



“I KNOW IT’S NOT RIGHT, AND I DON’T CARE”

When asked about the accuracy of the estimates of home values on his website, that’s what the founder of one of the leading automated home valuation (AVMs) sites had to say. His business model is based on selling advertising on his site, and attracting eyeballs is the objective – advertisers pay for traffic. In our view, wrapping lots of maps and graphs around inaccurate information is the cyber equivalent of putting lipstick on a pig.

As we did this time last year, we put the largest of these sites to the test to see how their predicted value compared to the actual sales price. We used 250 properties that went to settlement in the Washington metropolitan area in the last week of February 2011 and compared the actual sales price to the predicted value from three prominent AVMs as well as the taxing jurisdiction’s current assessment. We chose a variety of resale condos, attached and detached homes across all price ranges, and to be as generous as possible, we looked at the **predicted** value **after** the properties had gone to settlement. We did the research at the end of the second week of March, knowing full well that the AVMs could have had the opportunity to update their models with the actual sales price. The chart at the bottom right shows the dismal results, broken out by four major area jurisdictions.

In general, the AVMs predicted values within 5% of the actual sales price **about a third of the time**. The assessed value was within 5% of the sales price **about a quarter of the time**. And overall, they were just about as like to predict a value below the actual value as above the actual value. The overall performance of these sites is no better than last year, by the way. The bottom line: these resources are **useless** for determining what a home is actually worth.

Ironically, if one really looks at the fine print on the AVM sites, they don’t actually claim to be very good at predicting values. This is a quote from Zillow.com: “The Zestimate is pulled from data; your real estate agent or appraiser physically inspects the home and takes special features, location, and market conditions into account. Variations in price also occur because of negotiating factors, closing costs, and timing of closing.” They go on to encourage buyers and sellers to “supplement” their research by getting a CMA from a real estate agent or by getting a professional appraisal. Appraisal says: “You should contact a professional real estate agent to get a true home value assessment.” And HomeGain provides a broader disclaimer: “This site uses data obtained from numerous public sources. Some areas of the country provide us with different levels of information. It is presented on an 'as is, as available' basis. This site makes no warranties, expressed or implied without limitation, to the information provided, nor is responsible for any errors or omissions. This valuation is NOT an appraisal. User acknowledges that this product is a technology report, a product of an automated valuation technology analysis. This information is compiled from public documents and is not guaranteed. No human interaction or inspection goes into the final results and analysis.”

So just to be clear, these sites don’t want anyone to rely on their information – because that’s what it is: information. We agree. There is an undeniable entertainment value to these sites. But **information** isn’t the same thing as **knowledge**. Providing knowledge is what we do for a living, and we’re good at it.

NO. VIRGINIA	Zillow	Ep appraisal	HomeGain	Tax Value
With a Value	94%	94%	92%	100%
OF THOSE W/VALUE				
Within 20% of SP	88%	81%	54%	86%
Within 10% of SP	69%	48%	34%	49%
Within 5% of SP	41%	28%	17%	22%
More than 5% high	33%	32%	17%	18%
More than 5% low	26%	39%	65%	60%
LOUDOUN	Zillow	Ep appraisal	HomeGain	Tax Value
With a Value	94%	88%	84%	100%
OF THOSE W/VALUE				
Within 20% of SP	89%	95%	64%	96%
Within 10% of SP	64%	52%	33%	68%
Within 5% of SP	28%	30%	12%	40%
More than 5% high	43%	39%	67%	20%
More than 5% low	30%	32%	21%	20%
MONTGOMERY	Zillow	Ep appraisal	HomeGain	Tax Value
With a Value	96%	72%	87%	100%
OF THOSE W/VALUE				
Within 20% of SP	83%	78%	43%	81%
Within 10% of SP	56%	48%	25%	44%
Within 5% of SP	28%	22%	11%	27%
More than 5% high	44%	41%	15%	40%
More than 5% low	28%	37%	74%	33%
WASHINGTON, DC	Zillow	Ep appraisal	HomeGain	Tax Value
With a Value	84%	86%	90%	96%
OF THOSE W/VALUE				
Within 20% of SP	74%	53%	56%	81%
Within 10% of SP	45%	26%	42%	48%
Within 5% of SP	38%	19%	13%	25%
More than 5% high	29%	30%	29%	31%
More than 5% low	33%	51%	58%	44%