

The background of the slide is a photograph of a blue house with white trim, partially obscured by trees and foliage. A large, semi-transparent watermark reading "DO NOT DUPLICATE" is oriented diagonally across the center of the image. In the top-left corner, there is a small vertical bar with blue, orange, and white segments.

# Zillow Offers: How It Really Works

Carol Trice  
Sr. Manager, Home Valuation Analytics





# Pizza Hut®

 Zillow



# Grubhub



 Zillow

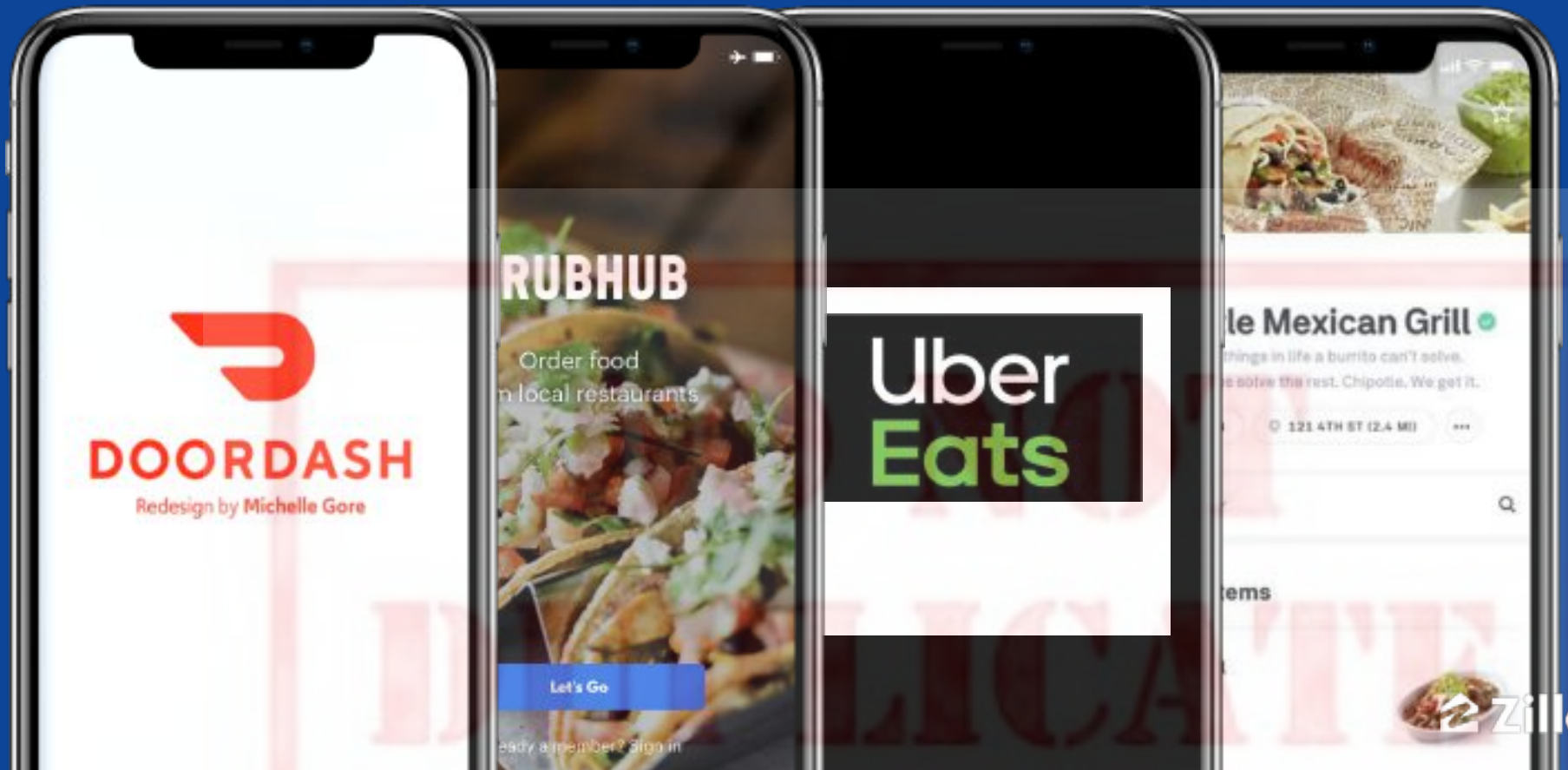
2014

Calling for food delivery was still primary way to order

2015

Online and mobile app ordering became primary way to order

Today







## The “latte transaction”



A photograph of a modern, two-story house at night. The house has large glass windows and a balcony. The interior lights are on, and the balcony railing is visible. The house is surrounded by trees and a lawn. The image is overlaid with a semi-transparent blue rectangle containing the title text.

# Consumer Housing Trends Report 2019



A background image showing a man in a red shirt covering his face with his hand, appearing stressed. In the background, a young child is sitting at a table, focused on a drawing or activity. The image is overlaid with a semi-transparent blue rectangle containing text.

**95%**

of sellers said that at least one  
selling activity was stressful to  
them and their family



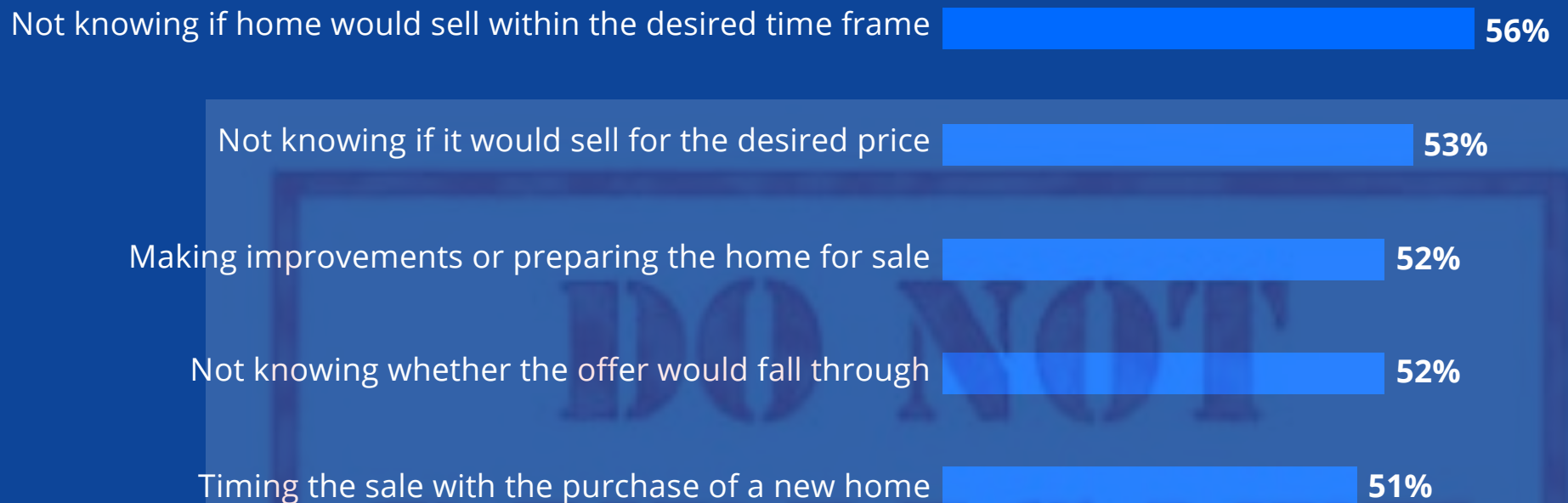
**53%**  
are selling for the  
first time



**64%**  
are buying and selling  
at the same time



## Most stressful selling activities



# The Zestimate



**1245 Pine Avenue**  
● Make Me Move™  
Price \$300,000



**1265 Cedar Way**  
🏠 For Sale \$258,000  
Zestimate® \$250,000



**1265 Oak**  
● Sold on  
Sold for \$23



**3467 Maple Street**  
🏠 For Rent \$2,500  
Rent Zestimate® \$2,430

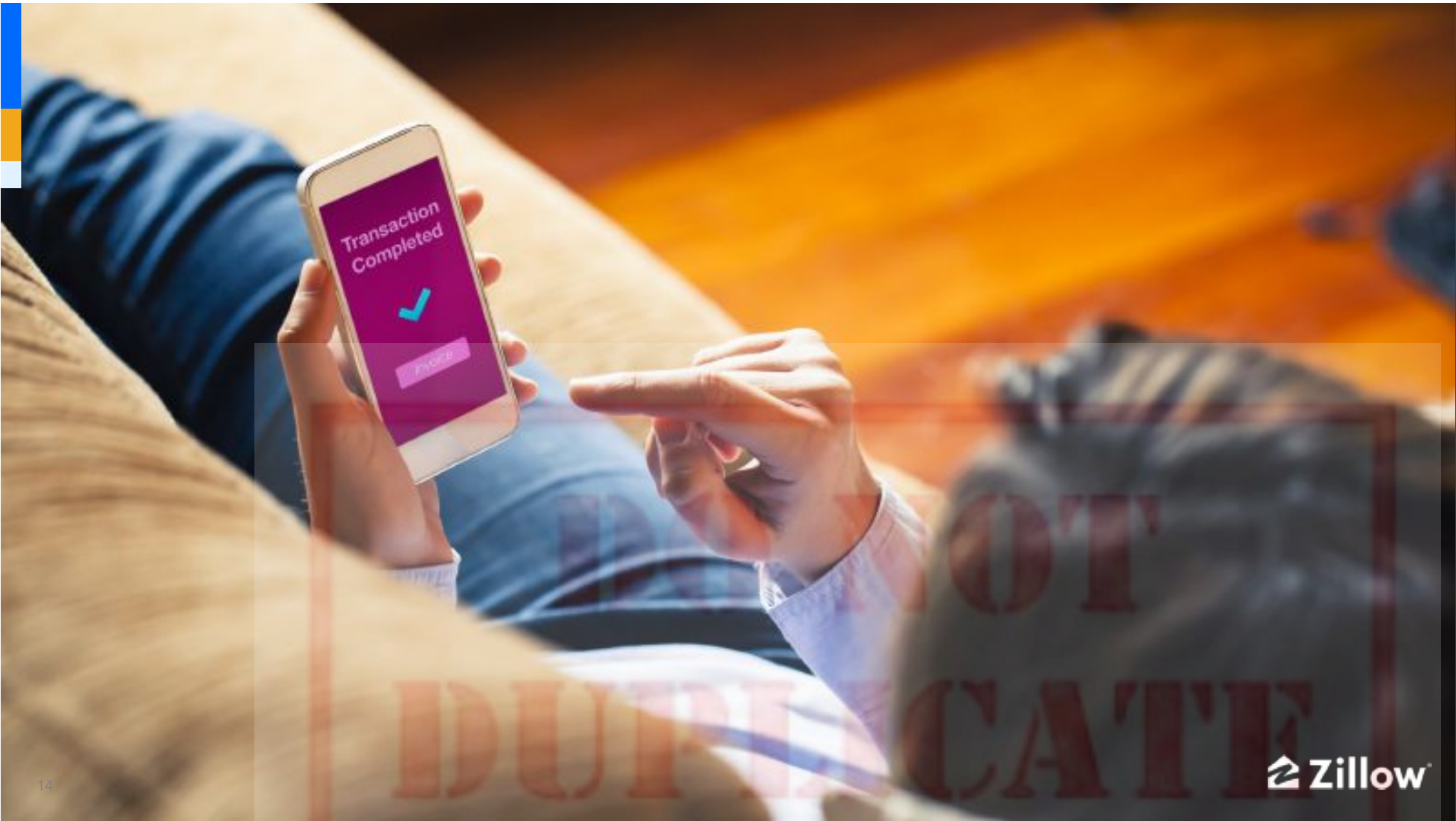


**3451 Alder Street**  
🏠 For Sale \$266,000  
Zestimate® \$260,000





# Zillow Offers is a natural evolution



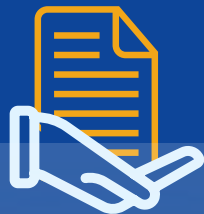


# The Zillow Offers process

Completes  
online  
questionnaire



If home qualifies,  
receives initial  
offer



Moves forward  
with offer



Accepts revised  
offer and picks  
date



Moves on  
closing date



Sends estimator  
to house

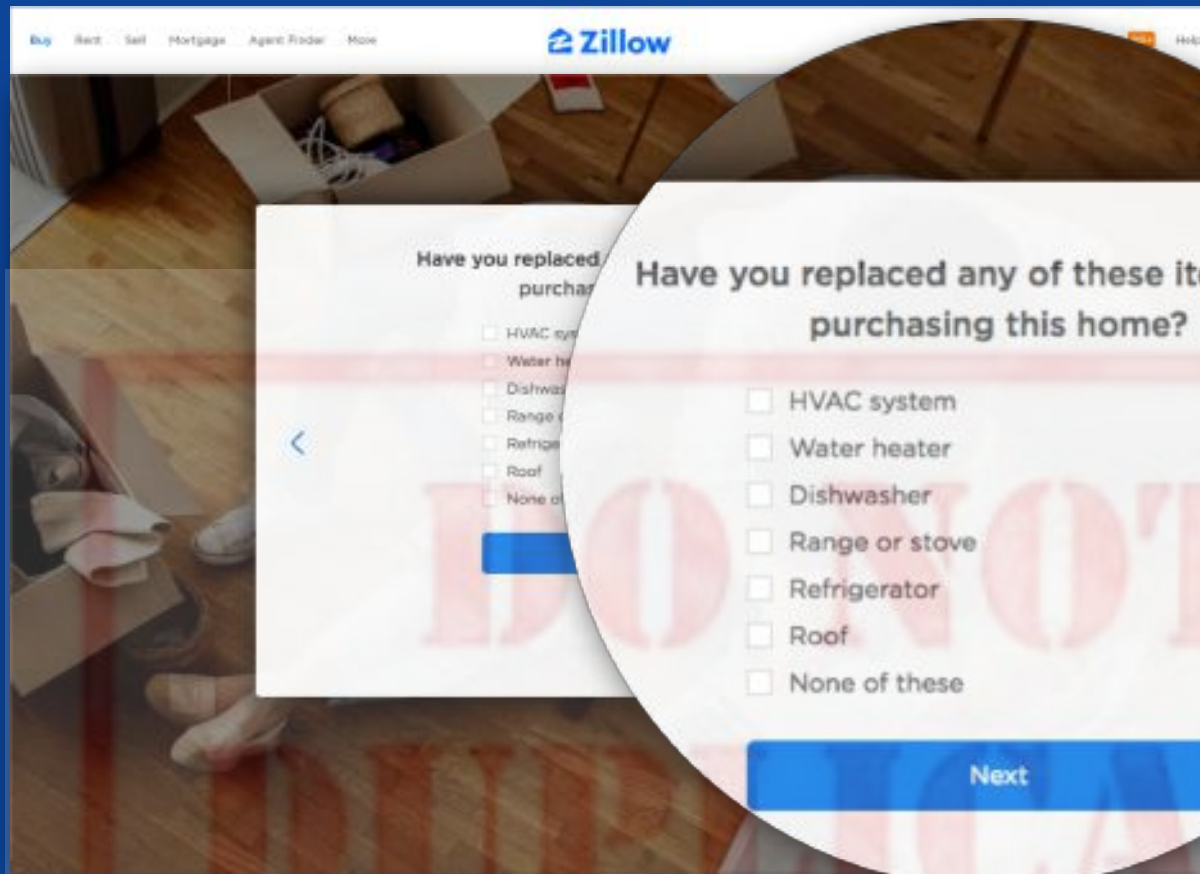


Revised offer  
sent





We start by collecting information from the seller

A screenshot of the Zillow website showing a seller questionnaire. The background is a blurred image of a room with wooden floors and cardboard boxes. A white circular overlay contains the questionnaire text and checkboxes. The Zillow logo is visible in the top right of the page and in the bottom right corner of the slide.

Buy Rent Sell Mortgage Agent Finder More Zillow Help

Have you replaced any of these items since purchasing this home?

- ☐ HVAC system
- ☐ Water heater
- ☐ Dishwasher
- ☐ Range or stove
- ☐ Refrigerator
- ☐ Roof
- ☐ None of these

Next



**We price at market rate**







Two Years Ago

Email and Trello boards for queue management

Research on our Zillow.com website

Pricing on Excel templates

Google Sheets ruled the world

Limited metrics







Today

**Queue management system**

**Proprietary pricing tool**

**Integrated Machine Learning tools**

**Dashboards to monitor performance**

A photograph of a modern, two-story house at night. The house features large glass windows and doors, some of which are illuminated from within. The exterior has a mix of dark wood siding and stone accents. A large, covered patio area with a wooden deck is visible in the foreground, furnished with outdoor seating. The sky is dark blue, and palm trees are visible in the background.

# Pricing Process Basics





**Local partner agents provide CMA**

**Pricing analysts review and verify the CMA accuracy**

**Some properties have a machine-learning (ML) CMA which the analyst can review/compare side-by-side with traditional CMA created on human market expertise.**



**If the analyst has concerns regarding the Partner Agent CMA or the ML CMA, the analyst may spend more time or make corrections**

**Pricing analysts review for value drivers that may not be identifiable by Machine Learning such as:**



views



topography



appeal of home



odors

**Any adjustments are recorded and fed back into the algorithm**

# Evolution of the Pricing and Machine Learning

Queue Management

DOM Estimate

Price Suggestions

Line Item Adjustments Recommendations

Comparable Suggestions

ML CMAs

## Humans in the Loop

- We believe the best performing system is one where machine and human work together. Our focus is on making this combined human-in-the-loop system coordinated through using human and ML solutions in the right places at the right times.



## Humans add value in a few key ways:



**PROVIDING AND AUDITING LABELS FOR DATA WE CAN'T GET AT SCALE**



**AUDITING DATA AND FACTS ABOUT THE HOUSE – A CRITICAL ROLE IN MITIGATING RISK TO ZILLOW AND TO THE BUYER**



**HETEROGENOUS HOUSING MARKETS WHERE TWO HOMES ON THE SAME STREET MAY BE VERY DIFFERENT**



**TESTING AND MONITORING**

A Zillow agent, wearing a blue uniform and cap, is standing on a porch and using a tablet. The background shows a textured wall and a door. A large, semi-transparent red stamp with the text "DO NOT DUPLICATE" is overlaid on the image.

# Home evaluation



# Prepping the home for sale





40%

of sellers had an  
offer fall through



21%

of sellers who had an offer fall through reported the cause as issues with buyer financing



# Benefits for buyers and sellers

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**Fast closing**

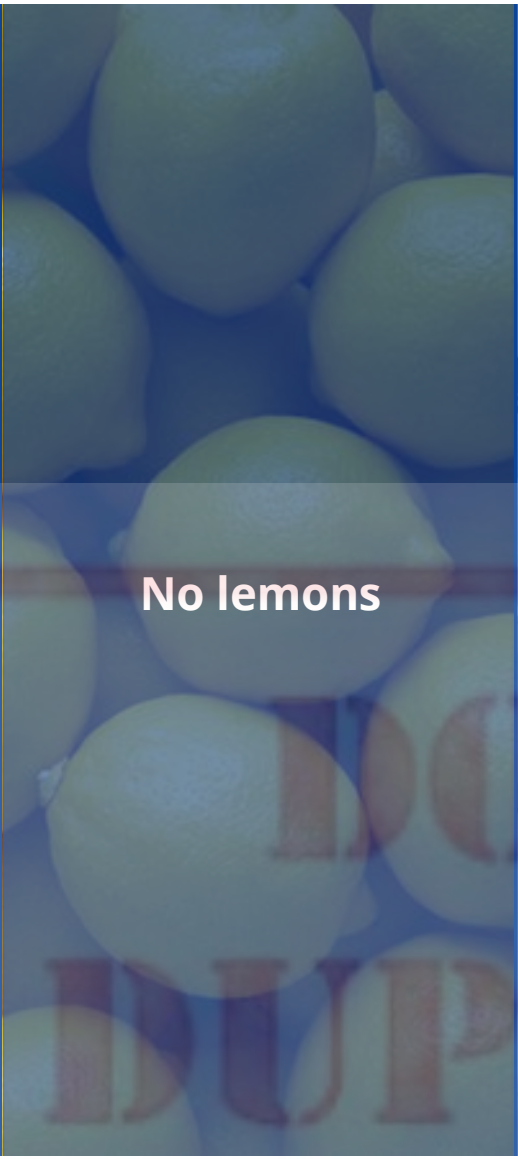
**Won't back out**

**Easy to contact**

**Know what you're  
getting into**



**Get into home any  
time**



**No lemons**



**Move-in ready**



**Easier and more  
convenient**

# Zillow Offers: True or false?



True or false?

**Zillow is flipping houses.**

**DO NOT  
DUPLICATE**



**False.**

**Zillow is *not* flipping houses.**

Flippers buy low and sell high and do a significant number of renovations.

Zillow makes money based on the number of homes sold.



True or false?

**Zillow-owned homes don't go on the MLS.**

**DO NOT  
DUPLICATE**



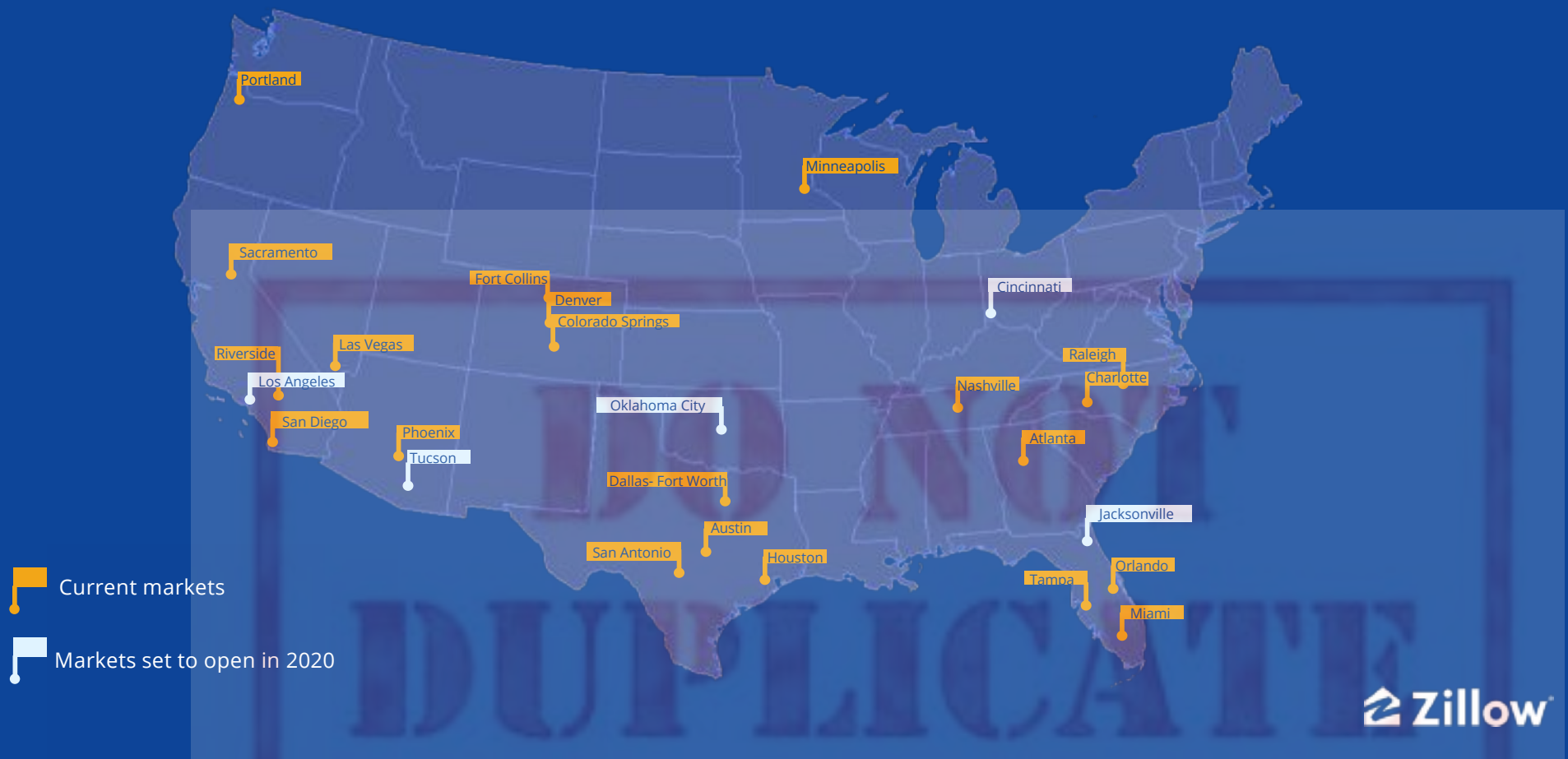


**False.**

**All Zillow-owned homes are listed and placed on the local MLS.**



# Zillow Offers



We can buy and sell in any market condition



### **Hot market**

Fast sale so sellers have access to cash quickly for next down payment



### **Cold market**

Certainty – despite market activity



# Consequences of on-demand real estate

DO NOT  
DUPLICATE



# How are we doing so far?

- More than 80,000 sellers requested an offer from Zillow in Q3 2019.
- During Q3 of 2019 alone, Zillow purchased 2,291 homes and sold 1,211 homes.
- We sold 54% more homes than we did in Q2, and we bought 49% more homes in Q3 than we did in Q2.
- Zillow charges the seller a service fee in exchange for avoiding the hassle, time commitment and uncertainty of a traditional home sale. During the third quarter of 2019, that fee was an average of 6-9%.



A man in a dark jacket and light-colored pants is carrying two cardboard boxes with an upward arrow symbol. He is walking through a doorway. In the background, there are more boxes and a desk with a laptop. A large, semi-transparent red rectangular stamp with the words "DO NOT DUPLICATE" in a serif font is overlaid on the image. The Zillow logo is in the bottom right corner.

**We think we'll add more buyers  
and sellers to the market**

A family consisting of a man, a woman, and a young child are shown moving into a new home. The man and woman are carrying large cardboard boxes, and the child is walking towards them. The scene is set in a modern, brightly lit interior space. A large, semi-transparent watermark with the text "DO NOT DUPLICATE" is overlaid across the center of the image. The overall color scheme is blue and white, with a blue gradient overlay on the right side of the image.

**We're on a journey to create  
seamless real estate experiences**

**Thank You!**

**DO NOT  
DUPLICATE**

