

"The Real Truth About "What's the Value of Your Home" "Zillow says my house is worth..."

The Real Truth About "What's the Value of Your Home" "Zillow says my house is worth..." Ever since Zillow started providing "Zestimates" a few years ago, other websites have tried to automate the process of figuring out what your home is worth. And while it's not exactly rocket science – who uses a slide rule any more – the automated estimates remain remarkably Hit and Miss.

The Wall Street Journal best explained the dangers of relying on questionable sources for such an important financial decision. In an article by Alyssa Abkowitz from November 2011 The WSJ and Smart Money Magazine explains why using Zillow, Trulia and online estimates of home values can be up to 50% off (high and Low) even by their own admission. Despite this reality, these websites have become almost the first stop for sellers and buyers to determine home values.

WSJ says " Right or wrong, they're the numbers millions of consumers are clamoring for. In a housing market that's been mostly a cause for gloom, so-called home-valuation technology has become one of the few sources of excitement. After years of real estate pros holding all the informational cards in the home-sale game, Web-driven companies like Zillow, Homes.com and Realtor.com are offering to reshuffle the deck. They've rolled out at-your-fingertips technology via laptop and smartphone to give shoppers and owners an estimate of what almost any home is worth. And people have flocked to the data in startling numbers: Together, four of the biggest websites that offer home-value estimates get 100 million visits a month, and one, Homes.com, saw traffic jump 25 percent in the three months after it launched a value estimator in May.

" They continue: "But for figures that carry such weight, critics say, the estimates can be far rougher than most consumers realize. Indeed, if the websites were dart throwers, they'd seldom hit the bull's-eye, and they'd sometimes miss the board entirely: Valuations that are 20, 30 or even 50 percent higher or lower than a property's eventual sale price are not uncommon. The estimates frequently change, too, for reasons that aren't always easy for homeowners to discern. According to the companies themselves, some quotes have swung by hundreds of thousands of dollars in as little as a month as new data gets plugged into the algorithms the sites rely on. (Those algorithms also change, as happened this summer when Zillow made adjustments that affected all of the 100 million homes in its database.) And while the sites say it's probably rare that individual homeowners (or real estate agents, for that matter) game the system, they do acknowledge that people can enter information that might push estimates higher. Put it all together, say pros, and you've got numbers that have become head-scratching legends in one community after another: a Hollywood Hills aerie losing 47 percent of its value in one month (with no earthquakes or mud slides to explain the drop); a century-old home in Louisville, Ky., that, according to local lore, served as the inspiration for Daisy's home in *The Great Gatsby*, quadrupling in value over 30 days; and one townhouse in Brooklyn, N.Y., listed now for \$5 million, valued at a whopping \$31 million in the midst of the real estate crash -- at least according to Zillow."

" And make no mistake, all of the competitors go out of their way to make it clear their numbers are guesstimates, not gospel. "A Trulia estimate is just that -- an estimate," says a disclaimer on that site's new home-value tool. Zillow deploys similar language and goes a step further, publishing precise

numbers about how imprecise its estimates can be. And every major site urges home-price hunters to "always consult with a real estate agent or house appraisal specialist," in the words of Homes.com."

"Consumer-oriented sites, meanwhile, rely on disclaimers, some of which are eye-opening. Zillow surfers who read the "About Zestimates" page find out that the site's overall error rate—the amount its estimates vary from a homes' actual value—is 8.5%, and that about one-fourth of the estimates are at least 20% off the eventual sale price. In some places, the numbers are far more dramatic: In Hamilton County, Ohio, which includes Cincinnati, it's 82%"