

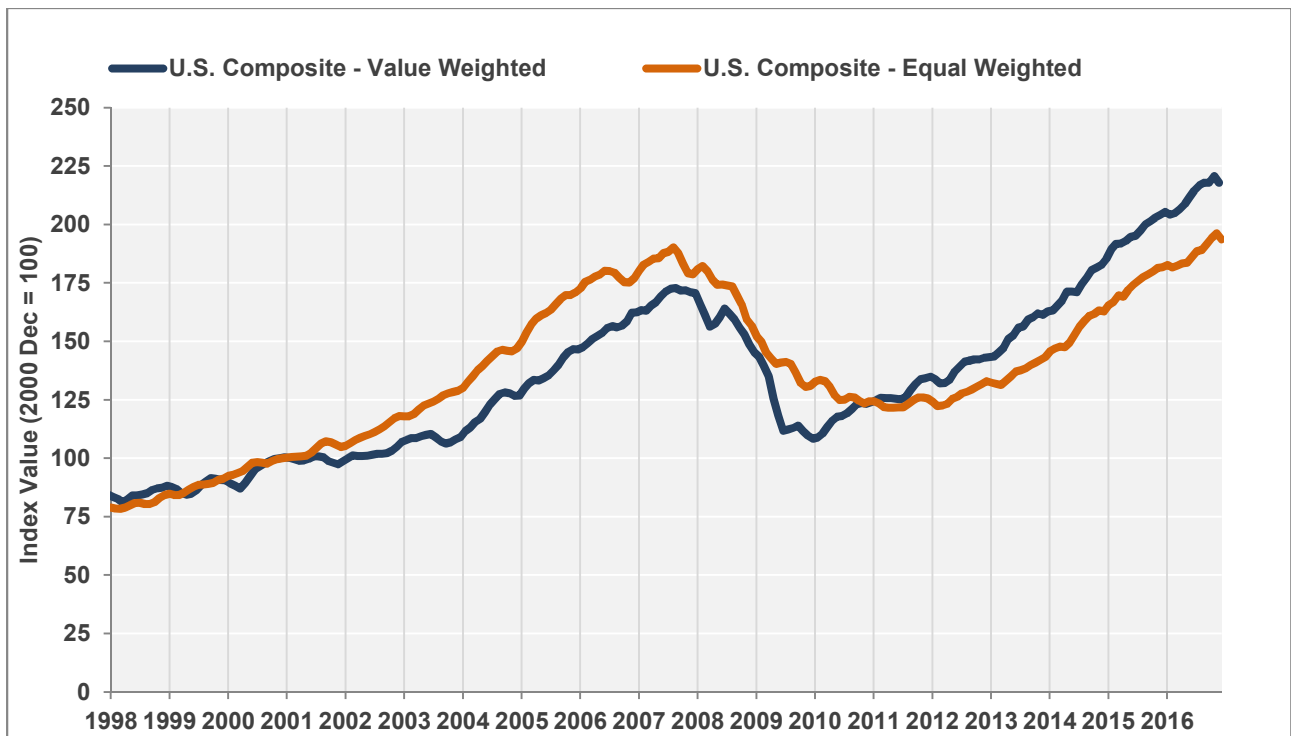
CCRSI RELEASE – JANUARY 2017
(With data through DECEMBER 2016)

COSTAR COMPOSITE PRICE INDICES INCREASE NEARLY 6% IN 2016 EVEN AS PRICE GROWTH MODERATES FROM PREVIOUS TWO YEARS

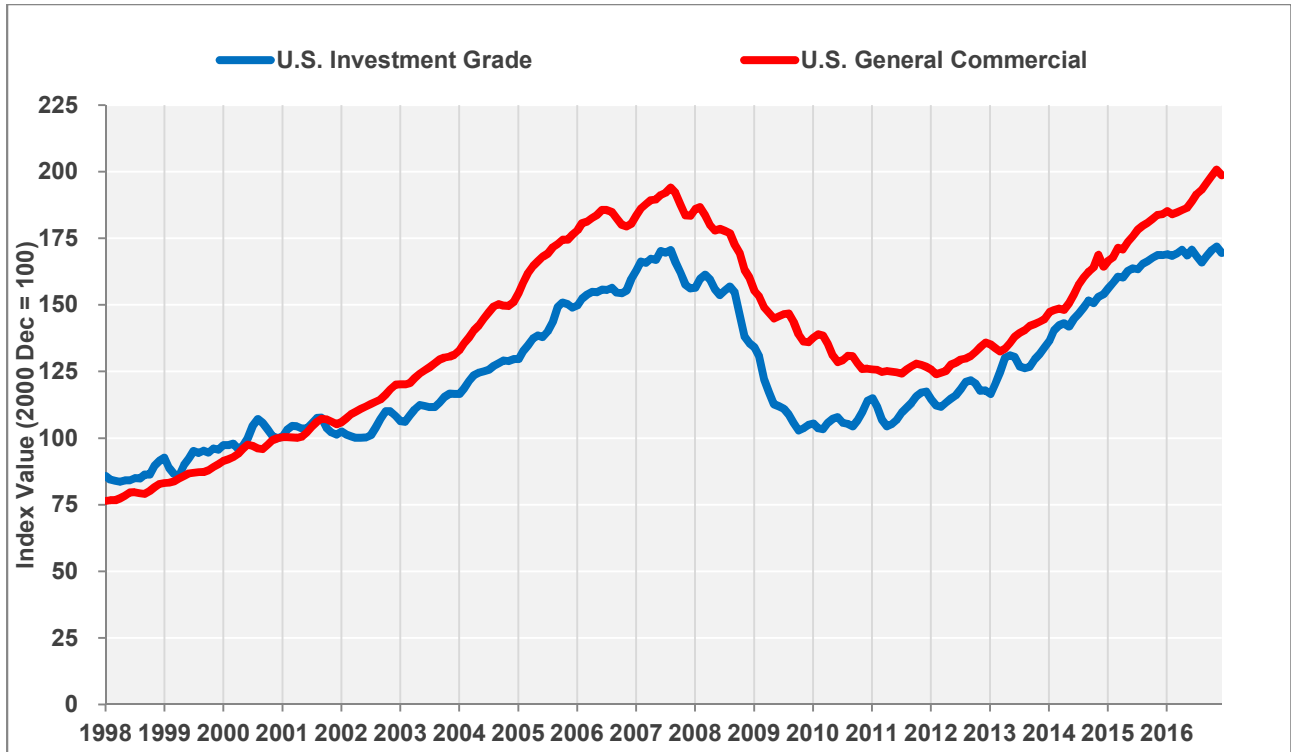
SLOWER GROWTH RATE FOR PRICES SEEN ACROSS PROPERTY TYPES AND REGIONS REFLECTS MATURING MARKET CYCLE

This month's CoStar Commercial Repeat Sale Indices (CCRSI) provides the market's first look at commercial real estate pricing trends through December 2016. Based on 1,337 repeat sale pairs in December 2016 and more than 172,000 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 December 2016

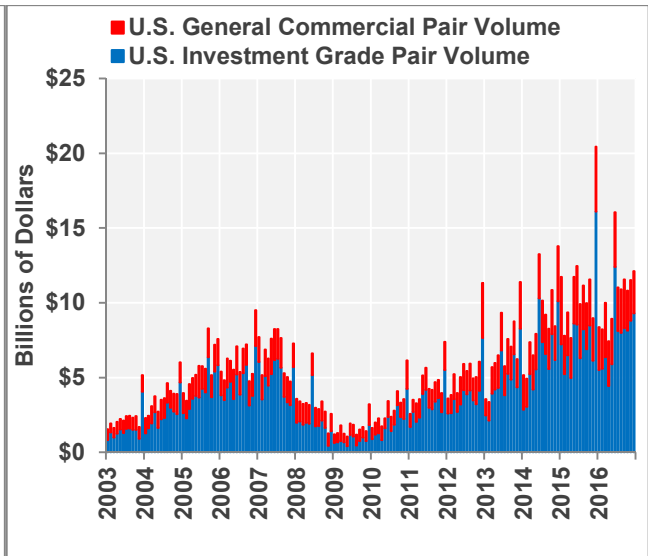
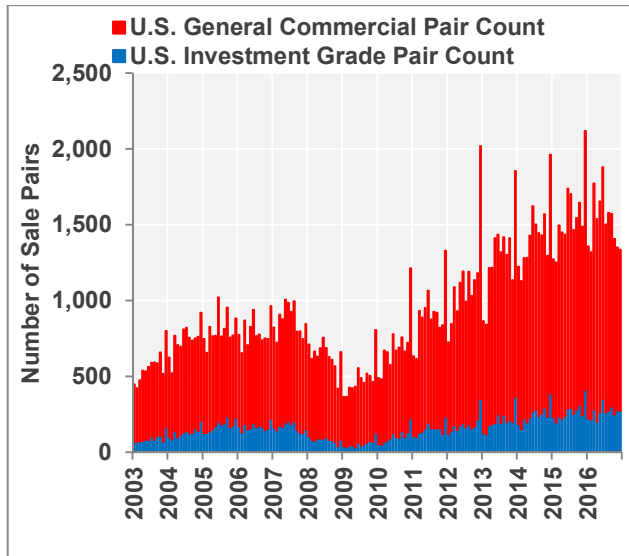


U.S. Equal-Weighted Indices By Market Segment, Data Through December 2016

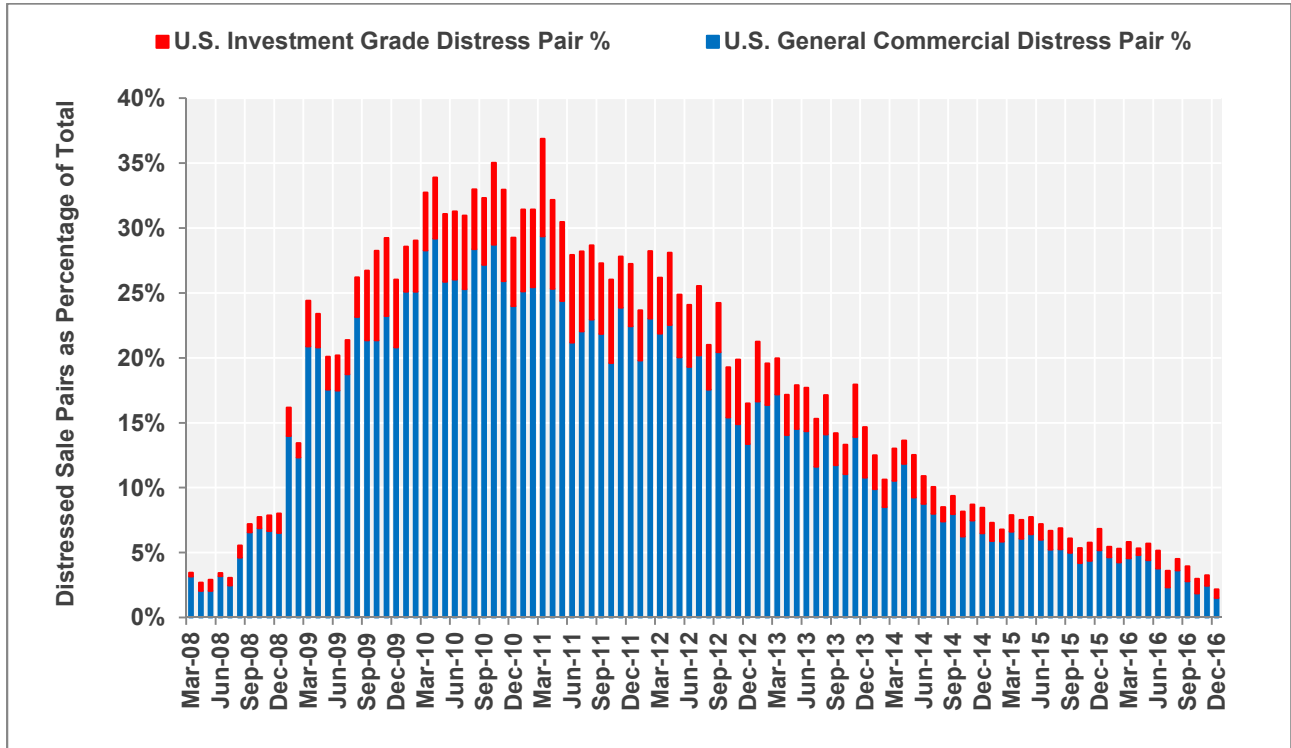


U.S. Pair Count, Data Through December 2016

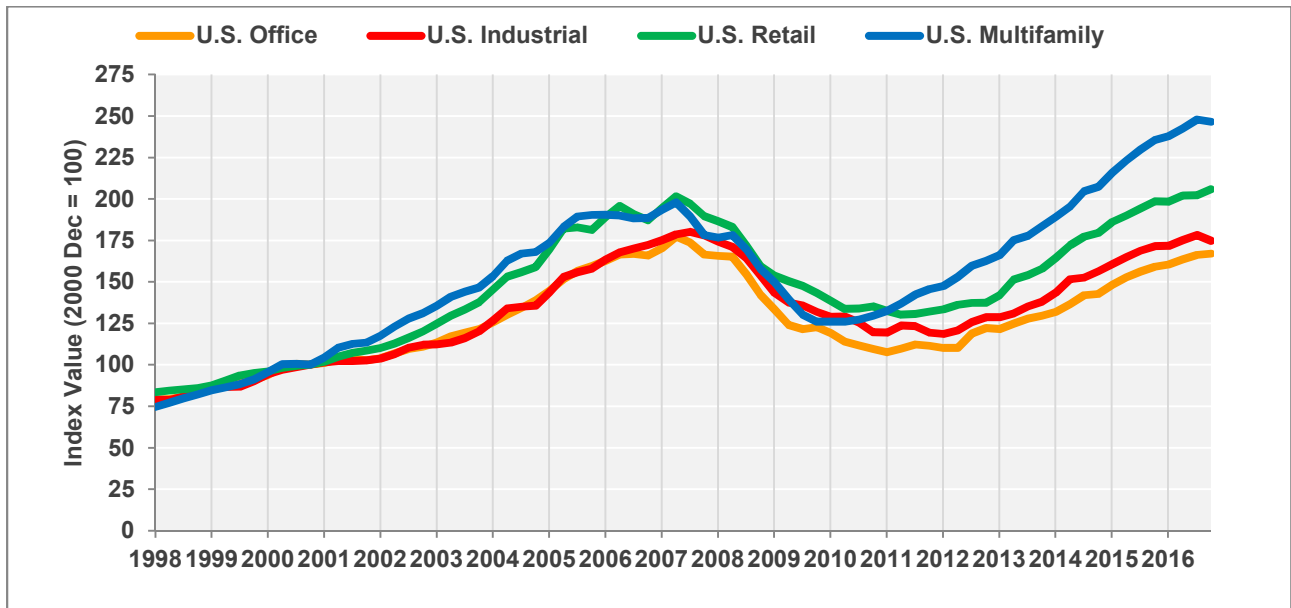
U.S. Pair Volume, Data Through December 2016



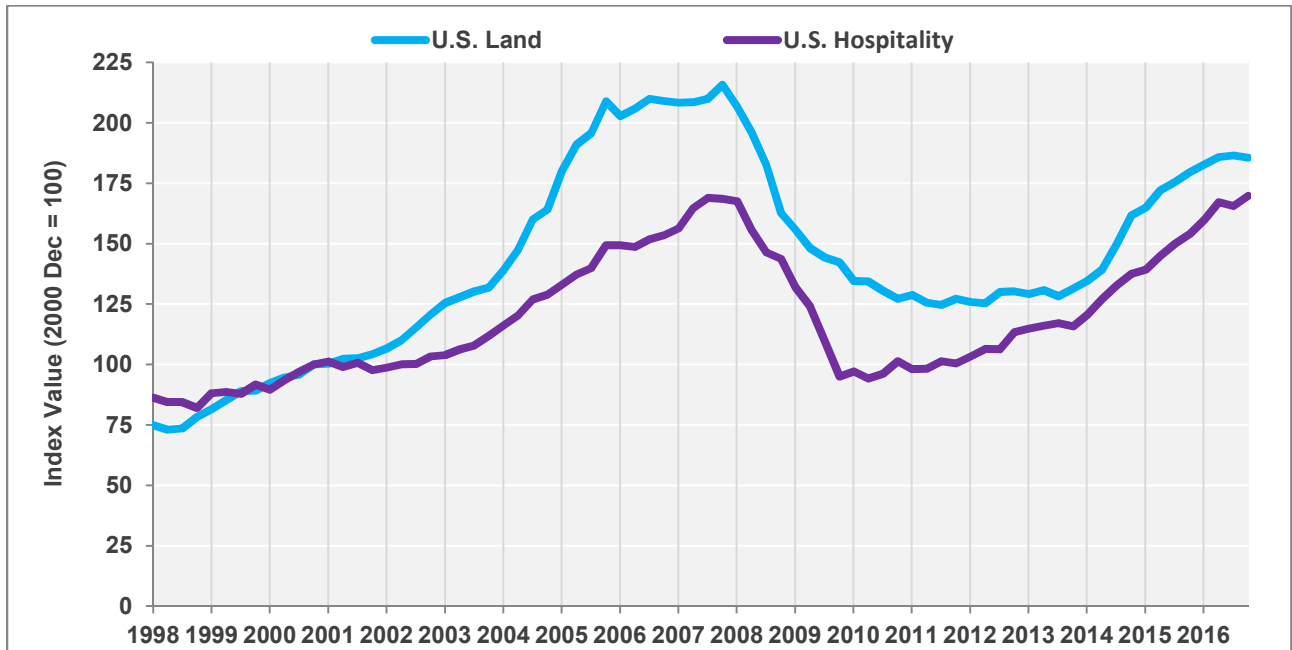
U.S. Distress Sale Pairs Percentage, Data Through December 2016



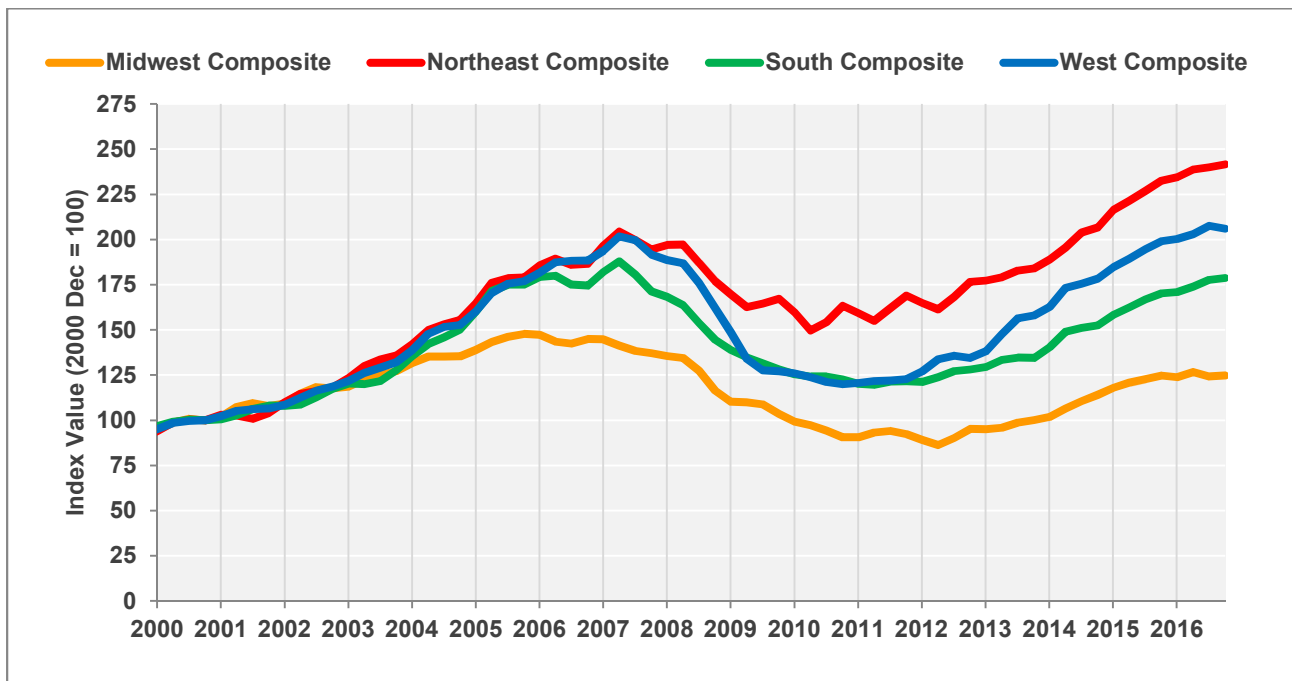
U.S. Primary Property-Type Quarterly Indices—Equal-Weighted Data Through December 2016



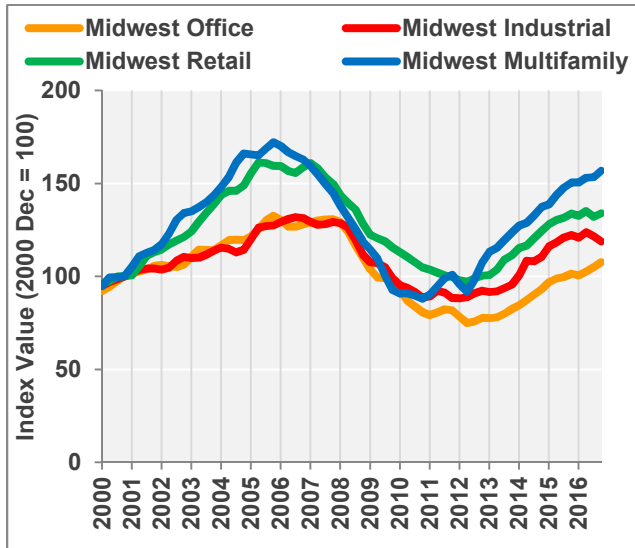
U.S. Land And Hospitality Quarterly Indices—Equal-Weighted Data Through December 2016



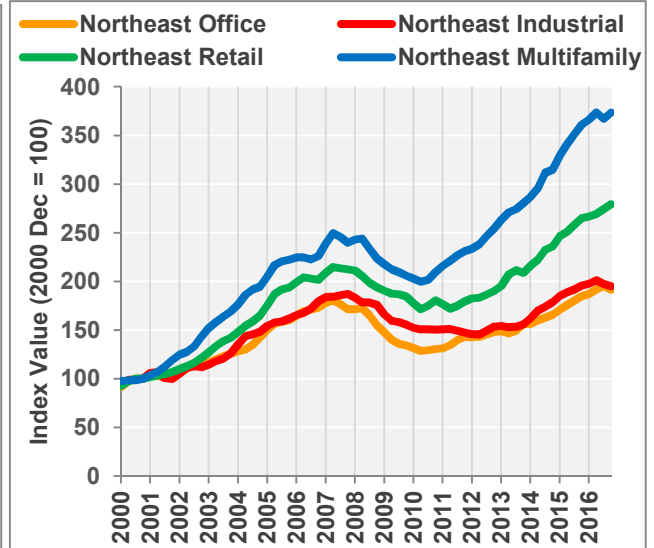
U.S. Regional Type Quarterly Indices—Equal-Weighted Data Through December 2016



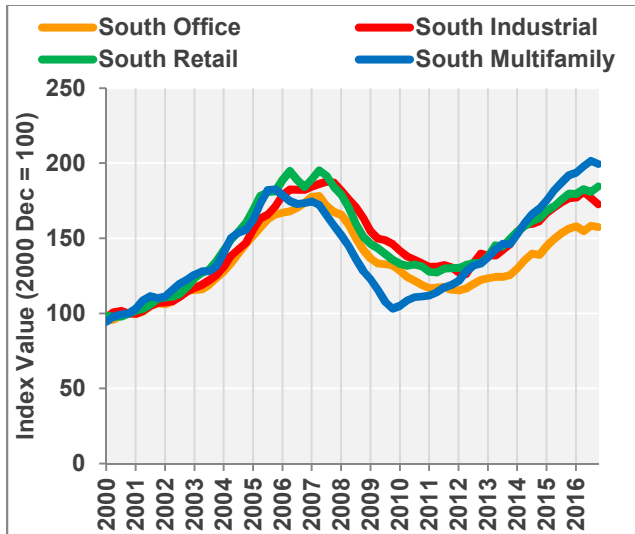
U.S. Midwest Property-Type Quarterly Indices Equal-Weighted, Data Through December 2016



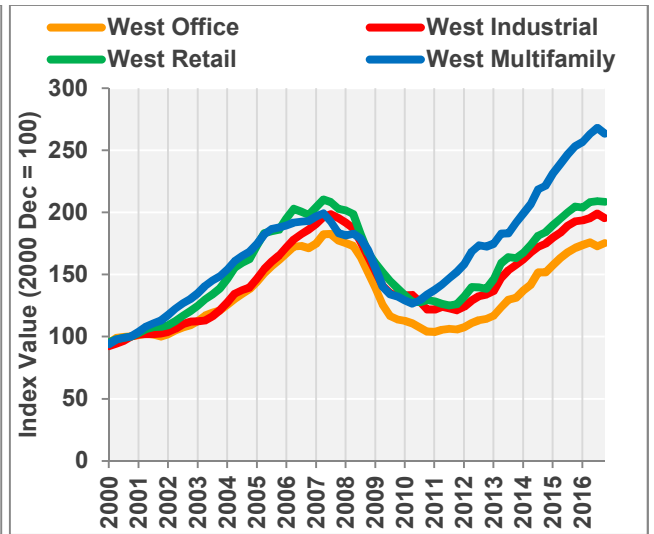
U.S. Northeast Property-Type Quarterly Indices Equal-Weighted, Data Through December 2016



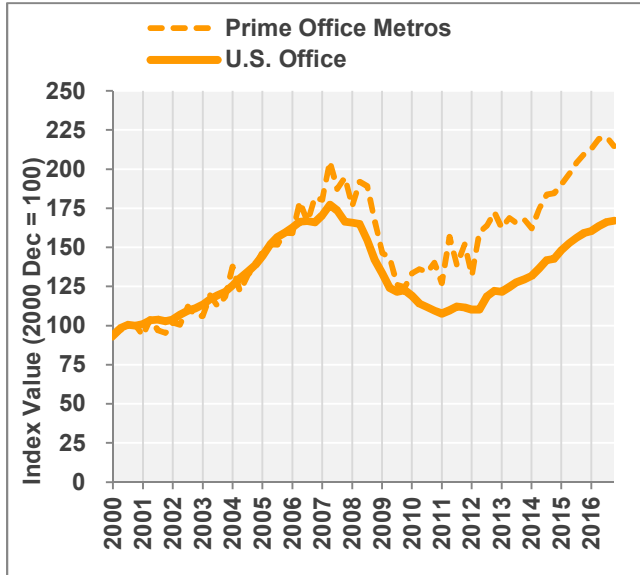
U.S. South Property-Type Quarterly Indices Equal-Weighted, Data Through December 2016



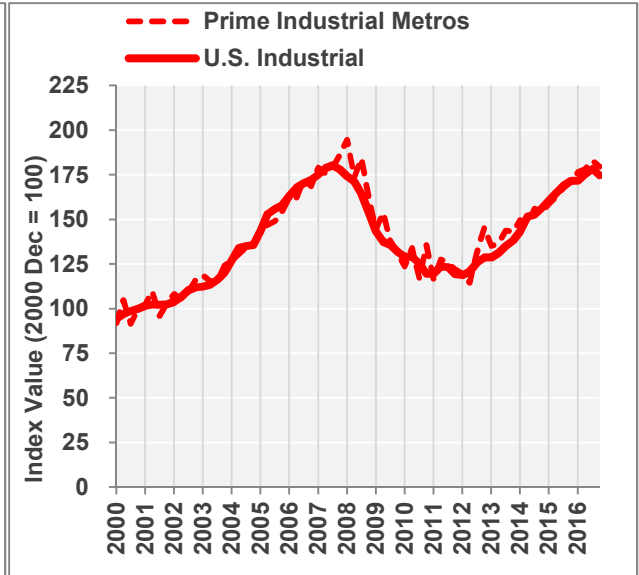
U.S. West Property-Type Quarterly Indices Equal-Weighted, Data Through December 2016



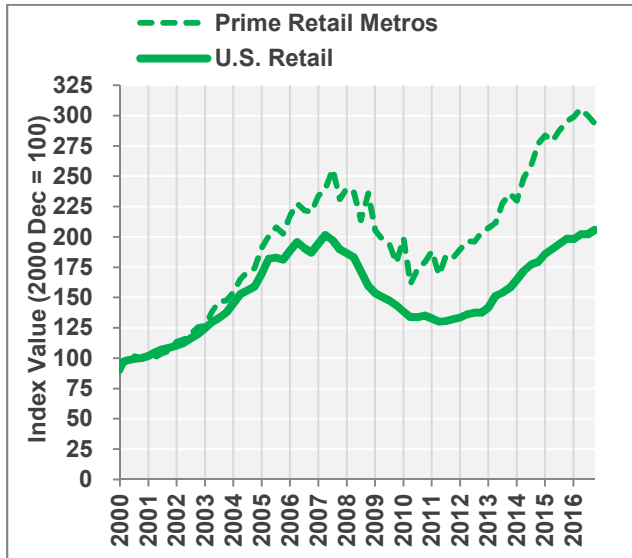
Prime Office Markets Quarterly Indices
Equal-Weighted, Data Through December 2016



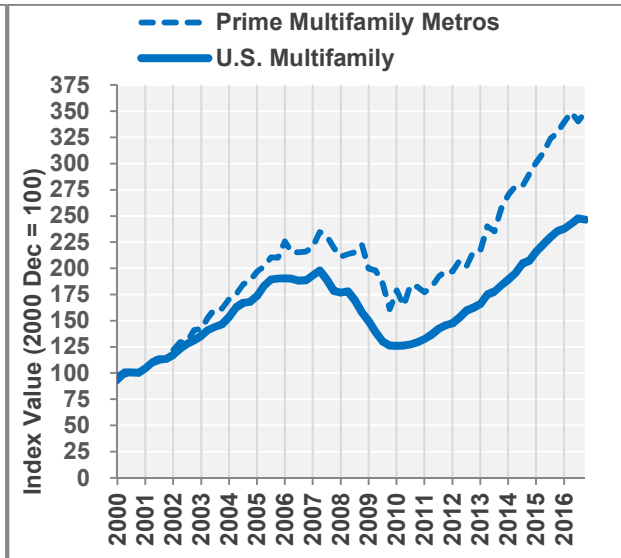
Prime Industrial Markets Quarterly Indices
Equal-Weighted, Data Through December 2016



Prime Retail Markets Quarterly Indices
Equal-Weighted, Data Through December 2016



Prime Multifamily Markets Quarterly Indices
Equal-Weighted, Data Through December 2016



CCRSI National Results Highlights

- **COMPOSITE PRICE INDICES CLOSE OUT 2016 WITH GAINS OF MORE THAN 6%.** Although both of CCRSI's two major composite price indices dipped by 1.3% in the month of December 2016, both composite indices remained in positive territory in the fourth quarter and made solid advances for the year. The December 2016 results reflected a deceleration in transaction activity at the end of the year from the record-setting pace set in 2015. For the full year of 2016, the equal-weighted U.S. Composite Index rose 6.6% and the value-weighted U.S. Composite Index rose 6.8%.
- **SLOWER GROWTH RATE FOR PRICES SEEN ACROSS ALL REGIONS AND PROPERTY TYPES IN 2016.** All six major property-type indices, including the land and hospitality indices along with the four regional indices, posted positive gains in 2016. This marks the fifth consecutive year in the market cycle recovery with positive gains across the spectrum. However, 2016 also saw a marked deceleration in growth rate from the pace of the previous two years when most property-type and regional indices grew at a double-digit rate. The slowdown in the pace of pricing growth from the previous two years was most apparent in the US. Industrial Index.
- **SOUTH EMERGES AS BEST PERFORMING REGIONAL INDEX IN 2016.** Lacking a concentration of core coastal markets that led other US regions in the recovery, the South Index lagged behind both the West and Northeast indices through much of the last several years. However, strong demographics and comparatively lower pricing helped to propel the South Index upward at a faster rate than other regions in 2016. The South Composite Index increased 5% in 2016 to within 4.9% of its pre-recession high. By comparison, the Northeast and West regional indices, which had already surpassed their previous highs, grew 3.9% and 3.5%, respectively, in 2016. The Midwest regional index continued to lag behind all other regions with flat growth in 2016.
- **TRANSACTION VOLUME IN 2016 DOWN FROM RECORD PACE IN 2015.** Composite pair volume ended the year 4.4% lower than the record composite pair volume set in 2015. However, composite pair volume of \$126.9 billion was still the second-highest annual total on record for the CCRSI. The month of December usually results in a surge in volume as investors clamor to close deals before year-end. However, December 2016 deal volume was up only modestly from the pace in the previous several months, which did not provide the year-end boost seen in the past several years.

Monthly CCRSI Results, Data Through December 2016

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
Value-Weighted U.S. Composite Index	-1.3%	0.0%	6.8%	101.0% ¹
Equal-Weighted U.S. Composite Index	-1.3%	1.1%	6.6%	58.9% ²
U.S. Investment-Grade Index	-1.4%	0.7%	0.5%	64.1% ³
U.S. General Commercial Index	-1.0%	1.5%	8.0%	59.3% ⁴

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

Quarterly CCRSI Property Type Results

- HOSPITALITY PRICING INDEX SURPRISES AS MAJOR PROPERTY SECTORS MIRROR NATIONAL PRICING TREND.** Pricing gains accumulated across all major property sectors in 2016 while, similar to the national indices, the pace of growth slowed from the previous two years. The hospitality index was the only property type index to post double-digit growth in 2016, although all six property-type indices increased during the year.
- OFFICE INDEX LED GROWTH AMONG FOUR MAJOR PROPERTY-TYPE INDICES.** The U.S. Office Index increased 0.5% in the fourth quarter of 2016 and 5.0% in the 12-month period ending in December 2016 as office rent levels and occupancy rates nationally have continued to improve. Price growth was slower at the top end of the market, however. The Prime Office Metros Index, which is dominated by the large, core, coastal metros, advanced by a more modest 2.4% in 2016, which may be reflective of a slowdown in rent growth in tech-driven prime office markets of San Francisco and San Jose in 2016.
- MULTIFAMILY INDEX MADE STEADY GAINS IN 2016.** The U.S. Multifamily Index declined by a modest 0.5% in the fourth quarter of 2016, which contributed to somewhat slower annual gains of 4.7% in 2016. Meanwhile, the Prime Multifamily Metros Index growth remained remarkably resilient in 2016, expanding by 6.1%, despite having already surpassed its pre-recession peak by nearly 49%.
- U.S. RETAIL INDEX GAINS 3.7% IN 2016.** The broad U.S. Retail index rose a modest 1.8% in the fourth quarter of 2016, contributing to an annual gain of 3.7% in 2016. The slowdown was attributable to flattening prices at the top end of the market. The Prime Retail Metros Index had advanced nearly 20% above its prior peak level earlier in 2016 but dipped 2.2% in the fourth quarter, reflecting a

COSTAR COMMERCIAL REPEAT-SALE INDICES JANUARY 2017 Release (With Data through DECEMBER 2016)

slowdown in price growth among the most expensive properties and metros that led the recovery.

- **U.S. INDUSTRIAL INDEX POSTS SLOWEST RATE OF ALL PROPERTY-TYPE INDICES IN 2016.** Industrial property fundamentals remained healthy, with net absorption of over 220 million square feet in 2016, the strongest yet in the recovery, contributing to declining vacancies and rent growth of over 6% in 2016. However, despite strong fundamentals, the slowdown in the pace of pricing growth from the previous two years was most apparent in the industrial property type. The US. Industrial Index was up just 1.9% in 2016. Core markets remained in favor with investors as the Prime Industrial Metros Index advanced by 4.9% in 2016.
- **U.S. HOSPITALITY WAS ONLY PROPERTY-TYPE INDEX TO POST DOUBLE-DIGIT GAIN IN 2016.** The 2.5% increase in the fourth quarter of 2016 was just enough for the U.S. Hospitality Index to post an annual gain of 10.3% for the full year. National hotel occupancies remain well above last cycle's highs, which has supported room rate and RevPAR growth as well as investor demand.
- **SLOWING DEMAND FOR DEVELOPMENT SITES DAMPENS GROWTH IN U.S. LAND INDEX.** The Land index slid 0.5% in the fourth quarter of 2016 but still finished the year in positive territory with a gain of 3.4% in 2016. Despite recent gains, the Land Index, which did not reach its trough until very late in the cycle in 2012, remains 14% below its previous peak.
- **INVESTOR DEMAND CONTINUED TO EXPAND OUTSIDE PRIME MARKETS.** The Prime Markets indices within each property sector, which are dominated by the large, core, coastal metros, generally increased more slowly than the national property-type indices in 2016, suggesting that the pricing recovery has become more broad-based.

Quarterly CCRSI Regional Results

- **SOUTH REGION LED PRICING GROWTH AMONG REGIONAL INDICES IN 2016.** The South Composite Index increased 0.7% in the fourth quarter of 2016 and 5.0% in the 12-month period ending in December 2016. Within the South Composite Index, the South Multifamily Index led pricing growth in the South region, expanding 3.9% in 2016 despite a 1.1% drop in the fourth quarter. The South region's favorable demographics and more affordable pricing have provided momentum in price growth as the cycle has progressed after the Northeast and West Indices led the US property markets into the recovery.
- **NORTHEAST REGIONAL INDEX GROWTH MODERATES.** The Northeast region's strong concentration of top-tier markets, which have been a magnet for investment since early in the current cycle, has helped push all four regional indices past prior peak levels to new historical highs. However, Northeast Composite Index growth of 0.7% in the fourth quarter and 3.9% for the full year of 2016 was the slowest the region has seen since 2012. The Northeast Industrial Index was the weakest performer in the region, falling slightly in the fourth quarter and for the full year of 2016. Meanwhile the Northeast Retail Index posted the strongest growth of 18% in the fourth quarter and 5.3% for all of 2016. The slowdown in price growth mirrors a maturing fundamentals cycle for many of the top-tier markets included in the Northeast region.
- **MULTIFAMILY PRICING BOOSTED GROWTH IN WEST REGION.** Although it dipped 0.7% in the fourth quarter of 2016, the West Composite Index still ended the year up 3.5% in the 12-month period ending in December 2016. CCRSI's West Composite Index surpassed its peak in the last cycle by more than 2%, the only other regional index aside from the Northeast to surpass its pre-recession high. The West Multifamily Index has been the engine of growth in the region, expanding by 4% in 2016 despite a 1.7% drop in the fourth quarter.
- **MIDWEST REGION CONTINUED TO LAG BEHIND OTHERS IN RECOVERY.** The Midwest Composite Index gained a modest 0.5% in the fourth quarter of 2016, which helped erase losses from earlier in the year. Annual growth for the 12-month period ending in December was flat at 0.02%. The Midwest Office Index was the best performer in the region, expanding by 6.1% in 2016, which was the strongest annual growth of all 16 of CCRSI's regional property-type indices. However, the regional index was dragged down by losses in the Midwest Industrial Index.

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 more than 10 million registered members. Apartments.com, ApartmentFinder.com and ApartmentHomeLiving.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 Move's family of websites, which include realtor.com®, doorsteps.com and move.com. CoStar Group's websites attracted an average of nearly 25 million unique monthly visitors in aggregate in the third quarter of 2016. Headquartered in Washington, DC, CoStar maintains offices throughout the U.S. and in Europe and Canada with a staff of approximately 2,800 worldwide, including the industry's largest professional research organization. For more information, visit www.costargroup.com.

This news release includes "forward-looking statements" including, without limitation, statements regarding CoStar's expectations, beliefs, intentions or strategies regarding the future. These statements are based upon current beliefs and are subject to many risks and uncertainties that could cause actual results to differ materially from these statements. The following factors, among others, could cause or contribute to such differences: the risk that the trends represented or implied by the indices will not continue or produce the results suggested by such trends, including the pattern of decelerating transaction volume and price growth rates as compared to previous years. More information about potential factors that could cause results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, those stated in CoStar's filings from time to time with the Securities and Exchange Commission, including in CoStar's Annual Report on Form 10-K for the year ended December 31, 2015, and CoStar's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, each of which is filed with the SEC, including in the "Risk Factors" section of those filings, as well as CoStar's other filings with the SEC available at the SEC's website (www.sec.gov). All forward-looking statements are based on information available to CoStar on the date hereof, and CoStar assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.