

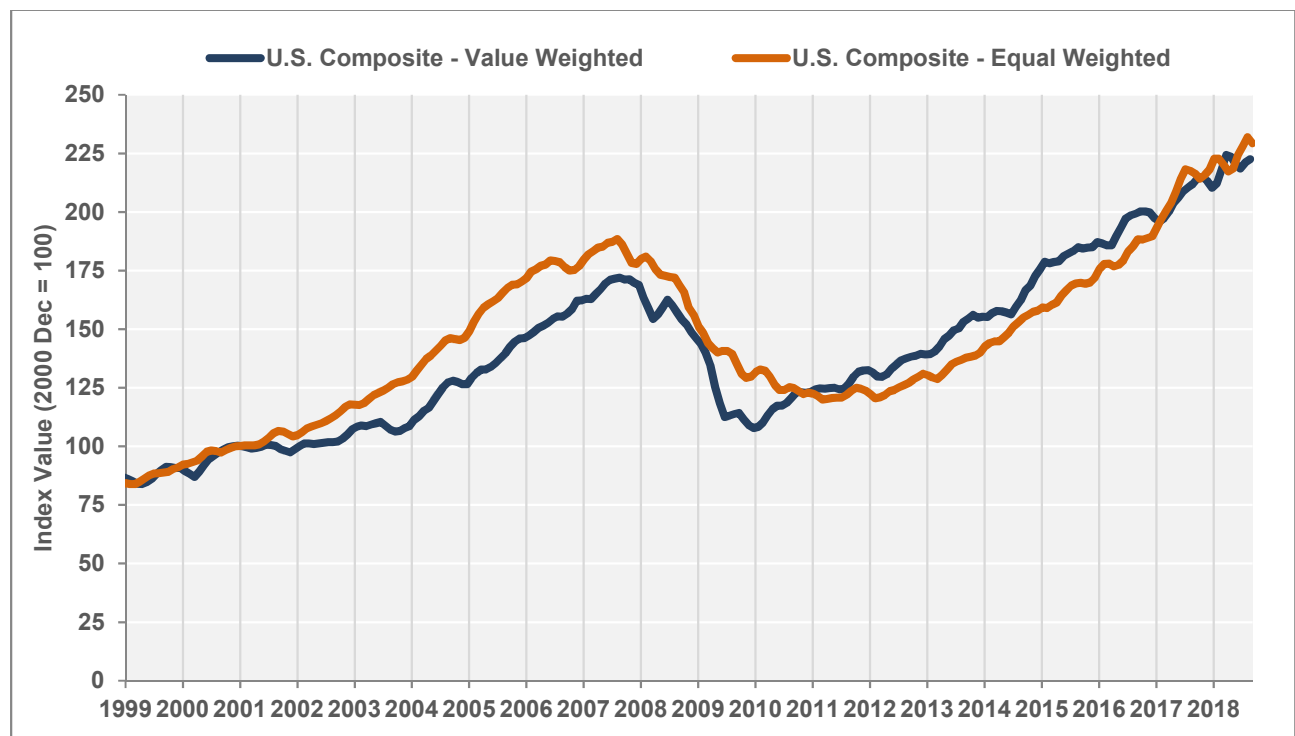
CCRSI RELEASE –October 2018  
(With data through SEPTEMBER 2018)

## TRENDS IN LATEST COSTAR COMPOSITE PRICE INDICES: BROAD-BASED PRICING GAINS SEEN ACROSS PROPERTY TYPES IN THIRD QUARTER

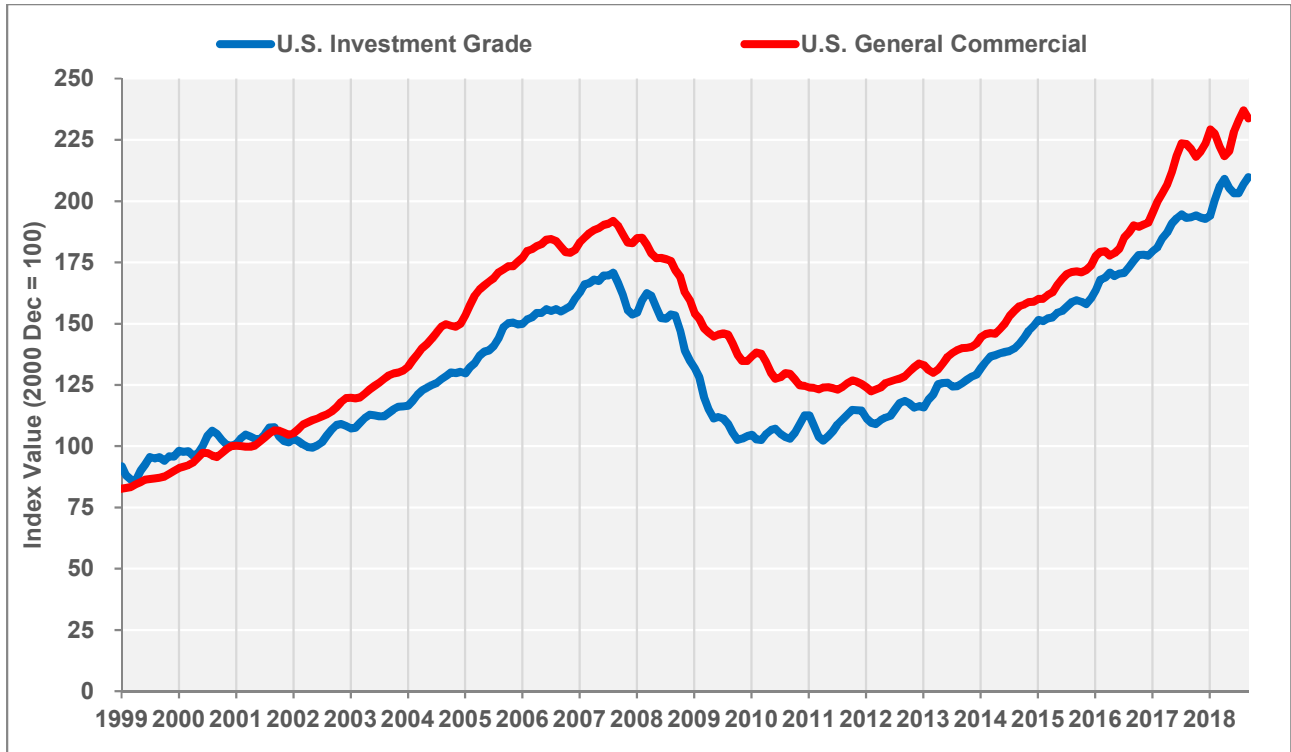
### *WEST AND SOUTHEAST STAND OUT AS REGIONAL PRICE GROWTH LEADERS*

This month's CoStar Commercial Repeat Sale Indices (CCRSI) provides the market's first look at commercial real estate pricing trends through September 2018. Based on 972 repeat sale pairs in September 2018, and more than 199,000 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity.

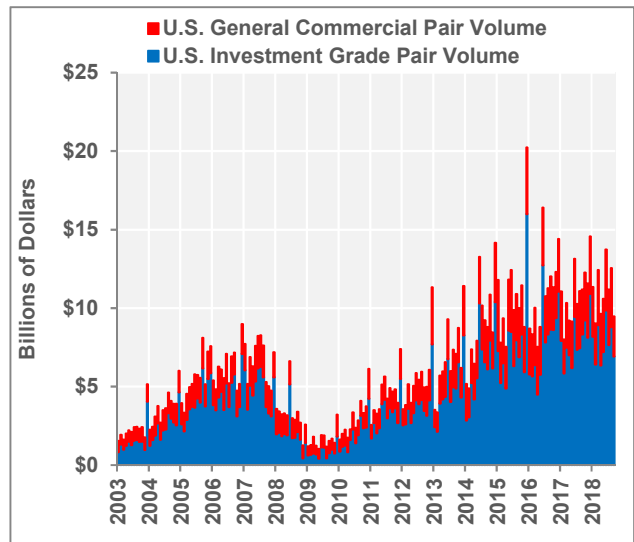
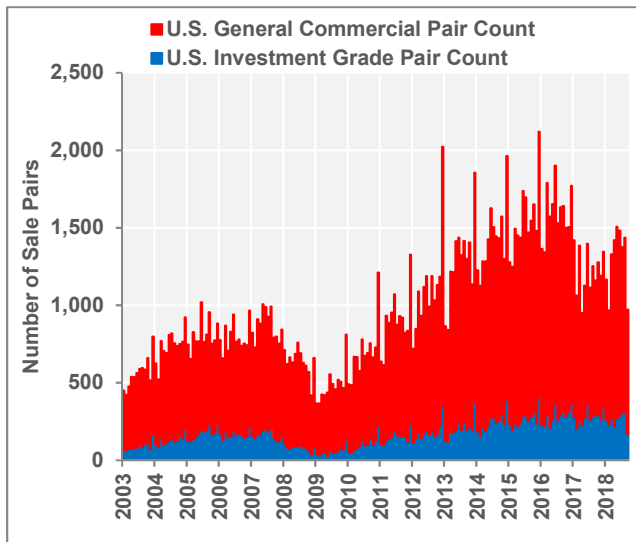
### U.S. Composite Indices: Equal- And Value-Weighted, Data Through September 2018



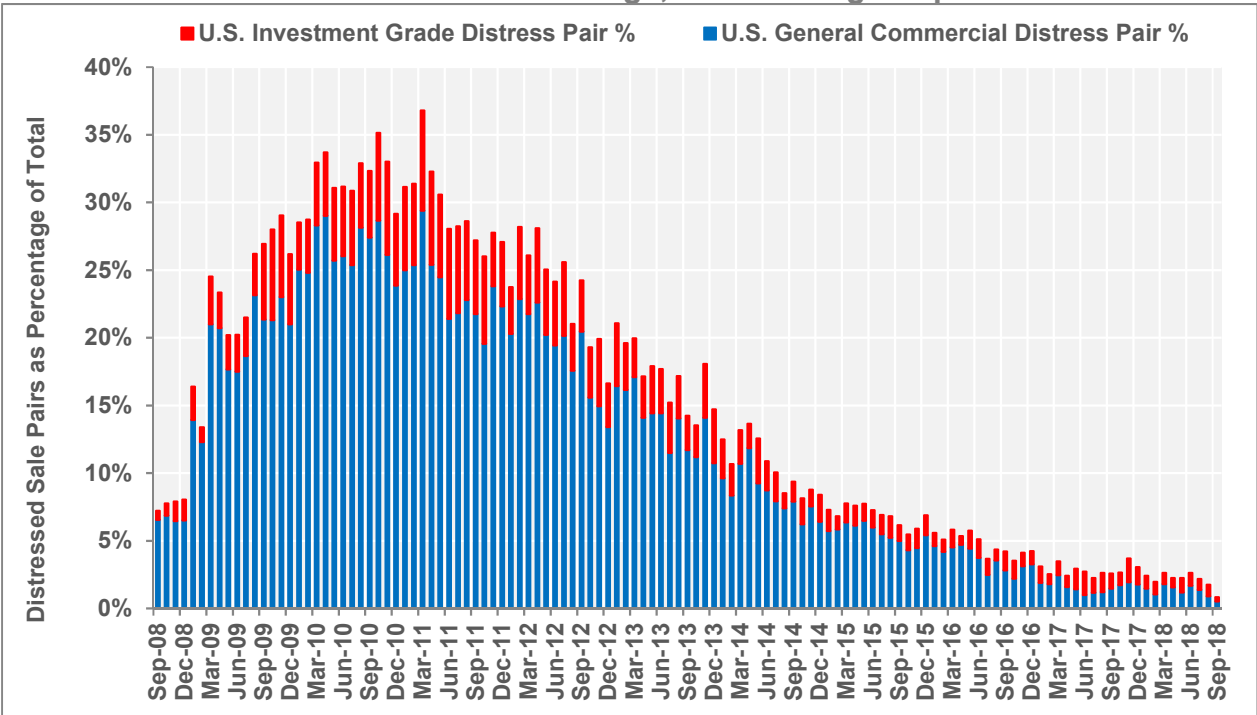
## U.S. Equal-Weighted Indices By Market Segment, Data Through September 2018



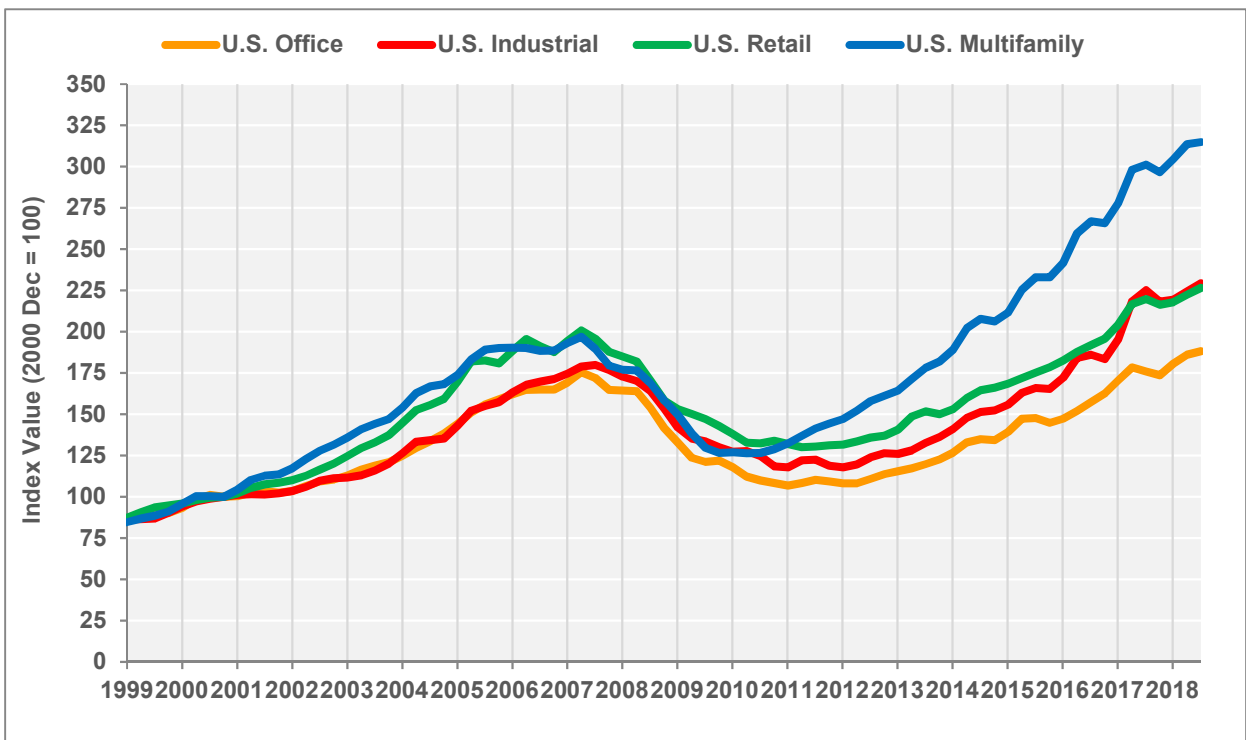
## U.S. Pair Count, Data Through September 2018    U.S. Pair Volume, Data Through September 2018



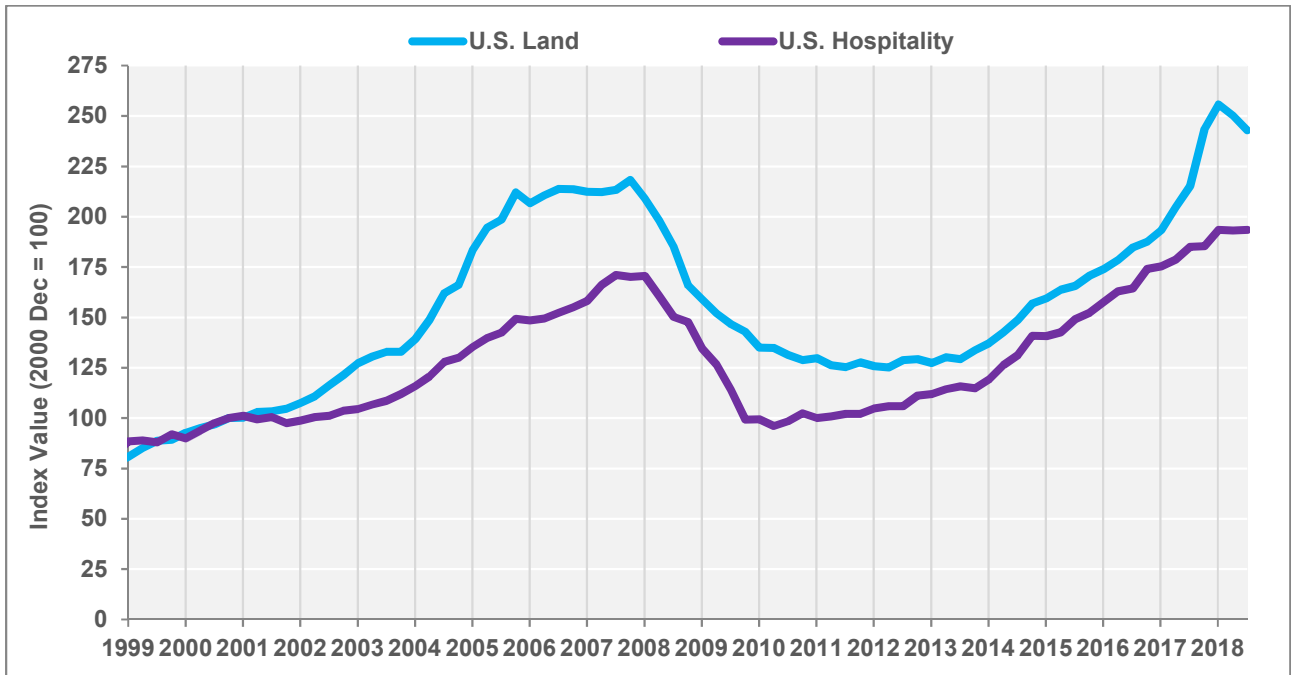
### U.S. Distress Sale Pairs Percentage, Data Through September 2018



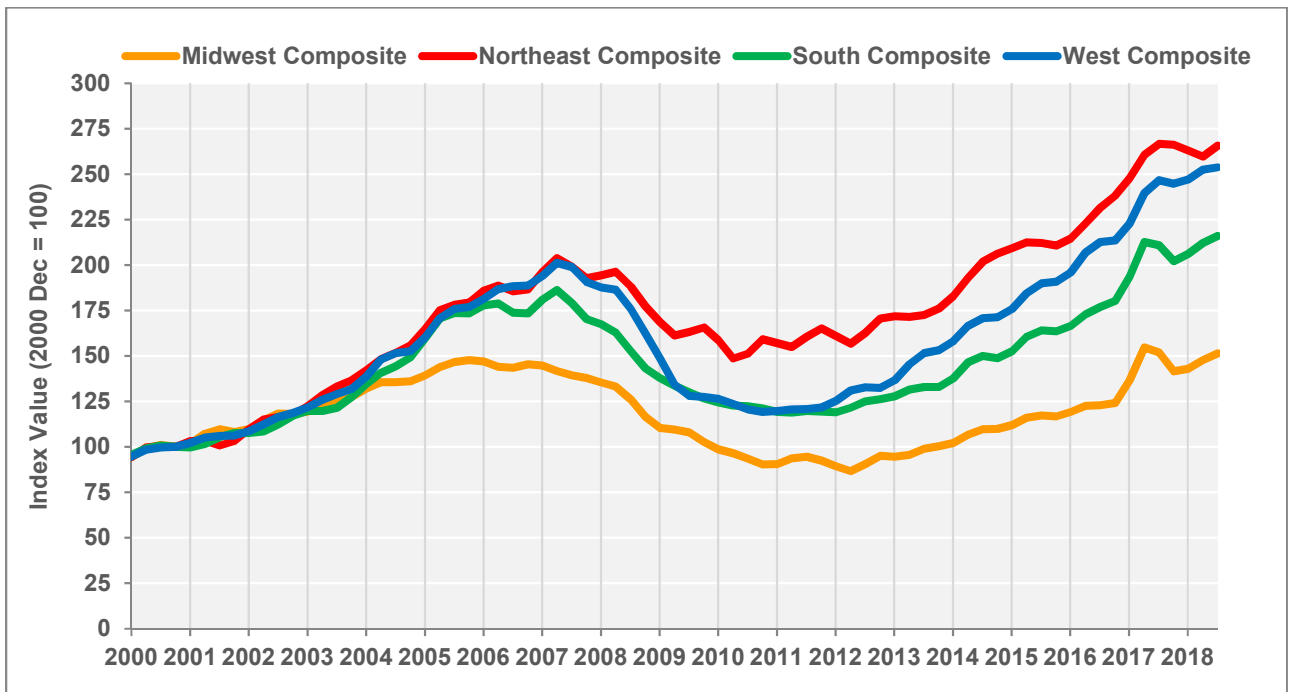
### U.S. Primary Property Type Quarterly Indices – Equal-Weighted Data Through September 2018



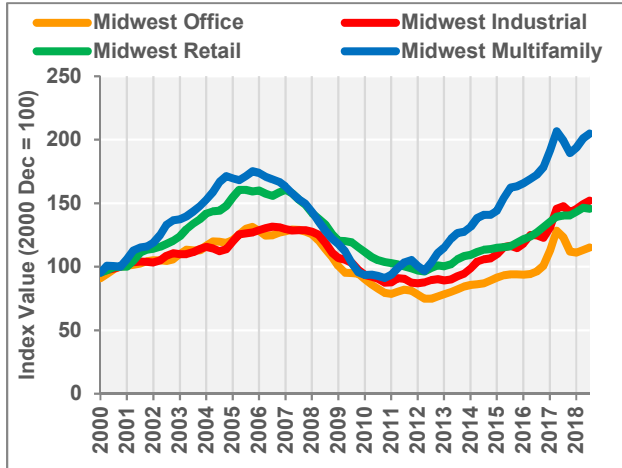
## U.S. Land and Hospitality Quarterly Indices – Equal-Weighted Data Through September 2018



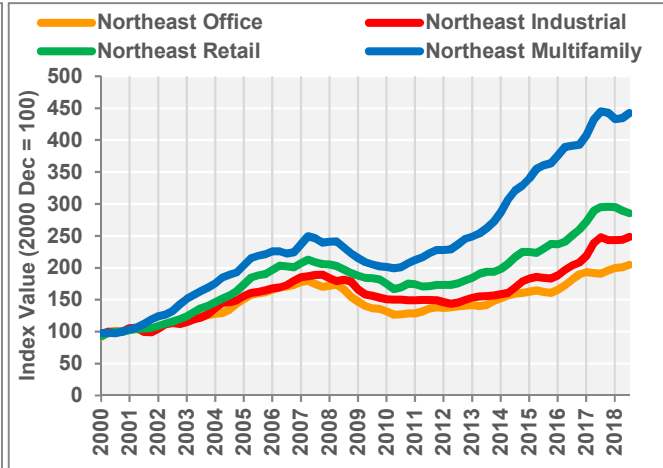
## U.S. Regional Type Quarterly Indices – Equal-Weighted Data Through September 2018



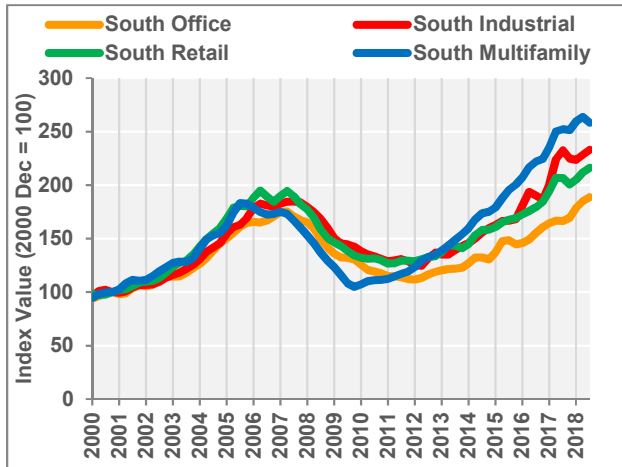
U.S. Midwest Property Type Quarterly Indices Equal-Weighted, Data Through September 2018



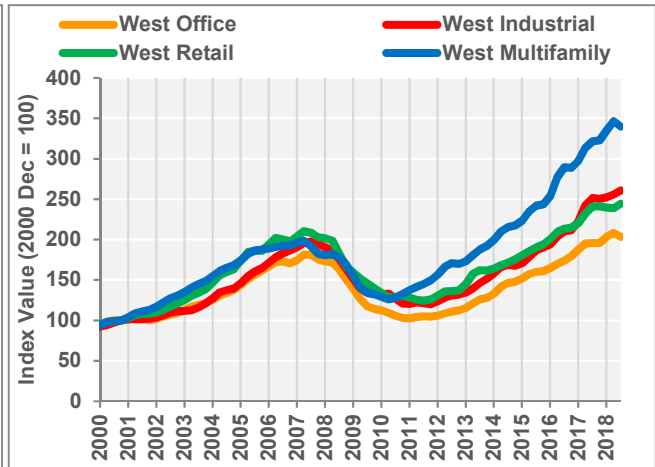
U.S. Northeast Property Type Quarterly Indices Equal-Weighted, Data Through September 2018



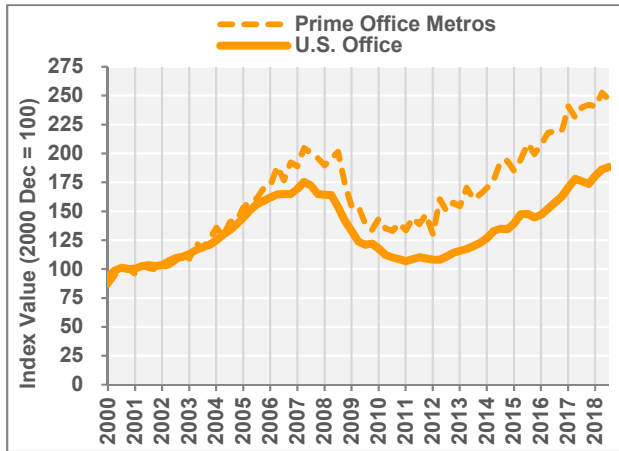
U.S. South Property Type Quarterly Indices Equal-Weighted, Data Through September 2018



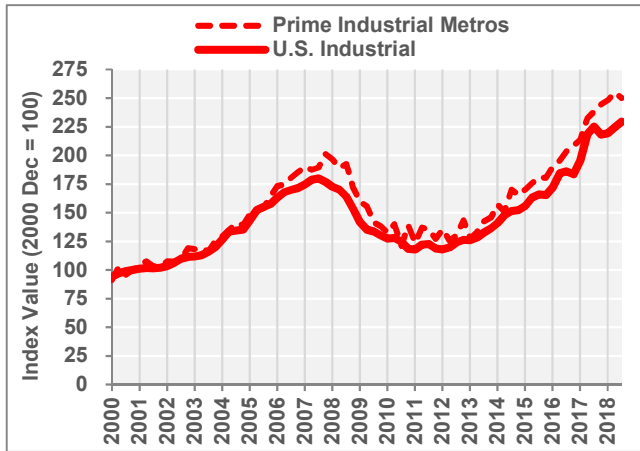
U.S. West Property Type Quarterly Indices Equal-Weighted, Data Through September 2018



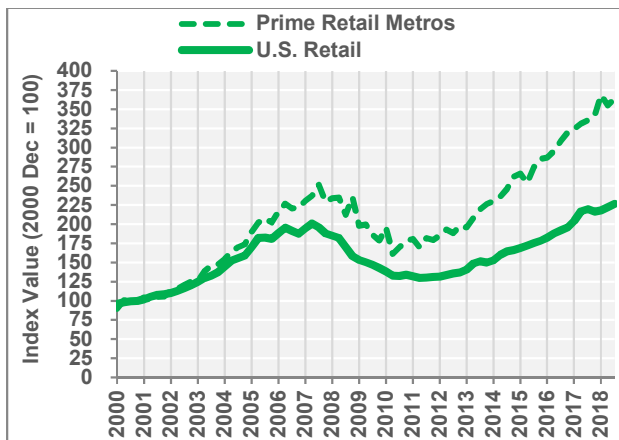
Prime Office Markets Quarterly Indices  
Equal-Weighted, Data Through September 2018



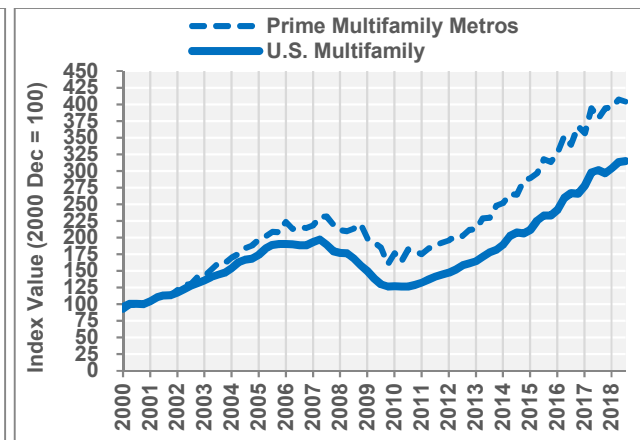
Prime Industrial Markets Quarterly Indices  
Equal-Weighted, Data Through September 2018



Prime Retail Markets Quarterly Indices  
Equal-Weighted, Data Through September 2018



Prime Multifamily Markets Quarterly Indices  
Equal-Weighted, Data Through September 2018



## CCRSI National Results Highlights

- NATIONAL COMPOSITE PRICE INDICES MADE STEADY GAINS IN THE THIRD QUARTER OF 2018. The value-weighted U.S. Composite Index, which reflects the larger asset sales common in core markets, rose 1.0% in the third quarter of 2018 and 5.0% in the 12-month period ended in September 2018, while the equal-weighted U.S. Composite Index, which reflects the more numerous but lower-priced property sales typical of secondary and tertiary markets, was up 2.2% in the third quarter of 2018, contributing to an annual gain of 6.0% in the 12-month period ended in September 2018.

- **PRICING GAINS RECORDED ACROSS ALL PROPERTY SECTORS.** Continued robust market fundamentals including plentiful liquidity for real estate investment supported price growth across the four major property type indices in the most recent quarterly and annual periods ended in September 2018. The U.S. Land and Hospitality indices have been more volatile, but still showed gains in the 12-month period ended in September 2018.
- **WEST AND SOUTH INDICES ADVANCED AT A SOLID CLIP, WHILE NORTHEAST AND MIDWEST REGIONAL INDICES WERE FLAT.** The West and South Composite indices increased 2.9% and 2.5%, respectively, in the 12-month period ended in September 2018, as investment activity continued to bid up prices in those regions. Meanwhile, price growth in the Northeast and Midwest regions was relatively flat during the same period. While the Northeast region led pricing growth coming out of the recession, recent gains have naturally slowed following an extended period of price gains, while the Midwest region has continued to lag the other regions throughout the recovery.
- **SALES VOLUME REMAINED BRISK THROUGH THIRD QUARTER.** Composite pair volume of \$138.4 billion in the 12-month period ended in September 2018 increased 5.3% from the 12-month period ended in September 2017. The lower end of the commercial property market had more momentum in terms of sales volume. Composite pair volume rose 12.5% in the General Commercial segment compared to a gain of 2.6% in the Investment-Grade segment in the 12-month period ended in September 2018 over the previous 12-month period ended in September 2017.

## Monthly CCRSI Results, Data Through September 2018

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
<b>Value-Weighted U.S. Composite Index</b>	0.6%	1.0%	5.0%	106.3% <sup>1</sup>
<b>Equal-Weighted U.S. Composite Index</b>	-1.1%	2.2%	6.0%	91.1% <sup>2</sup>
<b>U.S. Investment-Grade Index</b>	1.4%	3.2%	8.5%	104.6% <sup>3</sup>
<b>U.S. General Commercial Index</b>	-1.4%	2.4%	5.7%	89.9% <sup>4</sup>

<sup>1</sup> Trough Date: January 2010    <sup>2</sup> Trough Date: September 2011    <sup>3</sup> Trough Date: September 2010    <sup>4</sup> Trough Date: September 2011

## Quarterly CCRSI Property Type Results

- **PRICING GAINS RECORDED ACROSS ALL PROPERTY SECTORS IN 12-MONTH PERIOD ENDED IN SEPTEMBER 2018.** Healthy market fundamentals supported price growth across the four major property type indices in the most recent quarterly and annual periods ended in September 2018. The U.S. Land and Hospitality indices have been more volatile in recent quarters, but still showed gains in the 12-month period ended in September 2018.
- **OFFICE INDEX POSTED STRONGEST ANNUAL GAIN AMONG FOUR MAJOR PROPERTY TYPES.** The U.S. Office Index increased 1.2% in the third quarter of 2018 and 7.0% in the 12-month period ended in September 2018, as national office occupancies and rents reached cyclical highs. Price growth in the Prime Office Metros Index advanced by 2.8% in the 12-month period ended in September 2018, slower than the broader office index, reflecting the breadth of pricing gains across the property quality spectrum.
- **MODEST MULTIFAMILY INDEX GROWTH IN THIRD QUARTER BUT ANNUAL GROWTH RATE REMAINS STRONG.** Despite relatively modest growth of just 0.4% in the third quarter of 2018, the U.S. Multifamily Index increased 4.5% in the 12-month period ended in September 2018, the second strongest annual growth rate among the four major property types. The U.S. Multifamily Index has been on a remarkable run and is now 60% above its prior peak level reached in 2007. The Prime Multifamily Metros Index posted gains of 6.7% in the 12-month period ended in September 2018.
- **DESPITE HEADWINDS FACING RETAIL SECTOR, U.S. RETAIL INDEX CONTINUED TO MAKE STEADY GAINS.** While store closures continue to weigh on sector growth, retailers are disproportionately targeting their less-productive locations for closure, while demand for keeping stores in strong locations remains robust. The U.S. Retail index rose 1.9% in the third quarter of 2018, and increased 3.1% in the 12-month period ended in September 2018. The Prime Retail Metros Index advanced by a solid 8.4% in the 12-month period ended in September 2018.
- **U.S. INDUSTRIAL INDEX GROWTH HOLDS STEADY.** The U.S. Industrial index advanced 1.9% in the 12-month period ended in September 2018. Strong fundamentals and persistent rent growth have supported recent pricing gains. Core industrial markets remained in favor with investors as the Prime Industrial Metros Index advanced by an even stronger 4.8% in the 12-month period ended in September 2018.



- **U.S. HOSPITALITY INDEX GROWTH WAS MODERATE.** The U.S. Hospitality Index posted a modest increase of 0.2% in the third quarter of 2018, contributing to annual gains of 4.6% for the 12-month period ended in September 2018. National hotel occupancies remain above last cycle's highs, which has supported room rate and RevPAR growth as well as investor demand for selective hotel assets.
- **U.S. LAND INDEX POSTED STRONG ANNUAL GAIN DESPITE RECENT VOLATILITY.** The U.S. Land Index is the most volatile of the property type indices. Despite falling 2.9% in the third quarter of 2018, the U.S. Land Index was still up 12.9% in the 12-month period ended in September 2018. After strong demand for development sites to support new construction, the quarterly decline may indicate a pullback in demand for new development activity.

## Quarterly CCRSI Regional Results

- **WEST EMERGES AS TOP PERFORMING REGIONAL INDEX.** The West Composite Index advanced 2.9% in the 12-month period ended in September 2018, propelled by strong growth in the West Multifamily and West Office pricing indices. The West Multifamily Index grew 5.6% and the West office Index advanced 3.8% in the 12-month period ended in September 2018.
- **SOUTH OFFICE INDEX BOLSTERED GROWTH IN THAT REGION.** The South Composite Index was up 2.5% in the 12-month period ended in September 2018 with the strongest growth coming from the South Office Index, which increased 13.3% in the 12-month period ended in June 2018. The South Retail Index also had a strong performance, increasing 4.7% in the 12-month period ended in September 2018.
- **NORTHEAST REGIONAL INDEX WAS RELATIVELY FLAT.** While the Northeast led the pricing recovery coming out of the recession, all four regional indices have reached new historical highs, and subsequent pricing gains have naturally slowed. The Northeast Composite Index fell 0.4% in the 12-month period ended in September 2018. Gains in the Northeast Office and Industrial indices were offset by losses in the Northeast Retail Index in the 12-month period ended in September 2018.
- **WEAKNESS IN OFFICE SEGMENT HELD BACK MIDWEST REGIONAL INDEX.** The Midwest Composite index fell 0.4% in the 12-month period ended in September 2018, largely due to weakness in the office sector as reflected in a 6.5% decrease in the Midwest Office Index. The Midwest Retail, Industrial and Multifamily indices fared better, advancing by 3.7%, 3.1%, and 2.7%, respectively, in the 12-month period ended in September 2018.

## 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

#### 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://www.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 approximately 5 million monthly unique visitors per month. Realla is the UK's most comprehensive commercial property digital marketplace. 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. CoStar Group's websites attracted an average of approximately 45 million unique monthly visitors in aggregate in the third quarter of 2018. 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](http://www.costargroup.com).