

# EXHIBIT 2002

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### Technology

#### A New Home Site on the Block

By [Timothy J. Mullaney](#) on February 07, 2006

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Researching real estate on the Web? If so, you're probably looking for the answer to one of two questions: What is my home worth, and which houses are for sale in the neighborhood where I want to live? To get an online estimate of a home's value, you often have to hand over your name and phone number so a service like HouseValues.com (SOLD

) can send a local agent your way. That will begin to change with the unveiling of Zillow.com, the long-awaited online real estate startup led by Expedia (EXPE

) founder Richard N. Barton.

Zillow's main product will be an automated home-appraisal service, supported by advertising and based on a vast storehouse of data (2 terabytes, for anyone keeping score) that covers public records of home sales across the country. Even in its beta-testing phase, which opens to the public Feb. 8, the site has enough data to provide appraisals -- or "Zestimates" -- for 40 million U.S. homes. That's almost half the nation's single-family units.

The service blends the estimated home valuations with satellite mapping, so you can see, for example, what every home on a given block in Seattle is worth in a single screen shot. The strongest coverage is in Western states, with some of the weakest in and around New York, where the mix of homes, condos, and apartments makes it tougher to compare properties.

UNIQUE APPROACH. Zillow says its estimates are typically on target, falling within 10% of the actual home-sale prices 62% of the time. "It just means that what we're doing is hard, and it's going to be hard for others to do as well," Barton says. Zillow's initial model doesn't provide any way to help consumers ratchet down, through negotiations, the standard 5% to 6% commission for selling a home.

Barton's approach is unique. Direct rival HouseValues, which also lets consumers sign up for home appraisals, connects consumers to local real estate agents, who pay HouseValues for leads. The real estate sales reps offer an appraisal, based on their own experience, and usually ask for a meeting with the homeowner. Discount broker ZipRealty (ZIPR

) helps consumers buy and sell homes, but it offers rebates of part of the firm's commission: A buyer of a \$400,000 home can save about \$2,500 by taking the business to ZipRealty. And RealEstate.com, a unit of IAC/InterActiveCorp (IACI

), charges real estate agents a substantial chunk of their commission in exchange for referring clients. It then gives the consumer a slice, usually through a gift card that can be worth thousands of dollars.

Some of these outfits will compete with Zillow, but others likely will be Zillow advertisers. Zip is expected to

showing interest, too: Charter advertisers include New Jersey giant Weichert Realtors and Prudential Realty's California franchise, as well as online lender Quicken Loans.

"SEVERAL STEPS AHEAD." Ryan Slack, chief executive of New York-based automated-appraisal site PropertyShark, says HouseValues has already begun changing its business model to lessen reliance on appraisals. Instead, HouseValues' new HomePages.com site gives information on houses for sale in each market. "[Zillow is] going to make HouseValues' model really obsolete," Slack says. HouseValues CEO Ian Morris and Chairman Mark Powell didn't return a call seeking comment.

Analysts and some rivals say Zillow's offering is more sophisticated than other real estate tools currently available online. Steve Murray, president of industry consulting firm Real Trends in Littleton, Colo., says Zillow allows more customization and more flexibility than rivals. For example, once Zillow gives a basic home-price estimate, users can refine it by adding details Zillow may not know -- such as whether the house has been newly painted or had a bathroom upgrade. The estimate is updated each day, based on changes in the local market.

But Murray says Zillow's beta version doesn't give consumers the information they want about which homes are for sale in their market, unlike such rivals as ZipRealty, RealEstate.com, and Homestore's (HOMS) Realtor.com. "They'll find a market for this," Murray says. "It's not earth-shattering, but it's several steps ahead of the other tools out there now." Barton hopes to someday add icons or tags to images of properties that are for sale.

EXPEDIA CROSSOVER. The biggest question about Zillow is Barton's decision to build a business model around advertising. Zillow plans to use cost-per-click advertising similar to that of a search engine, with prices beginning at \$1 a click until advertisers eventually set their own prices through auctions. Zillow also will show ads placed on the site by Google (GOOG

). But Homestore, which gets 90% of revenue from ads, has struggled to make money, though it eked out small profits in the second and third quarters of 2005.

That has led most other players to try to get a chunk of the \$60 billion-plus that Americans spend on real estate commissions each year by charging realty agents referral fees, rather than fighting with newspapers and other media for the much smaller amount (\$11 billion) they spend on advertising. "There really are not any successful [online real estate] companies that have worked on an advertising model," says Tom Reddin, CEO of IAC Financial Services and Real Estate, which runs RealEstate.com and sister site LendingTree.

Heading into the crucial spring home-selling season, Barton's new project is ready for its test drive. He has assembled a raft of ex-Expedia execs among Zillow's 75 employees and has raised \$32 million from venture-capital firms Benchmark Capital and Technology Crossover Ventures, where partner Jay Hoag was on Expedia's board. "Each conversation I have [with potential advertisers] makes me that much calmer," the 38-year-old says. But if Barton manages to roil the waters in this huge industry, he may be the only calm guy in the business.

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