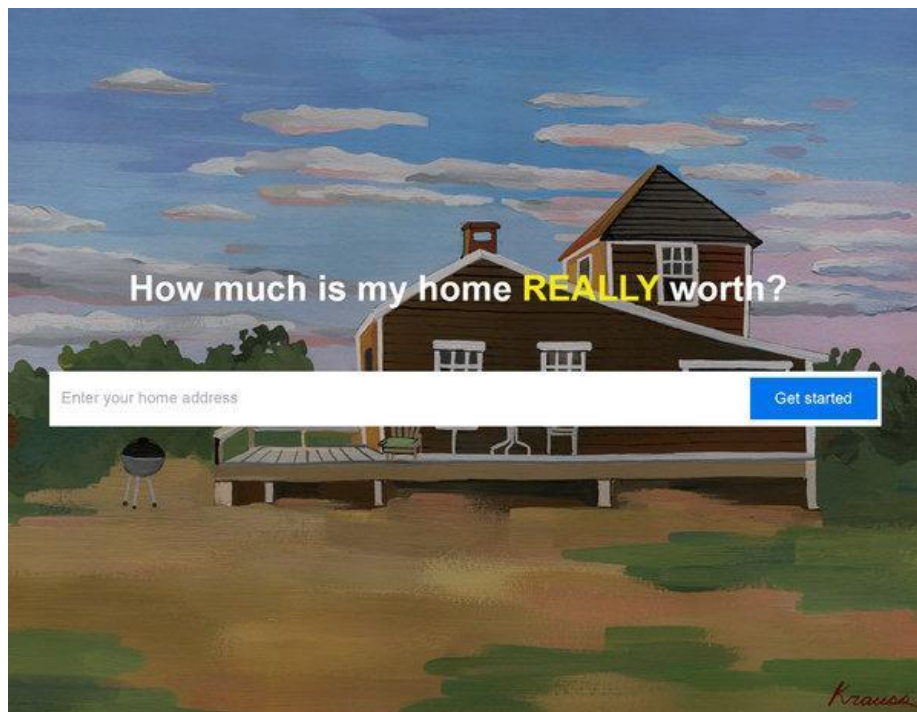


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## Why Zillow Addicts Can't Look Away

*Brokers say that Zestimates can be off base, but that doesn't stop sellers from obsessing over what the website says their home is worth.*



Trisha Krauss

A couple of times a week, Nick Spencer checks the value of his four-bedroom house in Haddon Heights, N.J., on Zillow. He has no plans to move, describing the town, located about 10 miles from Philadelphia, as “Americana at its best,” and his Cape Cod style home as “a labor of love.”

Yet there he is, clicking on Zillow every few days to see what the house he bought for \$399,900 in 2006 is now worth. The last time he looked, the Zestimate — a Zillow algorithm that not only calculates current values for 110 million homes, but also predicts what they’ll be worth in the future — pegged Mr. Spencer’s home at \$503,744. A little green arrow showed it up 1.7 percent from a month ago.

Mr. Spencer thinks it’s extremely unlikely that anyone would pay anywhere near that much for his house, charming as it may be. A neighbor down the street just took his house off the

market after two years, even after dropping the price by more than \$100,000, to \$369,000. Zillow has that house pegged at \$447,000, and rising.

Mr. Spencer blames location for the discrepancy. He and his neighbor live along the border of two other towns, including Haddonfield, where home prices are much higher, a fact that might skew Zillow's algorithm. The numbers might be divorced from reality, but that doesn't stop Mr. Spencer from tracking them.

"It's entertainment," he said. "Like a hobby." The Zestimate has been a Zillow mainstay since the company started in 2006, drawing so many curious visitors that the site crashed within hours of its launch. With nothing comparable at the time, the Zestimate became a post-party snooping activity — on the ride home, you could gawk at the presumed price of the host's house. It also became an exercise in aspirational ownership, with email updates reminding you to chart the ebbs and flows of your home's worth like a 401(k). Except, unlike a 401(k), this graph is based on an algorithm, not actual money.

The Zestimate is marketed as a tool designed to take the mystery out of real estate for consumers who would otherwise have to rely on brokers and guesswork. But where Zillow sees transparency, some brokers and homeowners see fantasy, arguing that an algorithm, its clever graphics notwithstanding, cannot account for the nuances that determine a home's worth, like whether your kitchen is brand new or from the disco era.

"Most people are kind of obsessed" with the Zestimate, said Stacey Simens, a saleswoman for Coach Realtors in Hewlett, N.Y., on Long Island. Once a potential seller has a number in mind, it can be hard to pull them away from it, regardless of reality. "They're looking for that magic button that will tell them that their house is worth exactly what they want it to be," she said.

But unless you're actually thinking about selling, and invite a parade of brokers into your house to look at the granite countertops, all you've got is neighborhood gossip and the estimates you see on Zillow and other sites like Redfin and Trulia, a Zillow-owned company.

A Nerdwallet survey released this month found that of the 78 percent of homeowners who thought they knew what their home was worth, nearly a quarter got their information from an online calculator.

Zillow arrives at its figure by combining publicly available data about nearby homes that sold recently with your home's features, like the number of bedrooms. The company claims a median error rate of 4.3 percent, meaning the estimate should be within 4.3 percent of the home's value half of the time. The remaining homes are off by a larger percentage. How large? The site says 87.6 percent of its estimates are within 20 percent of the actual value. It's anyone's guess where your house's estimate lands.

But there's always room for improvement. Last year, the company announced a competition to design an improved algorithm, with a \$1 million prize. The winner will be announced next year. "It's really intended to be a starting point," said a company spokeswoman, Emily Heffter, of the Zestimate.

Why are we obsessively clicking on fuzzy calculators for homes we are not selling? The answer lies in how we think about our homes. When Zillow arrived in 2006, at the height of the last housing bubble, houses were seen as liquid investments you could track like a stock. Now, a dozen years later, with many of us still traumatized by the housing crash, we keep checking in for reassurance that the ground is stable.

Get a green arrow, and you know that all is right; a red one gives you incentive to check back a few days later in the hope of better news. But the information you're getting, even with all the charts and graphs, is just a rough draft.

"It's conveying a truth that doesn't exist," said Jonathan J. Miller, the president of Miller Samuel Real Estate Appraisers and Consultants. So why do we keep doing it? "Why do you read your horoscope?" he said.

Of course, a list price is also, at best, an educated guess — homes often sell for far more or less than what a seller asks. But if the Zestimate is wildly different than what the seller is asking, it could give a buyer pause.

The power a Zestimate wields has unnerved some sellers. In January, a Cresskill, N.J., homeowner filed a lawsuit against Zillow, claiming the company selectively concealed Zestimates for some listings. The suit claimed that the company buried Zestimates for listings by brokerages that have a relationship with Zillow, while other listings had a Zestimate displayed prominently below the asking price. The arrangement amounted to an antitrust violation, the suit alleged.

The plaintiff's home, an 18,000-square-foot, Spanish-style house, was listed last year for \$7.788 million, but at the time, the Zestimate pegged it at \$3.703 million. (The Zestimate for the house has since gone up.) Another nearby listing, by a large brokerage, showed no Zestimate beneath the price.

Ms. Heffter said that the company moves the Zestimate away from the list price when there is a significant disparity between the two, although she declined to say what threshold would trigger the change. Sellers cannot persuade Zillow to move or change the Zestimate, although they can update home details with new information, potentially changing the Zestimate.

"People disagree with their Zestimate all the time," Ms. Heffter said. But altering the estimate whenever the list price is different would undermine the independence of the model, she said. "It's something that needs to remain independent."

However, without consistent information across comparable listings, the seller “is put at a competitive disadvantage,” said Edward Grossi, the lawyer for the homeowner, declining to give his client’s name.

Ms. Heffter declined to comment on the ongoing litigation. In a motion to dismiss the suit, lawyers for Zillow wrote that “it is unclear from the complaint how the placement of a Zestimate on a different property” would have any effect on the sale of the property.

List your home for sale, and a monthly curiosity can turn into a daily or even hourly obsession, particularly if you receive daily Zillow alerts on the status of your home, with fresh price estimates and details about how many people have viewed your listing.

Last spring, Steve Snider and Jessica Silver, sales agents for CORE real estate, were trying to sell a condo in Chelsea, a Junior Four listed for \$1.125 million. Their seller lives in California and spent her days tracking her apartment’s status on Zillow, which had a Zestimate of about \$1.3 million. She would send the brokers daily, and sometimes hourly, price updates. “It got to be so obnoxious,” Mr. Snider said. “I kept saying, ‘None of this is relevant.’”

The first deal fell through when the seller, emboldened by the information she gleaned online, decided the offer was too low. The apartment finally sold for \$1.062 million, around the same price as the first offer, but she was disappointed. “She felt like she gave up \$150,000,” Mr. Snider said.

“We know she didn’t give up anything. She gave up a fictitious number that wasn’t based on anything, that was just based on this idea of what you could buy instead of what it was really worth.”