1%
Miami-Fort Lauderdale, FL	137,000	0.1%	-3.9%	2006-05	-55.4%			44.6%
Washington, DC	301,600	0.0%	-1.5%	2006-04	-29.5%	4.2	15.6%	29.1%
Atlanta, GA	109,800	0.0%	-13.7%	2007-06	-37.5%			53.9%
Detroit, MI	72,900	0.3%	-6.2%	2005-12	-52.9%			33.0%
Boston, MA	304,600	-0.4%	-2.7%	2005-09	-19.7%			29.4%
San Francisco, CA	464,500	0.2%	-6.2%	2006-04	-33.7%	11.0	25.7%	37.2%
Phoenix, AZ	122,100	0.8%	-6.8%	2006-03	-56.3%	22.6	37.3%	55.8%
Riverside, CA	178,600	0.1%	-5.6%	2006-05	-55.6%	19.8	43.3%	48.2%
Seattle, WA	252,600	0.0%	-8.6%	2007-07	-33.1%	10.9	24.8%	33.7%
Minneapolis-St Paul, MN	163,600	-0.4%	-8.6%	2006-04	-31.6%	9.5	19.0%	38.9%
San Diego, CA	338,800	0.1%	-5.1%	2005-10	-36.6%	10.5	26.0%	40.1%
St. Louis, MO	120,900	-1.0%	-8.5%	2007-03	-22.1%			33.5%
Tampa, FL	103,400	-0.6%	-10.0%	2006-06	-52.8%			48.2%
Baltimore, MD	214,700	0.0%	-2.2%	2006-06	-24.2%	2.6	10.6%	25.0%
Denver, CO	203,600	0.0%	-2.5%	2006-05	-11.7%	9.3	23.7%	33.8%
Pittsburgh, PA	106,100	-0.3%	0.8%	2010-06	-1.3%	2.3	8.7%	11.5%
Portland, OR	207,400	-0.4%	-6.5%	2007-06	-26.5%	14.3	15.4%	30.7%
Cleveland, OH	108,900	-0.7%	-5.4%	2005-12	-23.2%	7.4	21.7%	31.6%
Sacramento, CA	202,400	0.3%	-9.4%	2005-11	-51.9%	17.4	38.3%	51.8%
Orlando, FL	113,300	0.4%	-7.4%	2006-05	-56.1%			60.4%

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 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 is a monthly overview of the national and local real estate markets. The report is 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 over 160 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. Nearly 23.4 million unique users visited Zillow's websites and mobile applications in December 2011. Zillow, Inc. operates Zillow.com®, Zillow Mortgage Marketplace, Zillow Mobile, Postlets® and Diverse Solutions™. The company is headquartered in Seattle.

For images or more information contact pr@zillow.com