

... The Zillow Zestimate



TRUST IT OR TRASH IT?

I get asked very, very often about Zillow "Zestimates" and whether or not they are accurate and a good gauge of a homes value. My answer is "No, not really". Zestimates are a good starting point for home values and can be used as a reference but in no way are the estimates provided accurate or a true market evaluation.

Heck, even Zillow states on their own website that Zestimates Nationwide, are currently within 5% of the final sale price only 38.4% of the time. Yes, you read that right. Zillow is within 5% of the actual sales price 38.4% of the time nationwide. This is a huge difference for those people who look at a Zestimate and think their price is an accurate value. Sadly, most of these errors are on the high side and give potential home sellers a value well in excess of their homes ACTUAL value.

From Zillow.com's website:

WITHIN 5% OF SALE PRICE:

This is the percentage of transactions in a location for which the Zestimate was within 5% of the transaction price. Nationwide, Zestimates are currently within 5% of the final sale price 38.4% of the time.

WITHIN 10% OF SALE PRICE:

This is the percentage of transactions in a location for which the Zestimate was within 10% of the transaction price. In the U.S. as a whole, Zestimates are currently within 10% of the final sale price 63.6% of the time.

WITHIN 20% OF SALE PRICE:

This is the percentage of transactions in a location for which the Zestimate was within 20% of the transaction price. Nationally, Zestimates are currently within 20% of the final sale price 83.1% of the time

So using this math above, on a \$400,000 home sale, and based on Zestimates being within 20% of the transaction price 83% of the time the value swing is almost \$80,000! In the Atlanta market the estimate is within 20% of the sales price only 84% of the time and based on the average sales price in our area of \$250,000 this is a value error of over \$20,000 and Zestimates are within 5% of the final sales price only 37% of the time.

To get a better understanding of the Zestimates, let's look at Zillow's CEO, Spencer Rascoff's home which has a Zestimate of \$1,600,000 and it is currently for sale for \$1,138,900. If the CEO of Zillow has a value less than a third of what the Zestimate states can we as a typical consumer really trust the accuracy of the information provided to us?



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