CCRSI RELEASE – DECEMBER 2017
(With data through NOVEMBER 2017)

REAL ESTATE UPCYCLE CONTINUES AS COSTAR COMPOSITE PRICE INDICES APPROACH YEAR END WITH MODERATE GAINS

SOLID ABSORPTION AND SALE VOLUME SUPPORT PRICE GROWTH

This month's CoStar Commercial Repeat Sale Indices (CCRSI) provides the market's first look at commercial real estate pricing trends through November 2017. Based on 953 repeat sale pairs in November 2017 and more than 185,000 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity.
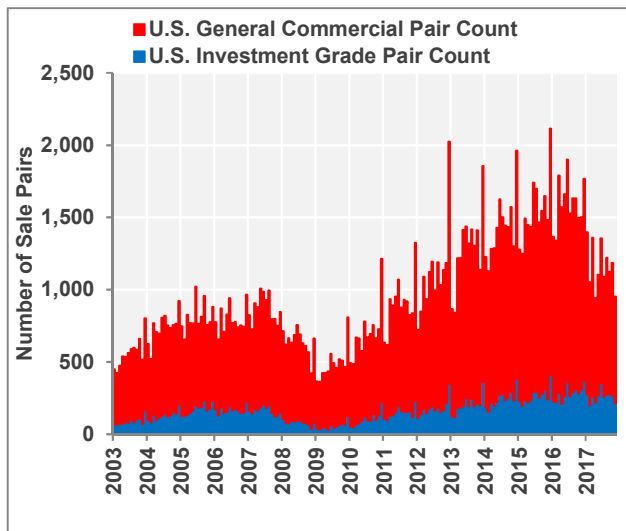
U.S. Composite Indices: Equal- And Value-Weighted, Data Through November 2017

COSTAR COMMERCIAL REPEAT-SALE INDICES DECEMBER 2017 Release (With Data through NOVEMBER 2017)
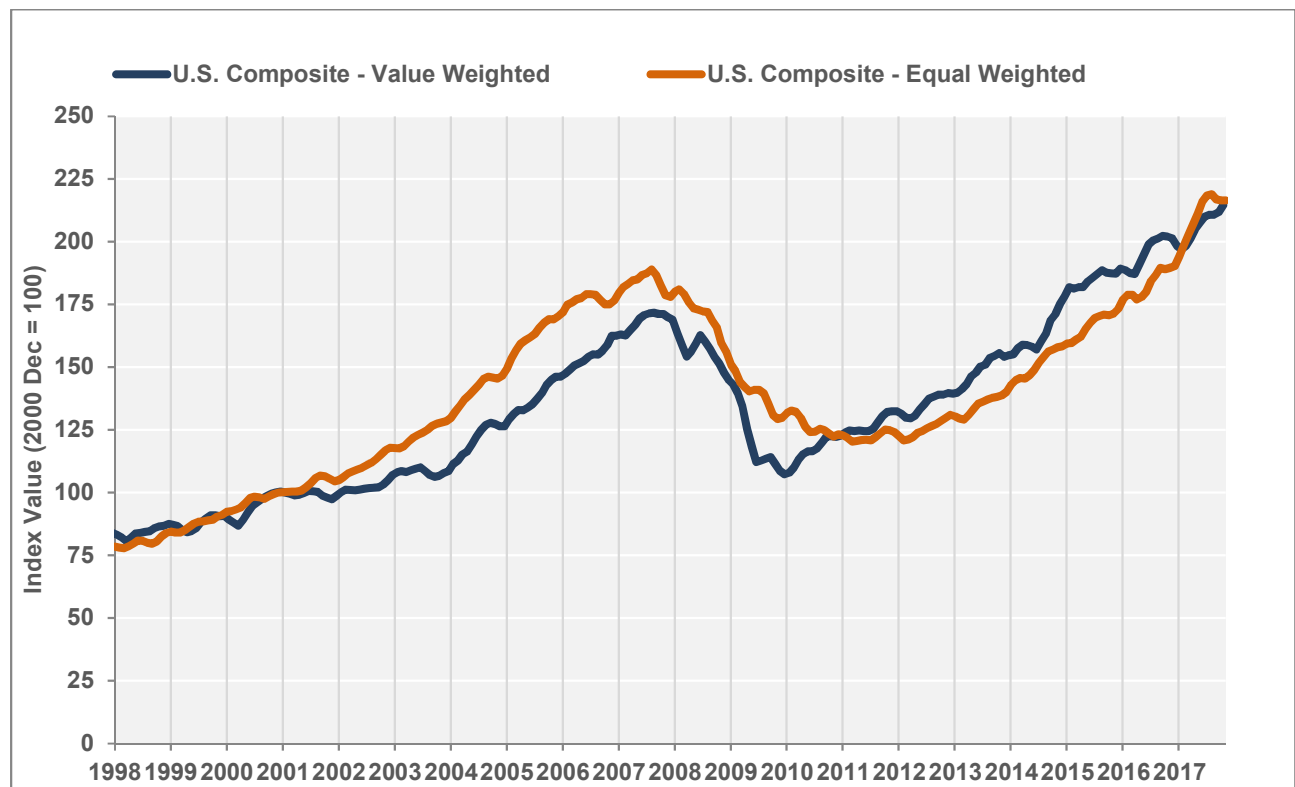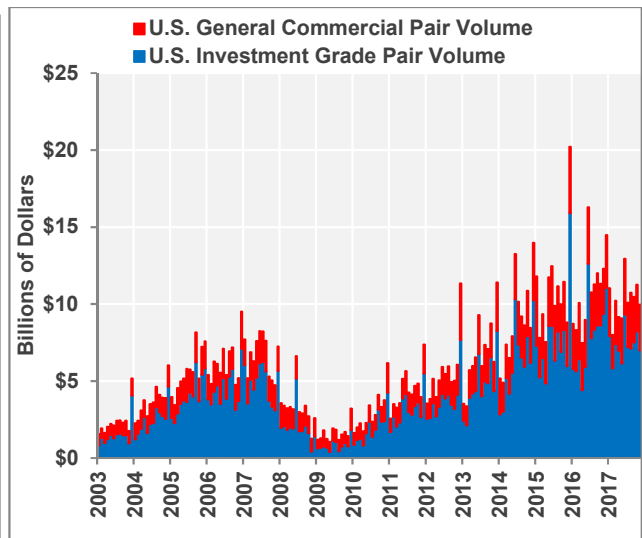
U.S. Equal-Weighted Indices By Market Segment, Data Through November 2017
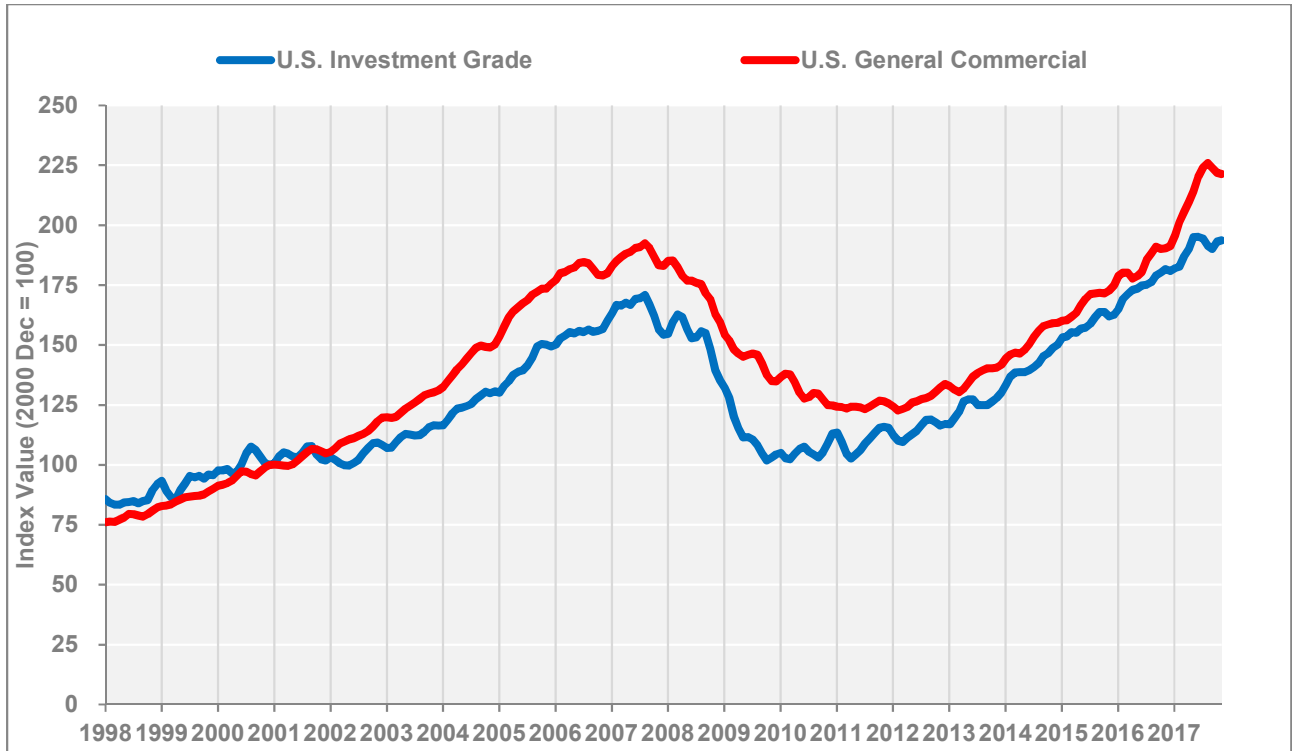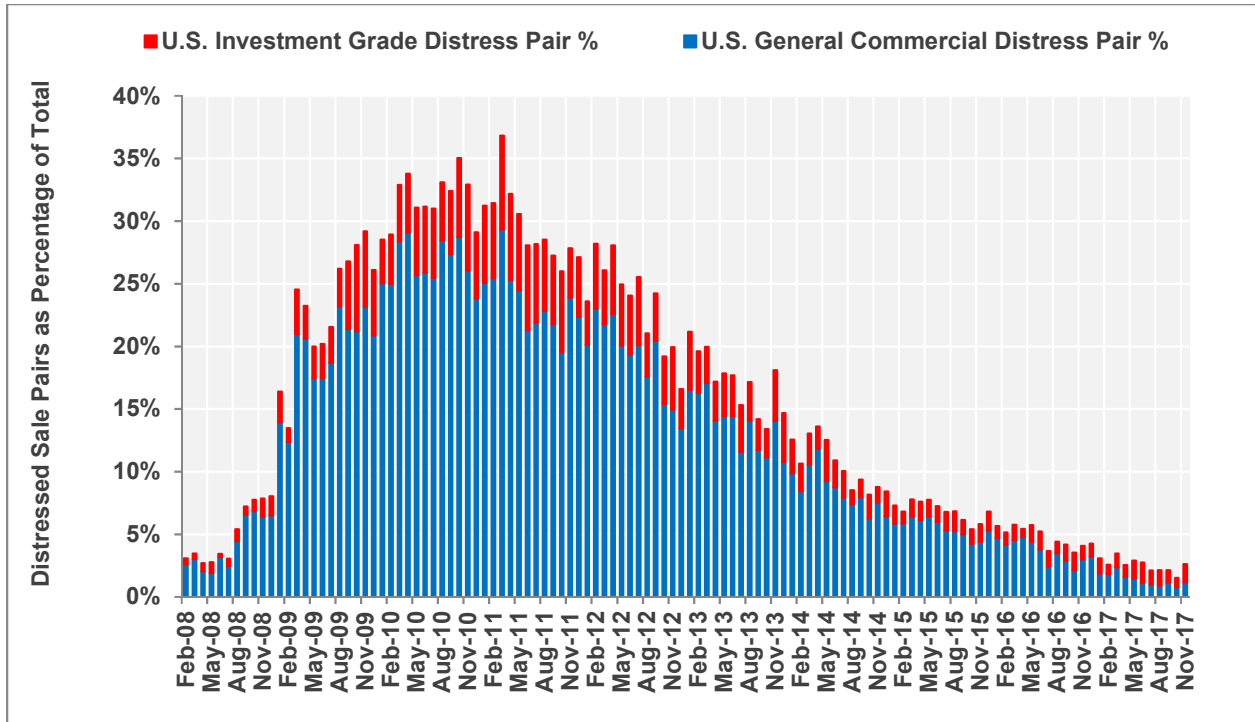

U.S. Pair Count, Data Through November 2017

U.S. Pair Volume, Data Through November 2017

U.S. Distress Sale Pairs Percentage, Data Through November 2017

Legend: ■ U.S. Investment Grade Distress Pair %   ■ U.S. General Commercial Distress Pair %

Y-axis: Distressed Sale Pairs as Percentage of Total

Market Fundamentals, Data Through December 2017

Legend: ■ General Commercial Net Absorption Rate   ■ Investment Grade Net Absorption Rate

Y-axis: Net Absorption as Percent of Stock
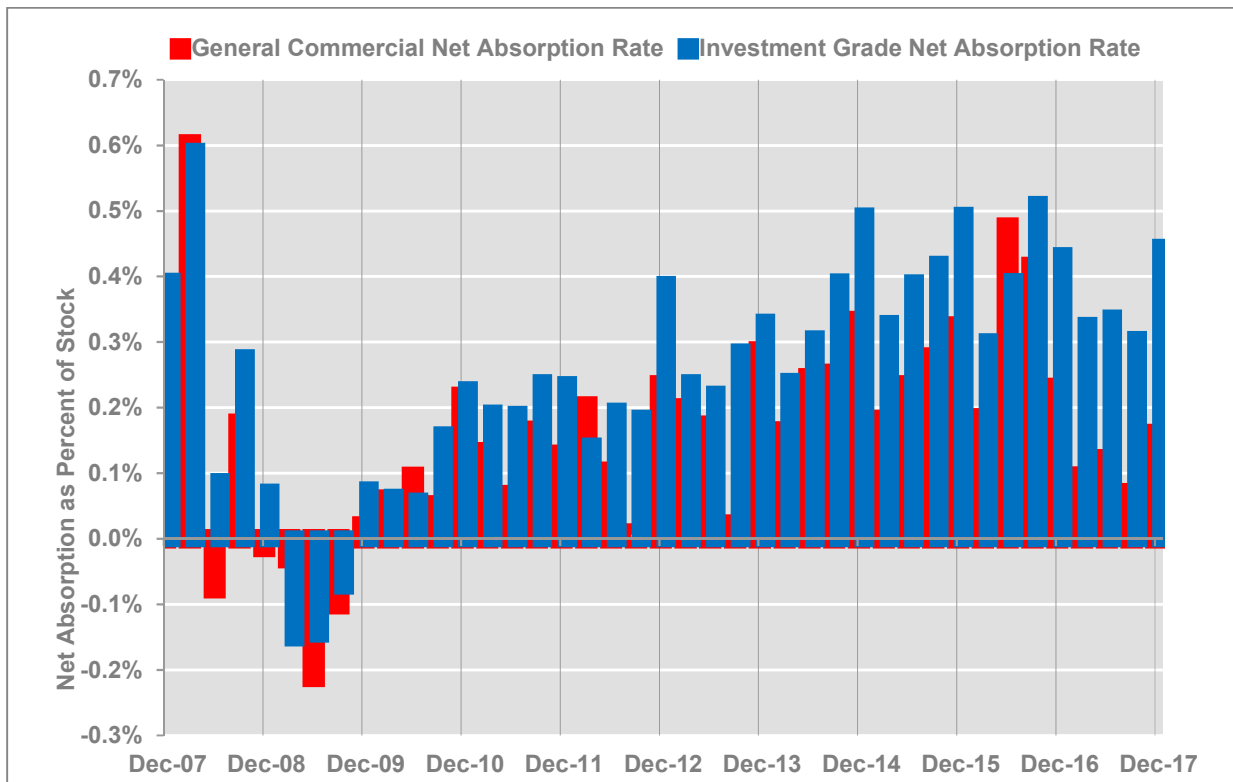
CCRSI National Results Highlights

- COMPOSITE PRICE INDICES HEAD INTO YEAR-END WITH MODERATE GAINS. Both the value-weighted U.S. Composite Index, which reflects larger asset sales common in core markets, and the equal-weighted U.S. Composite Index, which reflects the more numerous but lower-priced property sales typical of secondary and tertiary markets, advanced by a healthy margin over the 12 months ended in November 2017. However, the momentum in pricing is still strongest in the equal-weighted index. The equal-weighted U.S. Composite Index was up 14.2% in the 12-month period ended in November 2017, while the value-weighted U.S. Composite Index rose a more modest 6.2% in the same period.

- PRICING MOMENTUM REMAINS STRONGER AT LOW END OF MARKET WITHIN THE EQUAL-WEIGHTED INDEX. The divergence in price growth in the composite indices was also reflected in the two sub-indices of the equal-weighted Composite Index. The General Commercial segment, which is influenced by smaller, lower-priced properties, increased 16.3% in the 12-month period ended in November 2017. Meanwhile, the Investment-Grade Index, which is influenced by higher-value properties, rose by 6.6% in the same period. The recent momentum in the General Commercial segment demonstrates the breadth of the pricing recovery.

- RATE OF COMMERCIAL SPACE ABSORPTION HAS MODERATED. The rate of net absorption as a share of total inventory has slowed from prior years. The net absorption rate across the three major property types—office, retail, and industrial—is projected to increase modestly by 0.3% in 2017, slightly lower than the 0.4% absorption rate in 2015–2016, due in part to an increase in construction at this point in the cycle. Still, net absorption is expected to total 524.1 million square feet across the three property types for the full year of 2017, a return to 2013–2014 average levels.

- TRANSACTION VOLUME LOWER THAN PRIOR YEAR BUT STILL ROBUST. Composite pair volume of $127.4 billion in the 12-month period ended in November 2017 was 7.5%lower than the same period in 2016. However, transaction volume was still one of the highest annual totals on record for the CCRSI. Commercial real estate transaction activity has continued to benefit from a low-interest-rate environment. However, concerns over concentration risk and peak pricing in some markets and property types may be contributing to slower repeat sale trading volume.

Monthly CCRSI Results, Data Through November 2017

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
Value-Weighted U.S. Composite Index	1.3%	1.9%	6.2%	100.0%[1]
Equal-Weighted U.S. Composite Index	0.0%	-1.1%	14.2%	79.9%[2]
U.S. Investment-Grade Index	0.3%	1.2%	6.6%	89.3%[3]
U.S. General Commercial Index	-0.3%	-2.1%	16.3%	79.3%[4]

[1] Trough Date: January 2010   [2] Trough Date: March 2011   [3] Trough Date: March 2010   [4] Trough Date: March 2011

Market Fundamentals Data Through December 2017

	Annual Net Absorption (in millions of square feet)			
	2014Q4	**2015Q4**	**2016Q4**	**2017Q4**
Aggregate	632.9	704.7	774.0	524.1
Investment Grade	421.2	487.0	493.8	427.7
General Commercial	211.7	217.7	280.3	96.4

Note: "Net Absorption" is the change in occupied space, 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) is the most comprehensive and accurate measure 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 we report monthly, we report quarterly on 30 sub-indices in the CoStar index family. 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 of the sales pairs are used to create a price index.

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	Prime Multifamily Markets
CBSA Listed Alphabetically	**CBSA Listed Alphabetically**
Boston	Boston
Los Angeles	Chicago
New York	Houston
Orange County	Los Angeles
San Diego	New York
San Francisco	Orange County
San Jose	San Francisco
Washington, D.C.	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 the leading provider of commercial real estate information, analytics and online marketplaces. 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. LoopNet is the most heavily trafficked commercial real estate marketplace online with over 5 million monthly unique visitors per month. Apartments.com, ApartmentFinder.com, ApartmentHomeLiving.com, Westside Rentals 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. Through an exclusive partnership with Move, a subsidiary of News Corporation, Apartments.com is the exclusive provider of apartment community listings across Moves family of websites, which include realtor.com,

doorsteps.com and move.com. CoStar Groups websites attracted an average of approximately 37 million unique monthly visitors in aggregate in the third quarter of 2017. Headquartered in Washington, DC, CoStar maintains offices throughout the U.S. and in Europe and Canada with a staff of over 3,600 worldwide, including the industry's largest professional research organization. For more information, visit www.costargroup.com.