San Mateo County
The Real Estate Market Trends Report

Zillow Sued Over Zestimates

Do Zillow ‘Zestimates’ mislead home buyers? 
Lawsuit claims yes

Suburban Chicago home builders filed legal action last week against the real estate marketing company Zillow, whose at-your-fingertips property-value approximations are misleading home buyers with lowball figures that roil sellers, the suit claims.

The so-called Zestimates that the Seattle-based Zillow app has calculated since 2006 pose as accurate appraisals in violation of the legal description in Illinois of an appraisal, which needs to be conducted by a licensed appraiser, according to the class-action complaint.

Zillow, for its part, maintains that its approximations are not actual appraisals, nor do they claim to be.

“We believe the claims in this case are without merit. We always say that the Zestimate is a starting point to determine a home’s value, and isn’t an official appraisal. It’s a computer-automated estimate of your home’s value,” Emily Heffter, a Zillow spokeswoman, told MarketWatch.

Zillow says its value estimates are based on public records and other data using “a proprietary formula.” Public records such as those posted on property-tax assessment sites can also be far off prevailing sales prices. Zillow also provides a disclaimer about the accuracy of its approximations.

In Chicago, a Zestimate comes within 5.9% of the eventual sale price just over 44% of the time. Nationwide, Zillow Zestimates are within 5% of the actual sale price 53.9% of the time, within 10% of the sale price 75.6% of the time and within 20% of the closing price 99.7% of the time, according to the company.

Wow, that’s not even good enough for government work!

As we wrote in this space last August, there is no way a computer program can give an accurate price for homes.

The problem begins with the fact that each home is different. Homes aren’t like stock shares. Each share of Apple stock, for instance, is exactly the same as every other share of Apple stock.

Homes, on the other hand, are each completely different, regardless of whether they were built by the same builder and have the same plan.

(Continued on page 4)
Jun. 2, 2017 -- Even with a Monday holiday, there was lots of fresh data out this week for markets to consider, but most of it seemed to tend toward the softer side of things. As expected, mortgage rates were mostly level this week, but current indications are that we might see a bit of a decline next week, should markets hold where they are at the moment.

Spending on new construction projects dropped in April. The overall decline of 1.4% in outlays contained no bright spots this time around, as outlays for residential projects fell 0.7%, commercial construction dipped by 0.6%, and spending on public-works projects slumped by 3.7%.

A spate of somewhat modest to moderate date (to borrow a phrase from the Beige Book) and a lack of emergent price pressures would be sufficient to trim interest rates a little bit even if we didn't continue to have a difficult political climate.

Expectations for significant tax and regulatory relief haven't completely bled out of the market, but those hopes have faded considerably on recent months, tempering the outlook and expectation that the economy will soon be growing faster.

Collectively, the environment is sufficient to keep rates both low and stable, and we'll need to see some warmer news to move rates up. That may come, but probably not next week; based upon where we finished this one, we are likely looking at another 3-4 basis point decline in the average conforming 30-year fixed rate mortgage as reported by Freddie come next Thursday morning.

San Mateo County Homes - Median & Average Prices & Sales
(3-month moving average—prices in $000's)

30-Year Fixed Mortgage Rates

The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by HSH.com. The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

San Mateo County - May 2017

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<tr>
<th>Cities</th>
<th>Median</th>
<th>Average</th>
<th>Sales</th>
<th>Pend</th>
<th>Inven</th>
<th>DOI</th>
<th>SP/LP</th>
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<th>Ave</th>
<th>Sales</th>
<th>Pend'</th>
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May Statistics

**Single-Family Homes**

**Year-Over-Year**
- Median home prices increased by 7.2% to $1,480,000 from $1,380,000.
- The average home sales price rose by 3.5% to $1,793,670 from $1,733,190.
- Home sales rose by 13.6% to 419 from 369.
- Total inventory fell 0.5% to 847 from 851.
- Sales price vs. list price ratio rose by 2.0% to 109.0% from 106.9%.
- The average days on market fell by 0.7% to 20 from 20.

**Compared To Last Month**
- Median home prices slipped by 0.8% to $1,480,000 from $1,492,500.
- The average home sales price fell by 3.4% to $1,793,670 from $1,856,680.
- Home sales up by 27.7% to 419 from 328.
- Total inventory increased 5.6% to 847 from 802.
- Sales price vs. list price ratio increased by 0.0% to 109.0% from 109.0%.
- The average days on market increased by 11.5% to 20 from 18.

**Condominiums**

**Year-Over-Year**
- Median home prices increased by 3.3% to $850,000 from $822,500.
- The average home sales price rose by 3.0% to $899,624 from $873,615.
- Home sales rose by 8.9% to 122 from 112.
- Total inventory rose 16.1% to 238 from 205.
- Sales price vs. list price ratio fell by 1.1% to 106.3% from 107.5%.
- The average days on market rose by 32.1% to 19 from 14.

**Compared To Last Month**
- Median home prices improved by 11.1% to $850,000 from $765,000.
- The average home sales price rose by 3.4% to $899,624 from $869,897.
- Home sales up by 18.4% to 122 from 103.
- Total inventory increased 9.2% to 238 from 218.
- Sales price vs. list price ratio increased by 1.5% to 106.3% from 104.7%.
- The average days on market dropped by 18.6% to 19 from 23.

* Total inventory is active listings plus pending listings. Active listings do not include pending.

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**San Mateo County Condos - Median & Average Prices & Sales**

(3-month moving average—prices in $000’s)

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**Table Definitions**

**Median Price**
- The price at which 50% of prices were higher and 50% were lower.

**Average Price**
- Add all prices and divide by the number of sales.

**SP/LP**
- Sales price to list price ratio or the price paid for the property divided by the asking price.

**DOI**
- Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.

**Pend**
- Property under contract to sell that hasn’t closed escrow.

**Inven**
- Number of properties actively for sale as of the last day of the month.
The major problem with all automated home estimate sites is they are limited to the data on hand. Typically, that includes only square footage, number of beds and baths, recent sales prices and assessor tax values.

What is not included are location nuances such as is the property on a quiet street or next to a main thoroughfare. Did the owners remove that cheap carpeting and replace it with hardwood floors? Were the appliances replaced with high-end hardware? Granite countertops or tile? Dual-pane windows to replace single-pane windows.

The list goes on.

There are three ways to get an accurate estimate of your home’s worth.

Hire an appraiser. That costs money and they will be conservative.

Read more online (Continued from page 1)

The Silicon Valley’s Real estate market is a derivative of the local economy--it prospers and withers depending on how well the local innovation-based sector performs. The San Jose Mercury News tracks the performances of the largest 150 publicly traded companies headquartered in Silicon Valley through an index called the SV150, which may be found at www.mercurynews.com. Stocks are valued based on several criteria, but one of the more important criteria is a company’s future earnings. Therefore, I see the SV150 as a leading indicator for Silicon Valley’s real estate market.

Investors Corner
SEATTLE, PORTLAND, DALLAS AND DENVER LEAD GAINS IN S&P CORELOGIC CASE-SHILLER HOME PRICE INDICES

NEW YORK, MAY 30, 2017 – S&P Dow Jones Indices today released the latest results for the S&P CoreLogic Case-Shiller Indices, the leading measure of U.S. home prices. Data released today for March 2017 shows that home prices continued their rise across the country over the last 12 months. More than 27 years of history for these data series is available, and can be accessed in full by going to http://bit.ly/2sUvtq6

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