

Ep #24: The Truth About Zillow's Zestimate



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With Your Host

Harriet Libov

[Your Real Estate Connection in Westchester](#)

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Welcome to *Your Real Estate Connection in Westchester*. A show for people looking to buy or sell homes in the Northern Westchester County area. Join local real estate expert Harriet Libov as she shares her professional advice on the local real estate market, connects you with knowledgeable community residents, and gives you helpful insights behind the home buying and selling process. Now, let's dive into today's episode.

The Zestimate on Zillow is one of the most brilliant marketing tools I have ever seen in real estate. The term is used casually by everyone if they're a homeowner or a buyer as if it's a truly educated opinion of value from a top real estate agent that has market expertise or a licensed appraiser rather than an algorithm, or as Zillow calls it a home valuation model.

Zillow's popularity in general is all marketing driven. Ask any real estate agent and they will tell you Zillow is one of the most archaic sites technology wise. It can be wildly inaccurate and unresponsive to making changes when inaccuracies happen that can be truly unfair to sellers.

Municipalities, school districts, assessment and taxes need to be checked and cannot be taken as gospel on Zillow. But their marketing makes it feel like gospel. I will be doing this episode solo. I hope when I'm done you will have a better perspective of how much credibility this home valuation model has when pricing a home. Let's settle in and learn more about this popular phenomenon.

I have been selling real estate for over 20 years in balanced markets, buyers' markets, and now this crazy post COVID seller's market. As Zillow grew in popularity, so did the Zestimate. The term is ubiquitous for anyone interested in real estate. This well marketed model for valuation can be wildly inaccurate or closer to real value and varies from market to market.

Zillow writes on their site, "The Zestimate's accuracy depends on the availability of data in a home's area. Some areas have more detailed home

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information available, such as square footage, number of bedrooms and bathrooms, and others do not. The more data available, the more accurate the Zestimate value will be.”

In my market in Northern Westchester where excellent public schools and beautiful land are the driving force for successful New Yorkers, the sweet spot of home prices starts at \$1 million and ranges up to \$2 million. Zillow says that in New York state, 94% of Zestimate prices are within 10% of the sale price. So if you're selling a \$2 million home, a 10% error is a \$200,000 difference.

In this current post COVID seller's market, I rarely hear the Zestimate mentioned, whether it's a listing appointment for a seller or focusing on a purchase with a buyer. All the rules have gone out the window in this market. My job is to educate the clients as best I can with pending prices. But the house is worth what a buyer is willing to pay. That could be hundreds of thousands over asking in Westchester County.

So then how can a Zestimate be correct in a rising market before it's converted into a sale price? Zillow doesn't know if a house had one offer or 20 offers. Overall, sellers look at a high Zestimate and expect to hear that price when an agent is coming up with a list price to sell. They are disappointed that it's not worth what they thought it was. It can make for a hard conversation if a real estate agent doesn't believe the home is worth have anywhere near those online Zestimates.

In a balanced market if the Zestimate is high, sellers look at the Zestimate as real data to hold firm on their price when they're negotiating. It can get in the way of putting a fair deal together. If I tell them their house is worth more than the Zestimate then they want Zillow to raise theirs estimate so the potential buyers aren't swayed by this online information. That's another hard conversation as updating the information is not always successful.

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So what is this information that Zillow uses to value properties? Hundreds of factors go into the calculations for these estimates, including local real estate databases, sale records over time, property records, tax records, and other sources. While accuracy is improving, an estimate on one site can be wildly different from another, such as Redfin, sometimes varying by hundreds of thousands of dollars. Individual estimates may be way over or under what a home actually lists and ultimately sells for.

As an agent that stays local and focuses on communities I know, I see all the houses that would be used in a comparable sale. Two homes may have the similar bedroom count or square footage and acreage, but the sale prices may be wildly different. I know if a house had a mold problem or cracked foundation and sold for less, but Zillow does not. It can lower the Zestimate of the house next door by tons or vice versa. A great renovation, curb appeal, and property with a high sale price will overvalue the house next door that has none of those qualities other than bedroom count, bathroom count, square footage, and acreage.

I have bank appraisers call me all the time as a local expert to help them understand these nuances and inaccuracies as they know I know my market. We all help each other. That's the beauty of being human and knowledge and not an algorithm or sending a robot inside your house. Make sense, right?

Overall, I would say online estimates help for an initial conversation, but they are never a replacement for an experienced person who can see the property and understand the real nuances behind value. If you meet with an agent and see an accurate lower estimates online on Zillow or Redfin, and you feel it could hurt you as a seller one day, Zillow, Redfin, Realtor.com will allow homebuyers to claim their home and, in some cases, update information about things like recent renovations or amenities inside the home to provide a more up to date listing.

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Owners can see which homes are being compared with theirs. Updating a property's details won't result in an immediate change in the home Zestimate, and sometimes won't result in any change at all. For example, having a fourth bathroom may not necessarily do much for home value in your town. So inputting this information may not have any effect at all. But most sellers start talking and preparing their house for sale a year or so in advance. So checking your online estimates on Zillow, Redfin, Realtor.com and trying to keep them accurate is certainly a good idea.

Redfin emails me with an online estimate of my own home once a month and offers me a consultation with one of their agents. My best advice to you, my listeners, is don't lose sight of what a great marketing tool this is for those sites, and that they are really all now brokerage firms. Redfin agents list properties. Zillow has become a brokerage firm as well.

Do your homework, work with a local productive agent that knows their market and can advise you with their invaluable knowledge of the inventory and recent sales or deals in your neighborhood. Keep in mind that if you don't live in my market, I have the ability to network and refer you to local experts, nationally and globally. All agents are not the same. I promise you.

Thanks for listening. Next episode I will focus on getting involved in your community and young residents moving in and making great changes happen. I've seen so many of my wonderful buyers turn into outstanding members of their community, and it is heartwarming to see. Enjoy the summer. Relax and have fun until next time. I will too.

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