



COSTAR
COMMERCIAL
REPEAT-SALE
INDICES

PRESS RELEASE



CCRSI RELEASE – DECEMBER 2013
(With data through October 2013)

COMMERCIAL REAL ESTATE PRICES RESUME UPWARD TREND IN OCTOBER

LIQUIDITY INDICATORS SIGNAL STRONGER MARKET FOR SELLERS; DISTRESS SALES FALL TO LOWEST LEVEL IN FIVE YEARS

This month's CoStar Commercial Repeat Sale Indices (CCRSI) provide the market's first look at October 2013 commercial real estate pricing. Based on 1,207 repeat sales in October 2013 and more than 125,000 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity.

October 2013 CCRSI National Results Highlights

- **CRE PRICES REBOUNDED FROM AN UNEVEN THIRD QUARTER TO POST SOLID GAINS IN OCTOBER:** Continued improvement in real estate fundamentals, along with a resolution to the government shutdown and the debt ceiling debate during the month, as well as increased clarity over the Fed's tapering policy, helped CRE prices stabilize in October 2013. The two broadest measures of aggregate pricing for commercial properties within the CCRSI—the value-weighted U.S. Composite Index and the equal-weighted U.S. Composite Index—advanced by 1.1% and 1.4%, respectively, in October 2013. Aggregate vacancy rates across the four major property types have nearly returned to their historical average levels, and with the exception of the multifamily sector, new construction remains low. This solid improvement in market conditions has underpinned healthy growth in pricing for commercial property, despite recent volatility. On an annual basis, the equal weighted CCRSI Composite Index has risen 7.4% while the value-weighted Composite CCRSI Index has advanced by 9.5%.
- **PRICING HAS FIRMED AT BOTH THE HIGH AND LOW ENDS OF THE MARKET:** Within the equal-weighted U.S. Composite Index, the General Commercial segment, which includes lower-tier properties, achieved a monthly gain of 1.4% in October 2013, and an annual increase of 7.1%, while its Investment Grade counterpart advanced by 0.8% during the same month, but is up 9.8% from year-ago levels. This broad increase in pricing across the quality spectrum is evident in the office sector in particular, where suburban properties posted a stronger 15% gain in pricing, compared with 8% pricing growth in CBD assets over the last year.
- **LIQUIDITY INDICATORS SHOW MARKED IMPROVEMENT:** The year-to-date repeat sale transaction total for 2013 is up 16% from the same 10-month period in 2012. The General Commercial segment observed a 17% increase in total number of trades whereas the Investment Grade segment was up 11%, indicating that investor interest in commercial real estate is broadening. Along with the increase in sales volume, other liquidity measures are pointing to a more accommodating market for sellers. The average time on market for for-sale properties fell 6% in October 2013 to 417 days from its most-recent cyclical peak of 443 days reached in 2012. The bid-ask spread is moving in favor of sellers as well. At the low point in early 2012, sold price on average was only about 84.6% of the asking price but since that time, it has improved to 88.4%. Meanwhile, the share of properties withdrawn from the market in October 2013 declined 1.3% from the prior year. These trends suggest buyers and sellers are finding common ground more quickly. While the market is not yet back to pre-recession levels in terms of liquidity, these indicators bode well for a continued recovery in pricing.
- **DISTRESS SALES VOLUME FALLS TO LOWEST LEVEL SINCE 2008:** The percentage of commercial property selling at distressed prices dropped to 10.7% in October 2013 from nearly 20% one year earlier, the lowest level since December 2008. Improving market conditions and rich pricing for core assets have given lenders confidence to move out on the risk spectrum to provide financing for buyers seeking to take advantage of lower pricing offered through distress properties. Distress levels vary widely by market, however. In housing bust markets including, Atlanta, Las Vegas and Orlando, distress deals still accounted for more than 20% of all sales activity in the third quarter of 2013, suggesting there is still significant room for price appreciation in those markets. Conversely, in healthier markets such as San Francisco, Boston, Los Angeles, Seattle and New York, the share of distressed sales fell into the single digits in the third quarter of 2013.

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
Value-Weighted U.S. Composite Index	1.1%	3.1%	9.5%	50.3% ¹
Equal-Weighted U.S. Composite Index	1.4%	-0.1%	7.4%	17.0% ²
U.S. Investment Grade Index	0.8%	0.0%	9.8%	30.1% ³
U.S. General Commercial Index	1.4%	-0.2%	7.1%	15.3% ⁴

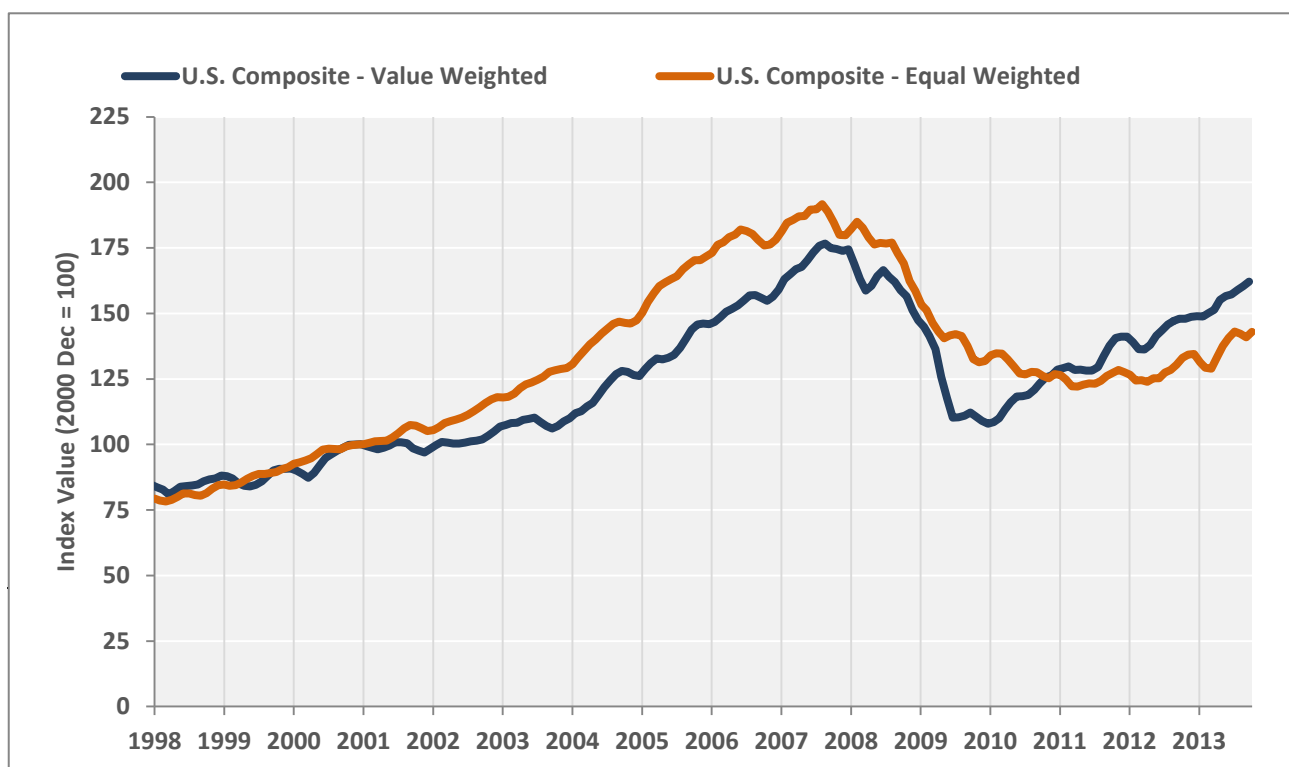
¹ Trough Date: January, 2010 ² Trough Date: March, 2011 ³ Trough Date: October, 2009 ⁴ Trough Date: March, 2011

Monthly Liquidity Indicators, Data through October of 2013 ¹

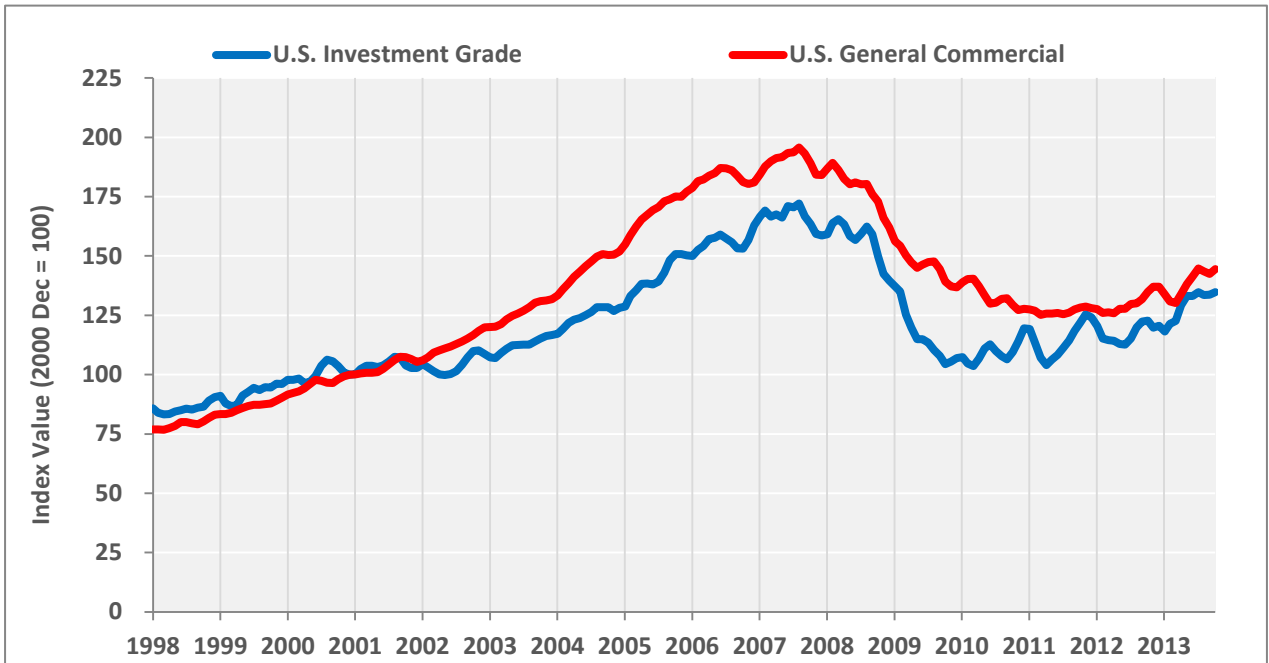
	Current	1 Month Earlier	1 Quarter Earlier	1 Year Earlier
Days on Market	417	417	420	426
Sale Price-to-Asking Price Ratio	88.4%	88.3%	88.1%	86.0%
Withdrawal Rate	40.3%	40.7%	41.2%	40.8%

¹ Average days on market and sale price-to-asking price ratio are both calculated based on listings that are closed and confirmed by CoStar research team. Withdrawal rate is the ratio of listings that are withdrawn from the market by the seller relative to all listings for a given month.

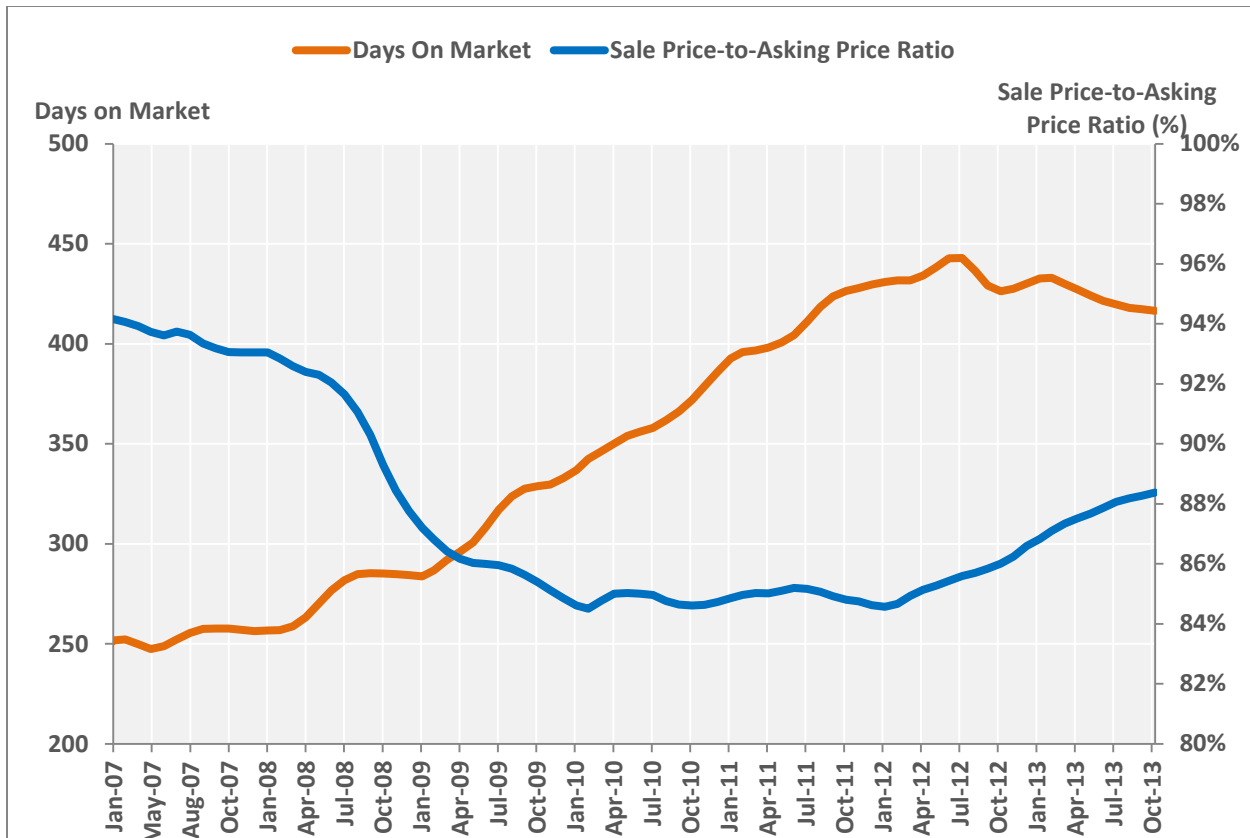
U.S. Composite Indices: Equal- and Value-Weighted, Data through October of 2013



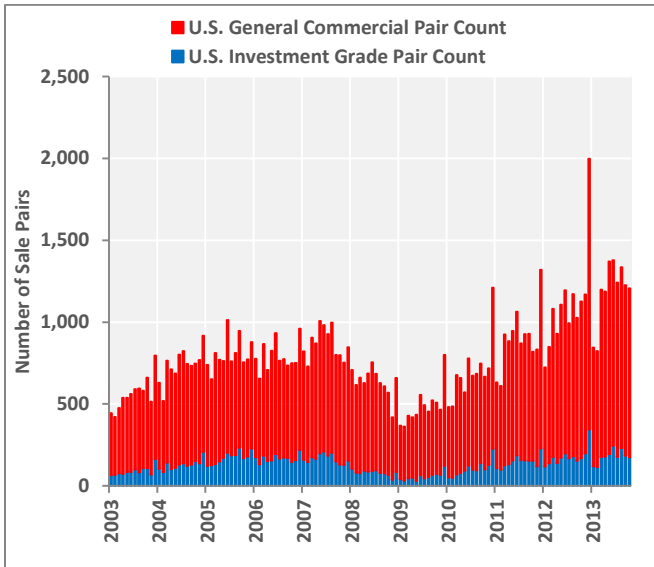
U.S. Composite Indices by Market Segment: Equal Weighted, Data through October of 2013



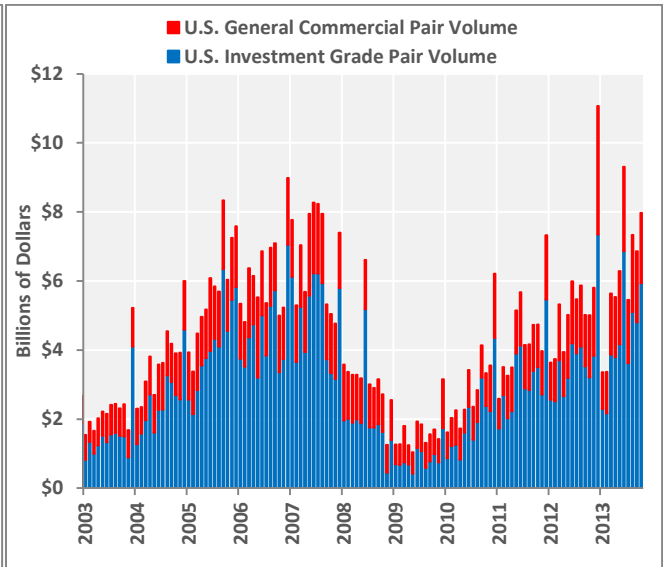
Market Liquidity Indicators, Data through October of 2013



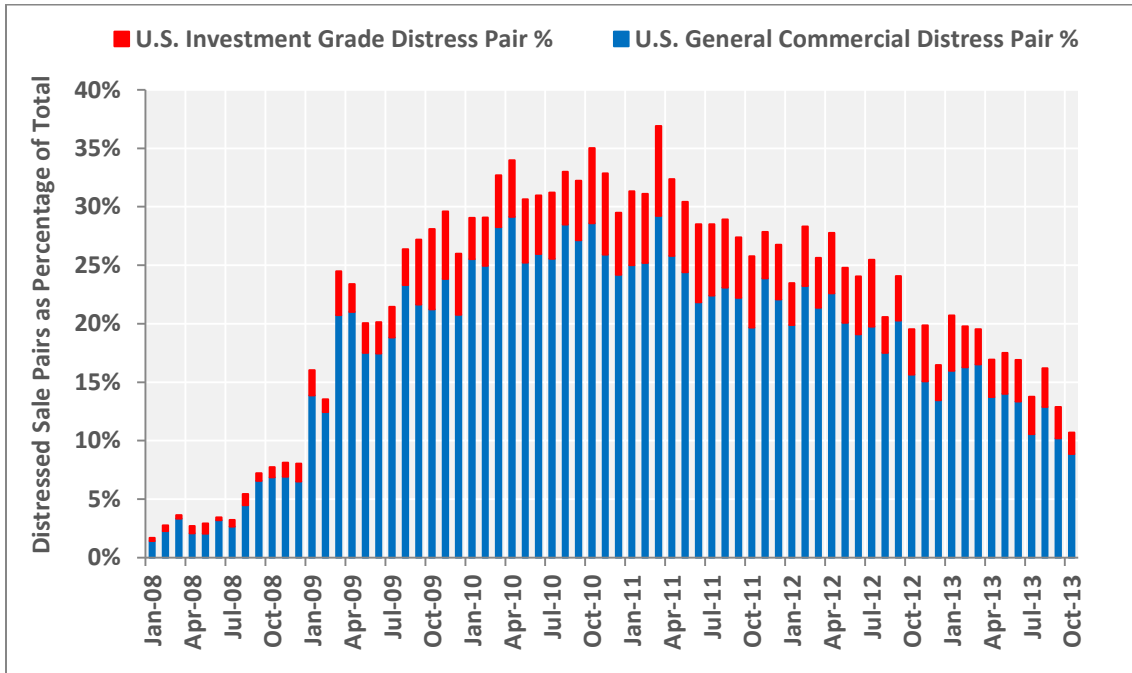
U.S. Pair Count, Data through October of 2013



U.S. Pair Volume, Data through October of 2013



U.S. Distress Sale Pairs Percentage, Data through October of 2013



About the CoStar Commercial Repeat-Sale Indices

The CoStar Commercial Repeat-Sale Indices (CCRSI) are the most comprehensive and accurate measures 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

CONTACT:

For more information about CCRSI Indices, including our legal notices and disclaimer, please visit <http://www.costar.com/ccrsi>.

ABOUT COSTAR GROUP, INC.

CoStar Group (Nasdaq:CSGP) is the leading provider of commercial real estate information, analytics and marketing services. 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 7.7 million registered members. CoStar operates websites that have approximately 9 million unique monthly visitors in aggregate. Headquartered in Washington, DC, CoStar maintains offices throughout the U.S. and in Europe with a staff of approximately 2,000 worldwide, including the industry's largest professional research organization. For more information, visit <http://www.costar.com>.

This news release includes "forward-looking statements" within the meaning of the federal securities laws, 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 risk that real estate fundamentals and market conditions do not continue to improve; the risk that vacancy levels fluctuate due to increases in new construction or other factors; the risk that sales volumes and other liquidity measures decline causing a less favorable market for sellers; the risk that core asset pricing levels decrease or other unfavorable market conditions cause lenders to reduce their risk tolerance for lending in distressed deals; and 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. 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 CoStar's Annual Report on Form 10-K for the year ended December 31, 2012, and CoStar's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, under the heading "Risk Factors" in each of these filings. 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.