

### Q1 2019 Zillow Home Price Expectations Survey - Supplemental Questions

#### Topic: Risk Assessment of Home Price Forecast

Which choice best applies to your long-term outlook for home values?

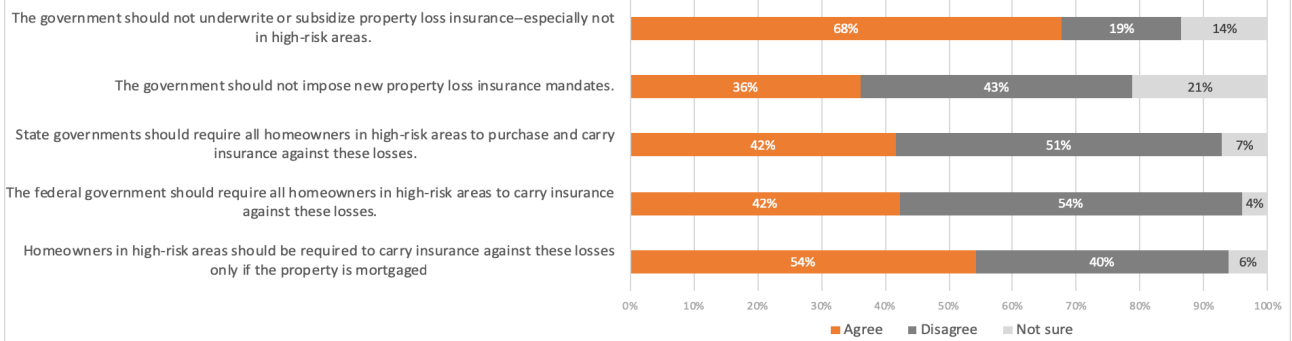
Answer choice:	#	Percent	% w/opinion	Expected Home Value Change*		
				Through 2023 (Cumulative)	Annual Average	
There is risk to the upside	12	11%	11%	28.0%	4.2%	<b>UPSIDE</b> 11% 6%
There is risk to the downside	55	49%	50%	20.7%	3.2%	<b>DOWNSIDE</b> 50% 60%
The risk is balanced	42	37%	39%	24.4%	3.7%	<b>BALANCED</b> 39% 33%
No Response	4	4%	n/a	n/a		
<b>Total</b>	<b>113</b>	<b>100%</b>	<b>100%</b>	<b>22.4%</b>	<b>3.4%</b>	

**Legend:** ■ Current Survey ■ Prior Survey

\*Mean expectations of respondents by answer choice. A total of 113 panelists participated in the Q1 survey; 109 of them rated the risk of their forecast.

#### Topic: Natural Disaster Insurance

Most mortgage lenders currently require home buyers in high-risk areas to purchase and carry insurance against natural disaster losses – including losses from floods, fires, hurricanes, storms surges and mudslides. Please indicate whether you agree, or disagree, with each of the following statements.



Comment re: first statement (above): "[There are] too many characteristics in play. I think there is a role for government in the disaster insurance market, particularly in zones of some risk or as a backstop to private insurance but subsidizing building in high risk zones by providing cheap insurance is not one of them."

Regarding homeowners living in high-risk areas who no longer can find property insurance coverage or afford significantly increased premiums, which one of the following choices best reflects your view?

Answer choice:	#	Percent	% w/opinion
The government should provide financial assistance to help these homeowners afford adequate insurance coverage	5	4%	6%
The government should offer affordable insurance coverage for a wider variety of natural disasters—not just floods	13	12%	15%
The government should require that private insurers offer affordable insurance policies for these homeowners	4	4%	5%
The homeowner should sell their home and move to a lower-risk, affordable location	40	35%	47%
None of these	23	20%	27%
Not sure	10	9%	n/a
No Response	18	16%	n/a
<b>Total</b>	<b>113</b>	<b>100%</b>	<b>100%</b>

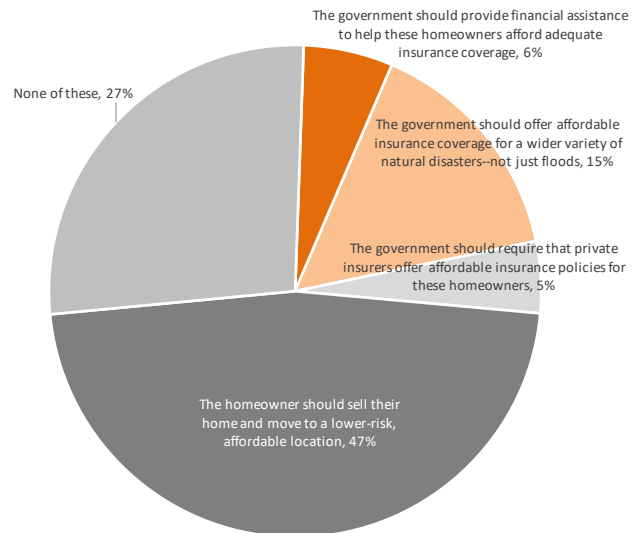
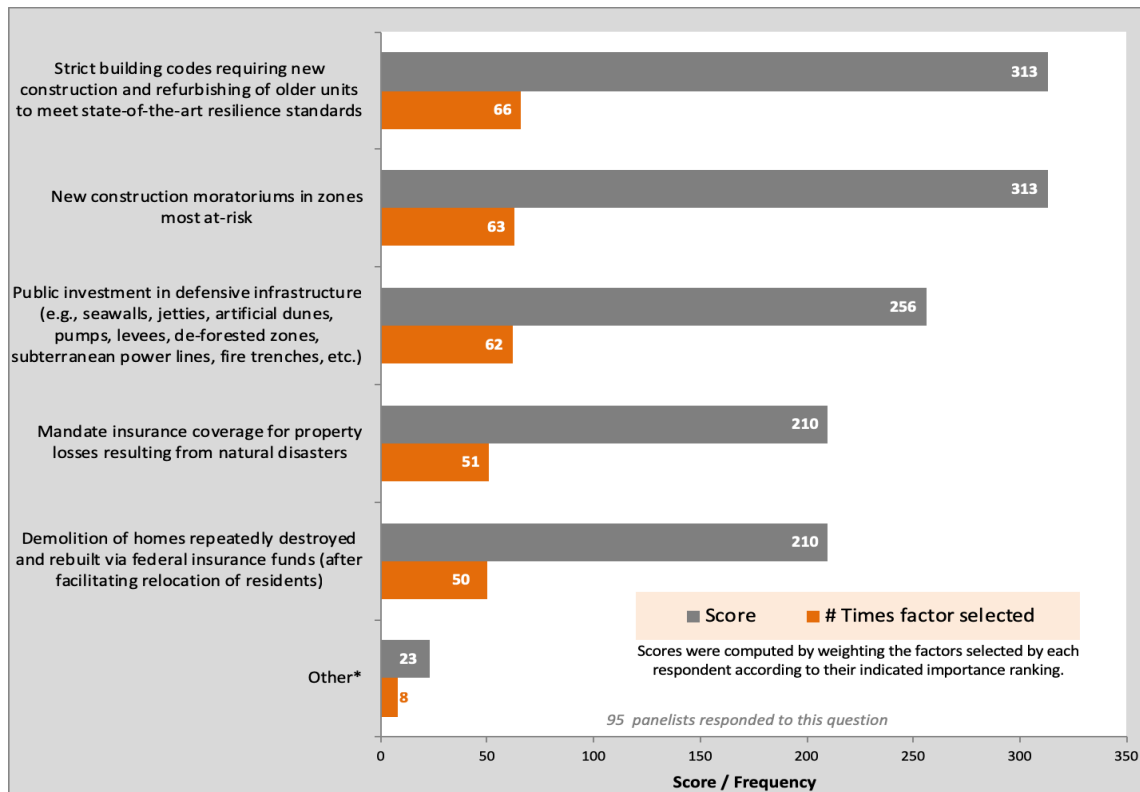


Chart excludes indeterminate responses.

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Of the following policy proposals to prevent or significantly reduce recurring property losses in communities that are especially vulnerable to devastating hazards, which do you support? For those you support, please order them according to anticipated effectiveness.



### \* Other proposals suggested by panelists:

- Stop subsidizing homeowners in high risk areas
- Govt hands off - at most, only require that homeowners in high risk areas sign an "understanding of risk" waiver and/or required attendance at a risk information briefing - If a householder wants to enjoy pristine nature, they should be allowed, but I should not have to pay.
- Prohibit the federal government from providing insurance below cost on such properties.
- Long run perspective on these questions requires policy makers to unite around an understanding of climate change risk.
- There is no sense in rebuilding in areas prone to disasters--other countries have moratoriums on new constructions in risky areas.
- More government-private investment and R&D to reduce risks from climate events.

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Topic: Wealth effects of IPOs on local housing markets

One of the hottest regions in the U.S. housing market in recent years has been the Bay Area of California. In 2018, home value growth rates there were strong, but fell from their 2017 levels. Here are pertinent data from the Zillow Home Value Index:

Market Area	2017 Home Values	2018 Home Values
San Francisco	8.00%	7.00%
San Jose	16.80%	9.90%

Additionally, most Bay Area residents are not in a buying mood: home-buying sentiment is in negative territory. In San Jose, buying sentiment ranks dead-last among the metro areas where Pulsenomics tracks these data via the Transaction Sentiment Index.

Several large, privately-held companies headquartered in the San Francisco Bay Area (e.g., Uber, Lyft, Airbnb, Pinterest, Slack) are reportedly planning to proceed with an IPO this year. Recent research suggests that over the past three decades, the wealth effects associated with IPOs has provided a modest boost to local housing markets that surround the headquarters of newly publicly-traded companies.

Assume that all or most of the IPOs (alluded to above) take place this year. Which of the following choices best reflects your expectations re: their impact on Bay Area real estate markets?

Answer choice:	#	Percent	% w/opinion
The IPOs will stimulate the local market enough to reverse the slowdown in price appreciation and the downtrend in home-buying sentiment during 2019 and beyond	8	7%	10%
Any IPO-related stimulus will be modest and temporary, not enough to reverse the price slowdown or downtrend in home-buying sentiment	65	58%	82%
Neither of the above (comments below)	6	5%	8%
Not sure	16	14%	n/a
No Response	18	16%	n/a
<b>Total</b>	<b>113</b>	<b>100%</b>	<b>100%</b>

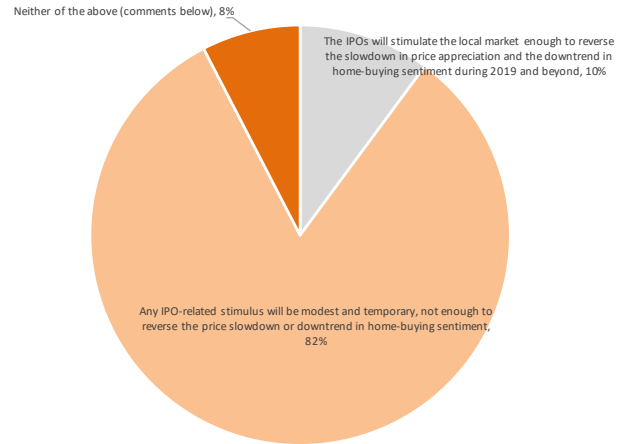


Chart excludes indeterminate responses.

**Comments:**

Compensation at these companies has been heavily skewed towards equity for quite a while, and the lottery tickets may turn into cash all this year.

Good chance one or more IPOs will be pulled.

I think the IPOs would push price growth rates up. However the home-buying sentiment is affected by both local conditions (the IPOs would increase local wealth if successful) and demographic trends. Many people who will benefit from the IPOs are younger, and for many reasons, young adults are pushing homeownership down their list of priorities. Thus, the relationship is much more complicated than IPOs alone can solve.

If the IPO's increase wealth in those areas the impact on housing prices should be modest.

More people will be leaving high tax states like California and NY Conn, NY, Ill and this will drag home prices lower in these states and higher where the tax advantages are significant benefits

Reducing land use regulations would both increase demand and reduce costs to prospective homeowners.

Stimulus would not be modest but it would be temporary

There will be a delay from the time of an IPO until the time that the restriction on the stock is lifted. We feel that there will be a significant benefit from all of these IPO's in the Bay Area, but not until 2020.