UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-36853

ZILLOW GROUP, INC.
(Exact name of registrant as specified in its charter)

Washington	**47-1645716**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1301 Second Avenue, Floor 31, Seattle, Washington	**98101**
(Address of principal executive offices)	**(Zip Code)**

(206) 470-7000
@ZillowGroup
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	ZG	The Nasdaq Global Select Market
Class C Capital Stock, par value $0.0001 per		

share	Z	The Nasdaq Global Select Market

As of May 1, 2019 , 58,318,212 shares of Class A common stock, 6,217,447 shares of Class B common stock, and 140,633,463 shares of Class C capital stock were outstanding.

ZILLOW GROUP, INC.

Quarterly Report on Form 10-Q

For the Three Months Ended March 31, 2019

TABLE OF CONTENTS

		Page
	PART I – FINANCIAL INFORMATION	
Item 1.	Financial Statements (unaudited)	2
	Condensed Consolidated Balance Sheets	2
	Condensed Consolidated Statements of Operations	3
	Condensed Consolidated Statements of Comprehensive Loss	4
	Condensed Consolidated Statements of Shareholders’ Equity	5
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	39
Item 4.	Controls and Procedures	40
	PART II – OTHER INFORMATION	
Item 1.	Legal Proceedings	41
Item 1A.	Risk Factors	42
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	43
Item 6.	Exhibits	44
	Signatures	45

As used in this Quarterly Report on Form 10-Q, the terms “Zillow Group,” “the Company,” “we,” “us” and “our” refer to Zillow Group, Inc., unless the context indicates otherwise.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including Part I, Item 2 (Management’s Discussion and Analysis of Financial Condition and Results of Operations), contains forward-looking statements based on our management’s beliefs and assumptions and on information currently available to our management. Forward-looking statements include all statements that are not historical facts and generally may be identified by terms such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect” or the negative or plural of these words or similar expressions.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those risks, uncertainties and assumptions described in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2018. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements, and we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

WHERE YOU CAN FIND MORE INFORMATION

Our filings with the Securities and Exchange Commission, or SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available on our website at www.zillowgroup.com, free of charge, as soon as reasonably practicable after the electronic filing of these reports with the SEC. The information contained on our website is not a part of this quarterly report on Form 10-Q or any other document we file with the SEC.

Investors and others should note that Zillow Group announces material financial information to its investors using its press releases, SEC filings and public conference calls and webcasts. Zillow Group intends to also use the following channels as a means of disclosing information about Zillow Group, its services and other matters and for complying with its disclosure obligations under Regulation FD:

- Zillow Group Investor Relations Webpage (http://investors.zillowgroup.com)
- Zillow Group Investor Relations Blog (http://www.zillowgroup.com/ir-blog)
- Zillow Group Twitter Account (https://twitter.com/zillowgroup)

The information Zillow Group posts through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following Zillow Group’s press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this quarterly report on Form 10-Q or any other document we file with the SEC, and the inclusion of our website addresses and Twitter account are as inactive textual references only.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data, unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 736,507	$ 651,058
Short-term investments	780,963	903,867
Accounts receivable, net of allowance for doubtful accounts of $4,942 and $4,838 at March 31, 2019 and December 31, 2018, respectively	70,605	66,083
Inventory	325,154	162,829
Mortgage loans held for sale	29,469	35,409
Prepaid expenses and other current assets	69,292	61,067
Restricted cash	27,595	12,385
Total current assets	2,039,585	1,892,698
Contract cost assets	46,176	45,819
Property and equipment, net	142,146	135,172
Right of use assets	102,056	—
Goodwill	1,984,907	1,984,907
Intangible assets, net	207,933	215,904
Other assets	16,763	16,616
Total assets	$ 4,539,566	$ 4,291,116
Liabilities and shareholders’ equity		
Current liabilities:		
Accounts payable	$ 7,708	$ 7,471
Accrued expenses and other current liabilities	63,212	63,101
Accrued compensation and benefits	30,300	31,388
Revolving credit facilities	246,028	116,700
Warehouse lines of credit	27,991	33,018
Deferred revenue	36,105	34,080
Deferred rent, current portion	—	1,740
Lease liabilities, current portion	19,561	—
Total current liabilities	430,905	287,498
Deferred rent, net of current portion	—	19,945
Lease liabilities, net of current portion	102,405	—
Long-term debt	707,860	699,020
Deferred tax liabilities and other long-term liabilities	15,264	17,474
Total liabilities	1,256,434	1,023,937
Commitments and contingencies (Note 17)		
Shareholders’ equity:		
Preferred stock, $0.0001 par value; 30,000,000 shares authorized; no shares issued and outstanding	—	—
Class A common stock, $0.0001 par value; 1,245,000,000 shares authorized; 58,315,359 and 58,051,448 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	6	6
Class B common stock, $0.0001 par value; 15,000,000 shares authorized; 6,217,447 shares issued and outstanding as of March 31, 2019 and December 31, 2018	1	1
Class C capital stock, $0.0001 par value; 600,000,000 shares authorized; 140,597,526 and 139,635,370 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	14	14
Additional paid-in capital	4,022,218	3,939,842
Accumulated other comprehensive income (loss)	197	(905)
Accumulated deficit	(739,304)	(671,779)
Total shareholders’ equity	3,283,132	3,267,179
Total liabilities and shareholders’ equity	$ 4,539,566	$ 4,291,116

See accompanying notes to condensed consolidated financial statements.

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data, unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Revenue:		
IMT	$ 298,272	$ 280,856
Homes	128,472	—
Mortgages	27,360	19,023
Total revenue	454,104	299,879
Cost of revenue (exclusive of amortization) (1):		
IMT	24,251	22,594
Homes	122,419	86
Mortgages	4,678	1,239
Total cost of revenue	151,348	23,919
Sales and marketing	161,587	137,291
Technology and development	107,770	93,933
General and administrative	95,774	56,073
Acquisition-related costs	—	27
Integration costs	352	—
Total costs and expenses	516,831	311,243
Loss from operations	(62,727)	(11,364)
Other income	9,168	2,446
Interest expense	(16,466)	(7,073)
Loss before income taxes	(70,025)	(15,991)
Income tax benefit (expense)	2,500	(2,600)
Net loss	$ (67,525)	$ (18,591)
Net loss per share — basic and diluted	$ (0.33)	$ (0.10)
Weighted-average shares outstanding — basic and diluted	204,514	191,464
(1) Amortization of website development costs and intangible assets included in technology and development	$ 14,400	$ 22,549

See accompanying notes to condensed consolidated financial statements.

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands, unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Net loss	$ (67,525)	$ (18,591)
Other comprehensive income (loss):		
Unrealized gains (losses) on investments	1,144	(332)
Currency translation adjustments	(42)	(22)
Total other comprehensive income (loss)	1,102	(354)
Comprehensive loss	$ (66,423)	$ (18,945)

See accompanying notes to condensed consolidated financial statements.

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data, unaudited)

	Class A Common Stock, Class B Common Stock and Class C Capital Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance at December 31, 2018	203,904,265	$ 21	$ 3,939,842	$ (671,779)	$ (905)	$ 3,267,179
Issuance of common and capital stock upon exercise of stock options	729,788	—	13,564	—	—	13,564
Vesting of restricted stock units	496,347	—	—	—	—	—
Shares and value of restricted stock units withheld for tax liability	(68)	—	(2)	—	—	(2)
Share-based compensation expense	—	—	68,814	—	—	68,814
Net loss	—	—	—	(67,525)	—	(67,525)
Other comprehensive income	—	—	—	—	1,102	1,102
Balance at March 31, 2019	205,130,332	$ 21	$ 4,022,218	$ (739,304)	$ 197	$ 3,283,132

	Class A Common Stock, Class B Common Stock and Class C Capital Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance at December 31, 2017	190,115,148	$ 20	$ 3,254,146	$ (592,243)	$ (1,100)	$ 2,660,823
Cumulative-effect adjustment from adoption of guidance on revenue from contracts with customers	—	—	—	40,322	—	40,322
Issuance of common and capital stock upon exercise of stock options	2,414,214	—	52,906	—	—	52,906
Vesting of restricted stock units	394,844	—	—	—	—	—
Shares and value of restricted stock units withheld for tax liability	(607)	—	(28)	—	—	(28)
Share-based compensation expense	—	—	32,863	—	—	32,863
Portion of conversion recorded in additional paid-in-capital in connection with partial conversion of convertible notes maturing in 2020	20,727	—	500		—	500
Net loss	—	—	—	(18,591)	—	(18,591)
Other comprehensive loss	—	—	—	—	(354)	(354)
Balance at March 31, 2018	192,944,326	$ 20	$ 3,340,387	$ (570,512)	$ (1,454)	$ 2,768,441

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Operating activities		
Net loss	$ (67,525)	$ (18,591)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,525	26,906
Share-based compensation expense	66,124	30,741
Amortization of right of use assets	4,440	—
Amortization of contract cost assets	8,746	9,296
Amortization of discount and issuance costs on convertible notes maturing in 2023 and 2021	8,840	4,708
Deferred income taxes	(2,500)	2,600
Loss on disposal of property and equipment	1,704	1,803
Bad debt expense	128	(267)
Deferred rent	—	(3,090)
Accretion of bond discount	(1,733)	(137)
Changes in operating assets and liabilities:		
Accounts receivable	(4,650)	105
Inventory	(162,325)	—
Mortgage loans held for sale	5,940	—
Prepaid expenses and other assets	(8,537)	(19,923)
Lease liabilities	(7,010)	—
Contract cost assets	(9,103)	(11,440)
Accounts payable	(133)	1,672
Accrued expenses and other current liabilities	328	(6,747)
Accrued compensation and benefits	(1,088)	3,637
Deferred revenue	2,025	3,379
Other long-term liabilities	290	—
Net cash provided by (used in) operating activities	(145,514)	24,652
Investing activities		
Proceeds from maturities of investments	302,187	61,386
Purchases of investments	(176,412)	(76,729)
Purchases of property and equipment	(14,202)	(15,791)
Purchases of intangible assets	(3,269)	(1,098)
Net cash provided by (used in) investing activities	108,304	(32,232)
Financing activities		
Proceeds from borrowing on revolving credit facilities	129,328	—
Net repayments on warehouse lines of credit	(5,025)	—
Proceeds from exercise of stock options	13,564	52,906
Value of equity awards withheld for tax liability	2	(28)
Net cash provided by financing activities	137,869	52,878
Net increase in cash, cash equivalents and restricted cash during period	100,659	45,298
Cash, cash equivalents and restricted cash at beginning of period	663,443	352,095
Cash, cash equivalents and restricted cash at end of period	$ 764,102	$ 397,393
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 4,956	$ —
Noncash transactions:		
Capitalized share-based compensation	$ 2,690	$ 2,120
Write-off of fully depreciated property and equipment	$ 6,269	$ 7,379
Write-off of fully amortized intangible assets	$ 3,200	$ 10,687

See accompanying notes to condensed consolidated financial statements.

ZILLOW GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 . Organization and Description of Business

Zillow Group, Inc. operates the largest portfolio of real estate and home-related brands on mobile and the web which focus on all stages of the home lifecycle: renting, buying, selling and financing. Zillow Group is committed to empowering consumers with unparalleled data, inspiration and knowledge around homes and connecting them with great real estate professionals. The Zillow Group portfolio of consumer brands includes Zillow, Trulia, Zillow Home Loans, StreetEasy, HotPads, Naked Apartments, RealEstate.com and Out East. In addition, Zillow Group provides a comprehensive suite of marketing software and technology solutions to help real estate professionals maximize business opportunities and connect with millions of consumers. Zillow Offers provides homeowners in certain metropolitan areas with the opportunity to receive offers to purchase their home from Zillow. When Zillow buys a home, it makes certain repairs and lists the home for resale on the open market. Zillow also provides consumers with the opportunity to receive mortgage financing through Zillow Home Loans, a licensed mortgage lender. Zillow Group operates a number of business brands for real estate, rental and mortgage professionals, including Mortech, dotloop, Bridge Interactive and New Home Feed. Zillow, Inc. was incorporated as a Washington corporation in December 2004, and we launched the initial version of our website, Zillow.com, in February 2006. Zillow Group, Inc. was incorporated as a Washington corporation in July 2014 in connection with our acquisition of Trulia, Inc. ("Trulia"). Upon the closing of the Trulia acquisition in February 2015, each of Zillow, Inc. and Trulia became wholly owned subsidiaries of Zillow Group.

Certain Significant Risks and Uncertainties

We operate in a dynamic industry and, accordingly, can be affected by a variety of factors. For example, we believe that changes in any of the following areas could have a significant negative effect on us in terms of our future financial position, results of operations or cash flows: rates of revenue growth; our ability to manage advertising inventory or pricing; engagement and usage of our products; our investment of resources to pursue strategies that may not prove effective; competition in our market; the stability of the residential real estate market and the impact of interest rate changes; changes in government regulation affecting our business; outcomes of legal proceedings; natural disasters and catastrophic events; scaling and adaptation of existing technology and network infrastructure; management of our growth; our ability to attract and retain qualified employees and key personnel; our ability to successfully integrate and realize the benefits of our past or future strategic acquisitions or investments; protection of customers' information and other privacy concerns; protection of our brand and intellectual property; and intellectual property infringement and other claims, among other things.

Note 2 . Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements include Zillow Group, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. These condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and accompanying notes included in Zillow Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018 , which was filed with the SEC on February 21, 2019. The condensed consolidated balance sheet as of December 31, 2018 , included herein, was derived from the audited financial statements of Zillow Group, Inc. as of that date.

The unaudited condensed consolidated interim financial statements, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position as of March 31, 2019 , our results of operations, comprehensive loss and cash flows for the three month periods ended March 31, 2019 and 2018 . The results of the three month period ended March 31, 2019 are not necessarily indicative of the results to be expected for the year ending December 31, 2019 or for any interim period or for any other future year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. On an ongoing basis, we evaluate our estimates, including those related to the net realizable value of inventory, amortization period and recoverability of contract cost assets, website and software development costs, recoverability of long-lived assets and intangible assets with definite lives, share-based compensation, income taxes, business combinations, and the recoverability of goodwill and indefinite-lived intangible assets, among others. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, our financial statements will be affected.

Recently Adopted Accounting Standards

In February 2018, the Financial Accounting Standards Board ("FASB") issued guidance on income tax accounting related to the Tax Cuts and Jobs Act (the "Tax Act"). This guidance permits a reclassification from accumulated other comprehensive income (loss) to accumulated deficit for the adjustment of deferred taxes due to the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate under the Tax Act. It also requires certain disclosures regarding these reclassifications. The guidance is effective for interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. This guidance must be applied either on a prospective basis in the period of adoption or retrospectively to each period in which the effect of the change in the corporate income tax rate is recognized. We adopted this guidance on January 1, 2019. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

In March 2017, the FASB issued guidance related to the premium amortization on purchased callable debt securities. This guidance shortens the amortization period for certain callable debt securities purchased at a premium by requiring that the premium be amortized to the earliest call date. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. This guidance must be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We adopted this guidance on January 1, 2019. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

In February 2016, the FASB issued guidance on leases. This guidance requires the recognition of a right of use asset and lease liability on the balance sheet for all leases. This guidance also requires more detailed disclosures to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018. In July 2018, the FASB issued certain targeted improvements to the accounting and disclosure requirements for leases, including an additional optional transition method that allows entities to initially apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without restating prior periods. When adopting the lease guidance, an entity may elect a practical expedient package, under which it need not reassess (a) whether any expired or existing contracts are or contain leases; (b) the lease classification for any expired or existing leases; and (c) initial direct costs for any existing leases. These three practical expedients must be elected as a package and must be consistently applied to all existing leases at the date of adoption. We adopted the new guidance on leases on January 1, 2019 using the optional transition method and elected to adopt the practical expedient package. Under this approach, we did not restate the prior financial statements presented. Based on our lease portfolio as of December 31, 2018, we recorded on our consolidated balance sheet right of use assets of $106.5 million as well as operating lease liabilities of $129.0 million , and we removed the existing deferred rent balance of $22.5 million . The adoption of the standard did not have a material impact to our condensed consolidated statements of operations.

Recently Issued Accounting Standards Not Yet Adopted

In August 2018, the FASB issued guidance related to a customer's accounting for implementation costs incurred in hosting arrangements. The guidance aligns the requirements for capitalizing implementation costs incurred in cloud computing arrangements with the requirements for capitalizing costs to develop or obtain internal-use software. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. This guidance may be applied either retrospectively or prospectively. We expect to adopt this guidance on January 1, 2020. We have not yet determined the impact the adoption of this guidance will have on our financial position, results of operations or cash flows.

In August 2018, the FASB issued guidance related to disclosure requirements for fair value measurements. This guidance removes, modifies and adds disclosures related to fair value measurements. This guidance is effective for interim and annual periods beginning after December 15, 2019, and early adoption is permitted. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim and annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. We expect to adopt this guidance on January 1, 2020. We have not yet determined the impact the adoption of this guidance will have on our financial statement disclosures.

In June 2016, the FASB issued guidance on the measurement of credit losses on financial instruments. This guidance requires the use of an expected loss impairment model for instruments measured at amortized cost. For available-for-sale debt securities, an entity is required to recognize credit losses through an allowance for credit losses rather than as a write-down. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. The adoption of this guidance requires a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. We expect to adopt this guidance on January 1, 2020. We have not yet determined the impact the adoption of this guidance will have on our financial position, results of operations or cash flows.

Note 3 . Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Assets and liabilities valued based on observable market data for similar instruments, such as quoted prices for similar assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity; instruments valued based on the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

We applied the following methods and assumptions in estimating our fair value measurements:

Cash equivalents — The fair value measurement of money market funds is based on quoted market prices in active markets. The fair value measurement of corporate notes and bonds, commercial paper, U.S. government agency securities and certificates of deposit is based on observable market-based inputs or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Short-term investments — The fair value measurement of our short-term investments is based on observable market-based inputs or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Restricted cash — Restricted cash consists of cash received from the resale of homes through Zillow Offers which is used to repay amounts borrowed on our revolving credit facilities (see Note 13) and amounts held in escrow related to funding home purchases in our mortgage origination business. The carrying value of restricted cash approximates fair value due to the short period of time amounts borrowed on the revolving credit facilities are outstanding.

Mortgage loans held for sale —The fair value of mortgage loans held for sale is generally calculated by reference to quoted prices in secondary markets for commitments to sell mortgage loans with similar characteristics.

Interest rate lock commitments —The fair value of interest rate lock commitments (“IRLCs”) is calculated by reference to quoted prices in secondary markets for commitments to sell mortgage loans with similar characteristics. Expired commitments are excluded from the fair value measurement. We generally only issue IRLCs for products that meet specific purchaser guidelines. Since not all IRLCs will become closed loans, we adjust our fair value measurements for the estimated amount of IRLCs that will not close.

Forward contracts —The fair value of mandatory loan sales commitments and derivative instruments such as forward sales of mortgage-backed securities that are utilized as hedging instruments are calculated by reference to quoted prices for similar assets.

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy, as of the dates presented (in thousands):

	March 31, 2019		
	Total	Level 1	Level 2
Cash equivalents:			
Money market funds	$ 578,037	$ 578,037	$ —
Commercial paper	9,940	—	9,940
Short-term investments:			
U.S. government agency securities	531,006	—	531,006
Corporate notes and bonds	115,682	—	115,682
Commercial paper	82,755	—	82,755
Municipal securities	33,331	—	33,331
Foreign government securities	14,965	—	14,965
Certificates of deposit	3,224	—	3,224
Mortgage origination-related:			
Mortgage loans held for sale	29,469	—	29,469
Interest rate lock commitments	1,257	—	1,257
Forward contracts - other current assets	19	—	19
Forward contracts - other current liabilities	(226)	—	(226)
Total	$ 1,399,459	$ 578,037	$ 821,422

	December 31, 2018		
	Total	Level 1	Level 2
Cash equivalents:			
Money market funds	$ 541,575	$ 541,575	$ —
Commercial paper	3,999	—	3,999
Short-term investments:			
U.S. government agency securities	646,496	—	646,496
Corporate notes and bonds	112,933	—	112,933
Commercial paper	85,506	—	85,506
Municipal securities	39,306	—	39,306
Foreign government securities	14,915	—	14,915
Certificates of deposit	4,711	—	4,711
Mortgage origination-related:			
Mortgage loans held for sale	35,409	—	35,409
Interest rate lock commitments	847	—	847
Forward contracts - other current liabilities	(125)	—	(125)
Total	$ 1,485,572	$ 541,575	$ 943,997

At March 31, 2019 , the notional amounts of the hedging instruments related to our mortgage loans held for sale were $41.6 million and $49.7 million for our interest rate lock commitments and forward contracts, respectively. At December 31, 2018 , the notional amounts of the hedging instruments related to our mortgage loans held for sale were $26.7 million and $28.8 million for our interest rate lock commitments and forward contracts, respectively. We do not have the right to offset our forward contract derivative positions.

See Note 13 for the carrying amount and estimated fair value of the Company's Convertible Senior Notes due in 2023, Convertible Senior Notes due in 2021 and Trulia's Convertible Senior Notes due in 2020.

We did no t have any material Level 3 assets or liabilities as of March 31, 2019 or December 31, 2018 .

Note 4 . Cash and Cash Equivalents, Short-term Investments and Restricted Cash

The following tables present the amortized cost, gross unrealized gains and losses and estimated fair market value of our cash and cash equivalents, available-for-sale investments and restricted cash as of the dates presented (in thousands):

	March 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Cash	$ 148,530	$ —	$ —	$ 148,530
Cash equivalents:				
Money market funds	578,037	—	—	578,037
Commercial paper	9,940	—	—	9,940
Short-term investments:				
U.S. government agency securities	530,938	268	(200)	531,006
Corporate notes and bonds	115,648	65	(31)	115,682
Commercial paper	82,755	—	—	82,755
Municipal securities	33,263	74	(6)	33,331
Foreign government securities	14,963	2	—	14,965
Certificates of deposit	3,224	—	—	3,224
Restricted cash	27,595	—	—	27,595
Total	$ 1,544,893	$ 409	$ (237)	$ 1,545,065

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Cash	$ 105,484	$ —	$ —	$ 105,484
Cash equivalents:				
Money market funds	541,575	—	—	541,575
Commercial paper	3,999	—	—	3,999
Short-term investments:				
U.S. government agency securities	647,266	51	(821)	646,496
Corporate notes and bonds	113,109	1	(177)	112,933
Commercial paper	85,506	—	—	85,506
Municipal securities	39,316	23	(33)	39,306
Foreign government securities	14,929	—	(14)	14,915
Certificates of deposit	4,711	1	(1)	4,711
Restricted cash	12,385	—	—	12,385
Total	$ 1,568,280	$ 76	$ (1,046)	$ 1,567,310

The following table presents available-for-sale investments by contractual maturity date as of March 31, 2019 (in thousands):

	Amortized Cost	Estimated Fair Market Value
Due in one year or less	$ 723,241	$ 723,207
Due after one year through two years	57,550	57,756
Total	$ 780,791	$ 780,963

Note 5 . Accounts Receivable, net

The opening balance of accounts receivable, net was $66.1 million as of January 1, 2019.

The following table presents the changes in the allowance for doubtful accounts (in thousands):

Balance as of January 1, 2019	$	4,838
Bad debt expense		128
Less: write-offs, net of recoveries and other adjustments		(24)
Balance as of March 31, 2019	$	4,942

Note 6 . Inventory

The components of inventory, net of applicable lower of cost or net realizable value write-downs, were as follows (in thousands):

		March 31, 2019		December 31, 2018
Work-in-progress	$	76,283	$	45,943
Finished goods		248,871		116,886
Inventory	$	325,154	$	162,829

We have not recorded any inventory write-downs for the three months ended March 31, 2019.

Note 7 . Contract Cost Assets

As of March 31, 2019 and December 31, 2018 , we had $46.2 million and $45.8 million , respectively, of contract cost assets. During the three months ended March 31, 2019 and 2018 , we recorded no impairment losses. During the three months ended March 31, 2019 and 2018 , we recorded $8.7 million and $9.3 million , respectively, of amortization expense related to contract cost assets.

Note 8 . Property and Equipment, net

The following table presents the detail of property and equipment as of the dates presented (in thousands):

		March 31, 2019		December 31, 2018
Website development costs	$	149,558	$	149,891
Computer equipment		22,675		22,477
Leasehold improvements		74,888		65,012
Construction-in-progress		26,027		29,037
Office equipment, furniture and fixtures		42,401		39,510
Property and equipment		315,549		305,927
Less: accumulated amortization and depreciation		(173,403)		(170,755)
Property and equipment, net	$	142,146	$	135,172

We recorded depreciation expense related to property and equipment (other than website development costs) of $6.0 million and $4.2 million , respectively, during the three months ended March 31, 2019 and 2018 .

We capitalized $10.0 million and $8.6 million , respectively, in website development costs during the three months ended March 31, 2019 and 2018 . Amortization expense for website development costs included in technology and development expenses was $3.4 million and $9.5 million , respectively, during the three months ended March 31, 2019 and 2018 .

Note 9 . Equity Investment

In October 2016, we purchased a 10% equity interest in a privately held variable interest entity within the real estate industry for $10.0 million . The entity is financed through its business operations. We are not the primary beneficiary of the entity, as we do not direct the activities that most significantly impact the entity's economic performance. Therefore, we do not consolidate the entity. Our maximum exposure to loss is $10.0 million , the carrying amount of the investment as of March 31, 2019 . There has been no impairment or upward or downward adjustments to our equity investment as of March 31, 2019 that would impact the carrying amount of the investment. The equity investment is classified within other assets in the condensed consolidated balance sheet.

Note 10 . Intangible Assets, net

The following tables present the detail of intangible assets subject to amortization as of the dates presented (in thousands):

	March 31, 2019		
	Cost	Accumulated Amortization	Net
Purchased content	$ 42,224	$ (33,017)	$ 9,207
Software	24,770	(15,339)	9,431
Customer relationships	103,600	(63,861)	39,739
Developed technology	109,080	(73,459)	35,621
Trade names and trademarks	4,400	(4,400)	—
Zillow Home Loans lender licenses	400	(67)	333
Intangibles-in-progress	5,602	—	5,602
Total	$ 290,076	$ (190,143)	$ 99,933

	December 31, 2018		
	Cost	Accumulated Amortization	Net
Purchased content	$ 42,110	$ (30,477)	$ 11,633
Software	24,296	(13,925)	10,371
Customer relationships	103,900	(60,733)	43,167
Developed technology	111,980	(72,788)	39,192
Trade names and trademarks	4,900	(4,683)	217
Zillow Home Loans lender licenses	400	(17)	383
Intangibles-in-progress	2,941	—	2,941
Total	$ 290,527	$ (182,623)	$ 107,904

Amortization expense recorded for intangible assets for the three months ended March 31, 2019 and 2018 was $11.0 million and $13.0 million , respectively.

We have an indefinite-lived intangible asset that we recorded in connection with our February 2015 acquisition of Trulia for Trulia's trade names and trademarks that is not subject to amortization. The carrying value of the Trulia trade names and trademarks intangible asset was $108.0 million as of March 31, 2019 and December 31, 2018 .

Intangibles-in-progress consists of software that is capitalizable but has not been placed in service.

Note 11 . Deferred Revenue

The following table presents the changes in deferred revenue for the periods presented (in thousands):

	Three Months Ended March 31, 2019
Balance as of January 1, 2019	$ 34,080
Deferral of revenue	242,852
Less: Revenue recognized	(240,827)
Balance as of March 31, 2019	$ 36,105

During the three months ended March 31, 2019 , we recognized as revenue a total of $30.7 million pertaining to amounts that were recorded in deferred revenue as of December 31, 2018.

Note 12 . Leases

Our lease portfolio is primarily composed of operating leases for our office space. We have lease agreements that include lease components (e.g., fixed rent) and non-lease components (e.g., common area maintenance), which are accounted for as a single component, as we have elected the practical expedient to group lease and non-lease components. We also elected the practical expedient to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the condensed consolidated statements of operations on a straight-line basis over the lease term.

Our leases have remaining lease terms ranging from less than one year to five years , some of which include options to extend the lease term for up to an additional ten years . For example, our largest leases, which include our corporate headquarters in Seattle, Washington and office space in San Francisco, California, include options to extend the existing leases for two periods of five years each.

As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. For those leases that existed as of January 1, 2019, we used our incremental borrowing rate based on information available at that date. We apply a portfolio approach for determining the incremental borrowing rate based on the applicable lease terms and the current economic environment, and we utilize the assistance of third-party specialists to assist us in determining our yield curve.

The components of our operating lease expense are as follows for the three months ended March 31, 2019 (in thousands):

Operating lease cost	$ 6,523
Variable lease cost	4,781
Total lease cost	$ 11,304

Cash paid for amounts included in the measurement of lease liabilities for the three months ended March 31, 2019 was $9.1 million . The weighted average remaining term for our leases as of March 31, 2019 was 5 years . The weighted average discount rate for our leases as of March 31, 2019 was 5.9% .

Maturities of our operating lease liabilities by fiscal year are as follows as of March 31, 2019 (in thousands):

Remainder of 2019	$	19,196
2020		28,550
2021		28,090
2022		24,565
2023		22,388
All future years		19,009
Total lease payments		141,798
Less: Imputed interest		(19,832)
Present value of lease liabilities	$	121,966

As of March 31, 2019, we have additional office space operating leases that have not yet commenced with total lease payments of $112.9 million . Our expectation is that these operating leases will commence during fiscal year 2019 with lease terms of five to eleven years .

The following table presents our future minimum payments for all operating leases as of December 31, 2018, including future minimum payments for operating leases that had not yet commenced as of December 31, 2018 totaling $112.9 million (in thousands):

2019	$	29,085
2020		38,060
2021		40,099
2022		37,721
2023		36,458
All future years		85,462
Total future minimum lease payments	$	266,885

Note 13 . Debt

Revolving Credit Facilities

To provide capital for Zillow Offers, we utilize revolving credit facilities that are classified as current liabilities in our condensed consolidated balance sheets. The following table summarizes our revolving credit facilities as of the periods presented (in thousands, except interest rates):

Effective Date		Maximum Borrowing Capacity		Outstanding Borrowings at March 31, 2019		Outstanding Borrowings at December 31, 2018	Weighted Average Interest Rate
July 31, 2018	$	500,000	$	167,279	$	116,700	6.00%
January 31, 2019		500,000		78,749		—	5.99%
Total	$	1,000,000	$	246,028	$	116,700	

On January 31, 2019, certain wholly owned subsidiaries of Zillow Group entered into a revolving credit agreement with Citibank, N.A., as the directing lender, and certain other parties thereto. The credit agreement provides for a maximum borrowing capacity of $500.0 million (the “Maximum Amount”) with a current borrowing capacity of $79.0 million as of March 31, 2019 , which amount may be increased up to the Maximum Amount subject to the satisfaction of certain conditions, through a non-recourse credit facility secured by a pledge of the equity of certain Zillow Group subsidiaries that purchase and sell select residential properties through Zillow Offers. In certain circumstances Zillow Group may be obligated to fund some or all of the payment obligations under the credit agreement. The credit agreement has an initial term of two years and may be extended for up to one additional year subject to agreement by the directing lender. Zillow Group formed certain special purpose entities to effectuate the transactions contemplated by the January 31, 2019 revolving credit facility. Each special purpose entity is a wholly owned subsidiary of Zillow Group and a separate legal entity, and neither the assets nor credit of any such entity are available to satisfy the debts and other obligations of any affiliate or other entity.

The July 31, 2018 revolving credit facility had an initial term of one year which may be extended for up to two additional years, subject to agreement by the directing lender, and has a current borrowing capacity of $177.3 million as of March 31,

2019. Zillow Group formed certain special purpose entities to effectuate the transactions contemplated by the July 31, 2018 revolving credit facility. Each special purpose entity is a wholly owned subsidiary of Zillow Group and a separate legal entity, and neither the assets nor credit of any such entity are available to satisfy the debts and other obligations of any affiliate or other entity.

The stated interest rate on our revolving credit facilities is one-month LIBOR plus an applicable margin as defined in the respective credit agreements. Our revolving credit facilities include customary representations and warranties, covenants (including financial covenants applicable to Zillow Group), and provisions regarding events of default. As of March 31, 2019 , Zillow Group was in compliance with all financial covenants and no event of default had occurred. Our revolving credit facilities also require that we establish, maintain, and in certain circumstances fund, certain specified reserve accounts. These reserve accounts include, but are not limited to, interest reserves, insurance, tax reserves, renovation cost reserves and special reserves. Amounts funded to these reserve accounts and the collection accounts have been classified within our consolidated balance sheets as restricted cash.

For additional details related to our revolving credit facilities, see Note 14 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Warehouse Lines of Credit

To provide capital for Zillow Home Loans, we utilize warehouse lines of credit that are classified as current liabilities in our condensed consolidated balance sheets. The following table summarizes our warehouse lines of credit as of the periods presented (in thousands, except interest rates):

Maturity Date	Maximum Borrowing Capacity	Outstanding Borrowings at March 31, 2019	Outstanding Borrowings at December 31, 2018	Weighted Average Interest Rate
July 15, 2019	$ 50,000	$ 13,300	$ 14,125	5.00%
June 29, 2019	50,000	14,691	18,892	5.00%
Total	$ 100,000	$ 27,991	$ 33,017	

Borrowings on the lines of credit bear interest at the one-month LIBOR plus an applicable margin, as defined in the credit agreements governing the warehouse lines of credit. The lines of credit include customary representations and warranties, covenants and provisions regarding events of default. As of March 31, 2019, Zillow Group was in compliance with all financial covenants and no event of default had occurred.

Convertible Senior Notes

The following table summarizes our outstanding convertible senior notes as of the periods presented (in thousands, except interest rates):

Maturity Date	Aggregate Principal Amount	Fair Value at March 31, 2019	Fair Value at December 31, 2018	Stated Interest Rate	Effective Interest Rate
July 1, 2023	$ 373,750	$ 341,850	$ 321,855	1.50%	6.99%
December 1, 2021	460,000	470,911	446,200	2.00%	7.44%
December 15, 2020	9,637	16,842	16,744	2.75%	N/A
Total	$ 843,387	$ 829,603	$ 784,799		

The convertible notes are senior unsecured obligations and are classified as long-term debt in our condensed consolidated balance sheets. Interest on the convertible notes is paid semi-annually. As of March 31, 2019 and December 31, 2018 , respectively, the total unamortized debt discount and debt issuance costs for our outstanding senior convertible notes were $135.5 million and $144.4 million . The convertible senior notes maturing in 2023 and 2021 are not redeemable or convertible as of March 31, 2019. The convertible senior notes maturing in 2020 are convertible, at the option of the holder, and redeemable, at our option, as of March 31, 2019.

For additional details related to our convertible senior notes, see Note 14 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Note 14 . Income Taxes

We are subject to federal and state income taxes in the United States and in Canada. As of March 31, 2019 and December 31, 2018 , we have provided a valuation allowance against our net deferred tax assets that we believe, based on the weight of available evidence, are not more likely than not to be realized. Therefore, no material current tax liability or expense has been recorded in the condensed consolidated financial statements. We have accumulated federal tax losses of approximately $1,081.7 million as of December 31, 2018 , which are available to reduce future taxable income. We have accumulated state tax losses of approximately $32.5 million (tax effected) as of December 31, 2018 .

Note 15 . Share-Based Awards

Option Awards

The following table summarizes option award activity for the three months ended March 31, 2019 :

	Number of Shares Subject to Existing Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2019	27,310,110	$ 34.04	6.23	$ 97,941
Granted	6,155,283	39.97		
Exercised	(729,788)	18.59		
Forfeited or cancelled	(993,437)	42.01		
Outstanding at March 31, 2019	31,742,168	35.30	6.76	122,262
Vested and exercisable at March 31, 2019	16,791,512	30.84	4.83	101,912

The fair value of options granted is estimated at the date of grant using the Black-Scholes-Merton option-pricing model, assuming no dividends and with the following assumptions for the periods presented:

	Three Months Ended March 31,	
	2019	2018
Expected volatility	46%-47%	43%-45%
Expected dividend yield	—	—
Risk-free interest rate	2.38%-2.53%	2.52%-2.65%
Weighted-average expected life	4.75-5.25 years	4.50-5.00 years
Weighted-average fair value of options granted	$16.77	$20.88

As of March 31, 2019 , there was a total of $229.5 million in unrecognized compensation cost related to unvested stock options.

Restricted Stock Units

The following table summarizes activity for restricted stock units for the three months ended March 31, 2019 :

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Unvested outstanding at January 1, 2019	5,266,324	$ 42.19
Granted	2,749,293	39.06
Vested	(496,347)	37.94
Forfeited or cancelled	(273,753)	40.44
Unvested outstanding at March 31, 2019	7,245,517	41.36

As of March 31, 2019 , there was $279.8 million of total unrecognized compensation cost related to unvested restricted stock units.

Share-Based Compensation Expense

The following table presents the effects of share-based compensation in our condensed consolidated statements of operations during the periods presented (in thousands):

	Three Months Ended March 31,	
	2019	**2018**
Cost of revenue	$ 881	$ 955
Sales and marketing	5,650	5,162
Technology and development	15,508	11,542
General and administrative	44,085	13,082
Total	$ 66,124	$ 30,741

On February 21, 2019, Zillow Group announced the appointment of Richard N. Barton as Zillow Group's Chief Executive Officer, effective February 21, 2019. Mr. Barton succeeds Spencer Rascoff, who served as Zillow Group's Chief Executive Officer since 2010 and who remains a member of Zillow Group's board of directors. In connection with Mr. Rascoff's resignation as Chief Executive Officer, Zillow Group entered into an Executive Departure Agreement and Release (the "Agreement") with Mr. Rascoff. Pursuant to the Agreement, Mr. Rascoff remained a full-time employee of Zillow Group until March 22, 2019 (the "Departure Date") in order to provide transition services until such date. Pursuant to the Agreement, Mr. Rascoff received, among other things, accelerated vesting of outstanding stock options held by Mr. Rascoff as of the Departure Date by an additional eighteen months from the Departure Date. Options not vested as of the Departure Date, taking into account the foregoing vesting acceleration, were terminated. Each of Mr. Rascoff's vested stock options outstanding as of the Departure Date will remain exercisable until, except for any later date contemplated by the following proviso, the earlier of (x) the third anniversary of the Departure Date and (y) the latest day upon which the option would have expired by its original terms under any circumstances (the "Option Expiration Outside Date"); provided, however, that the options will remain exercisable for so long as Mr. Rascoff serves on Zillow Group's board of directors (but not later than any applicable Option Expiration Outside Date), and if Mr. Rascoff ceases to serve on Zillow Group's board of directors on or after the third anniversary of the Departure Date, each option will remain exercisable until the earlier of (i) ninety days from the final date of Mr. Rascoff's service on Zillow Group's board of directors and (ii) the applicable Option Expiration Outside Date. The change in the exercise period of the options as well as the vesting acceleration pursuant to the Agreement have been accounted for as equity modifications, and we recorded $26.4 million of share-based compensation expense associated with the modifications in the three months ended March 31, 2019. We measured the modification charge by calculating the incremental fair value of the modified award compared to the fair value of the original award immediately prior to the modification. The value of the modified awards as of the modification date was estimated using the Black-Scholes-Merton option-pricing model, assuming no dividends, expected volatility of 46% - 47% , a risk-free interest rate of 2.47% - 2.49% and a weighted-average expected life of 3.84-5.25 years.

Note 16 . Net Loss Per Share

For the periods presented, the following Class A common stock and Class C capital stock equivalents were excluded from the calculations of diluted net loss per share because their effect would have been antidilutive (in thousands):

	Three Months Ended March 31,	
	2019	2018
Weighted-average Class A common stock and Class C capital stock option awards outstanding	19,408	25,222
Weighted-average Class A common stock and Class C capital stock restricted stock units outstanding	5,860	4,346
Class A common stock issuable upon conversion of the convertible notes maturing in 2020	421	403
Class C capital stock issuable related to conversion spread on the convertible notes maturing in 2021	—	235
Total Class A common stock and Class C capital stock equivalents	25,689	30,206

Note 17 . Commitments and Contingencies

Lease Commitments

We have entered into various non-cancelable operating lease agreements for certain of our office space and equipment with original lease periods expiring between 2019 and 2024. For additional information regarding our lease agreements, see Note 12 .

Purchase Commitments

Purchase commitments primarily include various non-cancelable agreements to purchase content related to our mobile applications and websites as well as homes we are under contract to purchase through Zillow Offers but that have not closed as of the respective date. As of March 31, 2019 , the value of homes under contract that have not closed was $140.2 million .

Surety Bonds

In the course of business, we are required to provide financial commitments in the form of surety bonds to third parties as a guarantee of our performance on and our compliance with certain obligations. If we were to fail to perform or comply with these obligations, any draws upon surety bonds issued on our behalf would then trigger our payment obligation to the surety bond issuer. We have outstanding surety bonds issued for our benefit of approximately $8.6 million and $8.9 million , respectively, as of March 31, 2019 and December 31, 2018 .

Legal Proceedings

We are involved in a number of legal proceedings concerning matters arising in connection with the conduct of our business activities, some of which are at preliminary stages and some of which seek an indeterminate amount of damages. We regularly evaluate the status of legal proceedings in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a loss or additional loss may have been incurred to determine if accruals are appropriate. We further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made if accruals are not appropriate. For certain cases described below, management is unable to provide a meaningful estimate of the possible loss or range of possible loss because, among other reasons, (i) the proceedings are in preliminary stages; (ii) specific damages have not been sought; (iii) damages sought are, in our view, unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant factual issues to be resolved; and/or (vi) there are novel legal issues or unsettled legal theories presented. For these cases, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material effect on our financial position, results of operations or cash flow.

In July 2015, VHT, Inc. ("VHT") filed a complaint against us in the U.S. District Court for the Western District of Washington alleging copyright infringement of VHT's images on the Zillow Digs site. In January 2016, VHT filed an amended complaint alleging copyright infringement of VHT's images on the Zillow Digs site as well as the Zillow listing site. In December 2016, the court granted a motion for partial summary judgment that dismissed VHT's claims with respect to the Zillow listing site. A federal jury trial began on January 23, 2017, and on February 9, 2017, the jury returned a verdict finding that the Company had infringed VHT's copyrights in images displayed or saved to the Digs site. The jury awarded VHT $79,875 in actual damages and approximately $8.2 million in statutory damages. In March 2017, the Company filed motions in the district court seeking judgment for the Company on certain claims that are the subject of the verdict, and for a new trial on others. On June 20, 2017, the judge ruled and granted in part our motions, finding that VHT failed to present sufficient evidence to prove direct copyright infringement for a portion of the images, reducing the total damages to approximately $4.1 million . On October 26, 2017, the Company filed an appeal with the Ninth Circuit Court of Appeals seeking review of the final judgment and certain prior rulings entered by the district court. The oral hearing for the appeal took place on August 28, 2018. On March 15, 2019, the Ninth Circuit Court of Appeals issued an opinion that, among other things, (i) affirmed the district court's grant of summary judgment in favor of Zillow on direct infringement of images on Zillow's listing site, (ii) affirmed the district court's grant in favor of Zillow of judgment notwithstanding the verdict on certain images that were displayed on the Zillow Digs site, (iii) remanded consideration of the issue whether VHT's images on the Zillow Digs site were part of a compilation or individual photos, and (iv) vacated the jury's finding of willful infringement. We have recorded an estimated liability for immaterial amounts related to this matter as of March 31, 2019 and December 31, 2018. We do not believe there is a reasonable possibility that a material loss in excess of amounts accrued may be incurred.

In August and September 2017, two purported class action lawsuits were filed against us and certain of our executive officers, alleging, among other things, violations of federal securities laws on behalf of a class of those who purchased our common stock between February 12, 2016 and August 8, 2017. One of those purported class actions, captioned Vargosko v. Zillow Group, Inc. et al, was brought in the U.S. District Court for the Central District of California. The other purported class action lawsuit, captioned Shotwell v. Zillow Group, Inc. et al, was brought in the U.S. District Court for the Western District of Washington. The complaints allege, among other things, that during the period between February 12, 2016 and August 8, 2017, we issued materially false and misleading statements regarding our business practices. The complaints seek to recover, among other things, alleged damages sustained by the purported class members as a result of the alleged misconduct. In November 2017, an amended complaint was filed against us and certain of our executive officers in the Shotwell v. Zillow Group class action lawsuit, extending the beginning of the class period to November 17, 2014. In January 2018, the Vargosko v. Zillow Group purported class action lawsuit was transferred to the U.S. District Court for the Western District of Washington and consolidated with the Shotwell v. Zillow Group purported class action lawsuit. In February 2018, the plaintiffs filed a consolidated amended complaint, and in April 2018, we filed our motion to dismiss the consolidated amended complaint. In May 2018, the plaintiffs filed their opposition to our motion to dismiss the consolidated amended complaint. In June 2018, we filed our reply in support of our motion to dismiss the consolidated amended complaint. In October 2018, our motion to dismiss was granted without prejudice, and the plaintiffs were given 45 days file a second consolidated amended complaint and attempt to cure the defects in their consolidated amended complaint. In November 2018, the plaintiffs filed a second consolidated amended complaint, which we moved to dismiss in December 2018. In January 2019, the plaintiffs filed their opposition to our motion to dismiss the second consolidated amended complaint. In February 2019, we filed our reply in support of our motion to dismiss the second consolidated amended complaint. On April 19, 2019, our motion to dismiss the second consolidated amended complaint was denied, and we filed our answer to the second amended complaint on May 3, 2019. We have denied the allegations of wrongdoing and intend to vigorously defend the claims in this lawsuit. We have not recorded an accrual related to this lawsuit as of March 31, 2019 and December 31, 2018 , as we do not believe a loss is probable.

In October and November 2017 and January and February 2018, four shareholder derivative lawsuits were filed in the U.S. District Court for the Western District of Washington and the Superior Court of the State of Washington, against certain of our executive officers and directors seeking unspecified damages on behalf of the Company and certain other relief, such as reform to corporate governance practices. The plaintiffs in the derivative suits (in which the Company is a nominal defendant) allege, among other things, that the defendants breached their fiduciary duties in connection with oversight of the Company's public statements and legal compliance, and as a result of the breach of such fiduciary duties, the Company was damaged, and defendants were unjustly enriched. Certain of the plaintiffs also allege, among other things, violations of Section 14(a) of the Securities Exchange Act of 1934 and waste of corporate assets. All four of the shareholder derivative lawsuits have been stayed until after final resolution of pleading motions and related appeals, if any, in the consolidated securities class action lawsuit discussed above. The defendants intend to deny the allegations of wrongdoing and vigorously defend the claims in these lawsuits. We have not recorded an accrual related to these lawsuits as of March 31, 2019 and December 31, 2018 , as we do not believe a loss is probable.

In addition to the matters discussed above, from time to time, we are involved in litigation and claims that arise in the ordinary course of business. Although we cannot be certain of the outcome of any such litigation or claims, nor the amount of damages and exposure that we could incur, we currently believe that the final disposition of such matters will not have a material effect on our business, financial position, results of operations or cash flow. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Indemnifications

In the ordinary course of business, we enter into contractual arrangements under which we agree to provide indemnification of varying scope and terms to business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements and out of intellectual property infringement claims made by third parties. In addition, we have agreements that indemnify certain issuers of surety bonds against losses that they may incur as a result of executing surety bonds on our behalf. For our indemnification arrangements, payment may be conditional on the other party making a claim pursuant to the procedures specified in the particular contract. Further, our obligations under these agreements may be limited in terms of time and/or amount, and in some instances, we may have recourse against third parties for certain payments. In addition, we have indemnification agreements with certain of our directors and executive officers that require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The terms of such obligations may vary.

Note 18 . Self-Insurance

We are self-insured for medical benefits and dental benefits for all qualifying Zillow Group employees. The medical plan carries a stop-loss policy which will protect when cumulative medical claims exceed 125% of expected claims for the plan year with a limit of $1.0 million and from individual claims during the plan year exceeding $500,000 . We record estimates of the total costs of claims incurred based on an analysis of historical data and independent estimates. Our liability for self-insured claims is included within accrued compensation and benefits in our condensed consolidated balance sheets and was $4.1 million and $ 3.9 million , respectively, as of March 31, 2019 and December 31, 2018 .

Note 19 . Employee Benefit Plan

We have a defined contribution 401(k) retirement plan covering Zillow Group employees who have met certain eligibility requirements (the “Zillow Group 401(k) Plan”). Eligible employees may contribute pretax compensation up to a maximum amount allowable under the Internal Revenue Service limitations. Employee contributions and earnings thereon vest immediately. We currently match up to 4% of employee contributions under the Zillow Group 401(k) Plan. The total expense related to the Zillow Group 401(k) Plan for the three months ended March 31, 2019 and 2018 was $4.9 million and $3.8 million , respectively.

Note 20 . Segment Information and Revenue

Beginning January 1, 2019, we have three operating and reportable segments, which have been identified based on the way in which our chief operating decision-maker manages our business, makes operating decisions and evaluates operating performance. The chief executive officer acts as the chief operating decision-maker and reviews financial and operational information for the Internet, Media & Technology (“IMT”), Homes and Mortgages segments.

The IMT segment includes the financial results for the Premier Agent, Rentals and new construction marketplaces, dotloop, and display, as well as revenue from the sale of various other marketing and business products and services to real estate professionals. The Homes segment includes the financial results from Zillow Group’s buying and selling of homes directly. The Mortgages segment includes financial results for advertising sold to mortgage lenders and other mortgage professionals, mortgage originations through Zillow Home Loans and the sale of mortgages on the secondary market, as well as Mortech mortgage software solutions.

Revenue and costs are directly attributed to our segments when possible. However, due to the integrated structure of our business, certain costs incurred by one segment may benefit the other segments. These costs primarily include headcount-related expenses and facilities costs and are allocated to each segment based on the estimated benefit each segment receives from such expenditures.

The chief executive officer reviews information about our revenue categories as well as statement of operations data inclusive of loss before income taxes by segment. This information is included in the following tables for the periods presented (in thousands):

	Three Months Ended March 31, 2019		
	IMT	Homes	Mortgages
Revenue:			
Premier Agent	$ 217,735	$ —	$ —
Rentals	37,838	—	—
Other	42,699	—	—
Homes	—	128,472	—
Mortgages	—	—	27,360
Total revenue	298,272	128,472	27,360
Costs and expenses:			
Cost of revenue	24,251	122,419	4,678
Sales and marketing	126,654	20,862	14,071
Technology and development	87,969	12,281	7,520
General and administrative	70,850	14,357	10,567
Integration costs	—	—	352
Total costs and expenses	309,724	169,919	37,188
Loss from operations	(11,452)	(41,447)	(9,828)
Segment other income	—	—	313
Segment interest expense	—	(3,758)	(101)
Loss before income taxes (1)	$ (11,452)	$ (45,205)	$ (9,616)

	Three Months Ended March 31, 2018		
	IMT	Homes	Mortgages
Revenue:			
Premier Agent	$ 213,732	$ —	$ —
Rentals	29,063	—	—
Other	38,061	—	—
Homes	—	—	—
Mortgages	—	—	19,023
Total revenue	280,856	—	19,023
Costs and expenses:			
Cost of revenue	22,594	86	1,239
Sales and marketing	128,747	290	8,254
Technology and development	85,917	2,236	5,780
General and administrative	50,187	1,778	4,108
Acquisition costs	27	—	—
Total costs and expenses	287,472	4,390	19,381
Loss from operations and loss before incomes taxes (1)	$ (6,616)	$ (4,390)	$ (358)

(1) The following table presents the reconciliation of total segment loss before income taxes to consolidated loss before income taxes for the periods presented (in thousands):

	Three Months Ended March 31,	
	2019	2018
Total segment loss before income taxes	$ (66,273)	$ (11,364)
Corporate interest expense	(12,607)	(7,073)
Corporate other income	8,855	2,446
Consolidated loss before income taxes	$ (70,025)	$ (15,991)

Certain corporate items are not directly attributable to any of our segments, including interest income earned on our short-term investments included in Other income and interest costs on our convertible senior notes included in interest expense.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those described in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, including in the section titled "Note Regarding Forward-Looking Statements," and also those factors discussed in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the year ended December 31, 2018.

Overview of our Business

Zillow Group, Inc. houses one of the largest portfolios of real estate brands on mobile and the web. Zillow Group is committed to leveraging its proprietary data, technology and innovations to make home buying, selling, financing and renting a seamless, on-demand experience for consumers. As its flagship brand, Zillow now offers a fully integrated home shopping experience that includes access to for sale and rental listings, Zillow Offers, which provides a new, hassle-free way to buy and sell homes directly through Zillow; and Zillow Home Loans, Zillow's affiliated lender that provides an easy way to receive mortgage pre-approvals and financing. Other consumer brands include Trulia, StreetEasy, HotPads, Naked Apartments, RealEstate.com and Out East. In addition, Zillow Group provides a comprehensive suite of marketing software and technology solutions to help real estate professionals maximize business opportunities and connect with millions of consumers. Zillow Group also operates a number of business brands for real estate, rental and mortgage professionals, including Mortech, dotloop, Bridge Interactive and New Home Feed.

Reportable Segments and Revenue Overview

As of January 1, 2019, Zillow Group has three reportable segments: the Internet, Media & Technology ("IMT") segment, the Homes segment and the Mortgages segment. The IMT segment includes the financial results for the Premier Agent, Rentals and new construction marketplaces, as well as dotloop, display and other advertising and business software solutions. The Homes segment includes the financial results from Zillow Group's buying and selling of homes directly through the Zillow Offers service. The Mortgages segment includes the financial results for advertising sold to mortgage lenders and other mortgage professionals, mortgage originations through Zillow Home Loans and our Mortech mortgage software solutions.

Premier Agent revenue is generated by the sale of advertising services, as well as marketing and technology products and services, to help real estate agents and brokers grow and manage their businesses. We offer these products and services through our Premier Agent and Premier Broker programs. Premier Agent and Premier Broker advertising products are primarily sold on a cost per impression basis. Impressions are delivered when a sold advertisement of a Premier Agent or Premier Broker appears on pages viewed by users of our mobile applications and websites. In April 2018, we began testing a new method of consumer lead validation and distribution to Premier Agent and Premier Broker advertisers. A validated consumer connection is made when a consumer who is interested in connecting with a real estate professional does not select a specific Premier Agent or Premier Broker with whom they want to connect through one of our mobile applications or websites; applying the new model, these validated consumer leads are distributed to Premier Agents and Premier Brokers in proportion to their share of voice, or an agent advertiser's share of total advertising purchased in a particular zip code. Consumer leads are bundled with impressions as part of our advertising services for Premier Agent and Premier Brokers; we do not charge a separate fee for these consumer leads.

Rentals revenue primarily includes advertising sold to property managers and other rental professionals on a cost per lead, cost per click, cost per lease or cost per listing generated basis. Rentals revenue also includes revenue generated through our rental applications product, whereby potential renters can submit applications to multiple properties over a 30-day period for a flat service fee.

Other revenue primarily includes revenue generated by new construction and display advertising, as well as revenue from the sale of various other advertising and business technology solutions for real estate professionals, including dotloop. New construction revenue primarily includes advertising services sold to home builders on a cost per residential community basis. Display revenue primarily consists of graphical mobile and web advertising sold to advertisers promoting their brands on our mobile applications and websites.

In our Homes segment, we generate revenue from the resale of homes on the open market through our Zillow Offers service. We began buying homes through the Zillow Offers service in April 2018, and we began selling homes in July 2018.

In our Mortgages segment, we generate revenue from advertising sold to mortgage lenders and other mortgage professionals on a cost per lead or subscription basis, including our Connect and Custom Quote services, through mortgage originations in Zillow Home Loans and the related sale of mortgages on the secondary market, and from Mortech, which provides subscription-based mortgage software solutions, including a product and pricing engine and lead management platform.

During the three months ended March 31, 2019 , we generated total revenue of $454.1 million , as compared to $299.9 million in the three months ended March 31, 2018 , an increase of 51%. This increase was the result of the addition of $128.5 million in Homes revenue, an $8.8 million, or 30% increase in Rentals revenue, an $8.3 million, or 44% increase in Mortgages revenue, a $4.7 million, or 12% increase in Other revenue and a $3.9 million, or 2%, increase in Premier Agent revenue. There were approximately 181.1 million average monthly unique users of our mobile applications and websites for the three months ended March 31, 2019 , representing year-over-year growth of 3%. Visits increased 14% to 2,019.8 million for the three months ended March 31, 2019 from 1,764.8 million for the three months ended March 31, 2018 .

As of March 31, 2019 , we had 4,514 full-time employees compared to 4,336 full-time employees as of December 31, 2018 .

Key Metrics

Management has identified unique users and visits as relevant to investors' and others' assessment of our financial condition and results of operations.

Unique Users

Measuring unique users is important to us because much of our advertising revenue depends in part on our ability to enable real estate, rental and mortgage professionals to connect with our consumer users - home buyers and sellers, renters, and individuals with or looking for a mortgage. Growth in consumer traffic to our mobile applications and websites increases the number of impressions, clicks, leads and other events we can monetize to generate revenue. For example, Premier Agent revenue and display revenue depend on advertisements being served to users of our mobile applications and websites, and our Homes segment revenue depends in part on users accessing our mobile applications and websites to engage in the sale and purchase of homes with Zillow Group. In addition, our community of users improves the quality of our living database of homes with their contributions, which in turn attracts more users.

We count a unique user the first time an individual accesses one of our mobile applications using a mobile device during a calendar month and the first time an individual accesses one of our websites using a web browser during a calendar month. If an individual accesses our mobile applications using different mobile devices within a given month, the first instance of access by each such mobile device is counted as a separate unique user. If an individual accesses more than one of our mobile applications within a given month, the first access to each mobile application is counted as a separate unique user. If an individual accesses our websites using different web browsers within a given month, the first access by each such web browser is counted as a separate unique user. If an individual accesses more than one of our websites in a single month, the first access to each website is counted as a separate unique user since unique users are tracked separately for each domain. Zillow, StreetEasy, HotPads, Naked Apartments and RealEstate.com measure unique users with Google Analytics, and Trulia measures unique users with Adobe Analytics.

	Three Months Ended March 31,		2018 to 2019 % Change
	2019	2018	
	(in millions)		
Average Monthly Unique Users	181.1	175.5	3%

Visits

The number of visits is an important metric because it is an indicator of consumers' level of engagement with our mobile applications, websites and other services. We believe highly engaged consumers are more likely to be transaction-ready real estate market participants and therefore more sought-after by our real estate professional advertisers or more likely to participate in our Zillow Offers program or use Zillow Homes Loans.

We define a visit as a group of interactions by users with the Zillow, Trulia, StreetEasy and RealEstate.com mobile applications and websites, as we monetize our Premier Agent and Premier Broker products on these mobile applications and websites. A single visit can contain multiple page views and actions, and a single user can open multiple visits across domains, web browsers, desktop or mobile devices. Visits can occur on the same day, or over several days, weeks or months.

Zillow, StreetEasy and RealEstate.com measure visits with Google Analytics, and Trulia measures visits with Adobe Analytics. Visits to Trulia end after thirty minutes of user inactivity. Visits to Zillow, StreetEasy and RealEstate.com end either: (i) after thirty minutes of user inactivity or at midnight; or (ii) through a campaign change. A visit ends through a campaign change if a visitor arrives via one campaign or source (for example, via a search engine or referring link on a third-party website), leaves the mobile application or website, and then returns via another campaign or source.

	Three Months Ended March 31,		2018 to 2019 % Change
	2019	2018	
	(in millions)		
Visits	2,019.8	1,764.8	14%

Basis of Presentation

Revenue

We recognize revenue when (or as) we satisfy our performance obligations by transferring control of promised products or services to our customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those products or services.

In our IMT segment, we generate revenue from the sale of advertising services and our suite of marketing software and technology solutions to residential real estate businesses and professionals. These professionals include real estate and rental professionals and brand advertisers. Our three primary revenue categories within our IMT segment are Premier Agent, Rentals and Other.

In our Homes segment, we generate revenue from the resale of homes on the open market through our Zillow Offers program.

In our Mortgages segment, we generate revenue from the sale of advertising services to mortgage lenders and other mortgage professionals, mortgage originations through Zillow Home Loans and the related sale of mortgages on the secondary market as well as Mortech mortgage software solutions.

Premier Agent Revenue. Premier Agent revenue is derived from our Premier Agent and Premier Broker programs. Our Premier Agent and Premier Broker programs offer a suite of marketing and business technology products and services to help real estate agents and brokers achieve their advertising goals, while growing and managing their businesses and brands. All Premier Agents and Premier Brokers receive access to a dashboard portal on our mobile application or website that provides individualized program performance analytics, our customer relationship management, or CRM, tool that captures detailed information about each contact made with a Premier Agent or Premier Broker through our mobile and web platforms and our account management tools. We have concluded that the marketing and business technology products and services promised to Premier Agents and Premier Brokers represent distinct performance obligations.

We primarily offer our Premier Agent and Premier Broker advertising products on a cost per impression basis, and beginning in April 2018, our Premier Agents and Premier Brokers also receive a proportion of validated consumer connections, or leads. Payment is received prior to the delivery of impressions and connections. Impressions are delivered when a sold advertisement appears on pages viewed by users of our mobile applications and websites. We determine the cost per impression and cost per lead delivered in each zip code using an auction-based pricing method in consideration of the total amount spent by Premier Agents and Premier Brokers to purchase impressions and leads in the zip code during the month. A Premier Agent’s or Premier Broker’s share of voice in a zip code is determined by their proportional monthly budgeted spend in that zip code as a percentage of the total monthly budgeted spend of all Premier Agents and Premier Brokers in that zip code, and includes both the share of impressions delivered as advertisements appearing on pages viewed by users of our mobile applications and websites, as well as the proportion of consumer connections a Premier Agent or Premier Broker receives. In April 2018, we began testing a new method of consumer lead validation and distribution to our Premier Agent and Premier Broker advertisers related to our auction-based pricing model. A consumer connection is made when a consumer who is interested in connecting with a real estate professional does not select a specific Premier Agent or Premier Broker with whom they want to connect through one of our mobile applications or websites. Applying the new model, these validated consumer leads are distributed to Premier Agents and Premier Brokers in proportion to their share of voice, or an agent advertiser's share of total advertising purchased in a particular zip code. For both the new and historical Premier Agent and Premier Broker products, the cost per impression and cost per lead that we charge is dynamic - as demand for advertising in a zip code increases or decreases, the cost in that zip code may be increased or decreased accordingly. The price paid for each impression and each lead is representative of the price at which we would sell an impression or lead separately to a customer, or the stand-alone selling price.

We have not allocated the transaction price to each performance obligation as the amounts recognized would be the same irrespective of any allocation. As such, we recognize revenue related to the Premier Agent and Premier Broker products and services based on the contractual spend recognized on a straight-line basis during the contractual period over which the products and services are provided. This methodology best depicts how we satisfy our performance obligations to customers, as we continuously transfer control of the performance obligations to the customer throughout the contractual period.

In October 2018, we began testing a new Flex Pricing model for Premier Agent and Premier Broker advertising services in limited markets. With the Flex Pricing model, Premier Agents and Premier Brokers are provided with validated leads at no upfront cost, and they pay a performance advertising fee only when a real estate transaction is closed with one of their leads. With this pricing model, the transaction price represents variable consideration, as the amount to which we expect to be entitled varies based on the number of validated leads that convert into real estate transactions. As our experience with this pricing model is limited, we fully constrain the estimated variable consideration. When a real estate transaction is closed with a Flex Pricing lead and payment is made, the uncertainty is resolved, and revenue is recognized in the period for the satisfied performance obligations. We will continuously reevaluate this determination and will begin estimating variable consideration and recording revenue as performance obligations are transferred when we have concluded we are able to make a reliable estimate.

Rentals Revenue. Rentals revenue includes the sale of advertising in our rentals information marketplace, as well as the sale of our suite of tools for rental professionals. Rentals revenue primarily includes revenue generated by advertising sold to property managers and other rental professionals on a cost per lead, cost per click, cost per lease or cost per listing basis. We recognize revenue as leads or clicks are provided to rental professionals, or as listings from rental professionals are published on our mobile applications and websites, which is the amount for which we have the right to invoice. The number of leases generated through our rentals marketplace during the period is accounted for as variable consideration, and we estimate these amounts based on the expected number of qualified leases secured during the period. We do not believe that a significant reversal in the amount of cumulative revenue recognized will occur once the uncertainty related to the number of leases secured is subsequently resolved.

Beginning in 2018, Rentals revenue also includes revenue generated from our rental applications product through which potential renters can submit applications to multiple rental properties over a 30-day period for a flat service fee. We recognize revenue for the rental applications product on a straight-line basis during the contractual period over which the customer has the right to access and submit the rental application.

Other Revenue. Other revenue primarily includes revenue generated by new construction and display, as well as revenue from the sale of various other marketing and business products and services to real estate professionals. Our new construction marketing solutions allow home builders to showcase their available inventory to home shoppers. New construction revenue primarily includes revenue generated by advertising sold to builders on a cost per residential community basis, and revenue is recognized on a straight-line basis during the contractual period over which the communities are advertised on our mobile applications and websites. Consideration is billed in arrears. Display revenue primarily consists of graphical mobile and web advertising sold on a cost per thousand impressions or cost per click basis to advertisers promoting their brands on our mobile applications and websites. We recognize display revenue as clicks occur or as impressions are delivered to users interacting with our mobile applications or websites, which is the amount for which we have the right to invoice.

Homes Revenue. Homes revenue is derived from the resale of homes on the open market through our Zillow Offers program. Homes revenue is recognized at the time of the closing of the home sale when title to and possession of the property are transferred to the buyer. The amount of revenue recognized for each home sale is equal to the full sale price of the home net of resale concessions and credits to the buyer and does not reflect real estate agent commissions, closing or other costs associated with the transaction.

Mortgages Revenue. Mortgages revenue primarily includes marketing products sold to mortgage professionals on a cost per lead basis, including our Custom Quote and a portion of our Connect services, and on a subscription basis, including a portion of our Connect service. Zillow Group operates Custom Quote and Connect through its wholly owned subsidiary, Zillow

Group Marketplace, Inc., a licensed mortgage broker. For our Connect and Custom Quote cost per lead mortgage marketing products, participating qualified mortgage professionals typically make a prepayment to gain access to consumers interested in connecting with mortgage professionals. Mortgage professionals who exhaust their initial prepayment prepay additional funds to continue to participate in the marketplace. For our Connect subscription mortgage marketing product, participating qualified mortgage professionals generally prepay a monthly subscription fee, which they then allocate to desired geographic counties. In Zillow Group's Connect platform, consumers answer a series of questions to find a local lender, and mortgage professionals receive consumer contact information, or leads, when the consumer chooses to share their information with a lender. Consumers who request rates for mortgage loans in Custom Quotes are presented with customized quotes from participating mortgage professionals.

For our cost per lead mortgages products, we recognize revenue when a user contacts a mortgage professional through our mortgages platform, which is the amount for which we have the right to invoice. For our subscription product, the opportunity to receive a consumer contact is based on the mortgage professional's relative share of voice in a geographic county. When a consumer submits a contact, we contact a group of subscription mortgage professionals via text message, and the first mortgage professional to respond receives the consumer contact information. We recognize revenue based on the contractual spend recognized on a straight-line basis during the contractual period over which the service is provided. This methodology best depicts how we satisfy our performance obligation to subscription customers, as we continuously transfer control of the performance obligation to the customer throughout the contractual period.

Beginning in the fourth quarter of 2018, mortgages revenue also includes revenue generated by Zillow Home Loans, Zillow's affiliated mortgage lender. We elect the fair value option for our mortgage loans held for sale, which are initially recorded at fair value based on either sale commitments or current market quotes and are adjusted for subsequent changes in fair value until the loans are closed. Net origination costs and fees associated with mortgage loans are recognized as incurred at the time of origination. We sell substantially all of the mortgages we originate and the related servicing rights to third-party purchasers.

Mortgages revenue also includes revenue generated by Mortech, which provides subscription-based mortgage software solutions, including a product and pricing engine and lead management platform, for which we recognize revenue on a straight-line basis during the contractual period over which the services are provided.

Costs and Expenses

Cost of Revenue. Our cost of revenue consists of expenses related to operating our mobile applications and websites, including associated headcount expenses, such as salaries, benefits, bonuses, and share-based compensation expense, as well as revenue-sharing costs related to our commercial business relationships, depreciation expense and costs associated with the operation of our data center and mobile applications and websites. For our IMT and Mortgages segment, cost of revenue also includes credit card fees and ad serving costs paid to third parties. For our Homes segment, our cost of revenue also consists of the consideration paid to acquire, make certain repairs and updates to, and sell each home, including associated overhead costs. For our Mortgages segment, our cost of revenue consists of lead acquisition costs and direct costs to originate loans, including underwriting and processing costs.

Sales and Marketing. Sales and marketing expenses consist of advertising costs and other sales expenses related to promotional and marketing activities, headcount expenses, including salaries, commissions, benefits, share-based compensation expense and bonuses for sales, sales support, customer support, marketing and public relations employees, and depreciation expense. For our Homes segment, sales and marketing expenses also consist of selling costs, such as real estate agent commissions, escrow and title fees, and staging costs, as well as holding costs, including utilities, taxes and maintenance. For our Mortgages segment, sales and marketing expenses also include headcount expenses for loan officers and specialists supporting Zillow Home Loans.

Technology and Development. Technology and development expenses consist of headcount expenses, including salaries, benefits, share-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development and testing of our mobile applications and websites and the tools and applications that support our products. Technology and development expenses also include equipment and maintenance costs. Technology and development expenses also include amortization costs related to capitalized website and development activities, amortization of software, amortization of certain intangibles and other data agreement costs related to the purchase of data used to populate our mobile applications and websites, and amortization of intangible assets recorded in connection with acquisitions, including developed technology and customer relationships, amongst others. Technology and development expenses also include depreciation expense.

General and Administrative. General and administrative expenses consist of headcount expenses, including salaries, benefits, share-based compensation expense and bonuses for executive, finance, accounting, legal, human resources, recruiting, corporate information technology costs and other administrative support. General and administrative expenses also include legal settlement costs and estimated legal liabilities, legal, accounting and other third-party professional service fees, rent expense, depreciation expense and bad debt expense.

Acquisition-related Costs. Acquisition-related costs consist of investment banking, legal, accounting, tax and regulatory filing fees associated with effecting acquisitions.

Integration Costs. Integration costs consist of expenses incurred to incorporate operations, systems, technology, and rights and responsibilities of acquired companies, during both pre-closing and post-closing periods, into Zillow Group's business. For the three months ended March 31, 2019 , integration costs primarily include consulting-related expenses incurred in connection with the integration of Zillow Home Loans (formerly Mortgage Lenders of America).

Other Income

Other income consists primarily of interest income earned on our cash, cash equivalents and short-term investments.

Interest Expense

Our corporate interest expense consists of interest on Trulia's Convertible Senior Notes due in 2020 (the "2020 Notes") we guaranteed in connection with our February 2015 acquisition of Trulia, interest on the Convertible Senior Notes due in 2021 (the "2021 Notes") we issued in December 2016 and interest on the Convertible Senior Notes due in 2023 (the "2023 Notes") we issued in July 2018. Interest is payable on the 2020 Notes at the rate of 2.75% semi-annually on June 15 and December 15 of each year. Interest is payable on the 2021 Notes at the rate of 2.00% semi-annually on June 1 and December 1 of each year. Interest is payable on the 2023 Notes at the rate of 1.50% semi-annually on January 1 and July 1 of each year.

For our Homes segment, interest expense includes interest on borrowings, funding fees and other fees, including the amortization of deferred issuance costs, on our revolving credit facilities related to our Zillow Offers business. Borrowings on our revolving credit facilities bear interest at a floating rate based on the one-month LIBOR plus an applicable margin, as defined in the credit agreements.

For our Mortgages segment, interest expense includes interest on the warehouse lines of credit acquired as part of the acquisition of Zillow Home Loans (formerly Mortgage Lenders of America). Each line of credit provides for a current and maximum borrowing capacity of $50.0 million, or $100.0 million in total. Borrowings on the lines of credit bear interest at the one-month LIBOR rate plus an applicable margin, as defined in the credit agreements governing the warehouse line of credit.

Income Taxes

We are subject to federal and state income taxes in the United States and in Canada. As of March 31, 2019 and December 31, 2018 , we have provided a valuation allowance against our net deferred tax assets that we believe, based on the weight of available evidence, are not more likely than not to be realized. Therefore, no material current tax liability or expense has been recorded in the condensed consolidated financial statements. We have accumulated federal tax losses of approximately $1,081.7 million as of December 31, 2018 , which are available to reduce future taxable income. We have accumulated state tax losses of approximately $32.5 million (tax effected) as of December 31, 2018 .

Results of Operations

In 2018, our business model evolved significantly with the launch of Zillow Offers in April and the acquisition of Zillow Home Loans in October. Zillow Offers, for example, is a cash- and inventory-intensive business with a high cost of revenue as compared with other parts of our operations; the cost of revenue includes the amount we pay to purchase homes. Revenue for the Homes segment includes the full sale prices of homes less resale concessions and credits to the buyer, and does not reflect real estate agent commissions, closing or other associated costs. As a result of this evolution of our business model, financial performance for prior year periods may not be indicative of future performance.

The following tables present our results of operations for the periods indicated and as a percentage of total revenue:

	Three Months Ended March 31,	
	2019	2018
	(in thousands, except per share data, unaudited)	
Statements of Operations Data:		
Revenue:		
IMT	$ 298,272	$ 280,856
Homes	128,472	—
Mortgages	27,360	19,023
Total revenue	454,104	299,879
Cost of revenue (exclusive of amortization) (1)(2):		
IMT	24,251	22,594
Homes	122,419	86
Mortgages	4,678	1,239
Total cost of revenue	151,348	23,919
Sales and marketing (1)	161,587	137,291
Technology and development (1)	107,770	93,933
General and administrative (1)	95,774	56,073
Acquisition-related costs	—	27
Integration costs	352	—
Total costs and expenses	516,831	311,243
Loss from operations	(62,727)	(11,364)
Other income	9,168	2,446
Interest expense	(16,466)	(7,073)
Loss before income taxes	(70,025)	(15,991)
Income tax benefit (expense)	2,500	(2,600)
Net loss	$ (67,525)	$ (18,591)
Net loss per share — basic and diluted	$ (0.33)	$ (0.10)
Weighted-average shares outstanding — basic and diluted	204,514	191,464
Other Financial Data:		
Adjusted EBITDA (3)	$ 23,922	$ 46,310

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(in thousands, unaudited)	
(1) Includes share-based compensation as follows:		
Cost of revenue	$ 881	$ 955
Sales and marketing	5,650	5,162
Technology and development	15,508	11,542
General and administrative	44,085	13,082
Total	$ 66,124	$ 30,741
(2) Amortization of website development costs and intangible assets included in technology and development	$ 14,400	$ 22,549

(3) See "Adjusted EBITDA" below for more information and for a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(unaudited)	
Percentage of Revenue:		
Revenue:		
IMT	66 %	94 %
Homes	28	—
Mortgages	6	6
Total revenue	100	100
Cost of revenue (exclusive of amortization):		
IMT	5	8
Homes	27	—
Mortgages	1	—
Total cost of revenue	33	8
Sales and marketing	36	46
Technology and development	24	31
General and administrative	21	19
Acquisition-related costs	0	—
Integration costs	—	0
Total costs and expenses	114	104
Loss from operations	(14)	(4)
Other income	2	1
Interest expense	(4)	(2)
Loss before income taxes	(15)	(5)
Income tax benefit (expense)	1	(1)
Net loss	(15)%	(6)%

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed Adjusted EBITDA, a non-GAAP financial measure, within this Quarterly Report on Form 10-Q. We have provided a reconciliation below of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this Quarterly Report on Form 10-Q as it is a key metric used by our management and board of directors to measure operating performance and trends and to prepare and approve our annual budget. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of share-based compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect acquisition-related costs;
- Adjusted EBITDA does not reflect interest expense or other income;
- Adjusted EBITDA does not reflect income taxes; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

The following table presents a reconciliation of Adjusted EBITDA to net loss for each of the periods presented:

	Three Months Ended March 31,	
	2019	**2018**
Reconciliation of Adjusted EBITDA to Net Loss:		
Net loss	$ (67,525)	$ (18,591)
Other income	(9,168)	(2,446)
Depreciation and amortization expense	20,525	26,906
Share-based compensation expense	66,124	30,741
Acquisition-related costs	—	27
Interest expense	16,466	7,073
Income tax (benefit) expense	(2,500)	2,600
Adjusted EBITDA	$ 23,922	$ 46,310

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

Revenue

The following table presents Zillow Group's revenue by category and by segment for the periods presented (in thousands, unaudited):

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	2018 to 2019 % Change
Percentage of Revenue:			
IMT Revenue:			
Premier Agent	$ 217,735	$ 213,732	2%
Rentals	37,838	29,063	30%
Other	42,699	38,061	12%
Total IMT revenue	298,272	280,856	6%
Homes	128,472	—	N/A
Mortgages	27,360	19,023	44%
Total revenue	$ 454,104	$ 299,879	51%

The following table presents Zillow Group's revenue categories as percentages of total revenue for the periods presented (unaudited):

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Percentage of Total Revenue:		
IMT Revenue:		
Premier Agent	48%	71%
Rentals	8	10
Other	9	13
Total IMT revenue	66	94
Homes	28	0
Mortgages	6	6
Total revenue	100%	100%

Total revenue increased by $154.2 million, or 51%, for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 . This increase in total revenue was primarily attributable to our Zillow Offers business, which had not yet launched as of March 31, 2018. Homes revenue was $128.5 million for the three months ended March 31, 2019. There were approximately 181.1 million average monthly unique users of our mobile applications and websites for the three months ended March 31, 2019 compared to 175.5 million average monthly unique users for the three months ended March 31, 2018 , representing year-over-year growth of 3%. Visits increased 14% to 2,019.8 million for the three months ended March 31, 2019 from 1,764.8 million for the three months ended March 31, 2018 . The increases in unique users and visits increased the number of impressions, leads, clicks and other events we monetized across our revenue categories.

IMT Segment

Premier Agent Revenue. Premier Agent revenue grew to $217.7 million for the three months ended March 31, 2019 from $213.7 million for the three months ended March 31, 2018 , an increase of $4.0 million, or 2%. Premier Agent revenue was positively impacted by an increase in visits. As discussed above, visits increased 14% to 2,019.8 million for the three months ended March 31, 2019 from 1,764.8 million for the three months ended March 31, 2018. This increase in visits increased the number of impressions we could monetize in our Premier Agent marketplace. Year over year Premier Agent revenue growth slowed, which we believe was due to changes made to our Premier Agent and Premier Broker advertising programs in 2018 to improve lead quality and consumer connections, which led to an increase in advertiser churn, or exit from our advertising platform.

Premier Agent revenue per visit decreased by 11% to $0.108 for the three months ended March 31, 2019 from $0.121 for the three months ended March 31, 2018 . We calculate Premier Agent revenue per visit by dividing the revenue generated by our Premier Agent and Premier Broker programs in the period by the number of visits in the period. We believe the decrease in Premier Agent revenue per visit was primarily a result of changes we made to our Premier Agent and Premier Broker programs in 2018. For example, in April 2018, we began testing a new method of consumer lead validation and distribution to our Premier Agent and Premier Broker advertisers. A validated consumer connection is made when a consumer who is interested in connecting with a real estate professional does not select a specific Premier Agent or Premier Broker with whom they want to connect through one of our mobile applications or websites; applying the new model, these validated consumer leads are distributed to Premier Agents and Premier Brokers in proportion to their share of voice, or an agent advertiser's share of total advertising purchased in a particular zip code. This transition to the new lead validation and distribution process resulted in a decrease in the total number of leads received by some advertisers and increased advertiser churn in the third and fourth quarters of 2018 as current and prospective Premier Agents and Premier Brokers evaluated the value of these higher-quality leads and market-based pricing continued to take effect. We believe we made appropriate adjustments to the Premier Agent and Premier Broker programs to help address this advertiser churn, by, for example, decreasing the number of screening questions posed to consumers during the consumer lead validation process, in an effort to return to prior lead volumes, and setting price caps on the cost per impression and cost per lead paid by Premier Agents and Premier Brokers to help stabilize auction-based pricing dynamics in certain markets. However, we believe the increased advertiser churn continued to impact the revenue we recorded during the three months ended March 31, 2019. We are not able to predict whether these changes will continue to have a material impact on our results for the remainder of 2019 and beyond.

In the first quarter of 2019, Premier Agent revenue also included an immaterial amount of revenue generated from our initial testing of a new Flex Pricing model for Premier Agent and Premier Broker advertisers in limited markets. With the Flex Pricing model, Premier Agents and Premiers Brokers are provided with validated leads at no upfront cost, and they pay a performance advertising fee only when a real estate transaction is closed with one of their leads. We expect to continue testing this pricing model in additional regions and may implement it more broadly in the future.

Rentals Revenue. Rentals revenue was $37.8 million for the three months ended March 31, 2019 compared to $29.1 million for the three months ended March 31, 2018 , an increase of $8.8 million, or 30%. The increase in Rentals revenue was primarily attributable to an increase in the number of average monthly rental listings on our mobile applications and websites, which increased 11% to 39,129 average monthly rental listings for the three months ended March 31, 2019 from 35,247 average monthly rental listings for the three months ended March 31, 2018 . Average monthly rental listings include the average monthly monetized, deduplicated rental listings for the period, which are displayed across all of our mobile applications and websites. An increase in rental listings on our mobile applications and websites increases the likelihood that a consumer will contact a rental professional, which in turn increases the likelihood of a lead, click, lease or listing that we monetize. The quarterly revenue per average monthly rental listing increased 17% to approximately $967 for the three months ended March 31, 2019 from approximately $825 for the three months ended March 31, 2018 . We calculate quarterly revenue per average monthly rental listing by dividing total Rentals revenue for the period by the average monthly deduplicated rental listings for the period and then dividing by the number of quarters in the period. The increase in Rentals revenue was also driven in part by the 14% increase in visits to 2,019.8 million for the three months ended March 31, 2019 , which similarly increases the likelihood a consumer will contact a rental professional, which in turn increases the likelihood of a lead, click, or lease that we monetize.

Other Revenue. Other revenue was $42.7 million for the three months ended March 31, 2019 compared to $38.1 million for the three months ended March 31, 2018 , an increase of $4.6 million, or 12%. The increase in Other revenue was primarily a result of a 32% increase in revenue generated by our new construction marketing solutions. Growth in new construction revenue was primarily attributable to increases in adoption by and advertising sales to new home builders through our new construction platform.

Homes Segment

Homes revenue was $128.5 million for the three months ended March 31, 2019 due to the sale of 414 homes at an average selling price of $310.4 thousand p er home. For the three months ended December 31, 2018, Homes revenue was $41.3 million as a result of the sale of 141 homes. The increase in Homes revenue as compared with the prior quarterly period was primarily a result of an increase in the number of homes sold in the period as consumer adoption of Zillow Offers increases in geographic areas in which it is currently operating, and as Zillow Offers expands into new geographic markets. As of March 31, 2019, Zillow Offers was operating in eight metropolitan areas.

Mortgages Segment

Mortgages revenue was $27.4 million for the three months ended March 31, 2019 compared to $19.0 million for the three months ended March 31, 2018 , an increase of $8.3 million, or 44%. The increase in mortgages revenue was primarily a result of the increase in revenue generated by Zillow Home Loans, Zillow's affiliated mortgage lender, which we acquired in the fourth quarter of 2018.

Segment Results of Operations

The following table presents Zillow Group's segment results for the periods presented (in thousands, unaudited):

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	IMT	Homes	Mortgages	IMT	Homes	Mortgages
Revenue	$ 298,272	$ 128,472	$ 27,360	$ 280,856	$ —	$ 19,023
Costs and expenses:						
Cost of revenue	24,251	122,419	4,678	22,594	86	1,239
Sales and marketing	126,654	20,862	14,071	128,747	290	8,254
Technology and development	87,969	12,281	7,520	85,917	2,236	5,780
General and administrative	70,850	14,357	10,567	50,187	1,778	4,108
Acquisition-related costs	—	—	—	27	—	—
Integration costs	—	—	352	—	—	—
Total costs and expenses	309,724	169,919	37,188	287,472	4,390	19,381
Loss from operations	(11,452)	(41,447)	(9,828)	(6,616)	(4,390)	(358)
Other income	—	—	313	—	—	—
Interest expense	—	(3,758)	(101)	—	—	—
Loss before income taxes (1)	$ (11,452)	$ (45,205)	$ (9,616)	$ (6,616)	$ (4,390)	$ (358)

The following table presents the reconciliation of total segment loss before income taxes to consolidated loss before income taxes for the period presented (in thousands):

	Three Months Ended March 31,	
	2019	2018
Total segment loss before income taxes	$ (66,273)	$ (11,364)
Corporate interest expense	(12,607)	(7,073)
Corporate other income	8,855	2,446
Consolidated loss before income taxes	$ (70,025)	$ (15,991)

IMT Segment

Cost of Revenue. Cost of revenue was $24.3 million for the three months ended March 31, 2019 compared to $22.6 million for the three months ended March 31, 2018 , an increase of $1.7 million, or 7%. The increase in cost of revenue was primarily attributable to a $1.7 million increase in data center and connectivity costs. We expect our cost of revenue to increase in absolute dollars in future years as we continue to incur more expenses that are associated with growth in revenue.

Sales and Marketing. Sales and marketing expenses were $126.7 million for the three months ended March 31, 2019 compared to $128.7 million for the three months ended March 31, 2018 , a decrease of $2.1 million, or 2%. The decrease in sales and marketing expenses was primarily attributable to an $8.4 million decrease in marketing and advertising expenses, partially offset by a $2.8 million increase in headcount-related expenses, including share-based compensation expense, due primarily to growth in the size of our sales team, and a $3.1 million increase in professional services fees. We expect our sales and marketing expenses to increase in absolute dollars in future years as we continue to invest more resources in extending our audience through marketing and advertising initiatives.

Technology and Development. Technology and development expenses, which include research and development costs, were $88.0 million for the three months ended March 31, 2019 compared to $85.9 million for the three months ended March 31, 2018 , an increase of $2.1 million, or 2%. Approximately $7.0 million of the increase related to growth in headcount-related expenses, including share-based compensation expense, as we continue to grow our engineering teams to support current and future product initiatives. In addition, there was a $1.4 million increase in professional services fees, a $1.1 million increase in software and hardware costs and $0.9 million increase in other non-capitalizable data content expense. These increases were partially offset by an $8.2 million decrease in depreciation and amortization expense. We expect our technology and development expenses to increase in absolute dollars over time as we continue to build new mobile and website functionality and develop new technologies.

General and Administrative. General and administrative expenses were $70.9 million for the three months ended March 31, 2019 compared to $50.2 million for the three months ended March 31, 2018 , an increase of $20.7 million, or 41%. The increase in general and administrative expenses was primarily due to a $24.9 million increase in headcount-related expenses, including share-based compensation expense, driven primarily by the recognition of a total of $23.3 million of share-based compensation expense in the IMT segment during the three months ended March 31, 2019 in connection with the modification of certain outstanding equity awards related to the departure of Spencer Rascoff, who served as Zillow Group’s Chief Executive Officer since 2010 and who remains a member of Zillow Group’s board of directors. For additional information regarding the equity modification, see Note 15 to our condensed consolidated financial statements. This increase was partially offset by a $3.4 million decrease in estimated legal liabilities and a $0.8 million decrease in miscellaneous expenses. We expect general and administrative expenses to decrease in future quarters in the IMT segment as compared to the three months ended March 31, 2019 as a result of the impact of the equity modification recorded in the three months ended March 31, 2019 as discussed above.

Homes Segment

Cost of Revenue. Cost of revenue was $122.4 million for the three months ended March 31, 2019 . Cost of revenue was primarily attributable to home acquisition and renovation costs related to the 414 homes that we sold during the period. We expect cost of revenue to increase in absolute dollars in future years as we continue to incur more expenses that are associated with growth in revenue and expansion of Zillow Offers into new markets.

Sales and Marketing. Sales and marketing expenses were $20.9 million for the three months ended March 31, 2019 compared to $0.3 million for the three months ended March 31, 2018 , an increase of $20.6 million. The increase in sales and marketing expenses was primarily attributable to a $7.6 million increase in headcount-related expenses, including share-based compensation expense, a $5.5 million increase in selling expenses directly attributable to the resale of homes, a $2.8 million increase in holding costs, a $2.8 million increase in marketing and advertising expenses and a $1.9 million increase in miscellaneous expenses. We expect our sales and marketing expenses to increase in absolute dollars in future periods as we continue to expand the Homes segment.

Technology and Development. Technology and development expenses, which include research and development costs, were $12.3 million for the three months ended March 31, 2019 compared to $2.2 million for the three months ended March 31, 2018 , an increase of $10.0 million. The increase in technology and development expenses was primarily due to an $8.2 million increase in headcount-related expenses, including share-based compensation expense, as we continue to grow our teams to support the Homes segment. In addition, there was a $1.8 million increase in miscellaneous expenses. We expect our technology and development expenses to increase in absolute dollars in future periods as we continue to build new website functionality and other technologies that will facilitate the purchasing and sales processes related to our Homes segment.

General and Administrative. General and administrative expenses were $14.4 million for the three months ended March 31, 2019 compared to $1.8 million for the three months ended March 31, 2018 , an increase of $12.6 million. The increase in general and administrative expenses was primarily due to a $7.4 million increase in headcount-related expenses, including share-based compensation expense, as we continue to grow our teams to support the Homes segment. In addition, there was a $2.1 million increase in building lease-related expenses including rent, utilities and insurance, a $1.4 million increase in professional services fees and a $1.7 million increase in miscellaneous expenses. We expect general and administrative expenses to increase in absolute dollars in future periods as we continue to expand our Homes business.

Interest Expense. Interest expense was $3.8 million for the three months ended March 31, 2019 . Interest expense was primarily attributable to borrowings, funding fees and other fees, including the amortization of deferred issuance costs, on our revolving credit facilities. There was no interest expense recorded for the three months ended March 31, 2018.

Mortgages Segment

Cost of Revenue. Cost of revenue was $4.7 million for the three months ended March 31, 2019 compared to $1.2 million for the three months ended March 31, 2018 , an increase of $3.5 million. The increase in cost of revenue was primarily attributable to our October 2018 acquisition of Zillow Home Loans (formerly Mortgage Lenders of America), and includes a $1.6 million increase in headcount-related expenses, including share-based compensation expense, a $0.7 million increase in lead acquisition costs, a $0.6 million increase in mortgage loan processing costs and a $0.6 million increase in miscellaneous expenses. We expect cost of revenue to increase in absolute dollars in future years as we continue to incur more expenses that are associated with growth in revenue and expansion of Zillow Home Loans.

Sales and Marketing. Sales and marketing expenses were $14.1 million for the three months ended March 31, 2019 compared to $8.3 million for the three months ended March 31, 2018 , an increase of $5.8 million, or 70%. The increase in sales and marketing expenses was primarily attributable to a $4.8 million increase in headcount-related expenses, including share-based compensation expense, primarily related to our October 2018 acquisition of Zillow Home Loans and a $1.0 million increase in miscellaneous expenses. We expect our sales and marketing expenses to increase in absolute dollars in future periods as we continue to expand the Mortgages segment.

Technology and Development. Technology and development expenses, which include research and development costs, were $7.5 million for the three months ended March 31, 2019 compared to $5.8 million for the three months ended March 31, 2018 , an increase of $1.7 million, or 30%. The increase in technology and development expenses was primarily a result of a $1.4 million of the increase related to growth in headcount-related expenses, including share-based compensation expense, primarily related to our October 2018 acquisition of Zillow Home Loans. We expect our technology and development expenses to increase in absolute dollars in future periods as we continue to build new website functionality and other technologies that will facilitate the origination of mortgages in Zillow Home Loans.

General and Administrative. General and administrative expenses were $10.6 million for the three months ended March 31, 2019 compared to $4.1 million for the three months ended March 31, 2018 , an increase of $6.5 million. The increase in general and administrative expenses was primarily due to a $5.1 million increase in headcount-related expenses, including share-based compensation expense, primarily related to our October 2018 acquisition of Zillow Home Loans. In addition, there was a $1.4 million increase in miscellaneous expenses. We expect general and administrative expenses to increase over time in absolute dollars as we continue to expand our mortgage business.

Corporate Items

Certain corporate items are not directly attributable to any of our segments, including interest income earned on our short-term investments included in Other income and interest costs on our convertible senior notes included in Interest expense.

Interest Expense. Interest expense on our convertible senior notes was $12.6 million for the three months ended March 31, 2019 compared to $7.1 million for the three months ended March 31, 2018, an increase of $5.5 million, or 78%. This increase was primarily due to the July 2018 issuance of our convertible senior notes maturing in 2023. For additional information regarding the senior convertible notes, see Note 13 to our condensed consolidated financial statements.

Other Income. Other income not directly attributable to any of our segments was $8.9 million for the three months ended March 31, 2019 compared to $2.4 million for the three months ended March 31, 2018, an increase of $6.4 million. This increase is attributable to an increase in the balance of our short-term investment portfolio generating an increase in interest income.

Liquidity and Capital Resources

As of March 31, 2019 and December 31, 2018 , we had cash and cash equivalents, investments and restricted cash of $1,545.1 million and $1,567.3 million, respectively. Cash and cash equivalents balances consist of operating cash on deposit with financial institutions, money market funds, corporate notes and bonds, commercial paper, U.S. government agency securities and certificates of deposit with original maturities of three months or less. Investments consist of fixed income securities, which include U.S. government agency securities, corporate notes and bonds, commercial paper, municipal securities, foreign government securities and certificates of deposit. Restricted cash consists of amounts funded to the reserve and collection accounts related to our revolving credit facilities. Amounts on deposit with third-party financial institutions exceed the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation insurance limits, as applicable. We believe that cash from operations and cash and cash equivalents and investment balances will be sufficient to meet our ongoing operating activities, working capital, capital expenditures and other capital requirements for at least the next 12 months.

The expansion of Zillow Group's purchase of homes in the Zillow Offers program and sale of homes on the open market continues to have a significant impact on our liquidity and capital resources as a cash and inventory intensive initiative. We primarily use debt financing to fund a portion of the purchase price of homes and certain related costs. As of March 31, 2019 , we have $246.0 million of total outstanding borrowings on revolving credit facilities to provide capital for Zillow Offers with a total maximum borrowing capacity of $1,000.0 million .

On January 31, 2019, certain wholly owned subsidiaries of Zillow Group entered into a revolving credit agreement with Citibank, N.A., as the directing lender, and certain other parties thereto. The credit agreement provides for a maximum borrowing capacity of $500.0 million (the "Maximum Amount") with a current borrowing capacity of $79.0 million as of March 31, 2019 , which amount may be increased up to the Maximum Amount subject to the satisfaction of certain conditions, through a non-recourse credit facility secured by a pledge of the equity of certain Zillow Group subsidiaries that purchase and sell select residential properties through Zillow Offers. In certain circumstances Zillow Group may be obligated to fund some or all of the payment obligations under the credit agreement. The credit agreement has an initial term of two years and may be extended for up to one additional year subject to agreement by the directing lender.

For additional information regarding the revolving credit facilities, see Note 13 to our condensed consolidated financial statements.

The October 31, 2018 acquisition of Zillow Home Loans also continues to have a significant impact on our liquidity and capital resources as a cash intensive business as it relates to funding mortgage loans originated for resale in the secondary market. As of March 31, 2019 , we have $28.0 million of total outstanding borrowings on warehouse lines of credit to provide capital for Zillow Home Loans with a total maximum borrowing capacity of $100.0 million . For additional information regarding our warehouse lines of credit, see Note 13 to our condensed consolidated financial statements.

As of March 31, 2019 , we have outstanding a total of $843.4 million aggregate principal of senior convertible notes. The convertible notes are senior unsecured obligations, and interest on the convertible notes is paid semi-annually. For additional information regarding the senior convertible notes, see Note 13 to our condensed consolidated financial statements.

The following table presents selected cash flow data for the periods presented:

	Three Months Ended March 31,	
	2019	**2018**
	(in thousands, unaudited)	
Cash Flow Data:		
Net cash provided by (used in) operating activities	$ (145,514)	$ 24,652
Net cash provided by (used in) investing activities	108,304	(32,232)
Net cash provided by financing activities	137,869	52,878

Cash Flows Provided By (Used In) Operating Activities

Our operating cash flows result primarily from cash received from real estate professionals, rental professionals, mortgage professionals and brand advertisers, as well as cash received from consumers for sales of homes through Zillow Offers and sales of mortgages originated by Zillow to third parties. Our primary uses of cash from operating activities include payments for homes purchased through Zillow Offers, marketing and advertising activities, mortgages funded through Zillow

Home Loans and employee compensation and benefits. Additionally, uses of cash from operating activities include costs associated with operating our mobile applications and websites and other general corporate expenditures.

For the three months ended March 31, 2019 , net cash used in operating activities was $145.5 million . This was primarily driven by a net loss of $67.5 million , adjusted by share-based compensation expense of $66.1 million , depreciation and amortization expense of $20.5 million , amortization of the discount and issuance costs on the 2023 Notes and 2021 Notes of $8.8 million , amortization of contract cost assets of $8.7 million , amortization of right of use assets of $4.4 million , a $2.5 million change in deferred income taxes, accretion of bond discount of $1.7 million, and a loss on disposal of property and equipment of $1.7 million . Changes in operating assets and liabilities decreased cash provided by operating activities by $184.3 million. The changes in operating assets and liabilities are primarily due to a $162.3 million increase in inventory due to the purchase of homes through Zillow Offers, a $9.1 million increase in contract cost assets due primarily to the capitalization of sales commissions, a $8.5 million increase in prepaid expenses and other assets driven primarily by the timing of payments, a $7.0 million increase in lease liabilities, and a $4.7 million increase in accounts receivable due primarily to an increase in revenue, partially offset by a $5.9 million decrease in mortgage loans held for sale.

For the three months ended March 31, 2018 , net cash provided by operating activities was $24.7 million . This was primarily driven by a net loss of $18.6 million , adjusted by share-based compensation expense of $30.7 million , depreciation and amortization expense of $26.9 million , amortization of contract cost assets of $9.3 million , amortization of the discount and issuance costs on the 2021 Notes of $4.7 million , a non-cash change in our deferred income taxes of $2.6 million , a loss on disposal of property and equipment of $1.8 million and a change in deferred rent of $3.1 million . Changes in operating assets and liabilities decreased cash provided by operating activities by $29.3 million. The changes in operating assets and liabilities are primarily due to a $19.9 million increase in prepaid expenses and other assets and a $6.7 million decrease in accrued expenses and other current liabilities driven primarily by the timing of payments, and an $11.4 million increase in contract cost assets due primarily to the capitalization of contract cost assets.

Cash Flows Provided By (Used In) Investing Activities

Our primary investing activities include the purchase and sale or maturity of investments, the purchase of property and equipment and intangible assets, and cash paid in connection with acquisitions.

For the three months ended March 31, 2019 , net cash provided by investing activities was $108.3 million . This was primarily the result of $125.8 million of net proceeds from maturities of investments and $17.5 million of purchases for property and equipment and intangible assets.

For the three months ended March 31, 2018 , net cash used in investing activities was $32.2 million . This was primarily the result of $16.9 million of purchases for property and equipment and intangible assets and $15.3 million of net purchases of investments.

Cash Flows Provided By Financing Activities

For the three months ended March 31, 2019 , cash provided by financing activities was $137.9 million, including $129.3 million of proceeds from borrowings on our revolving credit facilities related to Zillow Offers and $13.6 million of proceeds from the exercise of option awards, partially offset by $5.0 million of net repayments of borrowings on our warehouse lines of credit related to Zillow Home Loans.

For the three months ended March 31, 2018, our financing activities included $52.9 million of proceeds from the exercise of option awards.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements other than outstanding surety bonds issued for our benefit of approximately $8.6 million as of March 31, 2019 . We do not believe that the surety bonds will have a material effect on our liquidity, capital resources, market risk support or credit risk support. For additional information regarding the surety bonds, see Note 17 to our condensed consolidated financial statements under the subsection titled “Surety Bonds”.

Contractual Obligations and Other Commitments

There have been no material changes outside the ordinary course of business in our commitments under contractual obligations as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018 , except for the categories of contractual obligations listed below, which have been updated to reflect our obligations as of March 31, 2019 .

	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(in thousands, unaudited)				
Homes under contract (1)	$ 140,169	$ 140,169	$ —	$ —	$ —
Revolving credit facilities (2)	246,028	246,028	—	—	—
Warehouse lines of credit (3)	27,991	27,991	—	—	—
Total contractual obligations	$ 414,188	$ 414,188	$ —	$ —	$ —

(1) We have obligations to purchase homes under contract through our Zillow Offers business.
(2) Includes principal amounts due for amounts borrowed under the revolving credit facilities used to provide capital for our Zillow Offers business. Amounts exclude an immaterial amount of estimated interest payments.
(3) Includes principal amounts due for amounts borrowed under the warehouse lines of credit used to finance Zillow Home Loans. Amounts exclude an immaterial amount of estimated interest payments.

In the course of business, we are required to provide financial commitments in the form of surety bonds to third parties as a guarantee of our performance on and on our compliance with certain obligations. If we were to fail to perform or comply with these obligations, any draws upon surety bonds issued on our behalf would then trigger our payment obligation to the surety bond issuer. We have outstanding surety bonds issued for our benefit of approximately $8.6 million as of March 31, 2019 .

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. For information on our critical accounting policies and estimates, see Part II, Item 7 (Management’s Discussion and Analysis of Financial Condition and Results of Operations) of our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes to our critical accounting policies and estimates as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily consist of fluctuations in interest rates.

Interest Rate Risk

Under our current investment policy, we invest our excess cash in money market funds, certificates of deposit, U.S. government agency securities, commercial paper, foreign government securities, municipal securities, and corporate notes and bonds. Our current investment policy seeks first to preserve principal, second to provide liquidity for our operating and capital needs and third to maximize yield without putting our principal at risk.

Our investments are exposed to market risk due to the fluctuation of prevailing interest rates that may reduce the yield on our investments or their fair value. As our investment portfolio is short-term in nature, we do not believe an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio.

As of March 31, 2019 , we have outstanding $373.8 million aggregate principal Convertible Senior Notes due in 2023 (the “2023 Notes”), $460.0 million aggregate principal Convertible Senior Notes due in 2021 (the “2021 Notes”) and $9.6 million aggregate principal Convertible Senior Notes due in 2020 (the “2020 Notes”). The 2023 Notes were issued in July 2018 and carry a fixed interest rate of 1.50% per year. The 2021 Notes were issued in December 2016 and carry a fixed interest rate of 2.00% per year. The 2020 Notes were guaranteed by Zillow Group in connection with our February 2015 acquisition of Trulia, Inc. and carry a fixed interest rate of 2.75% per year.

Since the 2023 Notes, 2021 Notes, and 2020 Notes bear interest at fixed rates, we have no direct financial statement risk associated with changes in interest rates as of March 31, 2019 . However, the fair values of the 2023 Notes, 2021 Notes, and 2020 Notes change primarily when the market price of our stock fluctuates or interest rates change.

We are subject to market risk by way of changes in interest rates on borrowings under our revolving credit facilities that provide capital for Zillow Offers. As of March 31, 2019 , we have outstanding $246.0 million of borrowings on our revolving credit facilities which bear interest at a floating rate based on the one-month London Interbank Offered Rate (“LIBOR”) plus an applicable margin. Accordingly, fluctuations in market interest rates may increase or decrease our interest expense. Assuming no change in the outstanding borrowings on our revolving credit facilities, we estimate that a 1% increase in LIBOR would increase our annual interest expense by approximately $2.5 million.

We are also subject to market risk by way of changes in interest rates on borrowings under our warehouse lines of credit that provide capital for Zillow Home Loans. As of March 31, 2019 , we have outstanding $28.0 million of borrowings on our warehouse lines of credit which bear interest at a floating rate based on LIBOR plus an applicable margin. We manage the interest rate risk associated with our mortgage loan origination services through the use of forward sales of mortgage-backed securities. Assuming no change in the outstanding borrowings on the warehouse lines of credit, we estimate that a 1.0% increase in LIBOR would increase our annual interest expense associated with the warehouse lines of credit by approximately $0.3 million.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations or financial condition. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, results of operations and financial condition.

Foreign Currency Exchange Risk

We do not believe that foreign currency exchange risk has had a material effect on our business, results of operations or financial condition. As we do not maintain a significant balance of foreign currency, we do not believe an immediate 10% increase or decrease in foreign currency exchange rates relative to the U.S. dollar would have a material effect on our business, results of operations or financial condition.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of March 31, 2019 . Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective as of March 31, 2019 .

Changes in Internal Control Over Financial Reporting

Except for the implementation of certain internal controls related to our January 1, 2019 adoption of guidance issued by the Financial Accounting Standards Board on leases, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings in which we are involved, see Note 17 under the subsection titled “Legal Proceedings” in our Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have not been any material changes to the risk factors affecting our business, financial condition or future results from those set forth in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2018 . However, you should carefully consider the factors discussed in our Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the three months ended March 31, 2019 .

Item 6. Exhibits

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description
10.1*	Executive Employment Agreement, dated January 29, 2019, between Zillow Group, Inc. and Arik Prawer.
10.2*	Executive Departure Agreement and Release, dated February 20, 2019, between Zillow Group, Inc. and Spencer Rascoff (Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 21, 2019, and incorporated herein by reference).
10.3*	Zillow, Inc. Proprietary Rights Agreement.
31.1	Certification of Chief Executive Officer pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document).
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

*	Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 9, 2019

ZILLOW GROUP, INC.

By:	/s/ JENNIFER ROCK
Name:	Jennifer Rock
Title:	Chief Accounting Officer

Exhibit 10.1

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (" ***Agreement*** ") is entered into as of January 29, 2018, by and between Arik Prawer (" ***Executive*** ") and Zillow, Inc., a Washington corporation (the " ***Company*** ").

RECITALS

A. The Company wishes to secure the services of Executive pursuant to the terms set forth in this Agreement.

B. Executive wishes to be employed by Company pursuant to the terms set forth in this Agreement.

C. The Company's offer of employment pursuant to this Agreement is contingent upon Executive's submission to, and successful completion of, the Company's background check process.

D. The effective date of this Agreement shall be Executive's first day of actual work for the Company (should that date come later in time than the date Executive signs this Agreement) (" ***Effective Date*** ").

E. The Company and Executive intend that, while his initial title under this Agreement will be Chief Business Development Officer, Executive will transition to the title of President of a future entity related to the Company within approximately twelve (12) months of the execution of this Agreement by both parties; provided that, Executive's eventual title is also subject to change via mutual agreement between Company and Executive. Notwithstanding such transition, Executive's employment shall continue to be governed by the terms of this Agreement.

1. EMPLOYMENT

Executive will report to the Company's Chief Executive Officer. Subject to Section 3.4, changes may be made from time to time by the Company in its sole discretion to the duties, reporting relationships and title of Executive. Executive will perform the duties as are commensurate and consistent with Executive's position and will devote Executive's full working time, attention and efforts to the Company and to discharging the responsibilities of Executive's position, and such other duties as may be assigned from time to time by the Company, which relate to the business of the Company and are reasonably consistent with Executive's position (excluding periods of vacation, holidays, illness, incapacity and sick leave). During Executive's employment, Executive will not engage in any business activity that, in the reasonable judgment of the Company's Chief Executive Officer, conflicts with the duties of Executive under this Agreement, whether or not such activity is pursued for gain, profit or other advantage; notwithstanding the foregoing, Executive's continued board service with Western Property Fund, LLC and status as a limited partner in various investment funds previously identified by Executive to the Company are not in conflict with the duties of Executive under this Agreement. Executive agrees to comply with the Company's standard policies and procedures, including the Company's Confidential Information, Inventions, Nonsolicitation and Noncompetition

Agreement (" ***Confidentiality Agreement*** ") and Mutual Agreement to Arbitrate Claims (" ***Arbitration Agreement*** "), both of which are to be executed by Executive contemporaneously with Executive's execution of this Agreement, and with all applicable laws and regulations.

2. **COMPENSATION AND BENEFITS**

The Company agrees to pay or cause to be paid to Executive, and Executive agrees to accept in exchange for the services rendered hereunder, the following compensation and benefits:

2.1 **Annual Salary**

Executive's compensation shall consist of an annual base salary in the gross amount of Four Hundred Eighty-Six Thousand dollars ($486,000.00), payable in semi-monthly installments in accordance with the payroll practices of the Company and subject to customary deductions and withholdings (" ***Salary*** "). Executive's Salary shall be reviewed, and shall be subject to change, by the Company's Board of Directors (or the Compensation Committee thereof) at least annually while Executive is employed hereunder.

2.2 **Signing Bonus**

In connection with his hire and anticipated successful integration into the Company, Executive shall also receive a signing bonus in the gross amount of Seven Hundred Fifty Thousand dollars ($750,000.00) (" ***Signing Bonus*** "). The Company will pay the Signing Bonus to Executive in two installments. The first installment will be a lump sum payment in the gross amount of Five Hundred Thousand dollars ($500,000.00), less customary deductions and withholdings, made by the Company within thirty (30) days of the commencement of Executive's initial employment with the Company. The second installment will be a lump sum payment in the gross amount of Two Hundred Fifty Thousand dollars ($250,000.00), less customary deductions and withholdings, made by the Company within thirty (30) days of the Executive's completion of twelve (12) months of consecutive work for the Company, as measured from the Effective Date of this Agreement; provided that, the second installment of the Signing Bonus shall not be due or payable to Executive if he has been or is in the process of being terminated for Cause, or resigned or announced his intention to resign without Good Reason, by the date when the installment payment would otherwise be due. Payment of the Signing Bonus shall be made by direct deposit of the relevant installment into Executive's bank account then on file with the Company.

2.3 **Bonus and Equity Awards**

Executive shall be eligible to participate in the Company's incentive bonus plans as may be adopted from time to time by the Board of Directors (or the Compensation Committee thereof), subject to and in accordance with the terms and conditions of such plans. Subject to approval by the Board of Directors (or the Compensation Committee thereof), Executive shall be eligible to receive the following equity awards (" ***Awards*** ") under the Zillow Group Amended and Restated 2011 Incentive Plan (" ***Plan*** "):

(a) A nonqualified stock option for a number of shares of the Company’s Class C Capital Stock calculated by dividing $1,000,000 by the Black-Scholes-Merton value of an option on the Company’s Class C Capital Stock applying the valuation model inputs (i.e., expected volatility, expected dividend yield, risk-free interest rate, weighted-average expected life) used by the Company to value its stock options for financial reporting purposes for the fiscal quarter preceding the Effective Date, except that the current share price applied in the Black-Scholes-Merton model shall be equal to the average closing price of the Company’s Class C Capital Stock during the 30-day period preceding the Effective Date (the ***“Initial Option”***). The Initial Option will have a ten (10)-year term (subject to earlier termination in the event of Executive’s termination of employment), a per share exercise price equal to the closing price of the Company’s Class C Capital Stock on the date of grant, and will vest in accordance with the following schedule: 1/4th of the total number of shares subject to the Initial Option shall vest on the one (1)-year anniversary of the Effective Date and an additional 1/16 shall vest quarterly thereafter over the next three (3) years. The Initial Option shall have the terms and conditions as set forth in a Nonqualified Stock Option Grant Notice and a Nonqualified Stock Option Agreement to be executed by Executive and the Company pursuant to the Plan.

(b) Restricted Stock Units for that number of shares of the Company’s Class C Capital Stock calculated by dividing $4,500,000 by the average closing price of the Company’s Class C Capital Stock on the sixty (60) trading days preceding the Effective Date (“ ***Initial RSUs*** ”), such Initial RSUs to vest and be settled in one (1) share of Class C Capital Stock for each share subject to the Initial RSUs in accordance with the following vesting schedule: 1/4th of the total number of Initial RSUs shall vest on the one (1)-year anniversary of the Effective Date, and an additional 1/16th of the Initial RSUs shall vest quarterly thereafter over the next three (3) years. The Initial RSUs shall have the terms and conditions as set forth in a Restricted Stock Unit Award Notice and a Restricted Stock Unit Award Agreement to be executed by Executive and the Company pursuant to the Plan.

(c) Vesting of the Awards shall be subject to Executive’s continued employment with the Company on an applicable vesting date. Awards shall be subject to applicable payroll taxes and withholding upon vesting or exercise of the Awards, as applicable, and shall be subject to the terms and conditions of individual agreements evidencing the Awards and the equity plan under which the Awards are granted. For the avoidance of doubt, any adjustments to the Initial Options and Initial RSUs shall be governed by Section 15 of the Plan and shall be consistent with adjustments made to other awards outstanding under the Plan held by the Company’s executive officers.

(d) Executive will be eligible to participate in the Company's 2018 year-end annual review process and will be eligible to receive annual equity awards beginning in calendar year 2019 and each subsequent year of employment. Executive shall be eligible to receive an annual equity award (beginning in calendar year 2019) in the aggregate amount of $2,000,000 per year, and Executive may elect to receive such annual equity award in the form of 100% restricted stock units, 100% nonqualified stock options or a combination of the two in 25% increments. The number of shares of capital stock of the

Company, or any successor company, underlying any elected restriction stock unit award, shall be determined by dividing (i) the portion of the $2,000,000 annual equity award elected by Executive to be in the form of a restricted stock unit award, by (ii) the average closing price of the Company's capital stock during the 30-day period preceding January 15th of the applicable year, with any fractional share rounded to the nearest whole share (0.5 to be rounded up). The number of shares of the capital stock of the Company, or any successor company, underlying any elected nonqualified stock option, shall be determined using a Black-Scholes-Merton value applying the valuation model inputs (i.e., expected volatility, expected dividend yield, risk-free interest rate, weighted-average expected life) used by the Company to value its stock options for financial reporting purposes for the fiscal quarter preceding January 15th of the applicable year, except that the current share price applied in the Black-Scholes-Merton model shall be equal to the average closing price of the Company's capital stock during the 30-day period preceding January 15th of such year, in an amount equal to the portion of the $2,000,000 annual equity award elected by Executive to be in the form of a nonqualified stock option award with any fractional share rounded to the nearest whole share (0.5 to be rounded up). The vesting schedule, grant date, exercise price and other terms of such annual equity awards shall be determined by the Company and generally shall be consistent with the Company's equity award policies and practices with respect to individuals serving in comparable positions receiving equity awards in connection with the annual review process.

2.4 **Benefits**

Executive shall be eligible to participate, subject to and in accordance with applicable eligibility requirements, in such employee benefit plans, policies, programs and arrangements as are generally provided to the Company's other similarly situated executives, which shall include, at a minimum, basic health, dental and vision insurance.

2.5 **Vacation and Other Paid Time Off Benefits**

Each calendar year, Executive shall be entitled to that number of weeks of paid vacation per year equal to those provided to similarly situated executives of the Company, in accordance with the plans, policies, programs and arrangements of the Company applicable to similarly situated executives of the Company generally. Executive also shall be provided such holidays and sick leave as the Company makes available to all of its other employees.

3. **TERMINATION**

3.1 **Employment At Will**

Executive acknowledges and understands that employment with the Company is terminable at will and can be terminated by either party for no reason or for any reason not otherwise specifically prohibited by law. Nothing in this Agreement is intended to alter Executive's at-will employment status or obligate the Company to continue to employ Executive for any specific period of time, or in any specific role or geographic location. Except as expressly provided for in this Agreement, upon any termination of employment, Executive shall not be entitled to receive any payments or benefits under this Agreement other than unpaid Salary earned through the date of termination and unused vacation that has accrued as of the date of Executive’s termination of employment that would be payable under the Company’s standard policy (collectively, the “ ***Accrued Obligations*** ”).

3.2 **Automatic Termination on Death or Total Disability**

This Agreement and Executive’s employment hereunder shall terminate automatically upon the death or Total Disability of Executive. “ ***Total Disability*** ” shall mean a mental or physical impairment of Executive that is expected to result in death or that has lasted or is expected to last for a continuous period of twelve (12) months or more and that causes Executive (i) to be unable to perform his or her material duties for the Company, (ii) to be unable to engage in any substantial gainful activity, or (iii) to lose legal capacity. Executive and the Company hereby acknowledge that Executive’s ability to perform Executive’s duties is the essence of this Agreement. Termination hereunder shall be deemed to be effective (a) at the end of the calendar month in which Executive’s death occurs or (b) immediately upon a determination by the Board of Directors (or the Compensation Committee thereof) of Executive’s Total Disability. In the case of termination of employment under this Section 3.2, Executive shall not be entitled to receive any payments or benefits under this Agreement other than any Accrued Obligations and full accelerated vesting of any unvested outstanding Initial Option or Initial RSUs granted to Executive under Section 2.3(a) or Section 2.3(b) of this Agreement.

3.3 **Termination for Cause; Resignation**

The Company may terminate Executive’s services and this Agreement for Cause (as defined in **Appendix A**), effective immediately upon notice of termination. Upon termination of Executive’s employment for Cause, or upon Executive’s voluntary separation from Employment **without Good Reason (as defined in Appendix A)** , all compensation described herein shall cease as of the termination date, and Executive shall have no rights to any other compensation or payments under this Agreement or otherwise, other than any Accrued Obligations.

3.4 **Termination of Employment Without Cause or for Good Reason**

(a) If (1) the Company terminates Executive’s employment without Cause, or (2) Executive resigns for Good Reason, before Executive completes twelve (12) months of consecutive work for the Company (as measured from the Effective Date of this Agreement), then Executive shall be entitled to receive the below termination payments and benefits; provided, however, that this Section 3.4(a) shall not apply to, and shall have no effect in connection with, any termination to which Section 3.2 or Section 3.3 of this Agreement applies:

(i) any Accrued Obligations, payable in a lump sum on the next regularly scheduled payroll date following the date on which Executive’s employment terminated;

(ii) COBRA continuation coverage for Executive and his eligible dependents paid in full by the Company, so long as Executive has not become actually covered by the medical plan of a subsequent employer during any such month and is otherwise entitled to COBRA continuation coverage, with such payments for up to a maximum of six (6) months following the date of termination. After such period, Executive is responsible for paying the full cost for any additional COBRA continuation coverage to which Executive is then entitled;

(iii) payment of the second installment of the Signing Bonus described in Section 2.2 of this Agreement, in a gross amount of Two Hundred Fifty Thousand dollars ($250,000.00), within thirty (30) days from the date on which Executive's employment terminated; provided that, no payment shall be due under this Section 3.4 (a)(iii) if the Company has already paid the second installment of the Signing Bonus to Executive by the time of his separation from employment;

(iv) full accelerated vesting of any unvested outstanding Initial Option or Initial RSUs granted to Executive under Section 2.3(a) or Section 2.3(b) of this Agreement; and

(v) an extension of the time period during which Executive may exercise Executive's then outstanding and vested Initial Option (taking into account the accelerated vesting provided in this Section 3.4(a)), until the earlier of (A) twelve (12) months from the date of termination, or (B) the latest date upon which such Initial Option would have expired by its original terms under any circumstances.

(b) If (1) the Company terminates Executive's employment without Cause, or (2) Executive resigns for Good Reason on or after Executive completes twelve (12) months of consecutive work for the Company (as measured from the Effective Date of this Agreement), then Executive shall be entitled to receive the below termination payments and benefits; provided, however, that this Section 3.4(b) shall not apply to, and shall have no effect in connection with, any termination to which Section 3.2 or Section 3.3 of this Agreement applies:

(i) any Accrued Obligations, payable in a lump sum on the next regularly scheduled payroll date following the date on which Executive's employment terminated;

(ii) COBRA continuation coverage for Executive and his eligible dependents paid in full by the Company, so long as Executive has not become actually covered by the medical plan of a subsequent employer during any such month and is otherwise entitled to COBRA continuation coverage, with such payments for up to a maximum of six (6) months following the date of termination. After such period, Executive is responsible for paying the full cost for any additional COBRA continuation coverage to which Executive is then entitled;

(iii) an amount equal to six (6) months' Salary, at the rate in effect immediately prior to termination, payable to Executive in accordance with the terms below ("***Severance Payments***");

(iv) payment of the second installment of the Signing Bonus described in Section 2.2 of this Agreement, in a gross amount of Two Hundred Fifty Thousand dollars ($250,000.00), within thirty (30) days from the date on which Executive's employment terminated; provided that, no payment shall be due under this Section 3.4 (b)(iv) if the

Company has already paid the second installment of the Signing Bonus to Executive by the time of his separation from employment;

(v) full accelerated vesting of any unvested outstanding Initial Option or Initial RSUs granted to Executive under Section 2.3(a) or Section 2.3(b) of this Agreement, and accelerated vesting by an additional twelve (12) months of any other then outstanding equity-based awards that vest based on Executive's continued employment or service; and

(vi) an extension of the time period during which Executive may exercise Executive's then outstanding and vested Initial Option (taking into account the accelerated vesting provided in this Section 3.4(b)), until the earlier of (A) twelve (12) months from the date of termination, or (B) the latest date upon which such Initial Option would have expired by its original terms under any circumstances.

(c) As a condition to receiving the payments and benefits under this Section 3.4 other than the Accrued Obligations, Executive shall execute (and not revoke within the applicable revocation period) a general release and waiver of all claims against the Company, which release and waiver shall be in a form mutually acceptable to the Company and Executive. Such release and waiver shall be delivered to the Company no later than the date specified by the Company (which date shall in no event be later than twenty-one (21) days or forty-five (45) days, as applicable, after the date on which Executive is presented with the terms of the release and waiver). In addition, payment of the amounts and benefits under this Section 3.4, other than the Accrued Obligations, are contingent on Executive's full and continued compliance with the Company's Confidentiality Agreement, as the same may be amended from time to time.

(d) Notwithstanding the foregoing, termination of employment by Executive will not be for Good Reason unless (1) Executive notifies the Company in writing of the existence of the condition which Executive believes constitutes Good Reason within thirty (30) days of the initial existence of such condition (which notice specifically identifies such condition), (2) the Company fails to remedy such condition within thirty (30) days after the date on which it receives such notice (the " ***Remedial Period*** "), and (3) Executive actually terminates employment within thirty (30) days after the expiration of the Remedial Period and before the Company remedies such condition. If Executive terminates employment before the expiration of the Remedial Period or after the Company remedies the condition (even if after the end of the Remedial Period), then Executive's termination will not be considered to be for Good Reason.

(e) Subject to Section 3.4(c), Severance Payments under Section 3.4(b)(iii) shall be paid to Executive through the Company's normally scheduled payroll during the six (6) month period commencing within sixty (60) days following the date on which Executive's employment was terminated without Cause or Executive resigned for Good Reason; provided, however, that in the event such sixty (60) day period begins in one taxable year of Executive and ends in a second taxable year of Executive, the Company shall not make any Severance Payments to Executive until the second taxable year. Each such payment shall be treated as a separate payment for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the " ***Code*** "), including the rules and regulations thereunder (" ***Code Section 409A*** "). Notwithstanding the foregoing, if any payments and benefits payable pursuant to Section 3.4(b) constitute a "deferral of compensation" subject to Code Section 409A (after taking into account, to the maximum extent possible, any applicable exemptions), then the applicable provisions of Section 13 hereof shall apply.

4. **ASSIGNMENT**

This Agreement is personal to Executive and shall not be assignable by Executive. The Company may assign its rights hereunder to (a) any successor employer; (b) any other corporation resulting from any merger, consolidation or other reorganization to which the Company is a party; (c) any other corporation, partnership, association or other person to which the Company may transfer all or substantially all of the assets and business of the Company existing at such time; or (d) any subsidiary, parent or other affiliate of the Company. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

5. **AMENDMENTS IN WRITING**

No amendment, modification, waiver, termination or discharge of any provision of this Agreement, or consent to any departure therefrom by either party hereto, shall in any event be effective unless the same shall be in writing, specifically identifying this Agreement and the provision intended to be amended, modified, waived, terminated or discharged and signed by the Company and Executive, and each such amendment, modification, waiver, termination or discharge shall be effective only in the specific instance and for the specific purpose for which given. No provision of this Agreement shall be varied, contradicted or explained by any oral agreement, course of dealing or performance or any other matter not set forth in an agreement in writing and signed by the Company and Executive.

6. **NOTICES**

Every notice relating to this Agreement shall be in writing and shall be given by personal delivery, by a reputable same-day or overnight courier service (charges prepaid), by registered or certified mail (postage prepaid, return receipt requested) or by facsimile to the recipient with a confirmation copy to follow the next day to be delivered by personal delivery or by a reputable same-day or overnight courier service to the appropriate party's address or fax number below (or such other address and fax number as a party may designate by notice to the other parties):

If to the Company: Zillow, Inc.
1301 Second Avenue, Floor 31
Seattle, Washington 98101
Email: legal@zillowgroup.com

Attn: General Counsel

If to the Executive: Arik Prawer

(to address most recently on file with Company)

7. **APPLICABLE LAW**

This Agreement shall in all respects, including all matters of construction, validity and performance, be governed by, and construed and enforced in accordance with, the laws of the State of Washington, without regard to any rules governing conflicts of laws.

8. **ENTIRE AGREEMENT**

This Agreement, on and as of the Effective Date, constitutes the entire agreement between the Company and Executive with respect to the subject matter hereof, and all prior or contemporaneous oral or written communications, understandings or agreements between the Company and Executive with respect to such subject matter are hereby superseded in their entirety, except as otherwise provided herein. Executive expressly acknowledges that he has contemporaneously executed, and is bound by, the Confidentiality Agreement and Arbitration Agreement, during and after his employment with Company.

9. **SEVERABILITY**

If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

10. **WAIVERS**

No delay or failure by any party hereto in exercising, protecting, or enforcing any of its rights, titles, interests, or remedies hereunder, and no course of dealing or performance with respect thereto, shall constitute a waiver thereof. The express waiver by a party hereto of any right, title, interest, or remedy in a particular instance or circumstance shall not constitute a waiver thereof in any other instance or circumstance. All rights and remedies shall be cumulative and not exclusive of any other rights or remedies.

11. **HEADINGS**

All headings used herein are for convenience only and shall not in any way affect the construction of, or be taken into consideration in interpreting, this Agreement.

12. **COUNTERPARTS**

This Agreement, and any amendment or modification entered into pursuant to Section 5 hereof, may be executed in any number of counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute one and the same instrument.

13. **CODE SECTION 409A**

The Company makes no representations or warranties to Executive with respect to any tax, economic or legal consequences of this Agreement or any payments or other benefits provided hereunder, including without limitation under Code Section 409A, and no provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with Code Section 409A from Executive or any other individual to the Company or any of its affiliates. Executive, by executing this Agreement, shall be deemed to have waived any claim against the Company and its affiliates with respect to any such tax, economic or legal consequences. However, the parties intend that this Agreement and the payments and benefits provided hereunder be exempt from the requirements of Code Section 409A, and the rules and regulations issued thereunder, to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the involuntary separation pay plan exception described in Treasury Regulation Section 1.409A-1(b)(9)(iii), or otherwise. To the extent Code Section 409A is applicable to this Agreement, the parties intend that this Agreement and any payments and benefits hereunder comply with the deferral, payout and other limitations and restrictions imposed under Code Section 409A so as to avoid the imputation of any tax, penalty or interest under Code Section 409A. Notwithstanding anything herein to the contrary, this Agreement shall be construed, interpreted, operated and administered in a manner consistent with such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement to the contrary:

(a) To the extent Code Section 409A is applicable to this Agreement, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of amounts or benefits upon or following a termination of employment unless such termination constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder (a “ ***Separation from Service*** ”), and, for purposes of any such provision of this Agreement, references to “terminate,” “termination,” “termination of employment,” “resigns” and like terms shall mean Separation from Service.

(b) If Executive is a “specified employee” within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of Executive’s Separation from Service, Executive shall not be entitled to any payment or benefit on account of Executive’s Separation from Service, until the earlier of (1) the date which is six (6) months after Executive’s Separation from Service for any reason other than death, or (2) the date of Executive’s death. The provisions of this paragraph shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A on

Executive. Any amounts otherwise payable to Executive upon or in the six (6) month period following Executive's Separation from Service that are not so paid by reason of this Section 13(b) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after Executive's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of Executive's death).

IN WITNESS WHEREOF , the parties have executed and entered into this Agreement on the date first set forth above.

ARIK PRAWER

/s/ ARIK PRAWER

ZILLOW, INC.

By /s/ SPENCER M. RASCOFF

Its Chief Executive Officer

APPENDIX A

DEFINITIONS

Capitalized terms used below that are not defined in this ***Appendix A*** have the meanings set forth in the Executive Employment Agreement (" ***Agreement*** ") to which this ***Appendix A*** is attached. As used in the Agreement.

1. " ***Cause*** " means the occurrence of one or more of the following events:

(a) willful misconduct, insubordination or dishonesty in the performance of Executive's duties or a knowing and material violation of the Company's policies and procedures in effect from time to time which results in a material adverse effect on the Company;

(b) the continued failure of Executive to satisfactorily perform his duties after receipt of written notice that identifies the areas in which Executive's performance is deficient; provided that, only for purposes of determining whether Executive is entitled to any benefit under Sections 3.4(a)(iii) through 3.4(a)(v), 3.4(b)(iv) through 3.4(b)(vi) of this Agreement, this subsection (b) shall be replaced with "Executive's willful neglect of duties;"

(c) willful actions in bad faith or intentional failures to act in good faith by Executive with respect to the Company that materially impair the Company business, goodwill or reputation;

(d) conviction of Executive of a felony or misdemeanor, conduct by Executive that the Company reasonably believes violates any statute, rule or regulation governing the Company, or conduct by Executive that the Company reasonably believes constitutes unethical practices, dishonesty or disloyalty and that results in a material adverse effect on the Company;

(e) current use by Executive of illegal substances; or

(f) any material violation by Executive of this Agreement or the Company's Confidential Information, Inventions, Nonsolicitation and Noncompetition Agreement.

2. " ***Good Reason*** " means that Executive, without Executive's express, written consent, has:

(a) incurred a material reduction in Executive's annual Salary or bonus opportunity (except for reductions in connection with a general reduction in annual Salary for all executives of the Company by an average percentage that is not less than the percentage reduction of Executive's annual Salary);

(b) suffered a material breach of this Agreement by the Company;

(c) incurred a material reduction in authority, duties or responsibilities at the Company, although Executive's anticipated transition to a new role or title with a future entity as noted in Recital E in the Agreement shall not trigger this provision; or

(d) been required to relocate more than fifty (50) miles from Executive's residence located in the Los Angeles area, or in the event the parties mutually agree that Executive would reside elsewhere, Executive's then current place of residence, in order to continue to perform the duties and responsibilities of Executive’s position (not including customary travel as may be required by the nature of Executive’s position).

Exhibit 10.3

ZILLOW, INC.

Proprietary Rights Agreement

This Proprietary Rights Agreement (the "Agreement") is entered into and between me and Zillow, Inc., a Washington corporation, for and on behalf of Zillow, Inc. and its parents, subsidiaries, affiliates, successors, and assigns. In consideration of my offer of new or continued employment with the Company, the compensation paid to me, including but not limited to any stock, restricted stock units, or stock options which may be granted to me, and other good and valuable consideration, the receipt and sufficiency of which I hereby acknowledge, I agree to the following terms [1]:

Section 1. Definitions

1.1 "Company" means Zillow, Inc. and any and all parents, subsidiaries, affiliates, successors, and assigns, including, but not limited to, Zillow Group, Inc. and Zillow Home Loans, LLC to which I provide services (such affiliated entities are included within the term "Company" and "Zillow" herein). The parties acknowledge that the Company is currently a media advertising, technology, and residential real estate company with a portfolio of home- related brands and services for consumers and real estate professionals, including but not limited to (a) mobile applications and websites, as well as advertising, software, and other products and services for real estate, rental, and mortgage professionals; (b) an online marketplace for consumer purchase and sale of residential real estate; and (c) origination of mortgage loans.

1.2 "Competing Business" means any business whose efforts involve any products or services in competition with products or services which are, during the Relationship, either (a) produced, marketed or otherwise commercially exploited by the Company (including any parent, subsidiary, or affiliate) or (b) in actual or demonstrably anticipated research or development by the Company (including any parent, subsidiary or affiliate), and as to which I have or had business-related involvement or about which I possess or received Confidential Information during the Look Back Period.

1.3 "Confidential Information" means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to, research, business plans, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company on whom I called or with whom I became acquainted during the term of my employment with the Company), market research, methods of operations, techniques, personnel

1 Appendix A hereto contains important limitations for persons employed by the Company in certain jobs, as well as state specific modifications for employees working in certain states. You are encouraged to read Appendix A first so you understand which provisions of this Agreement apply to you currently and which may apply to you in the future should you relocate during employment with the Company.

information, works of original authorship, intellectual property (including, but not limited to, unpublished works and undisclosed patents), photographs, negatives, digital images, software, computer programs, algorithms, tools, ideas, developments, inventions (whether or not patentable), processes, formulas, technology, designs, drawings, forecasts, strategies, marketing plans, legal affairs that are privileged or work product protected, finances, suppliers, clients, prospects, opportunities, contracts or assets of the Company, or other business information disclosed to me by the Company either directly or indirectly in writing, orally or by drawings or observation or inspection of parts or equipment. Confidential Information does not include any of the foregoing items that has become publicly known and made generally available through no wrongful act of mine or of others who were under confidentiality obligations as to the item or items involved. Confidential Information also does not include information lawfully acquired by a non- management employee about wages, hours or other terms and conditions of employment when used for purposes protected by §7 of the National Labor Relations Act. For purpose of clarity, it shall still be a violation of this Agreement for a non-management employee to wrongfully compete by sharing Confidential Information with a competitor about other employees' compensation and benefits which was obtained through the course of employment with the Company for purposes of assisting such competitor in soliciting Company employees.

1.4 " ***Intellectual Property*** " means any patent, copyright, trade secret, trademark, trade name, service mark, maskwork, original works of authorship, domain names, inventions, concepts, improvements, processes, methods, Invention, or other protected intellectual property right in any Confidential Information, whether or not patentable or registrable under copyright or similar laws, that I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time I am in the service of the Company.

1.5 " ***Invention*** " means any product, device, technique, article of manufacture, composition of matter, know-how, machine, computer program, algorithm, method, process, procedure, improvement, discovery, invention or new uses for any of the preceding items, whether or not patentable or copyrightable and whether or not reduced to practice, that (a) is within the scope of the Company's business, research or investigations or results from or is suggested by any work performed by me for the Company and (b) is created, conceived, reduced to practice, developed, discovered, invented or made by me during the Relationship, whether solely or jointly with others, and whether or not while engaged in performing work for the Company, except as otherwise provided herein.

1.6 " ***Look Back Period*** " means the last three years of my employment or such shorter period of time as I have been employed.

1.7 " ***Material*** " means any product, prototype, model, document, diskette, tape, picture, design, recording, writing or other tangible item which contains or manifests, whether in printed, handwritten, coded, magnetic or other form, any Confidential Information, Invention or Intellectual Property.

1.8 “ ***Person*** ” means any individual, corporation, partnership, trust, association, governmental authority, educational institution, or other entity.

1.9 “ ***Relationship*** ” means the term of my employment with the Company, whether on a full-time, part-time, or consulting basis.

1.10 “ ***Territory*** ” will depend upon my position as follows: (i) if I am in a position where my responsibilities are not geographically limited to an assigned location or territory (such as, by way of example but not limitation, senior management positions) and where I am provided Confidential Information that is not geographically limited to an assigned location or territory (such as, by way of example but not limitation, executives, directors, and management positions), then Territory means the United States and any other countries in which the Company is doing business during the Look Back Period (including state and state-equivalents and county and county-equivalents within the United States and such other countries); (ii) if I am in a position with responsibilities and Confidential Information that are limited to an assigned territory or territories during the Look Back Period, then Territory shall be the specific geographic territory or territories assigned to me during the Look Back Period; and (iii) in the rare event that neither (i) nor (ii) apply, then the Territory is the county or counties that I performed services in or on behalf of the Company during the Look Back Period.

Section 2. Ownership and Use

2.1 Ownership. The Company will be the exclusive owner of all Confidential Information, Inventions, Materials and Intellectual Property. To the extent applicable, all Materials will constitute “works for hire” under applicable copyright laws.

2.2 Duty to the Company. I will promptly disclose to the Company all Confidential Information, Inventions, Materials or Intellectual Property, as well as any business opportunity which comes to my attention during my Relationship with the Company and which relates to the business of the Company or which arises as a result of my employment with the Company. I will not take advantage of or divert any such opportunity for the benefit of myself or anyone else either during or after my Relationship with the Company without the prior written consent of the Company.

2.3 Assignment of Intellectual Property. I will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby assign and transfer to the Company, or its designee, all my rights, title, interest, ownership and/or any appurtenant goodwill in and to any Intellectual Property that I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time I am in the service of the Company and that (i) are developed using the equipment, supplies, facilities or Confidential Information of the Company, (ii) result from or are suggested by work performed by me for the Company, or (iii) relate to the Company business or to the actual or demonstrably anticipated research or development of the Company. The Intellectual

Property will be the sole and exclusive property of the Company. I further acknowledge that all original works of authorship that are made by me (solely or jointly with others) within the scope of and during the period of my Relationship with the Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. To the extent that any Intellectual Property is not deemed to be work made for hire, I hereby assign all my rights, title, interest, ownership and/or any appurtenant goodwill in and to such Intellectual Property to the Company, except as provided in Section 2.8.

2.4 Patent and Copyright Registrations. I agree to assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto and the execution of all applications, specifications, oaths, assignments and other instruments that the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its successors, assigns and nominees the sole and exclusive right, title and interest in and to such Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the termination of my Relationship with the Company. If the Company is unable because of my mental or physical incapacity or for any other reason to secure my assistance in perfecting the rights transferred in this Agreement, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent and copyright, trademark or domain name registrations thereon with the same legal force and effect as if executed by me. The designation and appointment of the Company and its duly authorized officers and agents as my agent and attorney in fact shall be deemed to be coupled with an interest and therefore irrevocable.

2.5 Maintenance of Records. I agree to keep and maintain adequate and current written records of all inventions and Intellectual Property during the Relationship. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times. I will not contest the validity of any Intellectual Property, or aid or encourage any third party to contest the validity of any Intellectual Property of the Company.

2.6 Non-Disclosure or Use. Except as required for performance of my work for the Company or as authorized in writing by the Company, I will not (a) use, disclose, publish or distribute any Confidential Information, Inventions, Materials or Intellectual Property or (a) remove any Materials from the Company's premises. If I have any questions about what constitutes Confidential Information I agree to contact the Company's Legal Department prior to use, disclosure, publication, or distribution of such information. The Company and I also recognize that state law provides additional protection for statutorily defined trade secrets and this Agreement does not waive, alter, or reduce any such additional protections. Likewise, the Company and I agree that this Agreement does not alter, reduce or modify any obligations I owe to the Company under any other applicable statute or the common law. However, nothing in this Agreement prohibits me from (1) disclosing sexual harassment or sexual assault occurring in the workplace, at work-related events coordinated by or through the Company, or between employees, or between the Company and an employee, off the workplace premises; or (2) reporting possible violations of law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of any law or regulation. I do not need the prior authorization of the Company to make any such reports or disclosures and I am not required to notify the Company that I have made such reports or disclosures. I am hereby provided notice that under the 2016 Defend Trade Secrets Act (DTSA): (1) no individual (consultant, contractor or employee) will be held criminally or civilly liable under Federal or State trade secret law for the disclosure of a trade secret (as defined in the Economic Espionage Act) that: (A) is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and made solely for the purpose of reporting or investigating a suspected violation of law; or, (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and, (2) an individual (consultant, contractor or employee) who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order. In the event that I file a trade secret of the Company under seal in a matter in which the Company is not a party, I agree to provide notice to the Company contemporaneously with the filing of the trade secret under seal so that the Company can take whatever additional efforts are necessary to maintain the confidentiality of the trade secret information.

2.7 Intellectual Property Retained and Licensed. I will identify on Exhibit A all original works of authorship, inventions, developments, improvements, trademarks, designs, domain names, processes, methods and trade secrets that were made by me prior to my Relationship with the Company (collectively referred to as "Prior Intellectual Property"), that belong to me, that relate to the Company's proposed business, products or research and development, and that are not assigned to the Company hereunder; or, if no such list is attached, I represent that there is no such Prior Intellectual Property. If in the course of my Relationship with the Company, I incorporate into Company property any Prior Intellectual Property owned by me or in which I have an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Intellectual Property as part of or in connection with such Company property.

2.8 Exception to Assignments. This Agreement's assignment provisions are limited to only those inventions that can be lawfully assigned by an employee to an employer. Some examples of state laws limiting the scope of assignable inventions are: Delaware Code Title 19 Section 805; Kansas Statutes Section 44-130; Minnesota Statutes 13A Section 181.78; North Carolina General Statutes Article 10A, Chapter 66, Commerce and Business, Section 66-57.1; Utah Code Sections 34-39-l through 34-39-3, "Employment Inventions Act"; Washington Rev. Code, Title 49 RCW: Labor Regulations, Chapter 49.44.140. NOTICE: I acknowledge notice that to the extent one of the foregoing laws applies, my invention assignment agreement will not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on my own time, unless: (1) the invention relates directly to the business of the Company or to the Company's actual or demonstrably anticipated research or development; or (2) the invention results from any work performed by me for the Company. Similarly, to the extent California Labor Code Section 2870, or Illinois 765ILCS1060/1-3, "Employees Patent Act", controls then the same notice will apply absent the word "directly" in part (1).

Section 3. Further Obligations

3.1 My execution, delivery and performance of this Agreement and the performance of my other obligations and duties to the Company will not cause any breach, default or violation of any other employment, nondisclosure, confidentiality, consulting or other agreement to which I am a party or by which I may be bound. Attached as Exhibit B is a list of all prior agreements now in effect under which I have agreed to keep information confidential or not to compete or solicit employees of any Person.

3.2 I will not use in performance of my work for the Company or disclose to the Company any trade secret, confidential or proprietary information of any prior employer or other Person if and to the extent that such use or disclosure may cause a breach, default or violation of any obligation or duty that I owe to such other Person (e.g., under any agreement or applicable law). My compliance with this paragraph, which is an essential term of my employment with the Company, will not prohibit, restrict or impair the performance of my work, obligations and duties to the Company.

3.3 I recognize that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. I agree to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out my work for the Company consistent with the Company's agreement with such third party.

Section 4. Restrictive Covenants

4.1 Employee Non-Solicitation. In consideration for my employment with the Company and other valuable consideration, I agree that during the period of my Relationship with the Company and for a period of twelve (12) months thereafter, I will not, directly or indirectly, solicit any person who shall then be employed by the Company (as an employee or consultant) or who shall have been employed by the Company (as an employee or consultant) within the prior twelve (12) month period, on behalf of myself or any other person, firm, corporation, association or other entity, for the purpose of: (a) soliciting such employee to terminate his or her employment by the Company; or (b) encouraging such person to go to work for a Competing Business. The foregoing employee non-solicitation provision shall be limited to individuals: who (i) are uniquely essential to the management, organization, sales, research and development, or service of the business, or similar role; and (ii) with whom I am working or have worked, as to whom I have or have had supervisory responsibilities, or regarding whom I received Confidential Information, in each case during the Look Back Period. In the event the Company loses an employee due, in whole or in part, to conduct by me that violates this Agreement prior to the issuance of injunctive relief, I shall pay the Company a sum equal to thirty percent (30%) of the annual wages of the person(s) who were improperly solicited and left the Company, based on such person's last rate of pay with the Company. This payment shall not preclude or act as a substitute for any remedy that would otherwise be available, including but not limited to, injunctive relief to prevent further violations. Nothing herein is intended or to be construed as a prohibition against general advertising such as "help wanted" ads that are not targeted at the Company's employees. This provision also does not preclude conduct protected by Section 7 of the National Labor Relations Act (NLRA) such as joining or forming a union, engaging in collective bargaining, or engaging in other concerted activity for mutual aid and protection.

4.2 Customer Non-Solicitation. In consideration for my employment with the Company and other valuable consideration, I agree that, during the period of my Relationship with the Company and for a period of twelve (12) months thereafter, I will not, directly or indirectly, attempt to solicit for, divert to, appropriate to, or accept on behalf of, any Competing Business, any business from any customer or actively sought prospective customer of the Company with which I have or have had material business-related dealings, or whose dealings with the Company have been supervised by me, or about which I have acquired Confidential Information during the Look Back Period. This provision does not preclude conduct protected by Section 7 of the NLRA such as joining or forming a union, engaging in collective bargaining, or engaging in other concerted activity for mutual aid and protection.

4.3 Non-Competition. In consideration for my employment with the Company and other valuable consideration, I agree that, during the period of my Relationship with the Company and for a period of twelve (12) months thereafter, I will not, within the Territory or for the benefit of a Competing Business's operations within the Territory, directly or indirectly, engage in, be employed by, perform services for, participate in the ownership, management, control or operation of, or otherwise be connected with, any Competing Business, in a capacity that is the same as or similar to the capacity in which I performed services for the Company during the Look Back Period or any such other capacities that would result in the use or disclosure of Confidential Information. For purposes of this paragraph, I will not be considered to be connected with any Competing Business solely on account of: my ownership of less than five percent of the outstanding capital stock or other equity interests in any Person carrying on the Competing Business. The Company, in its sole discretion, may determine to waive the noncompetition provisions of this Section 4.3 in whole or in part. Any such waiver shall not constitute a waiver of any noncompetition or forfeiture provisions of any other agreement between the Company and me.

4.4 Direct or Indirect Violations. I acknowledge and agree that I will be in violation of Sections 4.1, 4.2, and/or 4.3 if I engage in any or all of the activities set forth in those Sections directly as an individual on my own account, or indirectly for, through, or with assistance from, any other person or entity, whether as partner, joint venturer, employee, agent, salesperson, employee, officer, manager and/or director of any person or entity, or as an equity holder of any person or entity in which I or my spouse, child, or parent owns, directly or indirectly, any of the outstanding equity interests.

4.5 Reasonableness of Restrictions. I acknowledge and agree that, given the electronic and global nature of the environment in which the Company conducts business, a broad geographic limitation to the above restrictions is reasonable to protect the Company's interests. I further acknowledge and agree that the length of the time periods applicable to the restrictive covenants are appropriate and reasonable, in view of the nature of the Company's business and my employment with the Company and knowledge of its business. I acknowledge that I have carefully considered the terms of this Agreement, including the restrictive covenants contained herein, and acknowledge that if this Agreement is enforced according to its terms, I will be able to earn a reasonable living in commercial activities in locations satisfactory to me. I also acknowledge that the restrictive covenants set forth herein are a vital part of and intrinsic to the ongoing operations of the Company, in light of the nature of the business and my unique position, skills, and knowledge with and of the Company.

4.6 Tolling of Covenants. I acknowledge and agree that if it is judicially determined that I have violated any of my obligations under Sections 4.1, 4.2, and/or 4.3, then the period applicable to each obligation that I have been determined to have violated shall automatically toll from the date of the first breach, and all subsequent breaches, until the resolution of the breach through private settlement, judicial or other action, including all appeals.

Section 5. Termination of Relationship

5.1 I agree that, at the time of leaving the service of the Company, I will deliver to the Company (and will not keep in my possession, recreate or deliver to anyone else) any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment or other documents or property, or reproductions of any aforementioned items, and any and all Confidential Information, developed by me pursuant to my Relationship with the Company or otherwise belonging to the Company or its successors or assigns. I agree to sign and deliver the " **Termination Certification** " attached as Exhibit C.

5.2 At the end of my Relationship with the Company, I agree to provide the name of my new employer, if any, and consent to notification by the Company to my new employer about my rights and obligations under this Agreement in the form of Exhibit D.

Section 6. Employment At Will

Except as provided for in this Section 6, I agree that my employment is "at will," which means that it can be terminated at any time by the Company or by me, with or without cause and with or without notice. I agree that any promise or obligation that my employment be on any other basis than "at will" is invalid unless in writing signed by the Chief Executive Officer of the Company. I agree to abide by the Company's rules, regulations, policies and practices as revised from time to time.

Section 7. Miscellaneous

7.1 Survival; Subsidiaries and Affiliates. I agree that my obligations under this Agreement will survive the end of my Relationship with the Company. I understand and agree that this Agreement is executed by Zillow, Inc. on its own behalf and on behalf of each of its parents, subsidiaries, affiliates, successors, or assignees, that my obligations under this Agreement shall apply equally to each of Zillow, Inc.'s parent companies, subsidiaries, affiliates, successors, or assignees, and that such entities may enforce this Agreement in their own name as if they were parties to this Agreement.

7.2 Assignability. I understand and agree that this Agreement will be binding upon my heirs, executors, assigns, administrators, agents, and other legal representatives, and will be for the benefit of the Company, its successors, and its assigns. Without limiting the foregoing, the Company may assign this Agreement and its rights and obligations under this Agreement to any successor to any of the Company's relevant assets, whether by merger, consolidation, reorganization, reincorporation, sale of assets or stock, or otherwise.

7.3 Injunctive Relief; Costs . I acknowledge that my obligations under this Agreement are important to the Company, and that the Company would not employ or continue to employ me without my agreement to such obligations. I also acknowledge that if I do not abide by my obligations in this Agreement, the Company will suffer immediate and irreparable harm, and that the damage to the Company will be difficult to measure and financial relief will be incomplete. Accordingly, the Company will be entitled to injunctive relief and other equitable remedies in the event of a breach by me of any obligation under this Agreement. Furthermore, no bond need be posted in conjunction with the application for, or issuance of, an injunction (which requirement I hereby specifically and expressly waive) (however, if a court or arbitrator requires a bond notwithstanding the foregoing waiver, the parties agree that $1,000 is an adequate amount of bond that need be posted). The rights and remedies of the Company under this section are in addition to all other remedies. Further, in any legal action or other proceeding in connection with this Agreement (e.g., to recover damages or other relief), the prevailing party will be entitled to recover its reasonable attorneys' fees and other costs incurred.

7.4 Severability and Modification . This Agreement will be enforced to the fullest extent permitted by applicable law. If for any reason any provision of this Agreement is held to be invalid or unenforceable to any extent (including with respect to scope, duration, territory, or terms of restrictive covenants), then I agree that (a) the court or arbitrator making such determination shall have the power to reduce or modify the scope, duration, territory, and/or terms of such provision, and to delete specific words or phrases in such provision, so that the provision is enforceable by the court or arbitrator, and such provision as amended shall be enforced by the court or arbitrator; (b) such invalidity or unenforceability will not affect any other provision of this Agreement or any other agreement between the Company and me; and (a) that I will abide by the Agreement as modified by the court or arbitrator.

7.5 Governing Law. I acknowledge and agree that the Company has an interest in administering its agreements, plans, and programs under uniform law, and that it is fair to have all Company employees be subject to uniform laws in connection with agreements like this one. Therefore I agree that all disputes arising under or related to this Agreement or to my employment or relationship or dealings with the Company shall be governed by the laws of the State of Washington and construed in accordance therewith without giving effect to principles of conflicts of laws. I hereby irrevocably waive my rights, if any, to have the laws of any other state other than the State of Washington apply to this Agreement or my employment with the Company. Notwithstanding the foregoing, the Company and I acknowledge that the Federal Arbitration Act applies to the Mutual Agreement to Arbitrate Claims if entered into by the parties.

7.6 Venue and Personal Jurisdiction The parties acknowledge the Mutual Agreement to Arbitrate Claims entered into by the parties and the fact that the Mutual Agreement to Arbitrate Claims excludes claims for temporary equitable relief in aid of arbitration ("Temporary Injunction Proceedings"). To the maximum extent permitted by law, the parties expressly agree to submit to the exclusive jurisdiction and exclusive venue of courts located in the State of Washington, King County, for Temporary Injunction Proceedings, regardless of where I reside or where I perform services for the Company. I waive any right to have any Temporary Injunction Proceedings decided in any other jurisdiction or venue.

7.7 Entire Agreement . This Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and merges all prior discussions between us, subject to the mutual Agreement to Arbitrate Claims entered into by the parties which shall be enforced to the maximum extent permitted by applicable law (after application of Federal Arbitration Act preemption principles). No modification of or amendment to this Agreement, or any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged or is by order of a court of competent jurisdiction or duly-appointed arbitrator. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

7.8 Waivers . No waiver of any breach shall be considered valid unless in writing signed by the party against whom waiver is asserted, and no waiver shall be a waiver of any subsequent breach.

7.9 Acknowledgment . I have carefully read all of the provisions of this Agreement and agree that (a) the same are necessary for the reasonable and proper protection of the Company's business, (b) the Company has been induced to enter into and/or continue its relationship with me in reliance upon my compliance with the provisions of this Agreement, (a) every provision of this Agreement is reasonable with respect to its scope and duration, (d) I have executed this Agreement without duress or coercion from any source, and (e) I have received a copy of this Agreement.

This Agreement shall be effective as of ______________________________ .
(Date)

____
Signature

____
FULL NAME (print or type)

ACCEPTED:

ZILLOW, INC.

By
Its Chief People Officer

APPENDIX A

Interns:

If I am employed by the Company as an intern, Section 4.3 shall only apply during the period of time I am employed by the Company (and not post-employment). In addition, any applicable state specific modifications provided for below shall also apply while I am employed by the Company as an intern (and not post-employment).

Attorneys :

The parties agree that Section 4.3 shall not apply to restrict any attorney from the practice of law on behalf of any future client, subject to the applicable Rules of Professional Conduct. In addition, any applicable state specific modifications provided for below shall also apply.

Alabama:

If I reside in Alabama, for so long as I reside in Alabama and am subject to Alabama law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: Section 4.2 shall apply only to current customers and shall not apply to prospective customers.

Arizona:

If I reside in Arizona, for so long as I reside in Arizona and am subject to Arizona law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: (a) the obligations under Section 4.2 are limited to the Territory; and (b) with respect to Confidential Information which (1) is a Trade Secret, my confidentiality obligations shall continue indefinitely until the information is no longer considered a Trade Secret under applicable law; or (2) is not a Trade Secret, my confidentiality obligations shall continue in duration until the first to occur of the following: (i) three (3) years has elapsed since termination of my employment with the Company for any reason, or (ii) the Confidential Information has been made generally available to the public either by the Company or by a third party with the Company's consent and through no wrongful action by me.

Arkansas, Connecticut, Montana:

If I reside in Arkansas, Connecticut, or Montana, for so long as I reside in Arkansas, Connecticut, or Montana and am subject to Arkansas, Connecticut, or Montana law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: with respect to Confidential Information which (1) is a Trade Secret, my confidentiality obligations shall continue indefinitely until the information is no longer considered a Trade Secret under applicable law; or (2) is not a Trade Secret, my confidentiality obligations shall continue in duration until the first to occur of the following: (i) three (3) years has elapsed since termination of my employment with the Company for any reason, or (ii) the Confidential Information has been made generally available to the public either by the Company or by a third party with the Company's consent and through no wrongful action by me.

California:

To the extent my employment or potential employment is governed by and subject to the laws of the State of California: (a) Section 4.1 shall only apply during the period of time I am employed by the Company (and not post-employment) and I acknowledge and agree that engaging in conduct while employed that violates Section 4.1 would create a conflict of interest with the Company; (b) Section 4.2 shall be limited to situations where I am aided in my conduct by the use or disclosure of the Company’s trade secrets (as defined by California law); (c) Section 4.3 shall only apply during the period of time that I am employed by the Company (and not post-employment,) and I acknowledge and agree that engaging in conduct while employed that violates Section 4.3 would create a conflict of interest with the Company; and (a) Sections 7.5 and 7.6 shall not apply.

Louisiana:

If I reside in Louisiana, for so long as I reside in Louisiana and am subject to Louisiana law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: Section 4.3 shall only apply during the period of time that I am employed by the Company (and not post-employment,) and I acknowledge and agree that engaging in conduct while employed that violates Section 4.3 would create a conflict of interest with the Company.

Massachusetts:

If I reside in Massachusetts, for so long as I reside in Massachusetts and am subject to Massachusetts law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: Section 4.3 shall only apply during the period of time that I am employed by the Company (and not post-employment,) and I acknowledge and agree that engaging in conduct while employed that violates Section 4.3 would create a conflict of interest with the Company.

Nebraska:

If I reside in Nebraska, for so long as I reside in Nebraska and am subject to Nebraska law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: (a) the Look Back Period in Section 1.6 is revised to mean the last two years of my employment or such shorter period of time as I have been employed; (b) Section 4.2 is limited to customers with whom the Company did business and as to which I had personal business-related contact during the Look Back Period; and (c) Section 4.3 shall only apply during the period of time that I am employed by the Company (and not post-employment,) and I acknowledge and agree that engaging in conduct while employed that violates Section 4.3 would create a conflict of interest with the Company.

Nevada:

If I reside in Nevada, for so long as I reside in Nevada and am subject to Nevada law (meaning the choice of law provision in Section 7.5 is disregarded), then Section 4.2 does not preclude me from providing services to any former client or customer of the Company if: (a) I did not solicit the former customer or client; (b) the customer or client voluntarily chose to leave and seek services from me; and (c) I am otherwise complying with the limitations in this Agreement as to time and scope of activity to be restrained.

New York:

If I reside in New York, for so long as I reside in New York and am subject to New York law (meaning, the choice of law provision in Section 7.5 is disregarded), then the following applies to me: Section 4.2 shall be modified so that it excludes those customers who became a customer of the Company as a result of my independent contact and business development efforts with the customer prior to and independent from his/her employment with the Company.

North Carolina:

If I reside in North Carolina, for so long as I reside in North Carolina and am subject to North Carolina law (meaning, the choice of law provision in Section 7.5 is disregarded), then the following applies to me: the Look Back Period shall be two years and shall be calculated looking back two years from the date of enforcement and not from the date employment ends.

North Dakota:

If I reside in North Dakota, for so long as I reside in North Dakota and am subject to North Dakota law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: (a) Section 4.3 shall only apply during the period of time that I am employed by the Company (and not post-employment,) and I acknowledge and agree that engaging in conduct while employed that violates Section 4.3 would create a conflict of interest with the Company; and (b) Section 4.2 shall be limited to situations where I am aided in my conduct by the use or disclosure of the Company's trade secrets (as defined by applicable law).

Oklahoma:

If I reside in Oklahoma, for so long as I reside in Oklahoma and am subject to Oklahoma law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: (i) Section 4.2 is rewritten is follows: "In consideration for my employment with the Company and other valuable consideration, I agree that, during the period of my Relationship with the Company and for a period of twelve (12) months thereafter, I will not directly solicit the established clients of the Company for the purpose of doing any business that would compete with the Company's business. The foregoing shall be limited to clients with which I have or have had material business-related dealings, or whose dealings with the Company have been supervised by me, or about which I have acquired Confidential Information during the Look Back Period. This provision does not preclude conduct protected by Section 7 of the NLRA such as joining or forming a union, engaging in collective bargaining, or engaging in other concerted activity for mutual aid and protection."; and (ii) Section 4.3 shall only apply during the period of time that I am employed by the Company (and not post-employment,) and I acknowledge and agree that engaging in conduct while employed that violates Section 4.3 would create a conflict of interest with the Company.

Oregon:

If I reside in Oregon, for so long as I reside in Oregon and am subject to Oregon law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: the post-employment restrictions in Section 4.3 shall only apply if I: (a) am engaged in administrative, executive or professional work and perform predominantly intellectual, managerial, or creative tasks, exercise discretion and independent judgment and earn a salary or am otherwise exempt from Oregon's minimum wage and overtime laws; (b) the Company has a "protectable interest" (meaning, access to trade secrets or competitively sensitive confidential business or professional information); and (c) the total amount of my annual gross salary and commission, calculated on an annual basis, at the time of my termination, exceeds the median family income for a family of four, as determined by the United States Census Bureau. However, if I do not meet the requirements of either (a) or (c) (or both), the Company may, on a case-by-case basis, decide to make Section 4.3 enforceable as to me (as allowed by Oregon law), by paying me during the period of time I am restrained from competing the greater of: (i) compensation equal to at least 50 percent of my annual gross base salary and commissions at the time of my termination; or (ii) fifty percent of the median family income for a four-person family, as determined by the United States Census Bureau for the most recent year available at the time of my termination.

Wisconsin:

If I reside in Wisconsin, for so long as I reside in Wisconsin and am subject to Wisconsin law (meaning the choice of law provision in Section 7.5 is disregarded), then the following applies to me: (a) with respect to Confidential Information which (1) is a Trade Secret, my confidentiality obligations shall continue indefinitely until the information is no longer considered a Trade Secret under applicable law; or (2) is not a Trade Secret, my confidentiality obligations shall continue in duration until the first to occur of the following: (i) three (3) years has elapsed since termination of my employment with the Company for any reason, or (ii) the Confidential Information has been made generally available to the public either by the Company or by a third party with the Company’s consent and through no wrongful action by me; and (b) Section 4.6 shall not apply.

EXHIBIT A

LIST OF PRIOR INVENTIONS AND ORIGINAL WORKS OF AUTHORSHIP

Title	Date	Identifying Number or Brief Description

_________ No inventions or improvements

_________ Additional Sheets Attached

Signature of Employee: ______________________________

Print Name of Employee: ______________________________

Date: ____________________

EXHIBIT B

The following is a list of all prior agreements with former employers or others to which I am a party in which I agreed to maintain the confidentiality of the information of, or not to compete with or solicit the employees or customers of, a third party.

__________ No Agreements

__________ See below

__________ Additional sheets attached

I hereby acknowledge and affirm that I have complied with, and will comply with, my obligations under the agreements identified in this Exhibit B, including but not limited to any confidentiality, non-compete, and non-solicit obligations I owe or owed to any former employers or others, and that I do not reasonably anticipate that my employment with the Company may violate any existing obligations I have under the agreements.

Signature of Employee: ____

Print Name of Employee: ____

Date: ____________________________

EXHIBIT C TERMINATION

CERTIFICATION

This is to certify that I do not have in my possession, and I have not failed to return, any Materials or other property belonging to Zillow, Inc., its subsidiaries, affiliates, successors or assigns (together, the "Company").

I further certify that I have complied with all the terms of the Company's Proprietary Rights Agreement signed by me, including the reporting of any Inventions conceived or made by me (solely or jointly with others) covered by that Agreement.

I further agree that, in compliance with the Agreement, I will not use, disclose, publish or distribute any Confidential Information, Inventions, Materials or Intellectual Property.

I will continue to be subject to written post-employment obligations that I entered into with the Company, which prohibit me from engaging in certain conduct. This prohibited conduct may (as allowed by applicable law) include, but not be limited to, restrictions on my ability to solicit employees and consultants, or to solicit customers or prospective customers of the Company, or to enter into certain types of prohibited relationships with Competing Businesses. The details of these restrictions are fully set forth in the Proprietary Rights Agreement signed by me, which I have received an additional copy of in conjunction with the termination of my employment.

Signature of Employee: ______________________________

Print Name of Employee: ______________________________

Date: ____________________

EXHIBIT D

NOTIFICATION TO NEW EMPLOYERS

Dear [name of new employer's president]:

We understand that our former employee, [name of employee], has accepted employment with your company. This letter is to advise you that [name of employee] signed a Proprietary Rights Agreement with Zillow, Inc. that remains in full force and effect. At the time [name of employee] left our company, we advised [him/her] of [his/her] continuing obligations under the Agreement and [name of employee] signed a Termination Certificate affirming [his/her] obligations under the Agreement. A copy of the Termination Certificate, dated _________, 20_, is enclosed so that any conflict with these obligations can be avoided during [his/her] employment with you.

Very truly yours,

____

[Typed name]

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Barton, certify that:

1. I have reviewed this report on Form 10-Q of Zillow Group, Inc. for the fiscal quarter ended March 31, 2019 ;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By:	/s/ R ICHARD B ARTON
Name:	Richard Barton
Title:	Chief Executive Officer
Date:	May 9, 2019

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13-14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allen Parker, certify that:

1. I have reviewed this report on Form 10-Q of Zillow Group, Inc. for the fiscal quarter ended March 31, 2019 ;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By:	/s/ ALLEN PARKER
Name:	Allen Parker
Title:	Chief Financial Officer
Date:	May 9, 2019

EXHIBIT 32.1

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Zillow Group, Inc. (the “Company”) for the fiscal quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard Barton, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ RICHARD BARTON
Name:	Richard Barton
Title:	Chief Executive Officer
Date:	May 9, 2019

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Zillow Group, Inc. (the “Company”) for the fiscal quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Allen Parker, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ ALLEN PARKER
Name:	Allen Parker
Title:	Chief Financial Officer
Date:	May 9, 2019