CCRSI RELEASE – December 2022
(With data through November 2022)

PRICES FALL IN NOVEMBER 2022 AS INVESTOR INTEREST WANES AMID A WEAKENING ECONOMIC ENVIRONMENT, WITH ANNUAL GAINS SLOWING FOR THE FIFTH CONSECUTIVE MONTH

TRANSACTION VOLUME TUMBLES TO ITS LOWEST LEVEL SINCE FEBRUARY 2021 AS MARKET FUNDAMENTALS COOL

This month's CoStar Commercial Repeat Sale Indices (CCRSI) provides the market's first look at commercial real estate pricing trends through November 2022. Based on 1,216 sale pairs in November 2022 and almost 283,400 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity.

CCRSI National Results Highlights

- U.S. COMPOSITE PRICE INDICES TURNED NEGATIVE IN NOVEMBER 2022 AS ANNUAL GAINS CONTINUED TO SLOW. The value-weighted U.S. Composite Index, which is more heavily influenced by high-value trades common in core markets, fell for the third consecutive month to 293, a fall of 1.4% over the prior month. The index was up by 0.8% in the 12-month period that ended in November 2022 and is 43.8% higher than in February 2020, before the onset of the COVID-19 pandemic.

- Meanwhile, the equal-weighted U.S. composite index, which reflects the more numerous but lower-priced property sales typical of secondary and tertiary markets, fell 3 points to 313 in November 2022, a fall of 0.8% over the prior month, reversing the gain seen in October. The index gained 6.8% in the 12-month period that ended in November 2022 and is 31.7% above its February 2020 pre-pandemic level.

- Both composite indices have been on a broad deceleration trend in year-over-year growth for the last five consecutive months as markets respond to an environment of higher interest rates as the Federal Reserve battles decades-high inflation.

U.S. Composite Indices: Equal- and Value-Weighted, Data through November 2022
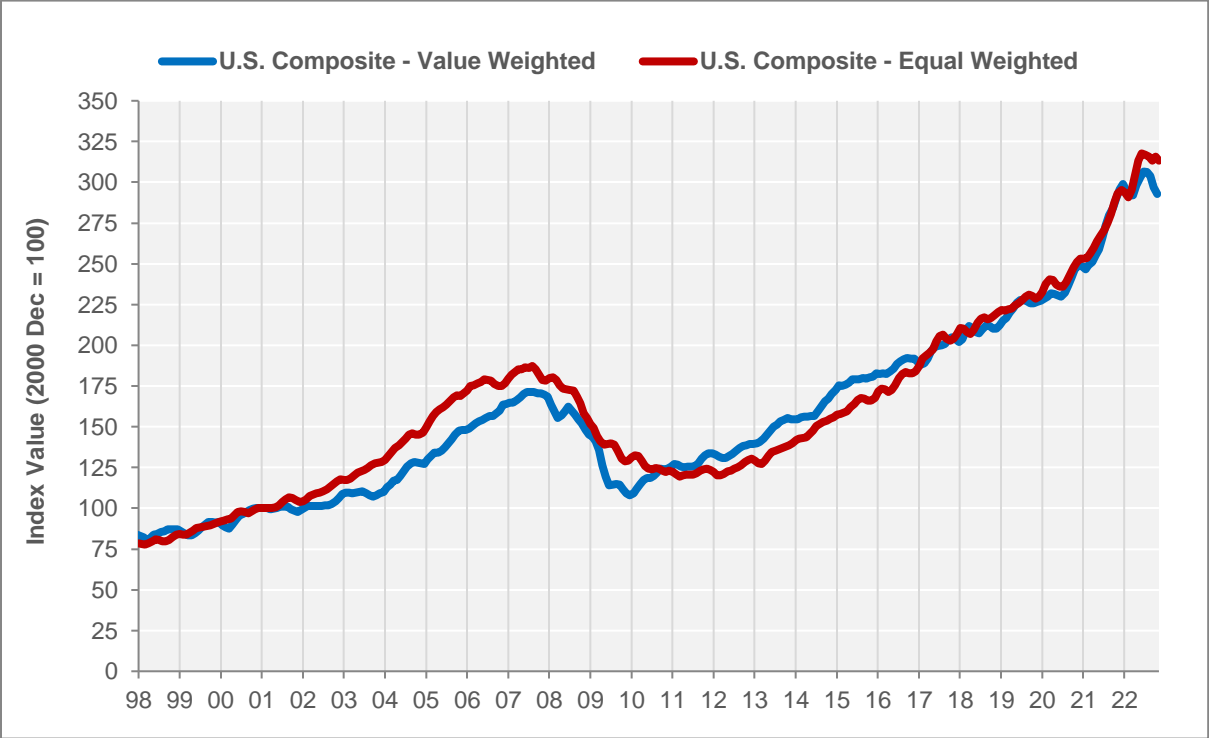

U.S. Composite Indices: YoY Percent Change, Data through November 2022
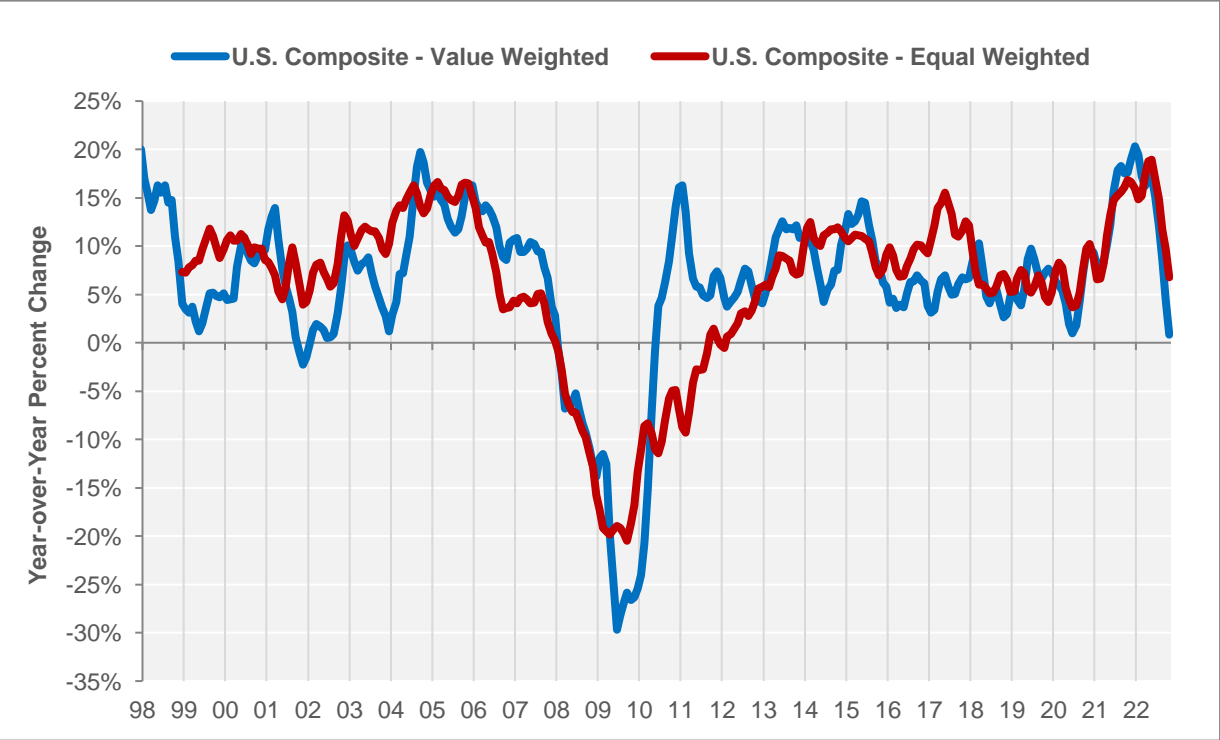
- BOTH MARKET SEGMENTS OF THE EQUAL-WEIGHTED COMPOSITE PRICE INDEX FELL IN NOVEMBER 2022.

- The investment grade sub-index, more heavily influenced by higher-value assets, fell by 1.3% in November 2022, reversing most of its gain in the prior month. The index saw growth of 1.5% over the 12-month period that ended in November 2022, its smallest 12-month gain since June 2020.

- The general commercial sub-index, more heavily influenced by smaller, lower-priced assets, fell by 0.6% in November 2022, reversing its prior month's gain. This sub-index gained 8.2% over the 12-month period that ended in November 2022, its smallest 12-month gain since October 2020.

U.S. Equal-Weighted Indices by Market Segment, Data through November 2022
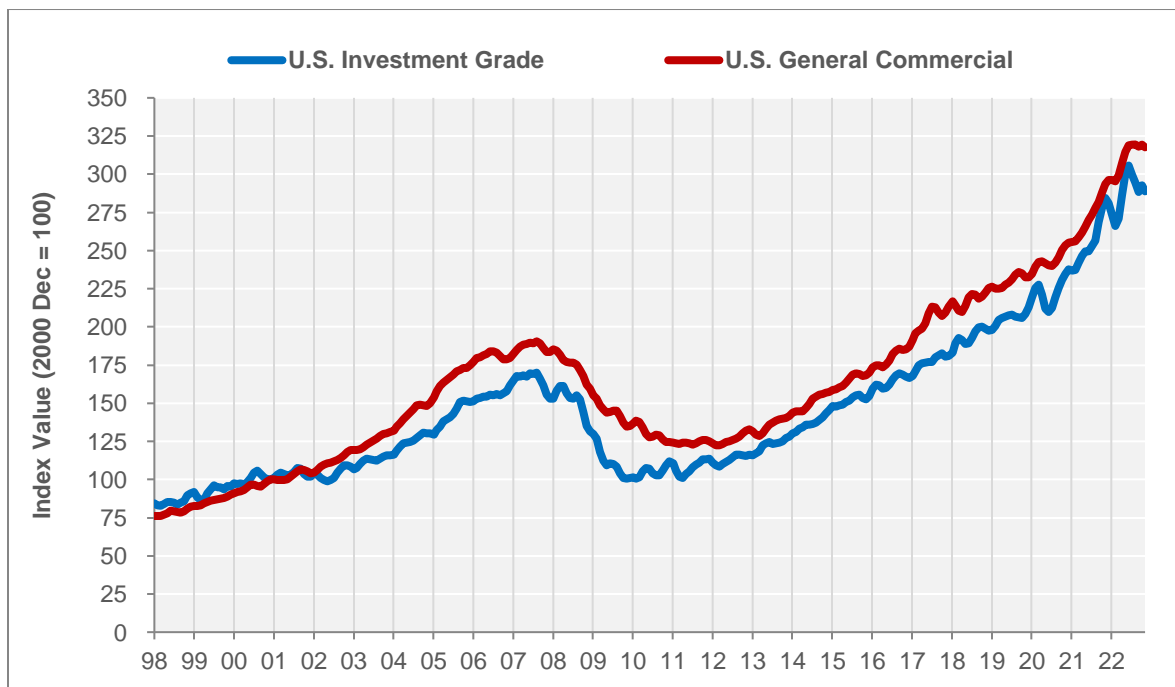

- THE MULTIFAMILY SECTOR DROVE MOST OF THE PRICE GAINS IN THE VALUE-WEIGHTED INDEX OVER THE PAST DECADE. However, that sub-index has fallen in the past four consecutive months.

- While accounting for about 15% of the repeat trades recorded in November, multifamily trades accounted for 40% of the total monthly composite transaction volume.

- The multifamily sector sub-index fell by 1.4% in November 2022, its fourth month of decline since reaching a peak of 421 in June 2022. The index saw price growth of 6.1% in the 12-month period that ended in November 2022, its slowest year-over-year gain

since July 2020, and is 39.4% higher than in February 2020, before the onset of the pandemic. Net absorption in multifamily units reached historic highs in 2021 in response to pandemic-era impacts on the housing market, motivating double-digit annual price gains and making the sector an attractive asset class. However, with both prices and mortgage rates elevated, affordability destruction has tempered absorption more recently.

▪ The value-weighted composite index excluding the multifamily sector fell by 1.4% in November 2022, its second monthly fall in revised data. The index fell by 2.0% in the 12-month period that ended in November 2022, its first year-over-year decline since August 2020, and is 17.0% higher than it was in February 2020, gaining less than half the rate that the multifamily sector sub-index gained during that same period.

### U.S. Value-Weighted Composite Index Excluding Multifamily, Data through November 2022
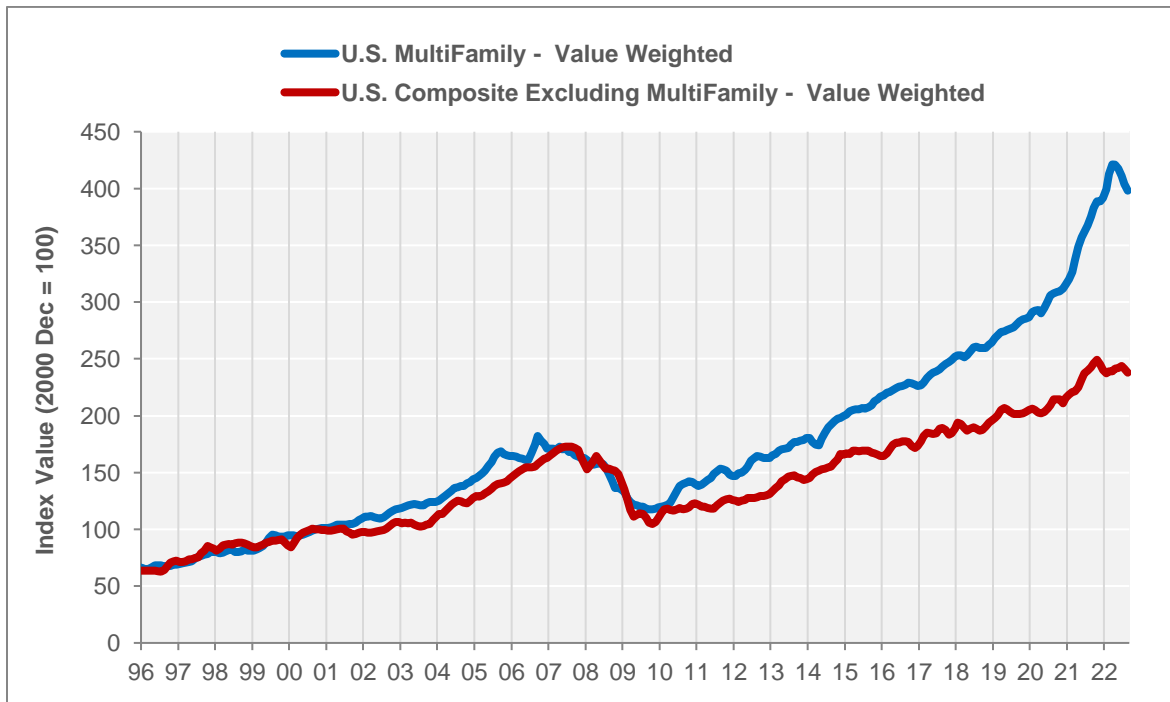
▪ TRANSACTION VOLUME FELL IN NOVEMBER 2022, REACHING ITS LOWEST LEVEL SINCE FEBRUARY 2021. Higher capital costs and a slowing economy led to a further pullback in trades. Transaction activity fell to $10.7 billion in November, a 15.3% decline from the prior month's upwardly revised volume and the lowest volume since February 2021. Investment grade segment transaction volume pulled back by 9.4% in November 2022 over the prior month to $7.0 billion while the general commercial segment fell by 24.4% to $3.7 billion.

- Composite pair volume of $218.2 billion in the 12-month period ending in November 2022 was 13.6% higher than the 12-month period that ended in November 2021 due to unprecedented transaction activity in December 2021. The increase in volume was larger in the general commercial segment, which gained 18.6% over the 12 months that ended in November 2022 and accounted for about 35% of the overall annual transaction volume. The investment grade segment, which accounted for about 65% of the 12-month transaction volume, rose by 11.1% over the 12-month period ending in November 2022.

**U.S. Pair Count, Data through November 2022**
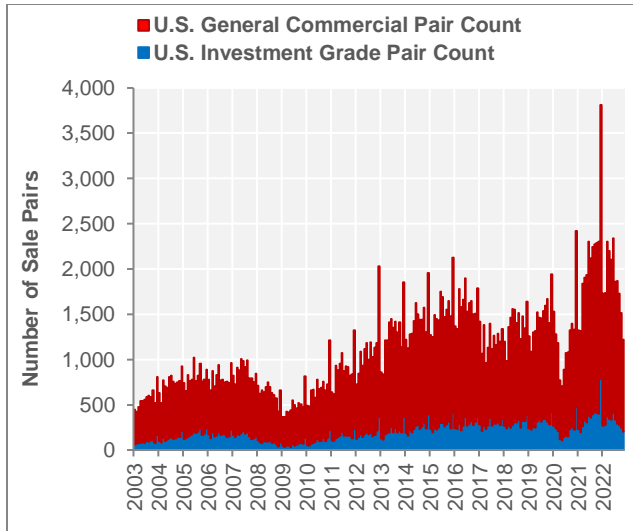
U.S. Pair Volume, Data through November 2022
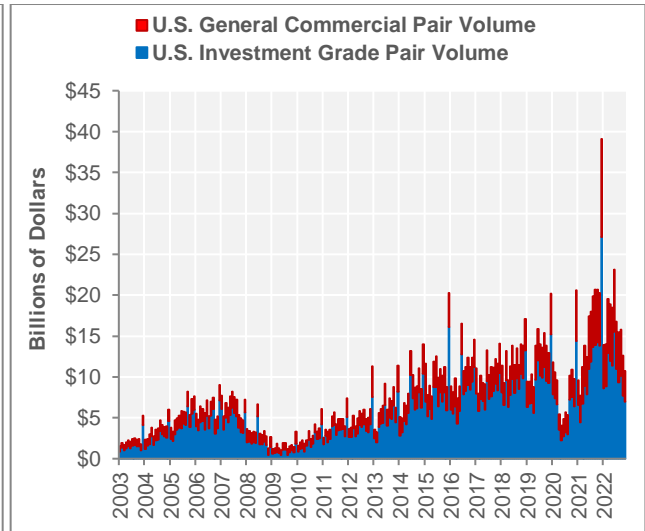
- THE SHARE OF REPEAT-SALE TRADES THAT WERE DISTRESSED REMAINS LOW. Only 25 of the 1,216 repeat-sales trades in November 2022, or about 2.1%, were distressed sales. In comparison, the monthly average share of distressed sales in the five-year period ending in February 2020, prior to the onset of the pandemic, was 3.6%. General commercial distressed sales accounted for 15 of the distressed trades in November 2022, or 1.2% of all repeat-sales trades, below its five-year pre-pandemic monthly average of 2.6%. Only ten investment grade distressed sales were recorded in the month, accounting for 0.8% of all repeat sales trades, below its five-year pre-pandemic monthly average of 1.1%.

U.S. Distress Sale Pairs Percentage, Data through November 2022
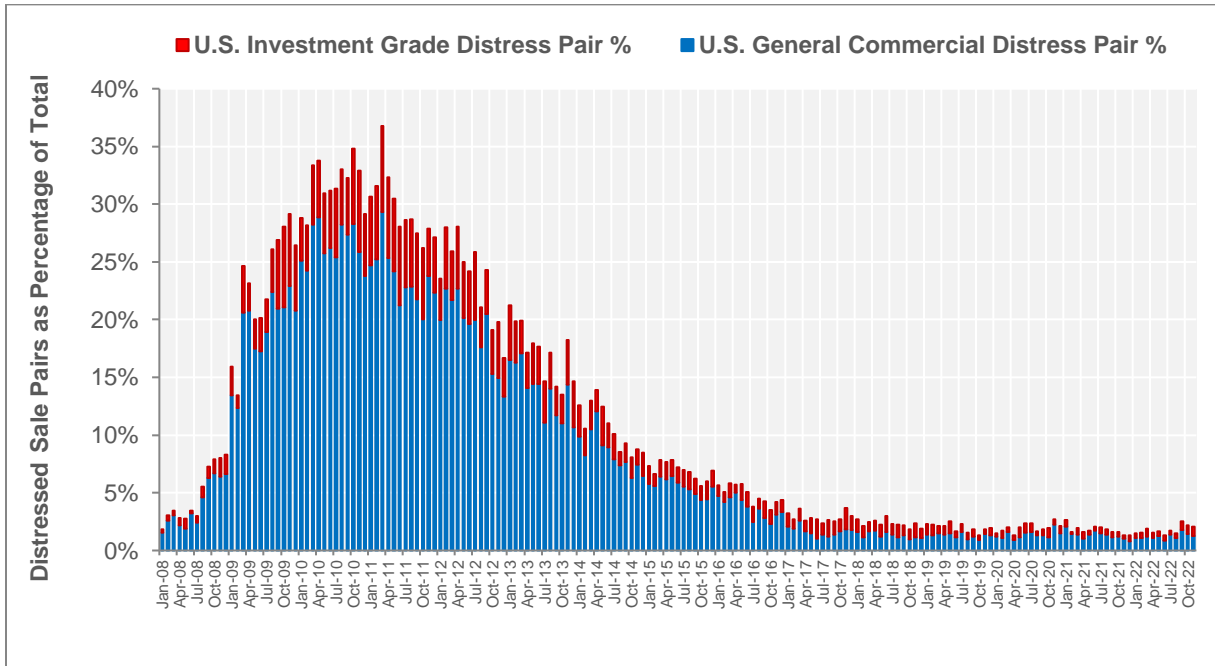
- DEMAND FOR SPACE IS RETREATING. Net absorption is projected to be 225.7 million SF in the 12-month period ending in December 2022, a notable decline of 53.8% from the 12-month period that ended in December 2021. Investment grade and general commercial segments individually saw similar declines in demand, by 53.2% and 54.3%, respectively, over the same period. This followed the quick recovery of absorption after demand cratered during the pandemic. This was the fifth consecutive quarter of declining net absorption for both investment grade and general commercial segments.

- As a percentage of stock, net absorption in the quarter that will end in December 2022 is projected to fall below 0.1%, its lowest share since the quarter ending in September 2020 as the pandemic wreaked havoc on commercial property markets.

- AT THE SAME TIME, DELIVERIES ARE SLOWING BUT CONTINUE TO GROW. Deliveries across the three major property types — office, retail, and industrial — are projected to reach 704.8 million SF in the 12-month period ending in December 2022, up 9.3% from the same period in 2021. Almost 87% of the space delivered, or 615.6 million SF, is expected to be of investment grade assets, an increase of 11.1% over the 12-month period that ended in December 2021. Only 89.1 million SF of general commercial properties are projected to deliver in the 12-month period that will end in December 2022, a fall of 2.1% over the prior 12-month period.

- Developers appear to prefer investment grade assets. As a percentage of total stock, deliveries are projected to be 0.3% of total inventory in the quarter that will end in December

2022, with investment grade deliveries of 0.4% of stock and general commercial of less than 0.1% of inventory.

Market Fundamentals, Data through November 2022
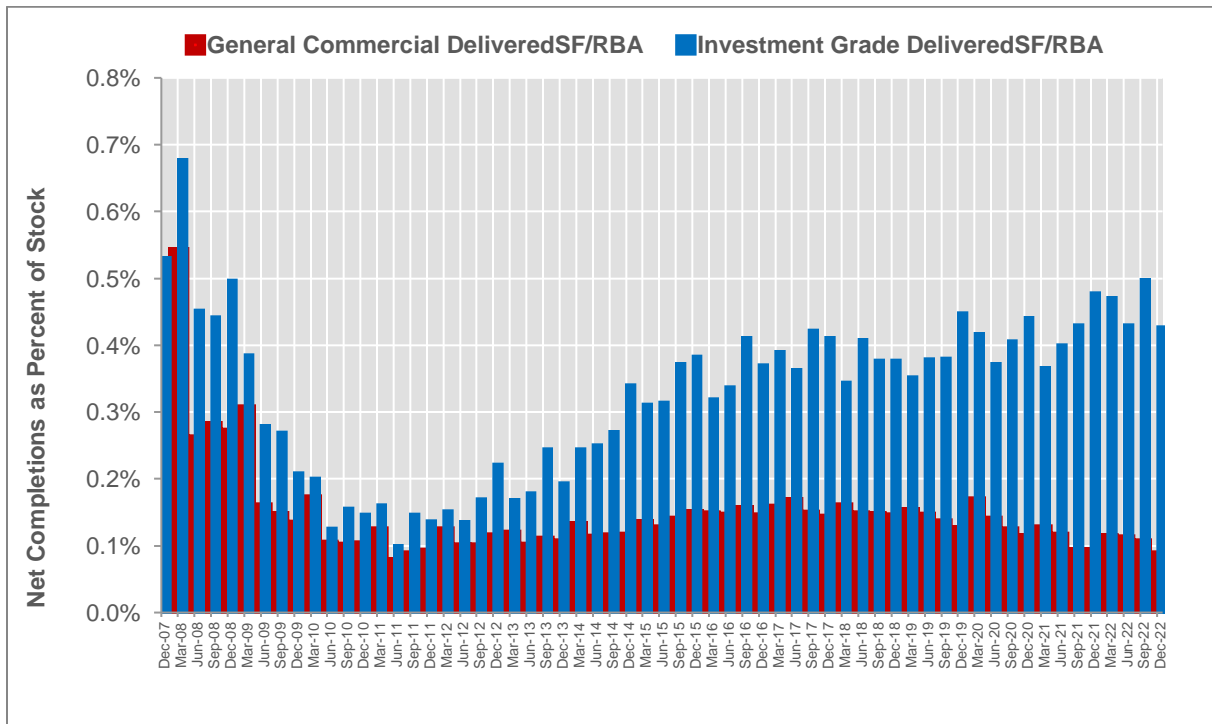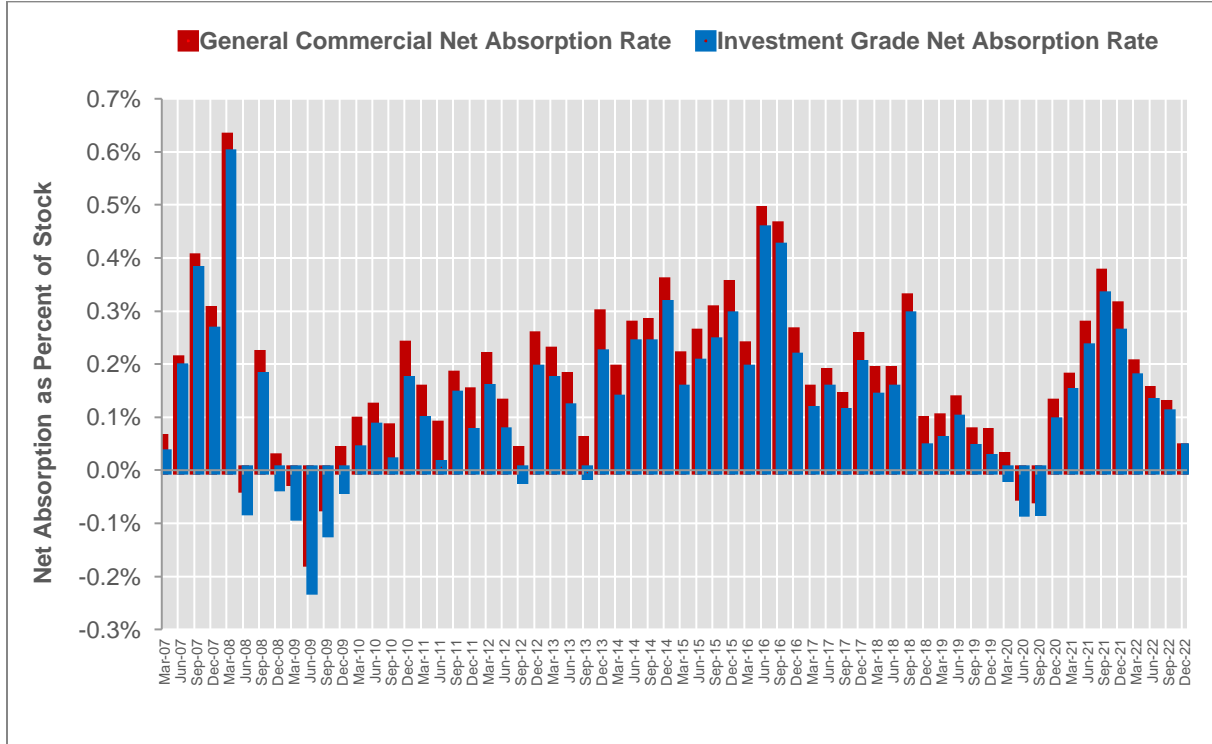
Monthly CCRSI Results, Data through November 2022

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
Value-Weighted U.S. Composite Index	-1.4%	-4.4%	0.8%	170.9%[1]
Equal-Weighted U.S. Composite Index	-0.8%	-0.8%	6.8%	161.9%[2]
U.S. Investment-Grade Index	-1.3%	-2.0%	1.5%	187.4%[3]
U.S. General Commercial Index	-0.6%	-0.6%	8.2%	158.1%[4]

[1] Trough Date: JANUARY 2010   [2] Trough Date: MARCH 2011   [3] Trough Date: November 2009   [4] Trough Date: MARCH 2011

Market Fundamentals, Data through November 2022

	Annual Net Absorption (in millions of square feet)			
	2019Q4	**2020Q4**	**2021Q4**	**2022Q4**
Aggregate	136.0	-6.5	488.4	225.7
Investment Grade	49.3	-18.2	224.6	105.1
General Commercial	86.7	11.7	263.8	120.6

Note: "Net Absorption" is the change in occupied space, calculated based on three types of properties: office, retail, and industrial.

	Annual Delivered SF (in millions of square feet)			
	2019Q4	**2020Q4**	**2021Q4**	**2022Q4**
Aggregate	620.1	650.2	645.1	704.8
Investment Grade	499.4	532.4	554.0	615.6
General Commercial	120.7	117.8	91.0	89.1

Note: Delivered SF is calculated based on three types of properties: office, retail, and industrial.

About The CoStar Commercial Repeat-Sale Indices

The CoStar Commercial Repeat-Sale Indices (CCRSI) are the most comprehensive and accurate measures of commercial real estate prices in the United States. In addition to the national Composite Index (presented in both equal-weighted and value-weighted versions), national Investment-Grade Index, and national General Commercial Index, which are reported monthly, 30 sub-indices in the CoStar index family are reported quarterly. The sub-indices include breakdowns by property sector (office, industrial, retail, multifamily, hospitality, and land), by region of the country (Northeast, South, Midwest, and West), by transaction size and quality (general commercial, investment-grade), and by market size (composite index of the prime market areas in the country).

The CoStar indices are constructed using a repeat sales methodology, widely considered the most accurate measure of price changes for real estate. This methodology measures the movement in the prices of commercial properties by collecting data on actual transaction prices. When a property is sold more than once, a sales pair is created. The prices from the first and second sales are then used to calculate price movement for the property. The aggregated price changes from all the sales pairs are used to create a price index. Historical price indices are revised as new data is recorded.

Available Monthly and Quarterly CCRSI Indices

National Composite CRE Price Index	National Indices by Property Type	Regional Indices	Regional Indices by Property Type	Prime Market Indices by Property Type
All Properties	Office	Northeast	Northeast: Office, Multifamily, Industrial, Retail	Office
General Commercial	Retail	Midwest	Midwest: Office, Multifamily, Industrial, Retail	Multifamily
Investment-Grade	Industrial	South	South: Office, Multifamily, Industrial, Retail	Industrial
	Multifamily	West	West: Office, Multifamily, Industrial, Retail	Retail
	Hospitality			
	Land			

Prime Office Markets

CBSA Listed Alphabetically
Boston
Los Angeles
New York
Orange County
San Francisco
Seattle
Washington, D.C.

Prime Industrial Markets

CBSA Listed Alphabetically
Atlanta
Chicago
Dallas
Houston
Los Angeles
Northern New Jersey
Riverside
Seattle

Prime Retail Markets

CBSA Listed Alphabetically
Boston
Los Angeles
New York
Orange County
San Diego
San Francisco
San Jose
Washington, D.C.

Prime Multifamily Markets

CBSA Listed Alphabetically
Boston
Chicago
Houston
Los Angeles
New York
Orange County
San Francisco
San Jose
Seattle
Washington, D.C.

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For more information about the CCRSI Indices, including the full accompanying data set and research methodology, legal notices, and disclaimer, please visit http://costargroup.com/costar-news/ccrsi.

ABOUT COSTAR GROUP, INC.

CoStar Group, Inc. (NASDAQ: CSGP) is a leading provider of online real estate marketplaces, information, and analytics. Founded in 1987, CoStar conducts expansive, ongoing research to produce and maintain the largest and most comprehensive database of commercial real estate information. Our suite of online services enables clients to analyze, interpret, and gain unmatched insight on commercial property values, market conditions and current availabilities. STR provides premium data benchmarking, analytics, and marketplace insights for the global hospitality industry. Ten-X provides a leading platform for conducting commercial real estate online auctions and negotiated bids. LoopNet is the most heavily trafficked commercial real estate marketplace online. Apartments.com, ApartmentFinder.com, ForRent.com, ApartmentHomeLiving.com, Westside Rentals, AFTER55.com, CorporateHousing.com, ForRentUniversity.com and Apartamentos.com form the premier online apartment resource for renters seeking great apartment homes and provide property managers and owners a proven platform for marketing their properties. Homesnap is an industry-leading online and mobile software platform that provides user-friendly applications to optimize residential real estate agent workflow and reinforce the agent-client relationship. Homes.com offers real estate professionals advertising and marketing services for residential properties. Realla is the UK's most comprehensive commercial property digital marketplace. BureauxLocaux is one of the largest specialized property portals for buying and leasing commercial real estate in France. CoStar Group's websites attract tens of millions of unique monthly visitors. Headquartered in Washington, DC, CoStar Group maintains offices throughout the U.S., Europe, Canada, and Asia. From time to time, we plan to utilize our corporate website, www.costargroup.com, as a channel of distribution for material company information. For more information, visit www.costargroup.com.