



JULY 2014

Overview

Zillow's July Real Estate Market Reports show that national home values rose 0.2 percent in July 2014 from June 2014 to \$174,800 (Figure 1). On a year-over-year basis, home values were up 6.5 percent (Figure 2) from July 2013. The last time national home values were at this level was in March 2005. Rents were up 2.8 percent on a year-over-year basis (Figure 3). The Zillow Home Value Forecast calls for 2.7 percent appreciation nationally from July 2014 to July 2015.

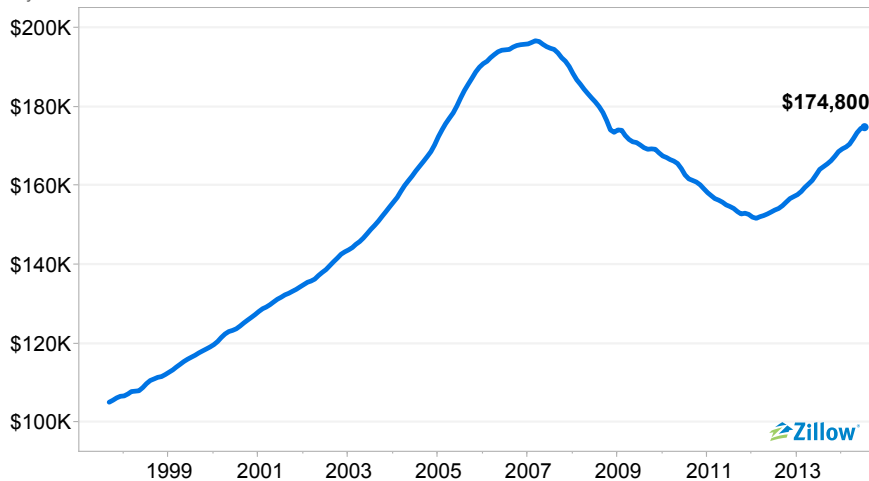
While many markets are still experiencing above-normal rates of home value growth, a general slowdown in appreciation is evident. Among the nation's 35 largest metros, all but Indianapolis experienced year-over-year home value increases in July. Those with the most notable annual increases include Las Vegas (17.4 percent), Riverside (16.5 percent), Miami-Fort Lauderdale (15.8 percent) and Atlanta (14.9 percent). These metros experienced especially pronounced real estate boom and busts and are now recovering with the same extreme home value swings.

In general, for-sale inventory levels continue to be tight nationwide, although inventory has been on the rise. In July, U.S. inventory of for-sale homes grew year-over-year by 21.4 percent. Exactly 543 of 645 metros experienced an annual increase in inventory levels. In many markets, inventory shortages are driven by fewer homes for sale in the bottom third of the market by value (Figure 4).

Homes remain more affordable to buy in 94 of country's 100 largest metros compared to historic averages. But renting is more expensive than ever in 88 of the country's 100 largest markets. Affordability remains an issue in many California markets, where rental and for-sale affordability is lower than it used to be by historical standards.

Figure 1: U.S. Zillow Home Value Index

July 2014



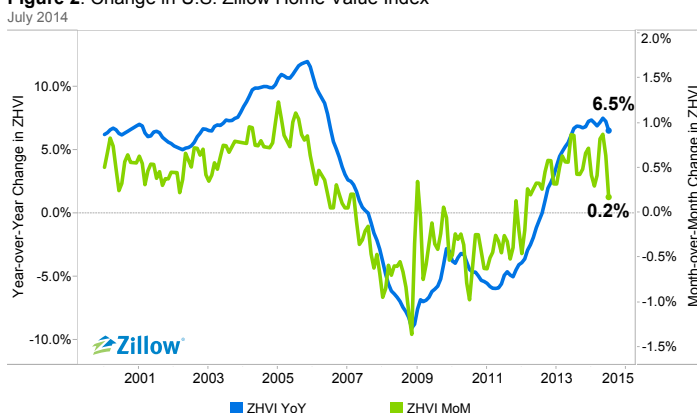
Highlights

- U.S. home values were up 6.5 percent year-over-year in July. The last time national home values were at this level was in March 2005.
- The July Zillow Real Estate Market Reports cover 477 metropolitan and micropolitan areas. In July, 266 (56 percent) of the 477 markets showed monthly home value appreciation, and 395 (85 percent) saw annual home value appreciation.
- Homes remain more affordable to buy in 94 of country's 100 largest metros compared to historic averages. But renting is more expensive than ever in 88 of the country's 100 largest markets. Affordability remains an issue in many California markets, where rental and for-sale affordability is lower than it used to be by historical standards.
- The housing recovery remains on track, especially in markets with strong employment growth. Some of these markets are even seeing home value appreciation that has gotten so strong that affordability levels are currently or may soon fall below historical standards. Continued income growth will help those markets going forward.

Home Values

The July Zillow Real Estate Market Reports cover 477 metropolitan and micropolitan areas. In July, 266 (56 percent) of the 477 markets showed monthly home value appreciation, and 395 (85 percent) saw annual home value appreciation. Among the 35 largest metro areas covered by Zillow, eight exhibited monthly depreciation and two (Chicago and Columbus) were flat in July. The biggest declines were in Kansas City (-0.9 percent) and Indianapolis (-0.5 percent). Overall, national home values are still down 11.1 percent from their peak in March 2007.

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



Rents

The Zillow Rent Index (ZRI) covers 867 metropolitan and micropolitan areas and shows year-over-year gains for 672 metropolitan areas covered. Currently, national rents are up 2.8 percent year-over-year. Large markets that saw extremely strong annual rent appreciation include San Jose (15.1 percent), San Francisco (13.5 percent), Pittsburgh (12.9 percent) and Denver (9.4 percent). In some of the markets, strong rental appreciation is also accompanied by strong home value appreciation driven by an influx of workers and fairly strong income growth. For example, San Jose and San Francisco have seen strong job market developments, especially in the tech sector.

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

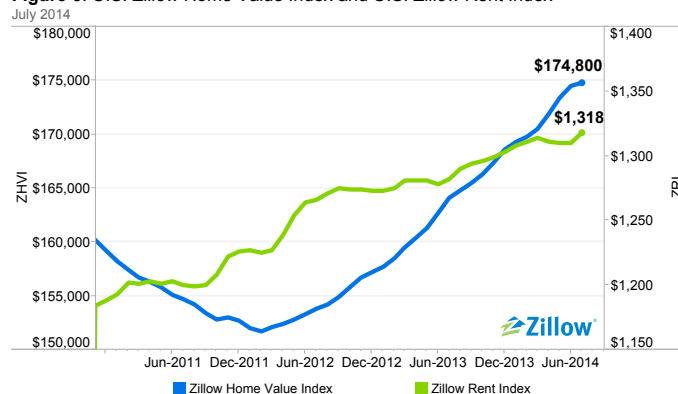
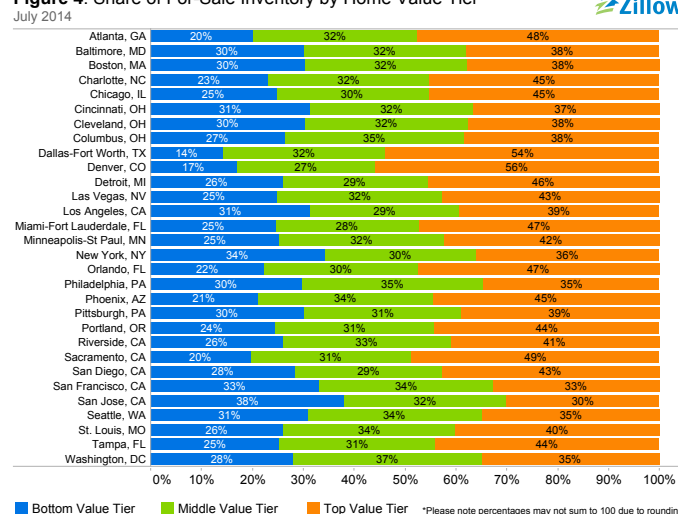


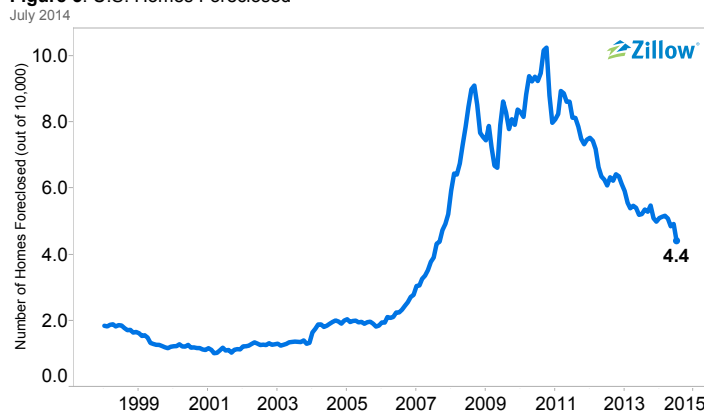
Figure 4: Share of For-Sale Inventory by Home Value Tier



Foreclosures

The rate of homes foreclosed continued to decline in July, with 4.4 out of every 10,000 homes in the country being liquidated. Nationally, foreclosure re-sales also continued to fall, making up 7.4 percent of all sales in July (Figure 5), compared to 7.9 percent in June.

Figure 5: U.S. Homes Foreclosed



Affordability

Rental affordability is currently much worse than mortgage affordability, largely because rents didn't experience the huge drop seen in home values during the recession, and instead have just kept their upward trajectory. Nationally, renters signing a lease at the end of the second quarter paid 29.5 percent of their income to rent, compared to 24.9 percent in the pre-bubble period. In 88 of the nation's largest metro areas, renters should currently expect to pay a larger share of their income toward rent than they would have historically.

Thanks mostly to low mortgage interest rates, affordability of for-sale homes looks much better. U.S. home buyers at the end of the second quarter could expect to pay 15.3 percent of their incomes to a mortgage on the typical home, far less than the 22.1 percent share homeowners devoted to mortgages in the pre-bubble days. As of June, home buyers in just six of the country's 100 largest metro markets were paying a larger portion of their incomes today than historically in order to buy their area's median-priced home.

But mortgage rates are expected to rise in the coming year. When mortgage rates hit 5 percent, still very low by historical standards, the number of unaffordable metros for homeowners among the top 100 will more than double, to 13. At 6 percent mortgage interest rates, the number of unaffordable metros will almost double again, to 24.

Outlook

The housing recovery remains on track, especially in markets with strong employment growth. Some of these markets are even seeing home value appreciation that has gotten so strong that affordability levels are currently or may soon fall below historical standards. Continued income growth will help those markets going forward. Our forecast calls for another 2.7 percent appreciation from July 2014 to July 2015, which is slightly below historical appreciation rates. Still, 139 out of the 294 metro areas covered are forecasted to experience home value appreciation of 3 percent or higher over the next 12 months, showing that pockets of locally-high appreciation will persist for a while.

National Summary

	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014
ZHVI (\$)	164,800	165,500	166,300	167,400	168,600	169,300	169,800	170,500	171,900	173,400	174,500	174,800
MoM	0.4%	0.4%	0.5%	0.7%	0.7%	0.4%	0.3%	0.4%	0.8%	0.9%	0.6%	0.2%
YoY	6.9%	6.8%	6.7%	6.8%	7.3%	7.4%	7.1%	6.9%	7.2%	7.5%	7.3%	6.5%
Change from Peak	-16.2%	-15.9%	-15.5%	-14.9%	-14.3%	-13.9%	-13.7%	-13.3%	-12.6%	-11.8%	-11.3%	-11.1%
ZRI (\$)	1,290	1,294	1,296	1,299	1,303	1,308	1,311	1,314	1,311	1,310	1,310	1,318
MoM	0.6%	0.3%	0.2%	0.2%	0.3%	0.4%	0.2%	0.2%	-0.2%	-0.1%	0.0%	0.6%
YoY	1.5%	1.5%	1.7%	2.0%	2.4%	2.7%	2.8%	2.6%	2.3%	2.3%	2.5%	2.8%
Foreclosure Re-sales	7.0%	7.1%	7.5%	7.7%	8.1%	9.0%	9.9%	9.9%	9.4%	8.6%	7.9%	7.4%

Largest 35 Metropolitan Statistical Areas Covered by Zillow (Data for July 2014)

	ZHVI (\$)	ZHVI MoM	ZHVI YoY	Peak Month	Change from ZHVI Peak	ZRI (\$)	ZRI YoY	Change in ZHVI, July 2014 - July 2015	Bottom in Home Values	Foreclosure Re-Sales (%)
New York, NY	374,700	-0.2%	4.0%	2006-08	-17.0%	2,316	1.4%	0.5%	2012 Q4	1.8%
Los Angeles, CA	529,200	0.6%	10.4%	2006-07	-13.8%	2,392	3.6%	5.7%	2012 Q1	6.3%
Chicago, IL	185,800	0.0%	7.6%	2007-03	-24.1%	1,639	6.3%	0.9%	2012 Q1	
Dallas-Fort Worth, TX	147,100	0.5%	6.5%	2007-11	-1.1%	1,400	4.1%	4.9%	2011 Q4	5.9%
Philadelphia, PA	199,200	-0.4%	3.3%	2007-03	-14.0%	1,543	2.6%	0.9%	2013 Q1	5.8%
Houston, TX	150,700	1.5%	14.7%	2014-07	0.0%	1,451	5.5%	5.5%	2011 Q4	
Washington, DC	359,900	0.3%	6.8%	2006-03	-16.6%	2,071	-0.2%	1.2%	2011 Q4	5.8%
Miami-Fort Lauderdale, FL	201,300	0.7%	15.8%	2006-06	-35.6%	1,761	5.7%	3.6%	2011 Q4	
Atlanta, GA	148,100	0.9%	14.9%	2006-11	-15.3%	1,191	3.7%	6.1%	2012 Q1	
Boston, MA	362,300	-0.1%	6.1%	2005-09	-5.8%	2,091	4.8%	0.0%	2011 Q4	
San Francisco, CA	688,600	0.8%	11.6%	2006-01	-2.8%	2,874	13.5%	5.1%	2012 Q1	5.0%
Detroit, MI	110,900	0.7%	13.6%	2005-06	-29.6%	1,062	2.4%	3.6%	2012 Q1	
Riverside, CA	277,100	0.7%	16.5%	2006-06	-31.2%	1,629	3.1%	12.1%	2012 Q1	11.0%
Phoenix, AZ	193,700	-0.2%	1.2%	2006-04	-29.7%	1,202	5.4%	3.7%	2011 Q2	10.3%
Seattle, WA	333,000	0.4%	8.6%	2007-08	-12.2%	1,778	6.9%	5.8%	2011 Q4	9.4%
Minneapolis-St Paul, MN	210,700	0.1%	7.3%	2006-05	-12.6%	1,509	3.2%	1.3%	2012 Q1	10.3%
San Diego, CA	467,700	0.3%	9.0%	2005-10	-13.1%	2,231	3.9%	4.4%	2011 Q4	4.9%
St. Louis, MO	128,800	-0.3%	1.7%	2007-05	-18.7%	1,076	0.7%	0.8%	2012 Q2	
Tampa, FL	141,100	0.3%	9.8%	2006-07	-34.8%	1,239	2.7%	3.9%	2012 Q1	
Baltimore, MD	240,000	-0.3%	2.2%	2006-11	-17.1%	1,691	0.5%	0.1%	2012 Q1	8.1%
Denver, CO	269,200	0.6%	12.6%	2014-07	0.0%	1,712	9.4%	3.7%	2011 Q4	3.7%
Pittsburgh, PA	123,500	0.3%	9.2%	2014-07	0.0%	1,121	12.9%	3.0%	2008 Q2	2.7%
Portland, OR	274,300	0.4%	8.2%	2007-07	-6.0%	1,496	4.6%	3.9%	2012 Q1	4.5%
Sacramento, CA	321,300	0.3%	10.4%	2005-12	-27.4%	1,571	2.8%	5.4%	2011 Q4	9.1%
San Antonio, TX	145,800	0.9%	7.8%	2009-06	-1.8%	1,270	3.4%	4.6%	2012 Q3	
Orlando, FL	161,600	0.6%	11.1%	2006-06	-38.5%	1,300	4.1%	4.8%	2012 Q1	
Cincinnati, OH	136,200	0.9%	4.6%	2006-10	-5.1%	1,192	5.3%	2.9%	2013 Q1	6.9%
Cleveland, OH	120,300	0.2%	2.2%	2006-03	-15.9%	1,140	3.4%	1.5%	2012 Q1	9.0%
Kansas City, MO	137,400	-0.9%	5.4%	2005-06	-13.6%	1,148	7.0%	1.4%	2012 Q1	
Las Vegas, NV	181,100	1.1%	17.4%	2006-05	-40.8%	1,178	1.6%	7.5%	2012 Q1	14.2%
San Jose, CA	803,900	0.7%	11.3%	2014-07	0.0%	3,050	15.1%	5.8%	2011 Q4	2.6%
Columbus, OH	143,900	0.0%	8.3%	2006-07	-2.4%	1,236	4.4%	1.5%	2012 Q1	5.9%
Charlotte, NC	154,000	0.4%	5.5%	2007-10	-4.6%	1,194	4.4%	2.5%	2012 Q1	8.1%
Indianapolis, IN	128,900	-0.5%	-0.3%	2003-11	-12.7%	1,181	2.5%	2.4%	2011 Q4	
Austin, TX	216,900	1.3%	13.4%	2014-07	0.0%	1,604	7.3%	5.1%	2011 Q4	

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 U.S. 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 March 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 929 metropolitan and micropolitan 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 Director of Economic Research*

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, Inc. (NASDAQ: Z) operates the largest home-related marketplaces on mobile and the Web, with a complementary portfolio of brands and products that help people find vital information about homes, and connect with the best local professionals. 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 450 markets at Zillow Real Estate Research. Zillow also sponsors the quarterly Zillow Home Price Expectations Survey, which asks more than 100 leading economists, real estate experts and investment and market strategists to predict the path of the Zillow Home Value Index over the next five years. The Zillow, Inc. portfolio includes Zillow.com®, Zillow Mobile, Zillow Mortgage Marketplace, Zillow Rentals, Zillow Digs®, Postlets®, Diverse Solutions®, Agentfolio®, Mortech®, HotPads™ and StreetEasy®. The company is headquartered in Seattle.

Zillow.com, Zillow, Postlets, Mortech, Diverse Solutions, StreetEasy, Agentfolio and Digs are registered trademarks of Zillow, Inc. HotPads is a trademark of Zillow, Inc.

For images or more information contact press@zillow.com