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# U.S. Home Value Appreciation Expected to Top 6 Percent in 2013 as Rising Interest Rates Fail to Derail Recovery – So Far

*Experts Predict 6.7 Percent Annual Gain In Home Values for 2013 as Recovery Strengthens; Most See No Threat Until Loan Rates Hit 6 Percent, According to Zillow Home Price Expectations Survey*

**Seattle, August 8, 2013** – More than 100 forecasters said they expect the Zillow® Home Value Index[i] to end 2013 up an average of 6.7 percent year-over-year, according to the latest Zillow Home Price Expectations Survey, a significant jump from the 5.4 percent annual increase predicted the last time the survey was conducted. Additionally, while relatively few respondents expressed concern about the impact of recent increases in mortgage rates, most believe that rates of 6 percent or higher would pose a significant threat to the housing recovery.

The survey of 106 economists, real estate experts and investment and market strategists was sponsored by leading real estate information marketplace Zillow, Inc. (NASDAQ: Z) and is conducted quarterly by Pulsenomics LLC. Panelists said they expected median U.S. home values to rise to $167,490 by the end of this year, up from $156,900 at the end of 2012 and $161,100 currently. Based on current expectations for home value appreciation over the next five years, the panelists on average predicted that U.S. home values could approach new record highs by the end of 2017, coming very close to the previous peak level of $194,600 set in May 2007.

Panelists expect annual home value appreciation rates this year to end on a strong note, before slowing considerably from 2014 through 2017. Panelists said they expected appreciation rates to slow to roughly 4.4 percent in 2014, on average, unchanged from the previous survey. This rate is expected to slow further to 3.6 percent, 3.5 percent and 3.4 percent in 2015, 2016 and 2017, respectively. Cumulatively, survey respondents predicted home values to rise 23.7 percent through 2017, on average, up from 22.3 percent in the last survey.

“Short-term expectations for home value appreciation through the end of this year are consistent with a nationwide housing market recovery that is both strengthening and widening, but still coping with high levels of negative equity, high demand and low inventory. Combined, these factors will continue putting upward pressure on home values for the next few months,” said Zillow Senior Economist Dr. Svenja Gudell. “But the days are numbered for these kinds of market dynamics, as investors begin to pull out of some markets, mortgage interest rates rise and more inventory becomes available. Over the next few years, these trends will help the market stabilize and will bring home value appreciation more in line with historic norms. As long as mortgage interest rates don’t rise too far and too fast, most markets should be able to absorb these changing dynamics while still remaining healthy.”

The most optimistic quartile[ii] of panelists predicted a 9.3 percent annual increase in home values in 2013, on average, while the most pessimistic quartile[iii] predicted an average increase of 5.1 percent. Expectations among the optimists and pessimists were up from prior predictions of 6.6 percent and 4.2 percent, respectively. Through 2017, the most optimistic panelists predicted home values would be 9 percent above their 2007 peak levels, while the most pessimistic predicted home values to remain 9 percent below peak levels.

**The Impact of Rising Mortgage Rates**

Panelists were also asked, on the heels of the largest three-month gain in mortgage rates since 2003, if recent increases in mortgage rates[iv] presented a significant threat to the ongoing housing market recovery. Among those expressing an opinion, 88 percent said no. Those panelists who responded "no" or "not sure" were then asked what minimum mortgage interest rate (on a 30-year, fixed-rate mortgage) would pose a significant threat to the housing recovery. Among these respondents, 61 percent said interest rates would have to rise to at least 6 percent to create a significant threat.

"Six percent is the minimum mortgage rate threshold that the most number of panelists view as a potential show-stopper for the recovery," said Pulsenomics® founder Terry Loebs. "However, nobody should dismiss the implications for the housing market of the less popular view – held by 38 percent of our experts – that we are already flirting with a reversal of fortunes at or within about 100 basis points of prevailing mortgage rate levels."

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

This is the 19th edition of the Home Price Expectations Survey. It was conducted from July 22, 2013 through Aug. 1, 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®, Agentfolio™, Mortech™ and HotPads™. The company is headquartered in Seattle.

**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 estimated home value 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] Based on the 25 percent most optimistic panelists in terms of cumulative home price change through 2017.
[iii] Based on the 25 percent most pessimistic panelists in terms of cumulative home price change through 2017.
[iv] Based on an average mortgage rate of 4.51 percent on a 30-year, fixed-rate mortgage as of July 11, according to the Freddie Mac weekly Primary Mortgage Survey.