

Management and sales tools for the residential real estate broker

## Industry Trends

### Homeowner sues Zillow over “sloppy” value estimate, predicts more pushback

Since 2006, Zillow has been posting “Zestimates” of property values for the world to see.

And for just as long, homeowners and agents have griped about what they consider inaccurate estimates.

Disgruntled seller Barbara Andersen went farther than just complaining. She filed a lawsuit against Zillow in May, seeking an injunction that would force Zillow to remove the estimate of her Chicago-area home's value from its site.

Andersen later switched gears, representing a group of homebuilders in a suit against Zillow. She's seeking class-action status for that suit.

Andersen, a real estate attorney, in 2009 paid \$630,000 for a new home in Glenview, IL. The house was built by Toll Brothers, the builder of high-end houses.

Andersen is trying to sell the house by owner for \$626,000, but she says she's being undermined by Zillow's low-ball value, which has presented “a tremendous roadblock.”

“A Zestimate is effectively a sloppy computer-driven appraisal of the home,” Andersen writes in her suit.

While Zillow says its automated valuation model (AVM) generates a number that isn't an appraisal, Andersen disagrees. She says that to offer an opinion of the value of her home, Zillow must be licensed as an appraiser in Illinois.

“I just don't think people realize that Zillow has no business opining in the first place,” Andersen said in an interview. “Zillow's not licensed, and they don't know what they're talking about.”

The Zestimate for Andersen's house has swung wildly in recent years. In November 2015, it was worth \$633,000, according to Zillow. By August 2016, the value had plunged to \$490,000.

In January 2017, Andersen says, the Zestimate had soared to \$652,000 — a 33 percent jump in just a few months. Andersen says that's because she had listed with a broker and lodged a complaint about the home's value.

By mid-May, Andersen's listing had expired, and the value was down to \$541,456.

The volatile value of Andersen's home defied the general tranquility in her neighborhood. Values in her suburb and in her ZIP code have barely budged over the past few years, Zillow says.

Zestimates are so popular with consumers that Zillow Group's stock market value as of mid-May was \$8 billion, nearly twice the capitalization of the Realogy Group, the nation's largest brokerage.

However, the accuracy of Zillow's Zestimates long has been a topic of debate. Zillow itself acknowledges that they're not perfect. The

company rates its Chicago-area valuations at three stars on a scale of one to four.

The company says its median error is 5.4 percent in Chicago and 5 percent nationally. In late May, Zillow announced a contest that it said would award \$1 million to the data scientist who comes up with the most significant improvement to the Zestimate model.

“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,” said Stan Humphries, creator of the Zestimate.

Meanwhile, Seattle-based brokerage Redfin in 2015 launched an AVM tool that it promised would be more accurate than Zillow.

In the case of Andersen’s house, that seems not to be the case: Redfin said Andersen’s home was worth just \$530,085 in mid-May, even lower than the lowball Zestimate that sparked the suit. And Redfin says Andersen’s property is vacant land.

Andersen said she wasn’t familiar with Redfin’s AVM and hadn’t seen the company’s

estimate of her property’s value.

Redfin isn’t the first company to compete with Zillow. In 2006, title insurance giant Fidelity National Information Services launched CyberHomes.com to offer Zillow-like estimates, but the site no longer features a pricing tool.

And Andersen says her suit is unlikely to be the first legal action filed against Zillow by a homeowner.

“They’re going to become the subject of a lot more litigation,” Andersen says.

Indeed, Andersen in late May switched gears by filing another suit against Zillow. In this case, a Chicago-area builder gripes that a newly built mansion in Schaumburg, IL, is listed for \$1.995 million but has a Zestimate of just \$1.168 million.

“Plaintiffs and the class will continue to suffer irreparable injury with the current Zestimate placed by Zillow relative to their properties without the granting of an injunction to prohibit this conduct,” the suit says.

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