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Housing Forecast Calls for Further Declines; Stability on the Horizon

More Than 100 Economists and Housing Experts Weigh in on Housing Forecast and FHA Loan Limits in December 2011 Zillow Home Price Expectations Survey

SEATTLE, Dec. 20, 2011 (GLOBE NEWSWIRE) -- Today, leading real estate information marketplace Zillow Inc. (Nasdaq:Z), announced the results of the December 2011 Zillow® Home Price Expectations Survey, compiled from 109 responses by a diverse group of economists, real estate experts, and investment and market strategists. The survey is based on the projected path of the S&P/Case-Shiller U.S. National Home Price Index over the coming five years.

The December Zillow Home Price Expectations Survey shows that U.S. home prices are expected to decline 1.57 percent in the fourth quarter of 2011 after falling 0.4 percent through September. Prices are forecasted to decline until the market's bottom is reached in late 2012 or early 2013. After 2013, the panelists expect a relatively steady annual appreciation rate of roughly 3 percent through 2016, which is slightly below appreciation rates experienced during the pre-bubbleⁱ years.

"There is a consensus among the nation's top housing experts that we have not yet reached a bottom and are instead working through a prolonged bottoming process. Negative equity, unemployment and low consumer confidence remain the key factors delaying a true recovery," said Dr. Stan Humphries, Zillow chief economist.

"This report suggests that the trend of eroding expectations for a housing market recovery has come to a halt. This is encouraging, but the average survey data are still consistent with a sluggish recovery scenario where eventual price increases will be less than those thought of as normal during the years preceding the national housing bubble," said Terry Loeb, founder of Pulsenomics LLC, the firm that conducts the survey for Zillow.

Looking at the expected housing market performance through the five year period ending in 2016, there continues to be significant variation among the panelists regarding their individual home price forecasts. The most optimisticⁱⁱ quartile of panelists projects nearly 18.3 percent price growth over the next five years, while the most pessimisticⁱⁱⁱ quartile projects a 1.4 percent decline.

"Given the current economic climate and uncertainty around the government's future role in housing, it's not surprising to see such a wide dispersion in long-term forecasts," said Dr. Humphries. "As the market starts to stabilize, we should see individual forecasts start to converge."

In the December survey, the panelists also offered their views on last month's increase to loan limits for Federal Housing Administration (FHA) mortgages, as well as their assessments of the likelihood that the FHA would require a federal government bailout within the next two years. Among other findings on these matters, the panelists were almost equally split on the loan limit increase, with 51 percent opposed and 49 percent in favor of it. Twenty-eight percent of the 91 panelists who expressed a view indicated the likelihood of a bailout of the FHA by the federal government within the coming two years as "high" or "very high".

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

This is the 12th edition of the Home Price Expectations Survey, and it was conducted during December 1-14, 2011 by Pulsenomics LLC on behalf of Zillow, Inc.

For full survey results and graphics, please visit Zillow Real Estate Research at www.zillow.com/blog/research, or www.pulsenomics.com.

About Zillow:

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 150 markets at [Zillow Real Estate Research](#). Zillow, Inc. operates [Zillow.com](#)®, [Zillow Mortgage Marketplace](#), [Zillow Mobile](#), Postlets® and Diverse Solutions™.

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.

(ZFIN)

ⁱ Pre-bubble years defined as 1987-1999. Average Annual Growth: 3.6 percent. Source: Case-Shiller.

ⁱⁱ Based on 25 percent most optimistic panelists in terms of cumulative home price change.

ⁱⁱⁱ Based on 25 percent most pessimistic panelists in terms of cumulative home price change.

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