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118 Experts Predict Annual Home Value Growth To Exceed Pre-Bubble Rates Over Next Five Years

Survey Benchmark Changes; Path of U.S. Zillow Home Value Index Predicted to Show Cumulative 22 Percent Increase Through 2017

Seattle, March 18, 2013 – A nationwide panel of more than 100 professional forecasters expects home values to end 2013 up an average of 4.6 percent and rise cumulatively by 22 percent, on average, over the next five years, according to the first quarter Zillow® Home Price Expectations Survey. Additionally, a majority of panelists indicated support for policies that would allow certain underwater homeowners to refinance at today's low rates.

The survey of 118 economists, real estate experts and investment and market strategists was sponsored by leading real estate information marketplace Zillow, Inc. (NASDAQ: Z) and conducted by Pulsenomics LLC. This is the first survey edition that utilized the U.S. Zillow Home Value Index (ZHVI)[i] as the reference benchmark for the panel's home price expectations[ii].

Survey respondents predicted home values will rise another 4.2 percent on average in 2014, before moderating somewhat to annual appreciation rates between 3.6 percent and 3.8 percent for 2015, 2016 and 2017. On average, panelists predicted home values to rise 4.1 percent annually from 2013 through 2017, exceeding the pre-housing bubble (1987-1999) average annual appreciation rate of 3.6 percent. This is the first time the predicted average annual growth rate for the next five years has surpassed pre-bubble levels since the survey's inception three years ago.

"The panel is quite bullish on home prices near-term, considering a pre-bubble average appreciation rate of 3.6 percent per year," said Zillow Chief Economist Dr. Stan Humphries. "That said, their expectations are a bit shy of the home value gains of 5.5 percent that we saw in 2012, implying some moderation in the pace of gains. The panel expectations are consistent with continued strong home value growth this year fueled by tighter-than-normal inventory of for-sale homes and robust demand attributable to high affordability and a stronger general economy."

The most optimistic quartile[iii] of panelists predicted a 6.1 percent increase in home values in 2013, on average, while the most pessimistic[iv] predicted an average increase of 3 percent. Through 2017, panelists predicted cumulative home value changes of 22 percent, on average. Expectations for cumulative home value change projections ranged from 34.2 percent among the most optimistic quartile to 11.7 percent among the most pessimistic, on average.

GSE Wind-Down Period and Refinance Options For Underwater Borrowers

The first quarter 2013 Zillow Home Price Expectations Survey asked the panel to indicate their view of a reasonable timeframe for "winding-down" government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac; and to weigh in on the debate over the merits of providing new refinancing options to underwater homeowners who are current on their mortgage payments.

The majority of panelists (59 percent) indicated that a reasonable and appropriate timeframe for winding-down the GSEs is within the next five years. On the opposite ends of the spectrum, 13 percent suggested a timeframe within the next two years, and 10 percent said they believe a period of more than 10 years is sensible.

Existing proposals that would facilitate refinancing of certain underwater borrowers include the Responsible Homeowner Refinancing Act of 2012, sponsored by Sens. Barbara Boxer (D-Calif.) and Robert Menendez (D-N.J.), and the Rebuilding Equity Act sponsored by Sen. Jeff Merkley (D-Ore.). The majority of respondents said they supported these types of policy initiatives.

"More than four of every five supporters of these refinancing proposals said they believe that borrowers who have demonstrated an ability to make their payments in recent years would pose little or no incremental risk to taxpayers if they refinanced. Two-thirds of supporters said they believe that the lower monthly payments would create a significant stimulus for the economy," said Terry Loebs, founder of Pulsenomics LLC. "But the 41 percent of panel respondents who do not support these plans also hold strong views. More than two-thirds of them said they believe that rewriting loan contracts is bad policy in general, and that lowered monthly payments for borrowers ultimately translate into taxpayer and investor losses."

Additional details regarding this portion of the survey are available at www.pulsenomics.com.

This is the 17th edition of the Home Price Expectations Survey. It was conducted from Feb. 22, 2013 through March 7, 2013 by Pulsenomics LLC on behalf of Zillow, Inc.

For full survey results and graphics, please visit Zillow Real Estate Research or www.pulsenomics.com.

About Zillow:
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 350 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®, Buyfolio™, Mortech™ and HotPads™. The company is headquartered in Seattle.

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About Pulsenomics:
Pulsenomics LLC is an independent research and consulting firm that specializes in data analytics, new product and index development for institutional clients in the financial and real estate arenas. Pulsenomics also designs and manages expert surveys and consumer polls to identify trends and expectations that are relevant to effective business management and monitoring economic health.

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[i] 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. It is expressed in dollars, and seasonally adjusted.
[ii] Previously, the survey benchmark was the S&P/Case-Shiller U.S. National Home Price Index (single-family properties, not seasonally-adjusted). For a summary comparison of the survey benchmarks prepared by Pulsenomics, please click here.
[iii] Based on the 25 percent most optimistic panelists in terms of cumulative home price change through 2017.
[iv] Based on the 25 percent most pessimistic panelists in terms of cumulative home price change through 2017.