

## Zillow's Zestimate overvalued a Washington home by 700 percent in a case of algorithms gone wrong

Originally published March 1, 2018 at 12:09 pm Updated March 1, 2018 at 5:57 pm

**The story of a Mason County home offers a peek into how one of Seattle-based Zillow's most popular features can miss by a mile — and how hard it is to get it right.**

By [Mike Rosenberg](#)

*Seattle Times business reporter*

When Seattle residents Sue and Roy Carlson bought a modest home on the Kitsap Peninsula in June, they paid \$225,000 — a discount because the house was headed for foreclosure.

Redfin now estimates the home in Belfair, southwest of Bremerton, is worth \$318,000. Realtor.com's algorithm pegs the house at \$268,000. And the county assessor has valued it at \$283,000.

But like most homes, when you Google its address, the first thing that shows up is its Zillow page.

And according to that Zillow page, the home is now worth \$1.8 million.

There's no waterfront access, redevelopment potential or anything else significant about the property — in fact, it needs serious work. So how could an unremarkable three-bedroom home, located in a city where Zillow says the median home costs \$286,000, be worth that much?

"I don't have a clue where they came up with this number," said Sue Carlson, 70. "It's not worth anywhere near \$1 million. They're nuts."

Carlson went on a mission to figure out how her home could be valued at 700 percent above what she just paid for it. Her story offers a peek into how algorithms can go wrong, and highlights an ongoing issue with one of Seattle-based Zillow's most popular features.

Beyond the basic issue of accuracy, Carlson worries Zillow's home price estimate — which the company calls a Zestimate and derives using an algorithm that mixes things like sales history and market data — could hurt her chances at reselling the home.

The Carlsons have a cabin a few doors down, and bought the other, larger home on the street to save their neighbor from foreclosure and so they could potentially retire there. But Sue Carlson said it needs more than \$100,000 in work, and she's already received

an inquiry from a potential buyer who also lives on the same block. So now they're thinking they may ultimately just sell it.

“If anybody wanted to buy the house (and saw the \$1.8 million Zestimate), they would just go, ‘Well, that’s ridiculous,’” Carlson said.

Zestimates have long been a source of wonder and frustration for homeowners and real estate agents. Because of the company’s popularity as the most-clicked real estate site in the country, a Zestimate — which appears in bold type atop any home’s Zillow page — can become a starting point of sorts for actual home-selling prices.

And some homeowners obsessively check their home’s Zestimate like a stock, curious to see how their biggest asset has changed in value.

But as Carlson discovered when she went down a [research rabbit hole](#), there are many news stories, websites and comment threads online, and even [some lawsuits](#), targeting Zestimates.

Last year, the company said its Zestimates [are off by \\$40,000](#) on the typical single-family home sold in Seattle. When Zillow CEO Spencer Rascoff sold his Seattle home in 2016, the Zestimate overshot the home’s value [by 40 percent](#) compared to the actual sale price, and the home he bought [was off by](#) more than \$1 million.

Zillow last year even launched a competition with a [\\$1 million prize](#) in hopes of improving the Zestimate algorithm. (The contest is still ongoing through next year — the company on [Thursday announced](#) 100 semifinalists, out of 3,800 entries, who have already registered small improvements to the algorithm.)

But the Carlsons’ case was much more extreme. So what happened?

Previously, Zillow had valued the home in the ballpark of \$300,000, similar to the assessor and other real estate sites. But right after the sale, the Zestimate skyrocketed six-fold.

It turns out that’s because Zillow recorded the actual sales price of the home as \$1.77 million.

A company spokesman said there was an error from a third-party vendor that supplies the sales data, and nobody caught it. He said such errors are rare, considering there are 110 million homes on the site.

On Wednesday, after a few days of unsuccessfully trying to get in touch with Zillow on the phone, she received an email back from the company acknowledging the error, and Zillow fixed the actual sales price. (The company responded before a reporter got in touch about her case).

But the Zestimate itself still hadn't changed by Thursday (a Zillow spokesman said the Zestimates update once per day, and get changed slowly, so the Carlsons' Zestimate will presumably go down eventually).

“Overall, the Zestimate is incredibly accurate — with a median error rate of 4.5 percent — but occasionally human error does occur,” Zillow spokesman Viet Shelton said in a statement. “Since the Zestimate is calculated using thousands of data points, it's only as good as the data provided.”

The error highlights a flaw in the Zestimate system: The company doesn't have any systems in place to alert employees if its computers suddenly change a home's value drastically. But Zillow says it's working to change that.

Anyone else trying to get their Zestimate changed might not be as fortunate: Homeowners can claim their property pages on Zillow and contact customer support to alert them to obvious errors — like a three-bedroom home listed as a two-bedroom — which could change their Zestimates. But residents can't monkey with the overall algorithm just because they disagree with their home value.

*This post has been updated to give a better description of Belfair's location.*