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Zestimiss: Why did CEO Spencer Rascoff's home sell for 40% less than Zillow estimate of \$1.75M?

BY KURT SCHLOSSER (<https://www.geekwire.com/author/kurt/>) on May 23, 2016 at 8:17 pm

3808 E Madison St, Seattle, WA 98112
 4 beds · 4 baths · 3,470 sqft
 SOLD: \$1,050,000
 Sold on 02/29/16
 Zestimate®: \$1,575,201
 Price this home

The Zillow website on Monday, showing the sale price and the current Zestimate for a home sold by CEO Spencer Rascoff on Feb. 29. (Via Zillow.com)

Home owners across the country love to debate whether their Zestimates are too high or too low. When it comes time to sell, the estimated market value calculated by Zillow can be the jumping off point for an interesting discussion between real estate agents and sellers.



Spencer Rascoff of Zillow.

Spencer Rascoff, CEO of the Seattle-based real estate media website, sold a home in the city's Madison Park neighborhood for \$1.05 million at the end of February. On March 1, the day after the sale, the Zestimate for the home reached \$1.75 million. On Zillow's website today (http://www.zillow.com/homedetails/3808-E-Madison-St-Seattle-WA-98112/48956614_zpid/), it's come down to \$1.575 million.

An article last week on Inman (<http://www.inman.com/2016/05/18/zillow-ceo-spencer-rascoff-sold-home-for-much-less-than-zestimate/>), the real estate news website, portrayed the discrepancy as a way for agents to demonstrate the shortcomings of Zestimates, which the company already acknowledges (<http://www.zillow.com/zestimate/>) are a starting point in determining a home's value and not an official appraisal.

The company's data coverage and accuracy web page indicates that there are 102.7 million homes with Zestimates on Zillow. Nationally, the Zestimate has a median error rate of 7.9 percent, which means half of the Zestimates in an area are closer than the error percentage and half are farther off. In Seattle, the median error is 6.1 percent.



A look at the national accuracy table for the Zillow Zestimate. (Via Zillow.com)

The Rascoff property, which the CEO was not living in at the time, falls into a category of about 20 percent of sales in which the Zestimate misses the sale price by more than 20 percent.

"A miss like this is pretty atypical for us," Stan Humphries, chief analytics officer at Zillow Group, told GeekWire on Monday. "But I would say, finding cases where either a human or a machine misprices a house are not uncommon either. You can certainly find cases where humans priced a home where it's a big miss for them as well, where maybe the home was listed for \$7 million and it sold for 5."



Stan Humphries of Zillow.

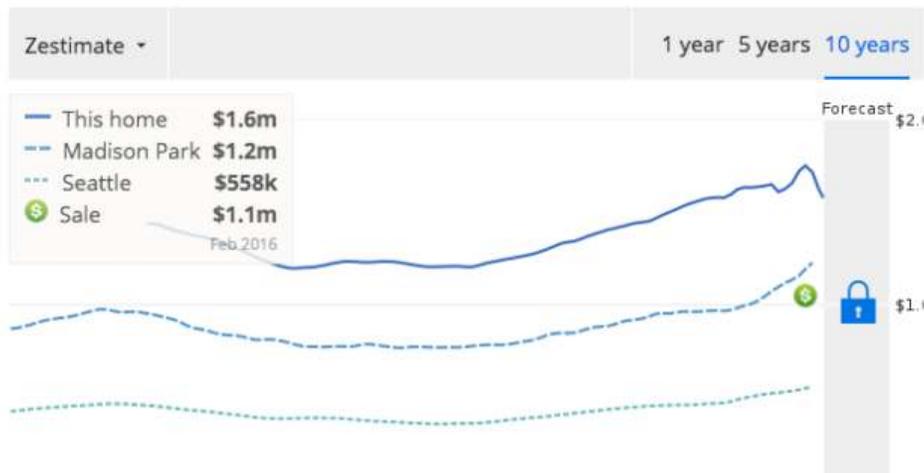
Zillow's obvious hope, especially when it comes to an examination of the Zestimate on a home sold buy its CEO, is that people would instead focus on a larger set of data points (<http://www.zillow.com/research/putting-accuracy-in-context-3255/>) to understand Zestimate accuracy.

Humphries said the slight edge does go to humans over automated valuation models when it comes to pricing a home.

"It's something we've always been very transparent about," Humphries said. "The Zestimate from our perspective is a starting point and is one of many opinions of value people should collect if they're going to transact real estate."

So why did the Zestimate miss on this particular piece of property?

The house at 3808 E. Madison St. sits on a triangular-shaped lot and it's also on a corner on a busy arterial. The Zestimate was being calculated against homes in the area on rectangular lots, which command a higher price because the lots provide more utility.



“Shape of the parcel and placement on arterial is an area of active research in our valuation group,” Humphries said. “We just haven’t yet cracked the nut on how to fully get that baked into the valuations. Those two end up making a lower market value for that property than you would think otherwise looking at all the other facts.”

READ MORE: How Zillow came up with the Zestimate, and why it has become such a hit
(<https://www.geekwire.com/2016/how-zillow-came-up-with-zestimate-and-why-it-has-proven-to-be-such-a-hit/>)

Humphries said people can be misled by not recognizing that price is a random variable and that the range of prices that a home could sell for creates these opinions of value.

“That’s not to minimize this case,” Humphries said, acknowledging that “we definitely spent some time looking at this one. We look at misses in terms of understanding where the models went wrong. ... The computer should have done better in this case.”

In the meantime, whether Spencer Rascoff’s agent needed the advice or not, the company recommends its five tips for agents (<http://www.zillow.com/blog/pro/talking-about-the-zestimate-114107/>) to use when talking to clients about their Zestimates.

GeekWire Bash: Tickets on sale now! (<https://www.geekwire.com/events/geekwire-bash-2019/>)



(<https://www.geekwire.com/events/geekwire-bash-2019/>)

The GeekWire Bash (<https://www.geekwire.com/events/geekwire-bash-2019/>) is coming up on Thursday, March 7th. This giant geek festival draws more than 2,000, and is now open to geeks of all ages! Bring your family — or a co-worker who still acts like a kid. Either way, you’ll have a blast! Also, register for spots in the popular dodgeball, foosball, ping pong and Settlers of Catan tournaments before they sell out. Learn more and get tickets.

(<https://www.geekwire.com/events/geekwire-bash-2019/>)



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(<mailto:info@geekwire.com>)



How Accurate is the Zestimate?



Can the Zestimate be updated?



How can Real Estate Pros work with the Zestimate?

What is a Zestimate?

The Zestimate® home valuation is Zillow's estimated market value, computed using a proprietary formula. **It is not an appraisal. It is a starting point in determining a home's value.** The Zestimate is calculated from public and user-submitted data, taking into account special features, location, and market conditions. We encourage buyers, sellers, and homeowners to supplement Zillow's information by **doing other research such as:**

- **Getting a comparative market analysis (CMA) from a real estate agent**
- **Getting an appraisal from a professional appraiser**
- **Visiting the house (whenever possible)**

Zillow also produces a Zestimate forecast, which is Zillow's prediction of a home's Zestimate one year from now, **based on current home and market information.** Learn more about the [Zestimate forecast](#).

Zillow also provides a Rent Zestimate estimated monthly rental price. Learn more about the [Rent Zestimate](#).

FAQs

What's the Value Range? 

My Zestimate is too low - or too high. What gives? 

I just changed the home facts. When will my Zestimate update? 

How does the amount of data affect it? 

Is a Zestimate an appraisal? 

How do we come up with the Zestimate and what's in the formula? 

Why do I see home values for the past? 

Do you ever change prior Zestimates?	▼
Does the Zestimate algorithm ever change?	▼
How often are Zestimates for homes updated?	▼
Are foreclosure sales included in the Zestimate algorithm?	▼
Who calculates the Zestimate and how do they do it?	▼
Does Zillow delete Zestimates? Can I get my Zestimate reviewed if I believe there are errors?	▼
I don't know of any homes that have sold lately around me, how are you calculating my Zestimate?	▼
How accurate is the Zestimate overall?	▼
Can I remove the Zestimate while I'm selling my home (it should be higher)?	▼
Can I use the Zestimate to get a loan?	▼
I have two Zestimates for my home? How do I fix this?	▼



How Accurate is Zillow's Zestimate?

Zillow Accuracy

The Zestimate's accuracy depends on location and availability of data in an area. Some counties have deeply detailed information on homes such as number of bedrooms, bathrooms and square footage and others do not. The more data available, the more accurate the Zestimate value.

Data Coverage and Zestimate Accuracy

Zillow's accuracy has a median error rate of 4.5%. This means half of the home values in the area are closer than the error percentage. For example, in Seattle, Zestimate values for half of the homes are within 4.7% of the selling price, and half are off by more than 4.7%.

To improve Zestimate accuracy, we allow homeowners to edit their home facts and then we incorporate this information into our Zestimate calculations.

Be aware that in some areas, we might not be able to produce a Zestimate at all, but we do have some basic information on the homes. The tables below show you where we have Zestimates and other home information.

[Top Metro Areas](#)
[States/Counties*](#)
[National](#)

Atlanta, GA	2.1M	1.9M	55.6%	76.2%	88.5%	4.2%
Baltimore, MD	992.6K	915.3K	59.8%	78.6%	88.3%	3.6%

Boston, MA	1.6M	1.6M	53.3%	78.5%	91.2%	4.6%
Charlotte, NC	973.3K	881.1K	57.2%	76.9%	87.8%	4.0%
Chicago, IL	3.3M	3.0M	58.6%	77.9%	89.9%	3.8%
Cincinnati, OH	828.9K	728.0K	52.0%	72.5%	85.0%	4.7%
Cleveland, OH	830.6K	745.8K	46.9%	68.6%	82.8%	5.5%
Dallas-Fort Worth, TX	2.2M	2.1M	32.4%	56.6%	80.1%	8.4%
Denver, CO	965.1K	918.5K	64.8%	87.3%	95.4%	3.5%
Detroit, MI	1.8M	1.7M	52.7%	73.6%	86.4%	4.6%
Houston, TX	2.2M	2.0M	--	--	--	--
Kansas City, MO	777.1K	749.7K	--	--	--	--

Data Coverage and Zestimate Accuracy Table

Choose a location type below to change data:

[Top Metro Areas](#)
[States/Countries*](#)
[National](#)

	Zestimate Accuracy	Homes on Zillow	Homes With Zestimates	Within 5% of Sale Price	Within 10% of Sale Price	Within 20% of Sale Price	Median Error
Portland, OR	★★★★★	816.5K	765.4K	62.6%	85.9%	92.7%	5.6%
Riverside, CA	★★★★★	1.6M	1.3M	64.9%	82.7%	91.1%	3.2%
Sacramento, CA	★★★★★	794.4K	705.7K	62.0%	82.0%	91.3%	3.6%
San Antonio, TX	★	839.8K	761.9K	--	--	--	--
San Diego, CA	★★★★★	907.6K	847.1K	65.7%	85.4%	93.6%	3.3%
San Francisco, CA	★★	1.3M	1.2M	45.3%	72.2%	90.2%	5.6%
Seattle, WA	★★★★	1.3M	1.2M	52.8%	81.0%	93.1%	4.7%
St. Louis, MO	★	1.2M	1.0M	--	--	--	--
Tampa, FL	★★★★	1.3M	1.2M	58.9%	78.5%	89.6%	3.8%
Washington, DC	★★★★★	1.9M	1.8M	66.3%	85.5%	93.8%	3.1%

Last updated: December 12, 2018

San Francisco, CA	1.3M	1.2M	45.3%	72.2%	90.2%	5.6%
Seattle, WA	1.3M	1.2M	52.8%	81.0%	93.1%	4.7%
St. Louis, MO	1.2M	1.0M	--	--	--	--
Tampa, FL	1.3M	1.2M	58.9%	78.5%	89.6%	3.8%
Washington, DC	1.9M	1.8M	66.3%	85.5%	93.8%	3.1%

Last updated: December 12, 2018

* Click on a state to see detailed county data (accuracy based only on counties for which we have data)

Note: Zestimate accuracy is computed by comparing the final sale price to the Zestimate on or before the sale date.

Click [here](#) to download an Excel spreadsheet of this data.

Definitions

ZESTIMATE ACCURACY/STAR RATING:

This rating is tied to the Median Error in an area. The ratings are as follows:

★★★★ = Best Zestimate

★★★ = Good Zestimate

★★ = Fair Zestimate

★ = Tax assessor's value, or unable to compute Zestimate accuracy

0 stars = No valuation

HOMES ON ZILLOW:

This indicates the percentage of homes for which we have data (e.g., number of bedrooms or bathrooms) in a particular locale. These are the homes you can find via maps or search on Zillow.com.

HOMES WITH ZESTIMATES:

We can only calculate Zestimates for homes where we have certain data, including transactions. This column indicates the percentage of homes in an area with Zestimates.

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 53.5% 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 74.1% 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 86.5% of the time.

MEDIAN ERROR:

5 Things A Seller Can Do To NOT Lose Money Using Z-estimates

Posted by [Joe Manausa](#) on Wednesday, May 17th, 2017 at 9:00am.



Lawsuit Sheds Lights On Flawed Zestimate Tool

This is big news in the real estate sector and it could have a significant impact in what online real estate data services can do with their information.

But while "big," it is not "new" news to our readers. If you recall, we shared the [article "Zillow Zestimate Missed By A Mile On This One,"](#) (a full year ago) regarding a case that is almost too amazing to believe.

The fact is that the Zillow Zestimate, as well as all other online home valuation tools that I have seen and used, are not yet to the point where their results fall within an acceptable margin of error.

The fact that some people around the country relied upon the valuations provided by the Z-estimate tool and ended up selling their homes far below what they could have received seems (to me) to be a stretch of our legal system. After all, it is a free service and shouldn't people know better than to trust the sale of their home to an "app" when better information is available"

Home Valuation Tools Lack Key Value Data

I will concede that most online home valuation tools (including the "Zestimate") are as accurate as most real estate agents. Bear in mind that the majority of listing agents in America sell fewer than 2 homes per year and are not trained (nor inclined) to truly monitor home values across a local real estate market.

But for the purpose of this article, I'll compare these tools with the top 1% of the real estate agents in the market, the people that you should be interviewing for the job of selling your home when the time is right. These people have the tools, knowledge, experience, and RECENCY of ACTIVITY in the market to truly understand home valuation. It is a combination of factors that make it very hard at this present time to replicate using data from across the internet.

The fact is the data these tools need is nowhere to be found, and it will take years of assembling this data to truly make a home valuation application competitive with the [top real estate agents](#) in the market.

5 Things A Seller Can Do To NOT Lose Money Using Z-estimates

The following tips will help you understand how to use the Zillow Zestimate (or any other online valuation tool for that matter) in your preparation to sell your home, without you leaving money on the table.

1. **DO use an online valuation tool to check the work of your real estate agent** - One statistic that seems to recur every single year, regardless of the technical innovations sweeping through the real estate industry, is the fact that roughly 70% of all home sellers hire the first agent with whom they speak about the job of selling their home. Seriously? You'll be spending tens of thousands of dollars for this service (ie, do you purchase the first car you see that is priced within the range you want to spend?), don't you think you should ensure you get the best you can so you net more money for your home? Do you want to just get your home sold? Or do you want to net top dollar from the sale? Regardless of the agent you hire, you should check his or her work by looking at comparable sales provided by the online home valuation tools. **If you think your agent is recommending a price too low (or too high), question her about the specific comparable sales that the tool(s) have provided.**
2. **DO NOT use a home valuation tool as the basis of your decision to sell your home** - Too often, homeowners decide to sell their home based upon "what they will do with the money from the sale." They take only enough time to determine the benefit from the sale, and not enough time to consider what will happen should they not receive the amount of money they perceived was available. **These home valuation tools provide some good information, but their conclusions should not be used to make big decisions.** Get the best real estate listing agent in your area to help you decide if the real equity in your home is adequate to support your sale and move.
3. **DO NOT use a real estate agent's valuation of your home as the basis of your decision to hire that agent** - In point #1 above, it is noted that the biggest mistake made by home sellers is they hire their first agent they interview. The primary reason that they do this is that they like the agent and they love the amount of money that agent tells them their house is worth. **IMPORTANT ... DO NOT LET AN AGENT "CLOSE YOU" BY SAYING YOUR HOUSE IS WORTH A HIGH DOLLAR AMOUNT!** This happens all the time. You meet with a charming agent, they say your home should fetch 120% of its real current value. You are so excited by your new-found wealth that you hire the agent. Then you become a statistic, another home seller who fails to capture the top dollar and perhaps fails to sell your home at all (read [this article](#) to see why you will typically net more money with a fast sale than with a sale that takes months to complete).
4. **DO use a Zestimate as a way to gauge the general direction of the market** - The Zestimate still does not accurately determine a singular home's value in many cases because **it has not been loaded with the data that helps distinguish the fine particulars of one home versus another.** Believe it or not, land size, frontage (like being on a lake or a golf course), and even whether or not a home has a swimming pool does not appear to be considered in the valuation of a home by most of these tools. Do you think your home with frontage on the lake is worth more than the home across the street that backs up to Thomasville Road? Well, you might have a difference of opinion then with your online appraisal. But that does not mean the Zestimate does not have value at the macro level. It is tracking useful value trends that can give you an idea of the market for your home now versus a time in the past. If your zestimate is higher today than it was a year ago, then likely your home is worth more than you would have achieved in a sale last year. Just don't rely on the specific value, rather pay closer attention to the trend.
5. **DO NOT use the comparable sales information from nearby recent home sales as "fact"** - This is a big deal. Most people think that sales information on the internet must always be true ... but guess what? It's not always true and accurate. I have seen recorded sales where I knew the back-story of the transaction and the public filing in no way represented what truly occurred. For example, let's say you notice that your neighbor sold their house last month for \$300,000. Do you think it matters if the home seller paid \$18,000 of the buyer's closing costs (meaning a real net sales price of only \$282,000?). What if the seller of that same transaction allowed the buyer to keep furniture, fixtures, and the riding lawn mower. Do you really consider it a \$300,000 comparable sale if everybody else is not paying closing costs and all are taking their belongings with them? These are the little intricacies that are not relayed in public filings, thus you should not consider a singular comparable sale as fact until an expert has verified the validity of the price. Of course, the opposite scenarios exist too. If a set of parents sell a home to their child at a price below the market, is that truly a comparable sale? Most online valuation tools don't look to see the parties in a past sale, they just record price and value.

Regardless of the tool you use, recognize that they have a long way to go before they will be able to accurately value all homes within a market.

I hope this article has shed some light on both the dangers of online home valuation tools, as well as the benefits of using them to support you when it comes time to sell your home.

If you would like to see what a world-class listing agent can do to help you attain top dollar when selling your home, simply [drop me a note](#) and we'll be in touch right away to show you a better way to market your home for sale.

CONSUMERIST

QUESTIONABLE MATH

Zillow's "Zestimates" Probably Aren't The Best Way To Figure Out How Much Your House Is Worth

IMAGE COURTESY OF ZEORB

5.26.17 2:31 PM EDT By [Kate Cox](#)  @kcoxdc

If you've been in the market for real estate lately — or even just idly browsing your old neighborhood from curiosity — you've almost certainly seen the "Zestimate" splashed across a property's Zillow listing. But now, multiple lawsuits are claiming those numbers are so far from realistic that they're actually harmful, and Zillow itself is launching a contest, hoping to crowdsource a better Zestimate.

The estimates are based on a proprietary formula, Zillow says — publicly available data goes in, magic number comes out. And what happens in between has some homeowners and developers completely confused.

Now, Zillow is under fire for the results that formula gives them. It began with a lawsuit filed by [an Illinois real-estate lawyer](#) in early May.

Her suit says that although Zillow cautions users not to take the "Zestimate" as an appraisal, it nonetheless has the same effect: It's a number "promoted as a tool for potential buyers to use in assessing [the] market value of a given property." That, the suit claims, meets the Illinois state definition of "appraisal."

The Zestimate given for her house undervalued it badly, she claims, making it much harder for her to sell. The most recent Zestimate for her property values it at \$64,000 less than she paid for it in

2009, despite other similar homes in the neighborhood selling for significantly more.

The difference between Zillow's estimate and the seller's actual sale price can, indeed, be pretty wide. For example, on this randomly-picked house outside of Washington, D.C., the gap is nearly \$600,000.

1300 N
Arlington
7 beds · 4 b
Prime location
property, 1 bloc
record as an inc
monthly rental
unit, One 2 bedroom/ 1 bath unit, and one basement

A Zestimate® home valuation is Zillow's estimated market value. It is not an appraisal. Use it as a starting point to determine a home's value. [Learn more](#)

If your home facts are wrong this will cause an incorrect Zestimate, [click here to update them.](#)

FOR SALE
\$1,700,000
Zestimate®: \$1,111,551

EST. MORTGAGE
\$6,483/mo

[Get pre-qualified](#)

A few weeks later, the lawyer dropped her claim but filed a second suit — this time, on behalf of **several Chicago-area builders**. This one seeks class action status that could “consist of millions of homeowners,” and seeks an injunction preventing Zillow from publishing Zestimates for the time being.

Zillow itself concedes its automated math isn't perfect. Zestimates are within 5% of the actual sale price about 54% of the time, within 10% of the sale price about 76% of the time, and within 20% about 90% of the time, Zillow told the **Washington Post**.

But even 5% is still a large amount of money when you're talking about hundreds of thousands of dollars. And that's just for the most accurate range. By Zillow's own figures, 1-in-10 Zestimates are off by more than 20%. That's like valuing a \$200,000 house at less than \$160,000 or more than \$240,000 — an enormous difference, for buyers and sellers.

The accuracy of estimates also varies hugely by region. MarketWatch **reports** that the numbers are within 6% of the actual sale price barely 44% of the time. In Washington, the **Seattle Times** ran the math and figured out that Zillow's median error rate, applied to Seattle's median home price, will be off by about \$40,000 in either direction.

“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,” Zillow's spokesperson said in a statement about the lawsuits.

While Zillow defends the Zestimate, it has nonetheless launched a competition encouraging data scientists to come improve its algorithm.

The **Zillow Prize** competition takes place in two rounds. From this week until Jan. 2018, teams can enter the public qualifying round by developing a model "to improve the Zestimate residual error."

The teams with the prototypes that most narrow the gap then advance to the second round, which runs from Feb. 2018 until Jan. 2019. Those 100 teams have to build an actual algorithm to do what the Zestimate does. The winner from that round gets \$1 million for their trouble.

"We still spend enormous resources on improving the Zestimate, and are proud that with advancements in machine learning and cloud computing, we've brought the error rate down to 5 percent nationwide," Stan Humphries, Zillow's chief analytics officer (and Zestimate inventor) said in a statement.

"While that error rate is incredibly low, we know the next round of innovation will come from imaginative solutions involving everything from deep learning to hyperlocal data sets — the type of work perfect for crowdsourcing within a competitive environment."

And although the timing may seem a little *convenient* in proximity with the lawsuits, Zillow says it's not. Humphries tells **the Chicago Tribune** that the company has been planning the contest for a year and it's unrelated to the recent lawsuits.

Want more consumer news? Visit our parent organization, **Consumer Reports**, for the latest on scams, recalls, and other consumer issues.

5.26.17 By **Kate Cox**  @kcoxdc

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