

## Negative Equity Recedes in Third Quarter; Fewer than 30% of Homeowners with Mortgages Now Underwater

### Negative Equity Declines in 30 Largest Metros, But Fiscal Cliff Could Derail Momentum

SEATTLE, Nov. 15, 2012 /PRNewswire/ -- Negative equity fell in the third quarter, with 28.2 percent of all homeowners with mortgages underwater, down from 30.9 percent in the second quarter, according to the third quarter Zillow® Negative Equity Report[i]. This is the first time negative equity has fallen below 30 percent, and is the biggest quarter-over-quarter drop in negative equity, since Zillow revised its method for determining negative equity in the first quarter of 2011.

Slightly more than 14 million U.S. homeowners with a mortgage were in negative equity, or underwater, in the quarter, owing more on their mortgages than their homes are worth. That was down from 15.3 million in the second quarter. Additionally, the nation's 30 largest metro areas covered by Zillow's report experienced quarter-over-quarter declines in negative equity.

Much of the decline in negative equity can be attributed to U.S. home values rising 1.3 percent in the third quarter compared to the second quarter, to a median value of \$153,800, according to the Zillow Home Value Index (ZHVI)[ii].

"The fall in negative equity rates means homeowners have additional options for refinancing or selling their homes," said Zillow Chief Economist Dr. Stan Humphries. "But while we're moving in the right direction, a substantial number of homes are still locked up in negative equity, unable to enter the existing re-sale market despite the desires of their owner. The housing market has found real momentum of its own, but is not immune from shocks to the broader economy. If negotiations centered on resolving the fiscal cliff don't inspire confidence in investors and consumers alike, recent home value gains — and, as a result, falling negative equity rates — could stall."

Of the 30 largest metro areas covered by the report, the five experiencing the largest quarterly declines in negative equity were Phoenix (-6.2 percentage points), Las Vegas (-5.5 percentage points), Denver (-4.9 percentage points), Sacramento, Calif. (-4.6 percentage points) and Orlando (-4.2 percentage points).

These results are from the third edition of the Zillow Negative Equity Report, which looks at current outstanding loan amounts for individual owner-occupied homes and compares them to those homes' current estimated values. Loan data is provided by TransUnion®, a global leader in credit and information management. This is the only report that uses current outstanding loan balances on all mortgages when calculating negative equity. Other reports estimate current outstanding loan balance based on the most recent loan on a property (i.e., the original loan amount at time of purchase or refinance).

Metropolitan Area	Q2 2012: % of Homeowners w/ Mortgages in Negative Equity	Q3 2012: % of Homeowners w/ Mortgages in Negative Equity
<b>United States</b>	30.9%	28.2%
New York	20.7%	19.4%
Los Angeles	28.6%	25.9%
Chicago	39.2%	36.6%
Dallas-Ft. Worth, Texas	28.9%	25.7%
Philadelphia	25.4%	23.8%
Washington DC	31.3%	28.5%
Miami-Fort Lauderdale, Fla.	43.7%	41.4%
Atlanta	54.4%	50.4%
Boston	19.6%	17.5%
San Francisco	28.5%	25.1%
Detroit	48.3%	45.2%
Riverside, Calif.	51.2%	47.3%
Phoenix	51.6%	45.5%
Seattle	37.8%	34.2%
Minneapolis-St. Paul, Minn.	38.7%	35.5%
San Diego	33.9%	30.6%
Tampa, Fla.	46.6%	43.2%
St. Louis	30.2%	28.0%
Baltimore	30.8%	28.1%
Denver	27.1%	22.2%
Pittsburgh	15.6%	14.3%
Portland, Ore.	33.2%	29.3%

Sacramento, Calif.	49.3%	44.7%
Orlando, Fla.	51.9%	47.7%
Cincinnati	30.3%	27.6%
Cleveland	32.9%	29.8%
Las Vegas	68.5%	63.0%
San Jose	20.3%	17.6%
Columbus	33.4%	29.6%
Charlotte	36.4%	33.6%

**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. 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 Rentals](#), [Zillow Mobile](#), Postlets®, Diverse Solutions™ and Buyfolio™. The company is headquartered in ~~Seattle~~ **Seattle**.

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[i] The data in the Zillow Negative Equity Report incorporates mortgage data from TransUnion, a global leader in credit and information management, to calculate various statistics. The report includes, but is not limited to, negative equity, loan-to-value ratios, and delinquency rates. To calculate negative equity, the estimated value of a home is matched to all outstanding mortgage debt and lines of credit associated with the home, including home equity lines of credit and home equity loans. All personally identifying information ("PII") is removed from the data by TransUnion before delivery to Zillow. Overall, this report covers over 800 metros, 2,100 counties, and 22,200 ZIP codes across the nation.

[ii] 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 includes data from over 80 million homes in almost 3,000 counties and over 850 core-based statistical areas. It is expressed in dollars and is for a particular geographic region.

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