

CCRSI RELEASE – SEPTEMBER 2017

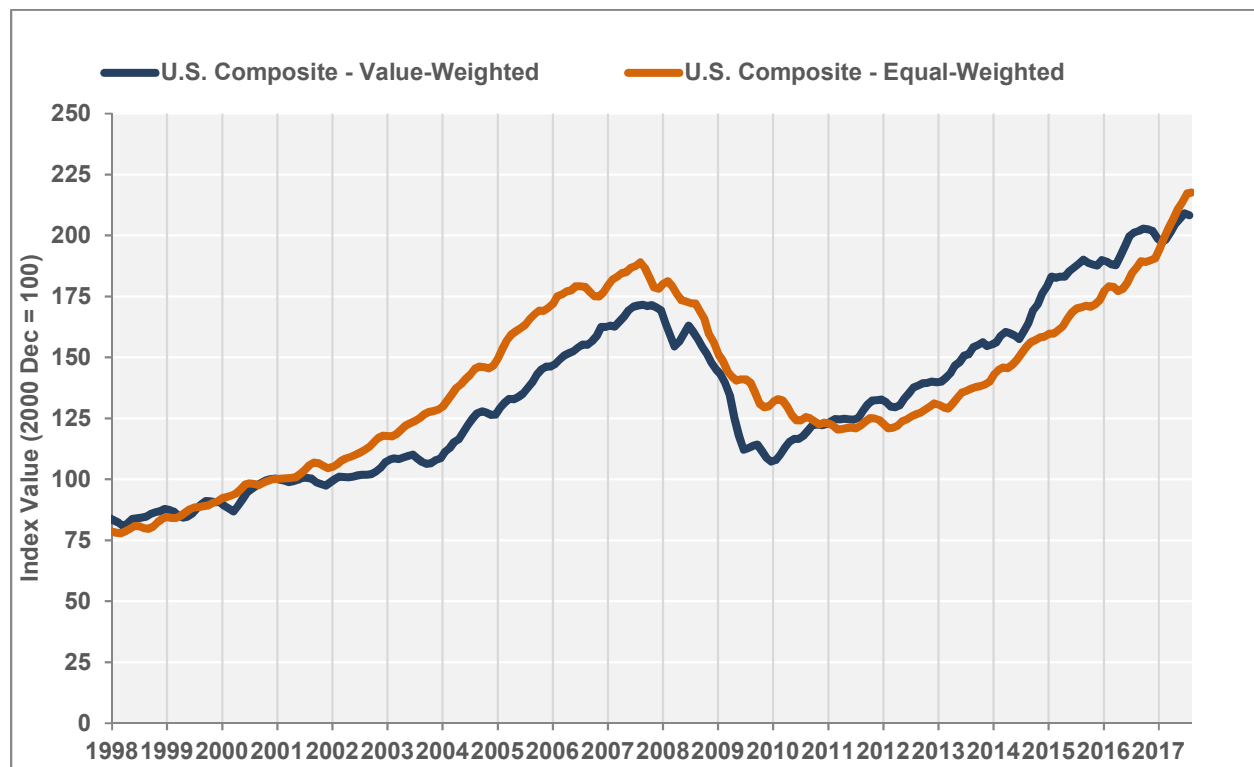
(With data through AUGUST 2017)

LATEST COSTAR COMPOSITE PRICE INDICES: GROWTH AT LOWER END OF MARKET REMAINED HOT THROUGH SUMMER

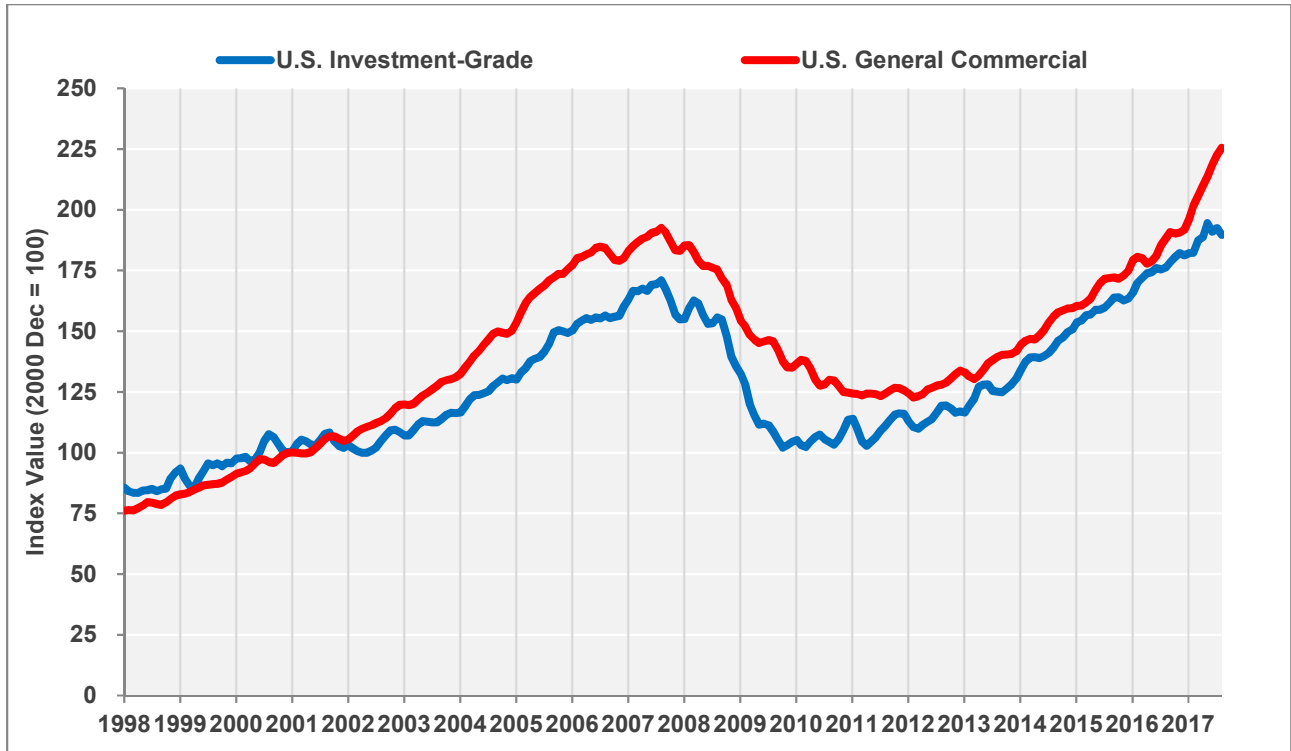
CRE SPACE ABSORPTION, TRANSACTION VOLUME DOWN FROM PEAK LEVELS BUT MARKET TRENDS STILL SUPPORT SOLID PRICE GROWTH

This month's CoStar Commercial Repeat Sale Indices (CCRSI) provides the market's first look at commercial real estate pricing trends through August 2017. Based on 1,050 repeat sale pairs in August 2017 and more than 182,000 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity.

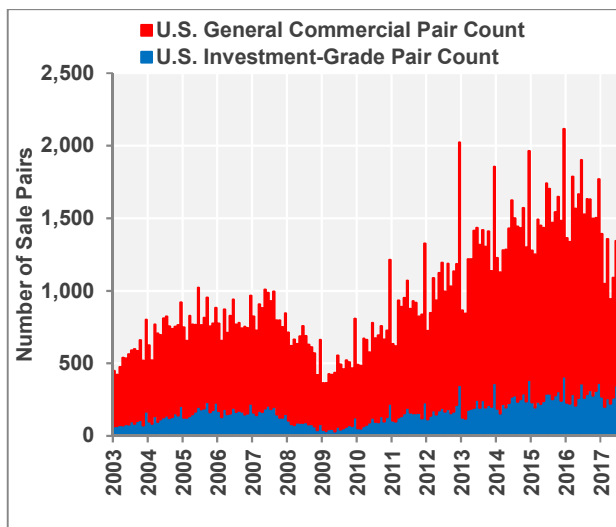
U.S. Composite Indices: Equal- And Value-Weighted, Data Through August 2017



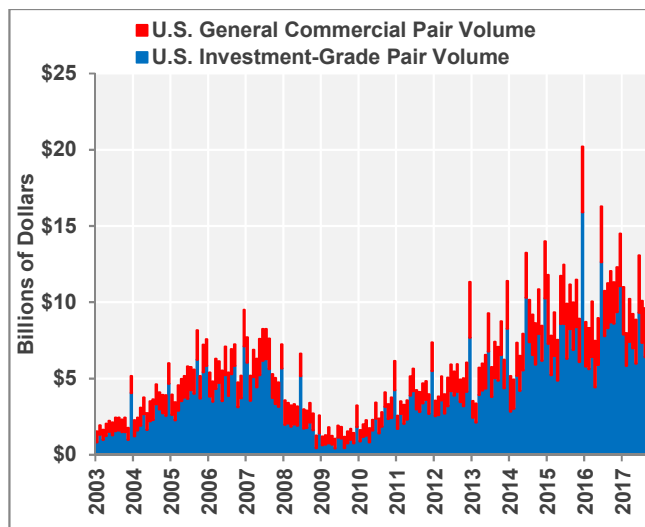
U.S. Equal-Weighted Indices By Market Segment, Data Through August 2017



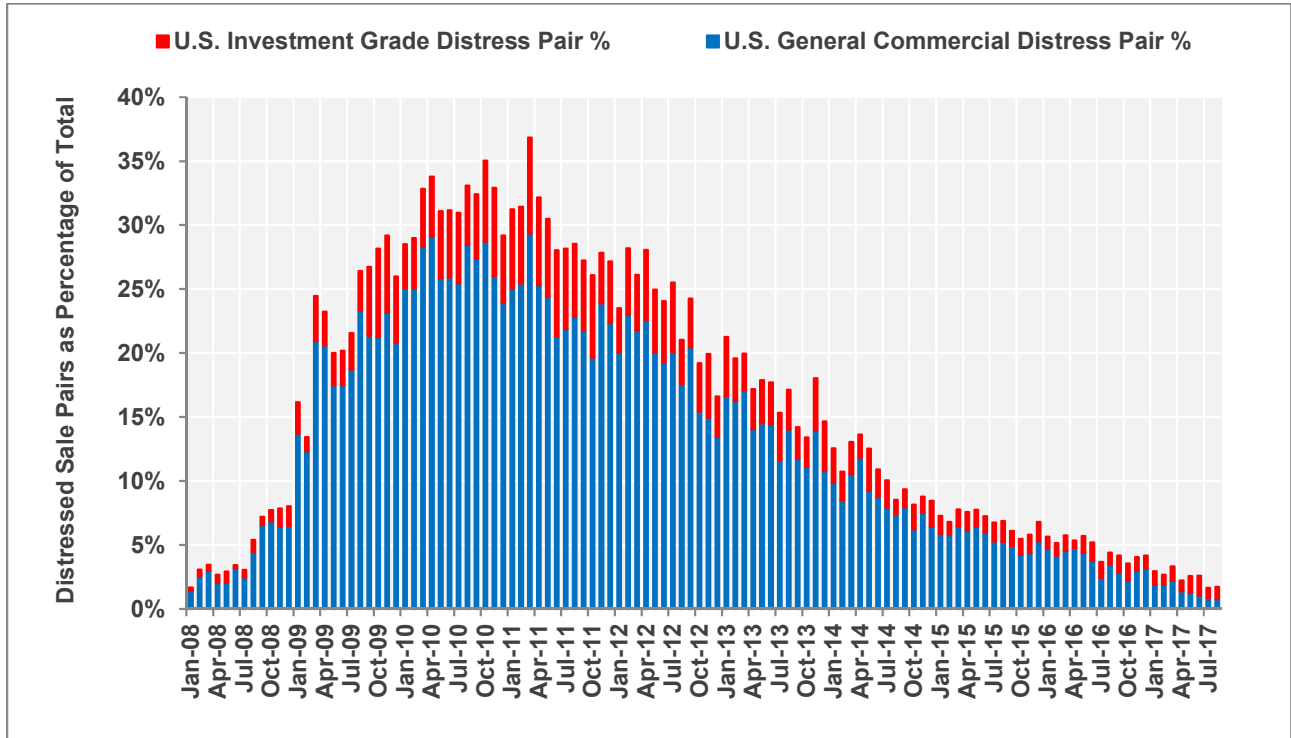
U.S. Pair Count, Data Through August 2017



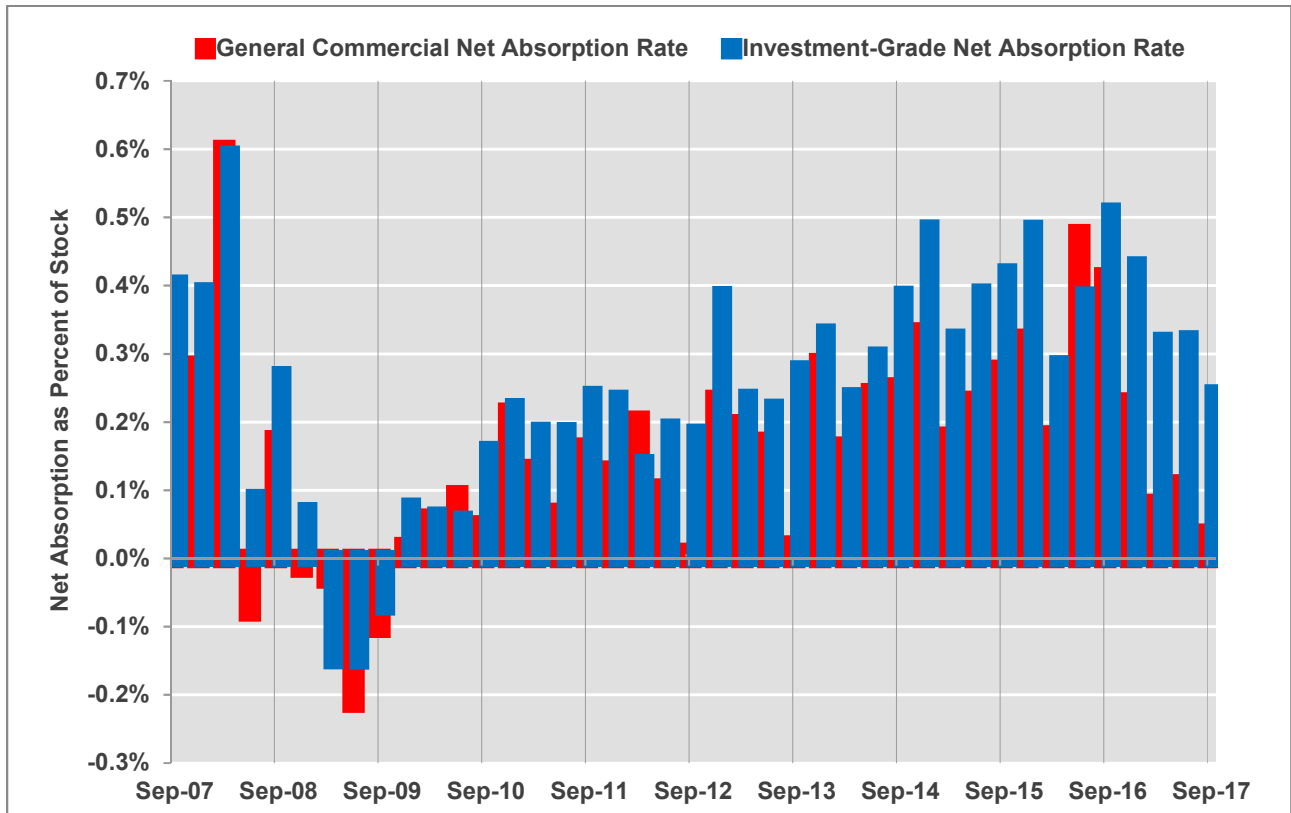
U.S. Pair Volume, Data Through August 2017



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



Market Fundamentals, Data Through September 2017



CCRSI National Results Highlights

- **COMPOSITE PRICE INDICES MAINTAIN UPWARD MOMENTUM THROUGH SUMMER.** 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 for the 12-month period ending in August 2017. However, the pricing momentum remained strongest in the equal-weighted index. The equal-weighted U.S. Composite Index was up 16.5% in the 12-month period ending in August 2017, while the value-weighted U.S. Composite Index rose 3.5% in the same period.
- **LOWER END OF CRE MARKET CONTINUES TO SEE STRONGER PRICING MOMENTUM.** 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 19.8% in the 12-month period ending in August 2017, one of the highest annual percent gains on record for the index. Meanwhile, the Investment-Grade Index, which is influenced by higher-value properties, rose by 7.6% in the 12-month period ending in August 2017. The recent pricing momentum in the General Commercial segment demonstrates the breadth of the pricing recovery as more investors target smaller properties across more markets.
- **RATE OF CRE SPACE ABSORPTION MODERATES.** Preliminary analysis of net absorption of commercial space during the third quarter of 2017 shows the net absorption rate as a share of total market inventory has slowed from prior years. The net absorption rate across the three major property types—office, retail, and industrial—was 0.2% in the first three quarters of 2017, down from an average rate of 0.4% seen in 2015–2016. This is likely due in part to an increase in construction at this point in the cycle. U.S. net absorption is projected to total 493.8 million square feet across the three property types in the 12-month period ending in September 2017, lower than in previous years but still at 2013 levels.
- **TRANSACTION VOLUME EDGED DOWN SLIGHTLY FROM PRIOR YEAR.** Composite pair volume of \$130.2 billion in the 12-month period ending in August 2017 was 1.6% lower than in the previous 12-month period ending in August 2016. However, it was still one of the highest annual transaction volume totals on record for the CCRSI. Commercial real estate transaction activity has continued to benefit from a low-interest-rate environment. However, investor 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 August 2017

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
Value-Weighted U.S. Composite Index	-0.4%	1.8%	3.5%	94.2% ¹
Equal-Weighted U.S. Composite Index	0.2%	3.3%	16.5%	80.8% ²
U.S. Investment-Grade Index	-1.4%	-2.5%	7.6%	85.4% ³
U.S. General Commercial Index	1.3%	5.5%	19.8%	82.6% 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 June 2017

	Annual Net Absorption (in millions of square feet)			
	2014Q3	2015Q3	2016Q3	2017Q3
Aggregate	568.6	697.4	797.5	493.8
Investment Grade	368.2	480.5	500.0	396.2
General Commercial	200.4	216.9	297.5	97.6

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

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.

CONTACT:

Gay Beach, Senior Director of Marketing Communications, CoStar Group
(gbeach@costar.com).

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 Move's family of websites, which include

realtor.com®, doorsteps.com and move.com. CoStar Group's websites attracted an average of over 37 million unique monthly visitors in aggregate in the second quarter of 2017. Headquartered in Washington, DC, CoStar maintains offices throughout the U.S. and in Europe and Canada with a staff of over 3,500 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 trends related to commercial real estate fundamentals, pricing, absorption, and transaction volume; and the risk that U.S. net absorption for the 12-month period ending in September 2017 is not as stated in this release. 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, 2016, and CoStar's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, 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.