

CCRSI RELEASE – NOVEMBER 2014
(With data through SEPTEMBER 2014)

COMMERCIAL REAL ESTATE PRICE SURGE CONTINUES IN THIRD QUARTER

RETAIL INDEX POSTS LARGEST QUARTERLY GAIN; NORTHEAST, WEST MULTIFAMILY INDICES SURPASS PRIOR PEAK LEVELS

This month's CoStar Commercial Repeat Sale Indices (CCRSI) provide the market's first look at September 2014 commercial real estate pricing. Based on 1,214 repeat sales in September 2014 and more than 125,000 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity.

CCRSI National Results Highlights

- **NATIONAL COMPOSITE INDICES CONTINUE TO CLIMB.** Both the value-weighted and the equal-weighted U.S. Composite Indices of the CCRSI made strong gains in September 2014 to close the quarter. The value-weighted index, which is heavily influenced by core transactions, advanced by 1.9% in the month of September and 3.3% in the third quarter of 2014. The value-weighted index is now 2.8% above its prerecession high and continues to make solid gains. The equal-weighted U.S. Composite Index, which is heavily influenced by smaller non-core deals, increased by 1.3% in September and 4.2% in the third quarter of 2014.
- **BOTH HIGH- AND LOW-END MARKET SEGMENTS ARE PROSPERING.** Within the equal-weighted U.S. Composite Index, both U.S. Investment Grade, which is weighted towards high-value properties, and U.S. General Commercial, made up of lower-tier properties, increased at similar rates: 1.2% and 1.3%, respectively, in September 2014, and 15.6% and 14.2% for the 12-month period ending in September 2014. The U.S. Investment Grade Index has recovered to within 12.7% of its prerecession high, and the U.S. General Commercial Index is 16.1% short of its previous high-water mark.

- **PROPERTY SALES ACTIVITY EXPANDING QUICKLY.** Composite pair volume of \$67.3¹ billion year-to-date through the third quarter of 2014 marked a 23% jump from the same period in 2013. Moreover, the percentage of repeat sales transactions involving distressed assets fell into the single digits in September 2014.
- **ANNUAL PRICE GAINS REALIZED ACROSS ALL MAJOR PROPERTY SECTORS.** The retail, industrial, and office segments all moved up toward 2007 pricing levels in September 2014 and are now within 11.4%, 14.4%, and 21.2% of their previous peaks, respectively. The multifamily sector, which recovered earlier than the other property types, is now 1% above its previous peak.

Monthly CCRSI Results, Data through September 2014

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
Value-Weighted U.S. Composite Index	1.9%	3.3%	9.2%	65.4% ¹
Equal-Weighted U.S. Composite Index	1.3%	4.2%	14.4%	32.1% ²
U.S. Investment Grade Index	1.2%	2.4%	15.6%	44.6% ³
U.S. General Commercial Index	1.3%	4.9%	14.2%	31.0% 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

- **ALL PROPERTY TYPES SEE PRICE GAINS.** All property types across asset classes saw price gains over the 12-month period ending in September 2014, indicative of the sweeping recovery of commercial real estate pricing.
- **RETAIL PROPERTY SEES STRONGEST ANNUAL GAIN.** The U.S. Retail Index rose 15% over the 12-month period ending in September 2014, the strongest annual gain among the four major property types. The overall index substantially outperformed the Prime Retail Metros Index, which grew by 8.2% during the same period, as investors increased their risk tolerance and moved into secondary markets after being priced out of prime markets. Prime Retail is now within 3% of its 2007 peak pricing, while U.S Retail Index is 11.4% below its prior peak in 2007.
- **OFFICE INVESTORS CONTINUE TO BE ACTIVE IN GATEWAY MARKETS.** The trend of capital shifting to non-gateway markets has continued in all but the office sector. The broader U.S. Office Index gained 8.5% over the 12-month period ending in September 2014, while the Prime Office Metros Index advanced by a slightly faster rate, 9.2%, in the same period. Office-employment growth continues to

¹ Does not include the \$4.4 billion sale of Stuyvesant Town-Peter Cooper Village apartments in New York City in June 2014 via deed in lieu of foreclosure.

outpace overall employment growth, allowing for stable fundamentals even as new development adds additional office space.

- **PRICING FOR INDUSTRIAL PROPERTY SEES HEALTHY GROWTH.** The U.S. Industrial Index continued to see growth triggered by strong fundamentals in most markets and asset qualities. Average quarterly growth for this property type is a healthy 3.4% over the last 12-month period ending September 2014. The overall market index outperformed the Prime Industrial Metros Index by 5.5% over the same period, indicating that a broad recovery is underway.
- **MULTIFAMILY INDEX PASSES PREVIOUS PEAK.** The U.S. Multifamily Index reached its prerecession peak in the third quarter of 2014, and is now 1% above its 2007 high. And multifamily pricing continues to expand, growing 4.5% in the third quarter of 2014 alone. The Prime Multifamily Metros Index, which surpassed its previous peak in March 2013, is now 14.6% above 2007 levels.
- **LAND SALES ATTRACT HIGHER PRICES.** The U.S. Land Index has ramped up, with third quarter 2014 growth of 8.6%, compared to 4.8% growth in the second quarter and 3% growth in the first quarter of 2014.
- **HOTELS SEE HEALTHY PRICE GAINS.** The U.S. Hospitality Index posted an average 7.1% quarterly growth over the first three quarters of 2014. The Hospitality Index recovery has been robust, gaining 40.5% from its lowest point at the end of 2009, although it remains 24.2% below its previous peak.

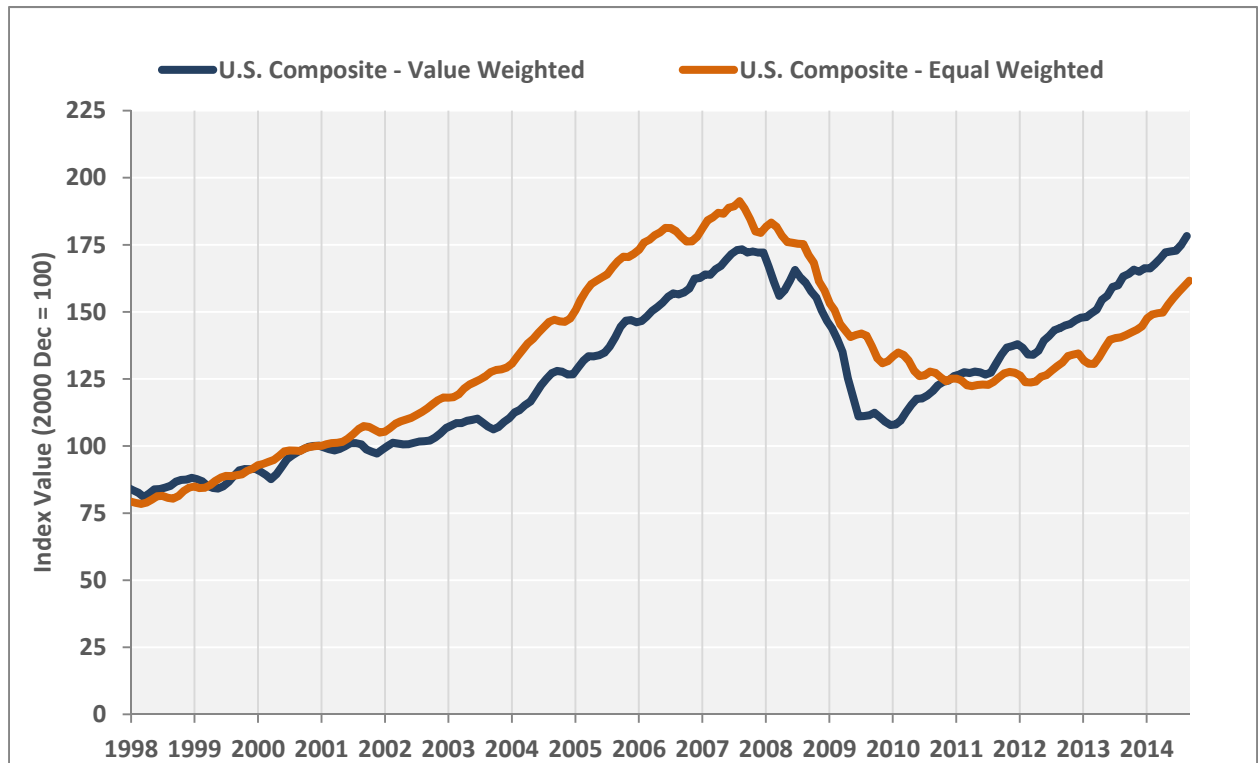
Quarterly CCRSI Regional Results

- **NORTHEAST REGION PRICE GAINS LED BY MULTIFAMILY AND RETAIL.** The Northeast Composite Index is now just 1.7% short of its prior peak, having gained 33.2% from its recessionary low in 2010. The Northeast Multifamily and Retail Indices have led this quick recovery. Both indices are now past their recessionary pricing peaks and continue posting steady quarterly gains.
- **WEST REGION SEES STEADY RISE.** The West Composite Index has recovered to within 12.1% of its previous peak in 2007. This region has shown steady price growth, and has increased 47.2% from its trough in end of 2010. All four major property indices within the West region posted double-digit price growth for the 12 months from September 2014. The West Multifamily Index in particular had the largest 12-month growth at 13.4%, as fundamentals continued to strengthen in the region.
- **SOUTH REGION RECOVERY RAMPING UP.** The South Composite Index increased by 14.4% for the 12-month period ending in September 2014. This region's recovery has ramped up since the beginning of 2014, partly due to its late start in this economic cycle. However, having recovered only 28.3% from its

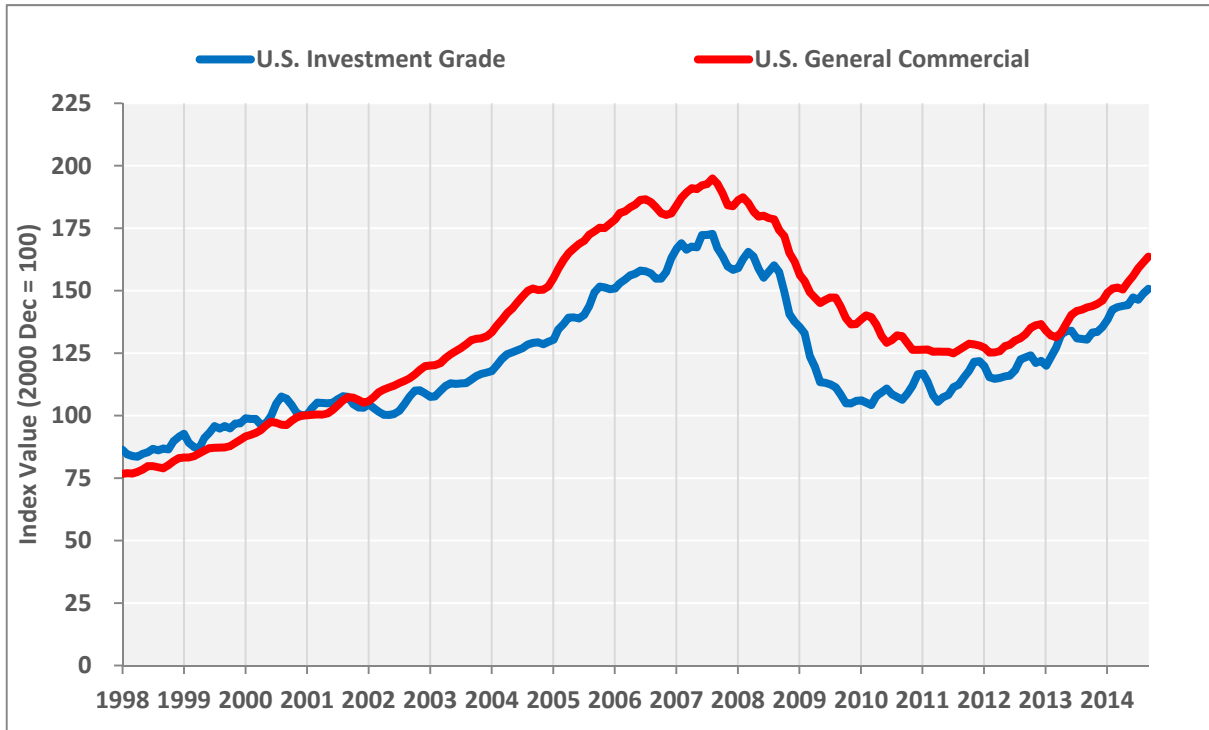
recessionary low, property pricing in the South region still has plenty of room to run. The South Multifamily Index has led the way, with a growth rate of 14.8% in the 12-month period ending in September 2014, while the industrial and retail segments both boasted double-digit gains in the same period. The South Office Index lagged behind, with 9.2% growth for the 12-month period ending in September 2014.

- MIDWEST LAGGING OTHER REGIONS.** The Midwest Composite Index posted slow growth in the last expansion and continues to lag behind in this recovery. The Midwest Composite Index is still 25% below its peak, behind all other regions, though the most recent annual gain among all property types within the Midwest has picked up speed. The Midwest Industrial Index led the way with 15.1% expansion for the 12-months ending in September 2014, followed closely by the office and multifamily segments, with 13.8% and 13.2% growth, respectively, for the same period. The Midwest Retail Index trailed slightly, posting a gain of 11.7% for the 12-months ending in September 2014.

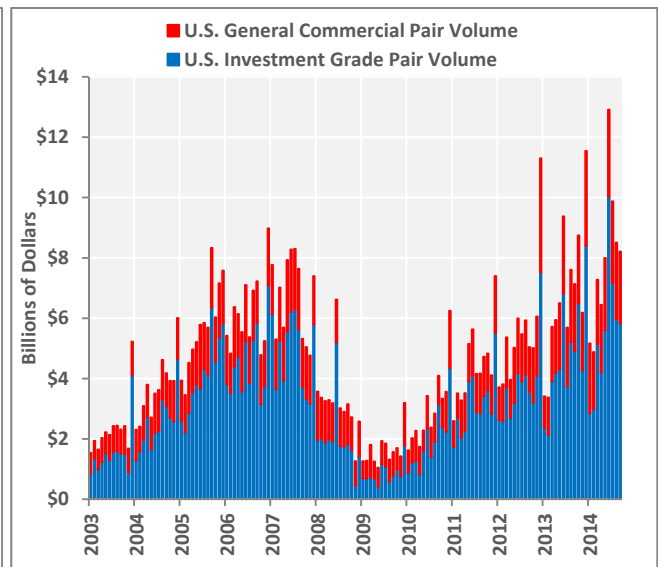
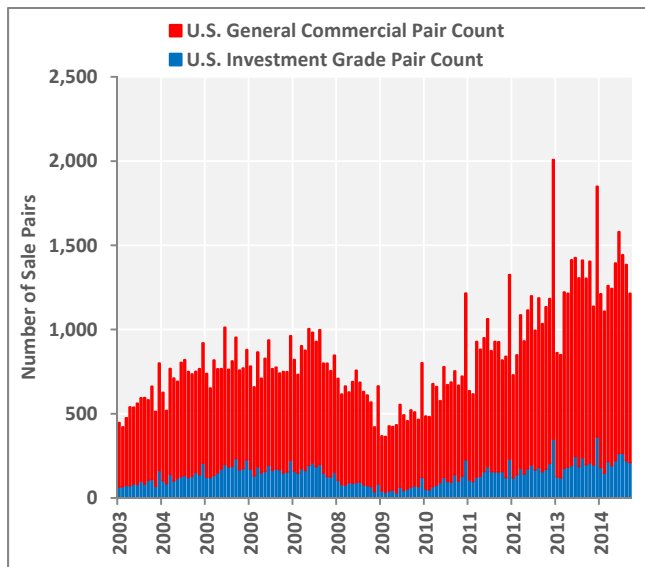
U.S. Composite Indices: Equal- and Value-Weighted, Data through September 2014



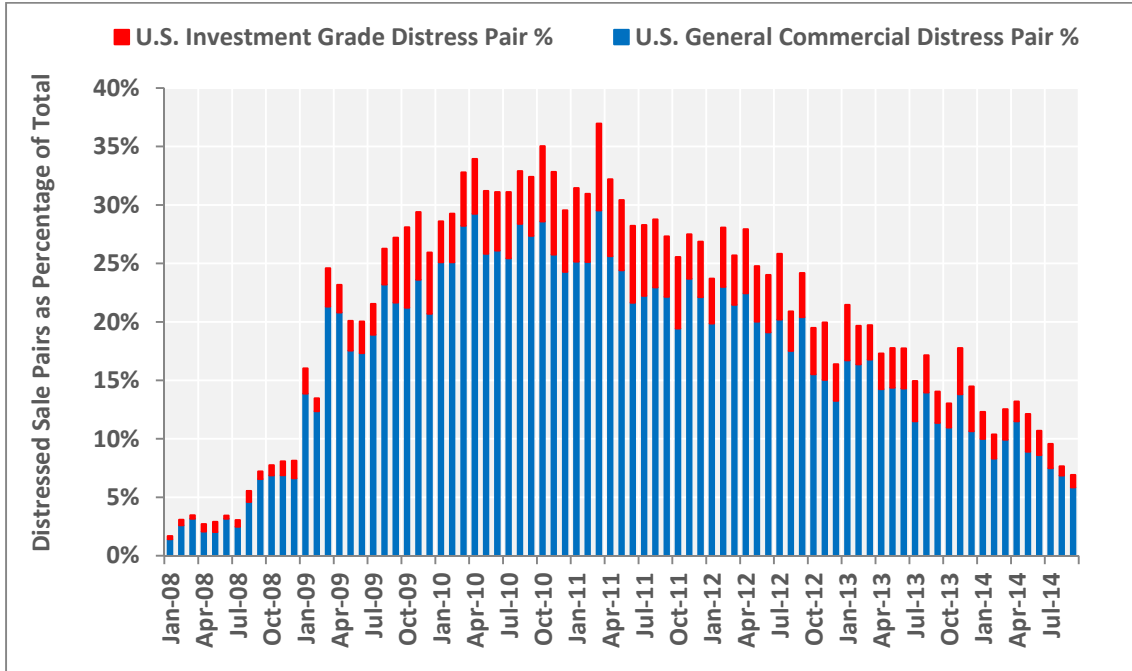
U.S. Equal-Weighted Indices by Market Segment, Data through September 2014



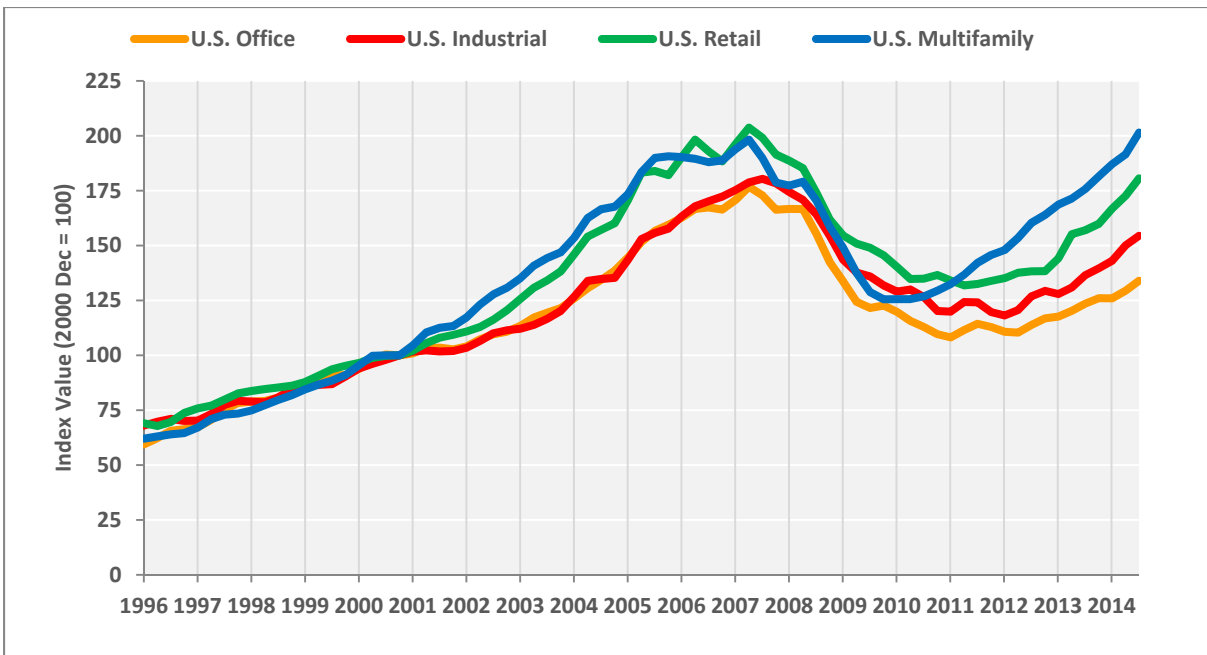
U.S. Pair Count, Data through September 2014 U.S. Pair Volume, Data through September 2014



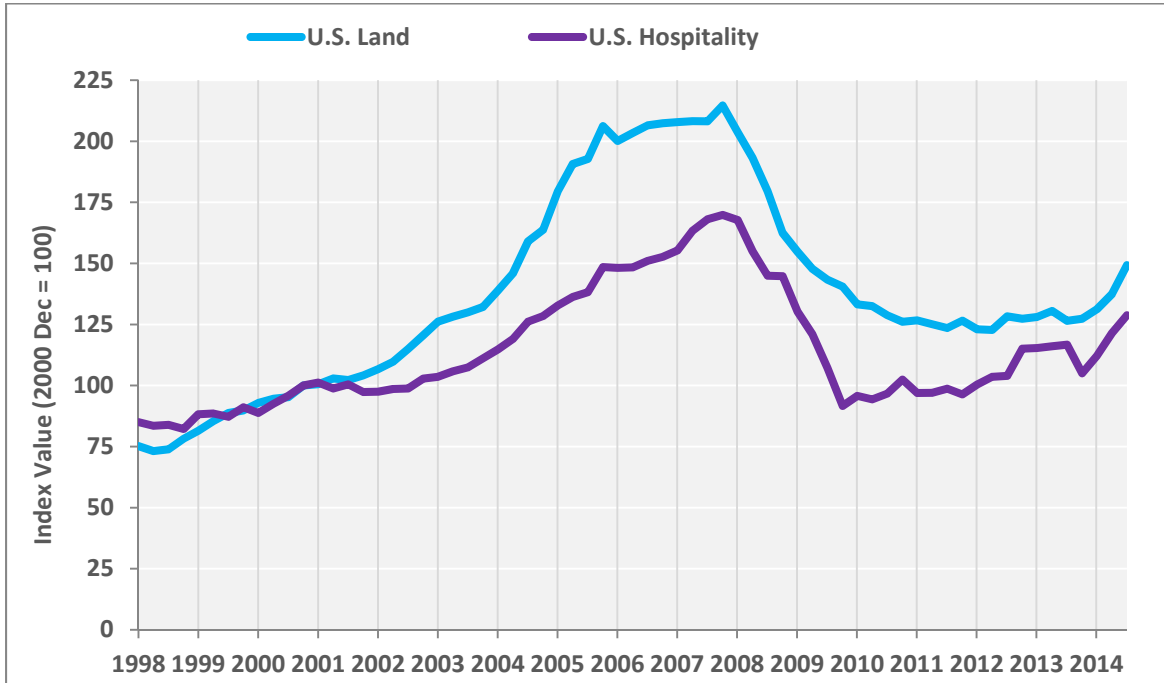
U.S. Distress Sale Pairs Percentage, Data through September 2014



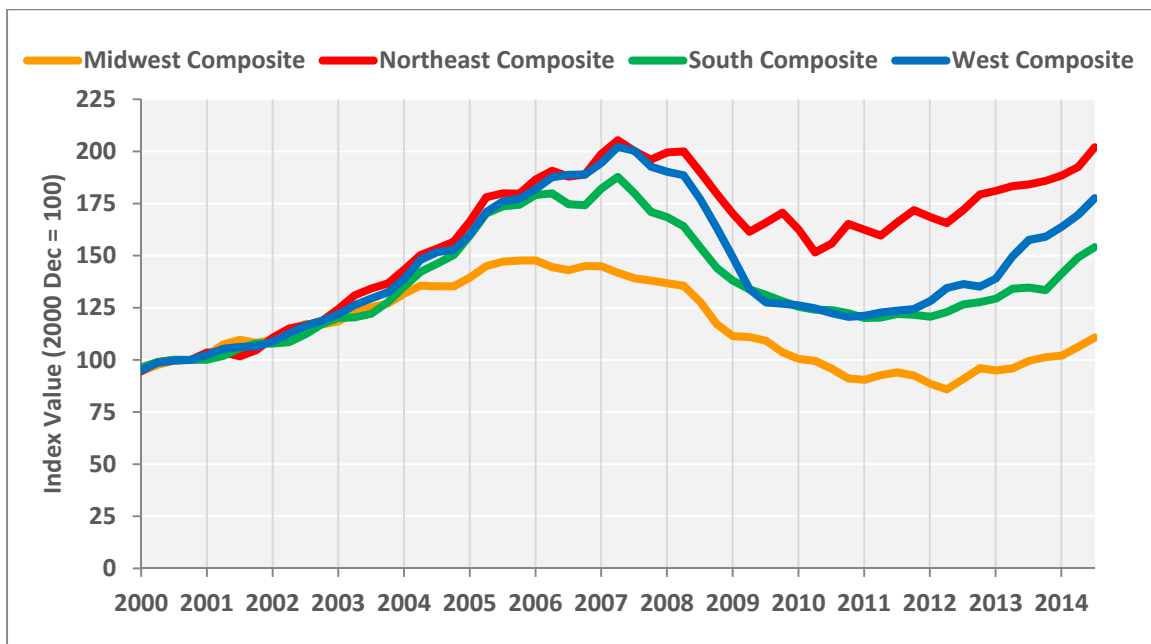
U.S. Primary Property Type Quarterly Indices - Equal Weighted, Data through September 2014



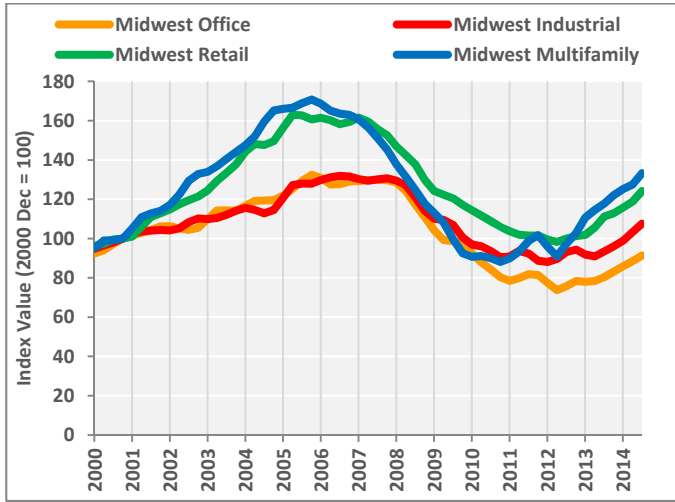
U.S. Land and Hospitality Quarterly Indices - Equal Weighted, Data through September 2014



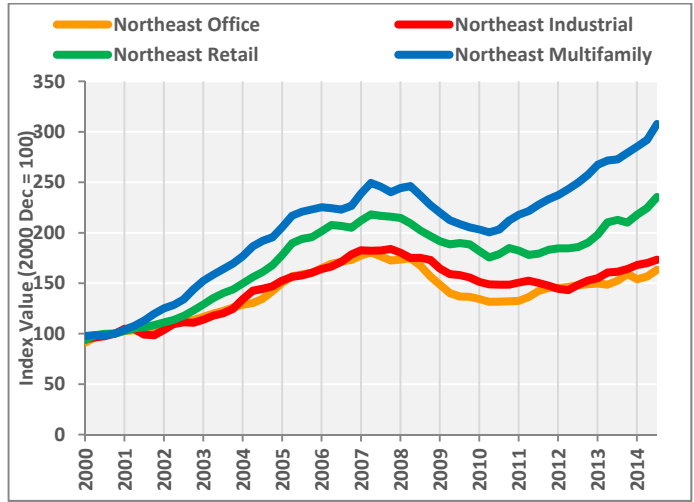
U.S. Regional Type Quarterly Indices - Equal Weighted, Data through September 2014



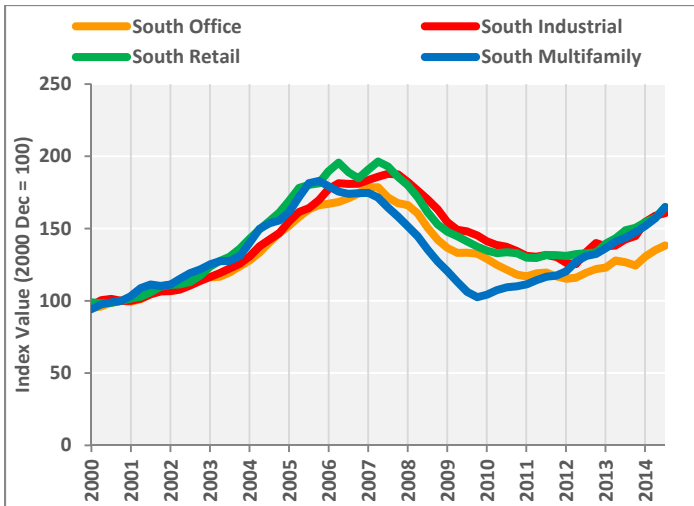
U.S. Midwest Property Type Quarterly Indices – Equal Weighted, Data through September 2014



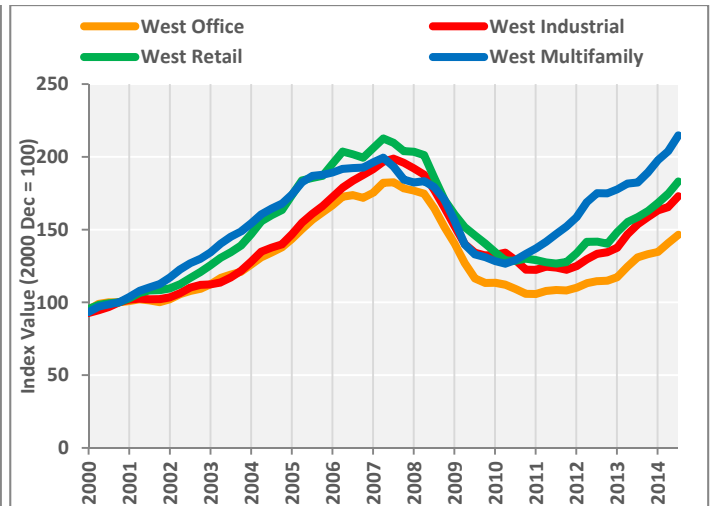
U.S. Northeast Property Type Quarterly Indices - Equal Weighted, Data through September 2014



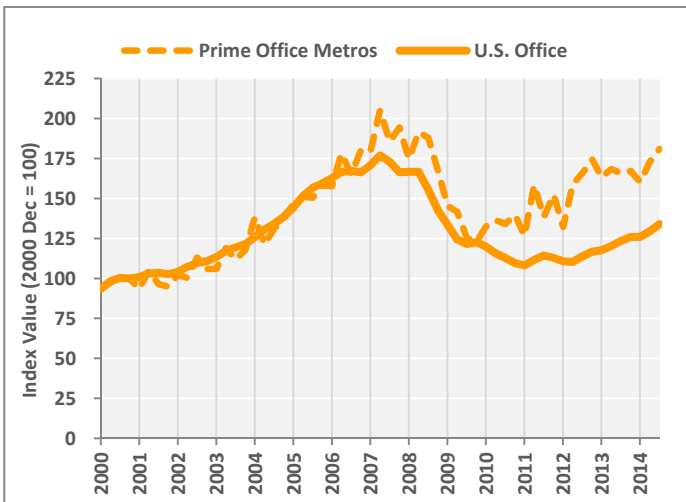
U.S. South Property Type Quarterly Indices – Equal Weighted, Data through September 2014



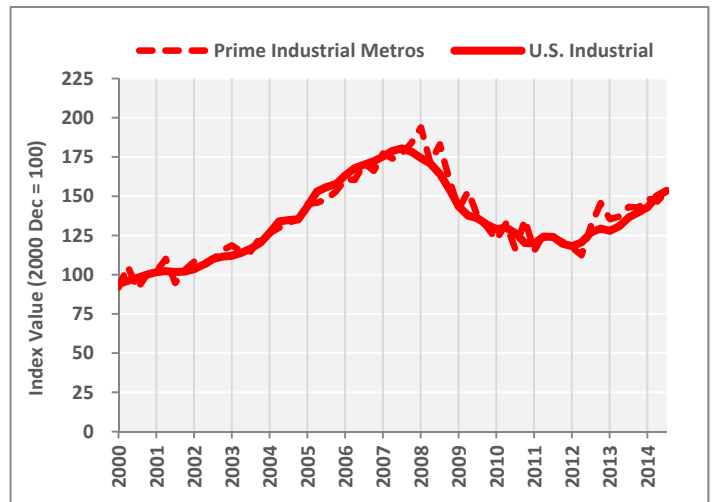
U.S. West Property Type Quarterly Indices – Equal Weighted, Data through September 2014



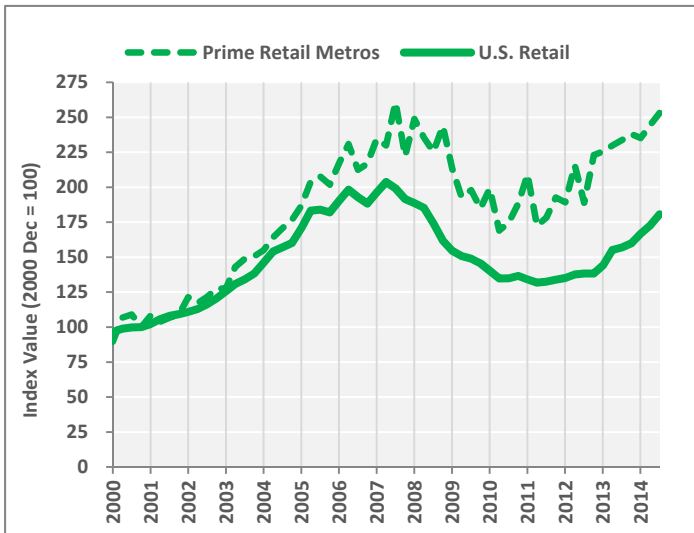
Prime Office Markets Quarterly Indices - Equal Weighted, Data through September 2014



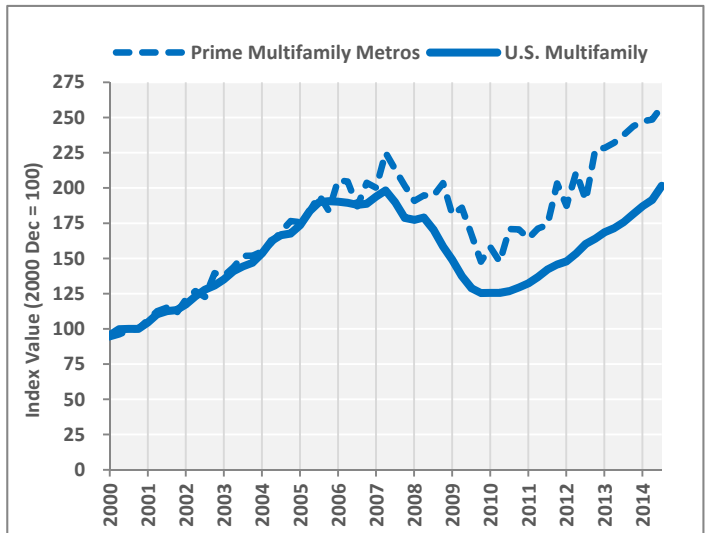
Prime Industrial Markets Quarterly Indices - Equal Weighted, Data through September 2014



Prime Retail Markets Quarterly Indices - Equal Weighted, Data through September 2014



Prime Multifamily Markets Quarterly Indices - Equal Weighted, Data through September 2014



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, 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 one time, 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.

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 DC

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 DC

Prime Multifamily Markets

CBSA Listed Alphabetically
Boston
Chicago
Houston
Los Angeles
New York
Orange County
San Francisco
San Jose
Seattle
Washington DC

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

ABOUT COSTAR GROUP, INC.

CoStar Group (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. Through LoopNet, the Company operates the most heavily trafficked commercial real estate marketplace online with more than 9.0 million registered members. Apartments.com is a premier online apartment resource for renters that matches apartment seekers with great apartment homes and provides property managers and owners a proven platform for marketing their properties. CoStar operates websites with over 17.5 million unique monthly visitors in aggregate during third quarter of 2014. Headquartered in Washington, DC, CoStar maintains offices throughout the U.S., Canada and Europe with a staff of over 2,300 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; the risk that investor demand and commercial real estate pricing levels will not continue at the levels or with the trends indicated in this release; and the risk that historical results will not be indicative of future performance. More information about potential factors that could cause actual results to differ materially from those discussed 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, 2013, and Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, each of which is filed with the SEC, including in the "Risk Factors" section of those filings, as well as the company'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 such statements, whether as a result of new information, future events or otherwise.