

Zillow's Impressive Zestimate Valuation Model

There is no disputing that Zillow is the champion of property value estimation in the United States with their “zestimate”. Zillow’s major strategic investment to build the leading property valuation model was the game changer for this technology company. The “zestimate” is a major driver of website traffic for the giant and their entire online model has been built around this innovative product which showcases the importance of Innovation.

What is a Zillow estimate?

A Zillow estimate is an automated home valuation tool that provides an estimate of a home’s market value. Also called a Zestimate, it’s based on public and user-submitted data, and incorporates home facts, location and market conditions.

Zillow was founded in 2006, and the site is mainly for browsing homes for sale before choosing an agent. Most Realtors get homes listed on Zillow, as it’s a popular site that gets a lot of traffic from buyers and sellers.

How is a Zillow estimate calculated?

To calculate an estimate, Zillow uses proprietary algorithms that incorporate data from brokerages and multiple listing services. Additionally, it includes features like the number of bathrooms, location, square footage, etc.

To ensure you get an accurate estimate, they include details like listing price of comparable data, tax assessments, and prior sales records.

How accurate is a Zillow estimate?

The accuracy of Zestimate depends on data of specific area and location. It works well on listed properties because the price is already accounted for. However, they may not be accurate when it comes to homes that sold privately.

A Zillow estimate doesn't take into account the recent upgrades or any structural issues. It's also very difficult for the algorithm to tell the difference between a painted floor and another one that is fully furnished.

The zestimate tool has an impressive national accuracy rate of 82.2% of being within 5% of the sales price. The zestimate model performs exceptionally well in major real estate markets that are highly active and there is an abundance of real estate data. We have included some of the top performing markets:

- Las Vegas = 91.6%
- Phoenix = 89.9%
- Washington = 88.4%

What is impressive about the Zillow is that they open publish the statistics on their models performance and accuracy which we have included in [Appendix A](#) and can also be viewed on Zillow's website – [click here](#)

Is a Zestimate high or low?

For larger markets, the median error is about 2% of home value. The amount of data you have for a specific home will determine the accuracy of a Zillow estimate. If the information is inaccurate or incomplete, it will affect the Zestimate.

When a new home gets into the market, the data will change. This is because on-market homes incorporate valuable data that may not include eventual sales price.

The estimate can also be far off, especially if it has been listed for much longer. Similarly, if you change some home facts, Zestimate can change. But if the update is not significant enough, the estimate may not change.

Since Zestimate includes data available for a home, any outdated information may lead to an inaccurate estimate. Information like heat source, building amenities, architectural style, and more can change the value of the home. This is especially true if these factors are inaccurate.

Zestimates VS. Appraisals

Let's be clear: a Zillow estimate is not an appraisal. It's a computer-generated estimate based on the available data. While many home buyers will consider Zestimate when looking for a home, they should also factor in a professional real estate estimate.

Zestimate shouldn't be used in place of an appraisal, but it's a good starting point for estimating the value of a home. And because it depends on the data of a specific area, it can include the number of bathrooms, bedrooms, and square footage.

How to Check a Zillow Estimate

If you want to know the fair market value of a property, a Zestimate has you covered. The value will determine your investment strength and home's equity.

To use Zillow Estimate, log in to the website and key in important data. And because there's no guesswork here, they use tons of data and sophisticated algorithms.

The estimating method does comparative analysis from similar neighborhoods. It also extrapolates sales from similar markets. Also, the algorithm uses larger data that exceeds that of your neighborhood of interest. Even if there are no recent sales, the algorithm will identify trends in the local housing market.

Can you review the Zestimate if there are some errors?

Zillow doesn't delete Zestimate. If you believe a home doesn't have enough data, you can review for any possible data.

Moreover, you can provide additional information like lot size, tax details, beds, baths, etc. Your goal is to get a neutral estimate that is not far from the fair market value.

Appendix A – Zestimate Accuracy by State

State	Type	Median Error	Homes with Zestimates	Within 5% of Sale Price	Within 10% of Sale Price
Alabama	On-Market	2.0%	27.4K	81.8%	93.3%
Arizona	On-Market	1.4%	41.6K	91.1%	97.8%
Arkansas	On-Market	1.9%	14.0K	83.8%	94.7%
California	On-Market	1.8%	117.8K	83.7%	95.1%
Colorado	On-Market	1.5%	29.3K	90.5%	98.1%
Connecticut	On-Market	2.1%	24.2K	82.9%	95.3%
Delaware	On-Market	1.8%	7.3K	86.3%	96.3%
District of Columbia	On-Market	2.1%	2.6K	82.7%	95.6%
Florida	On-Market	2.1%	200.4K	84.4%	95.7%
Georgia	On-Market	1.9%	57.7K	84.5%	95.4%
Hawaii	On-Market	1.5%	10.6K	89.1%	96.6%
Illinois	On-Market	2.1%	76.4K	83.8%	95.5%
Iowa	On-Market	1.7%	15.1K	84.6%	95.5%
Kentucky	On-Market	2.0%	16.0K	84.7%	95.2%
Maine	On-Market	2.4%	9.0K	79.7%	94.7%
Maryland	On-Market	1.5%	34.0K	87.4%	96.4%
Massachusetts	On-Market	2.4%	28.9K	78.1%	94.5%
Michigan	On-Market	2.5%	45.5K	76.9%	93.3%
Minnesota	On-Market	2.0%	27.4K	83.9%	96.1%
Nebraska	On-Market	1.8%	7.4K	84.4%	95.4%
Nevada	On-Market	1.4%	16.2K	90.9%	97.9%
New Hampshire	On-Market	2.1%	8.8K	83.0%	95.4%
New Jersey	On-Market	2.2%	60.8K	81.3%	94.7%
New York	On-Market	2.6%	107.8K	75.3%	92.0%
North Carolina	On-Market	1.8%	56.1K	85.2%	95.8%
Ohio	On-Market	2.2%	50.8K	79.5%	93.5%
Oklahoma	On-Market	2.0%	23.0K	84.1%	95.6%
Oregon	On-Market	1.7%	22.4K	86.2%	96.4%
Pennsylvania	On-Market	2.1%	61.7K	80.1%	94.0%
Rhode Island	On-Market	2.2%	5.6K	80.1%	94.6%
South Carolina	On-Market	1.8%	37.3K	86.0%	96.2%
South Dakota	On-Market	1.4%	2.7K	90.7%	97.7%

Tennessee	On-Market	1.8%	31.5K	84.5%	95.1%
Vermont	On-Market	2.5%	3.9K	78.2%	92.9%
Virginia	On-Market	1.4%	44.8K	90.0%	97.4%
Washington	On-Market	2.0%	30.5K	80.8%	94.6%
West Virginia	On-Market	2.3%	6.7K	78.1%	91.7%
Wisconsin	On-Market	2.1%	25.8K	81.9%	95.3%

Source: <https://www.zillow.com/z/zestimate/>

Research Article Sources:

- [UpNest - https://www.upnest.com/1/post/zillow-estimate/](https://www.upnest.com/1/post/zillow-estimate/)
- [Zillow - https://www.zillow.com/z/zestimate/](https://www.zillow.com/z/zestimate/)

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