

CCRSI RELEASE – MARCH 2014  
(With data through January 2014)

## COMMERCIAL REAL ESTATE PRICES REMAIN ON UPWARD TRAJECTORY IN JANUARY

PROPERTY PRICES SHRUG OFF SEASONAL SLOWDOWN IN TRADING ACTIVITY, ADVANCE ON STRONGER FUNDAMENTALS, INCREASED LENDING ACTIVITY, IMPROVED LIQUIDITY AND RECEDING DISTRESSED SALES

This month's CoStar Commercial Repeat Sale Indices (CCRSI) provide the market's first look at January 2014 commercial real estate pricing. Based on 1,081 repeat sales in January 2014 and more than 125,000 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity.

### January 2014 CCRSI National Results Highlights

- **CRE PRICES BROADLY ADVANCE IN JANUARY DESPITE SEASONAL VOLATILITY:** In a pattern repeated over the last several years, the number of repeat property sales in January 2014 fell from the previous several months as trading activity predictably returned to a more normal level following the frenzied pace at year-end. This slowdown in investment activity has typically accompanied a pricing decline in the first quarter. And while the CCRSI Value-Weighted U.S. Composite Index slipped by a slight 0.6% in January 2014, reflecting the slowdown in sales activity among larger properties, the Equal-Weighted U.S. Composite Index, which is more heavily influenced by smaller transactions, remained on an upward trajectory, increasing by 1.0% in January 2014.
- **PRICE GROWTH BECOMING ENTRENCHED WITH CONSISTENT GAINS AT HIGH AND LOW ENDS OF THE MARKET:** Bolstered by strong investor interest throughout the recovery for core markets and multifamily property, the equal-weighted U.S. Investment Grade Index has led pricing gains, advancing more than 33% from the market trough in 2009. By comparison, the equal-weighted U.S. General Commercial Index did not turn positive until 2011. The recovery in fundamentals has now broadened across the size and quality spectrum in many markets, which is reflected in the consistent pricing gains in both indices over the last year. The equal-weighted U.S. Investment Grade Index climbed 17.5% and the equal-weighted U.S. General Commercial Index rose 10.9% for the 12 months ending in January 2014.
- **EXPANDED LENDING SUPPORTING CRE PRICE RECOVERY:** According to a separate report issued by the Mortgage Bankers Association (MBA), the Quarterly Survey of Commercial/Multifamily Mortgage Bankers Originations, mortgage originations for commercial/multifamily property increased a hefty 16% in the fourth quarter of 2013 from the same period one year earlier. The MBA survey also indicated increased interest among lenders in secondary property types and markets.

COSTAR COMMERCIAL REPEAT-SALE INDICES MARCH 2014 Release (With Data through JANUARY 2014)

Originations for retail and office properties were up sharply, while multifamily originations were flat in the fourth quarter of 2013 versus a year earlier.

- **DISTRESS SALES FALLING RAPIDLY:** Despite the slowdown in January 2014, the number of observed trades over the last 12 months increased by 14.3% over the prior 12-month period. Importantly for the pricing indices, the number of distressed sales has declined by 21.8% over that same period. As of January 2014, the percentage of total observed pair counts classified as distress sales fell below 10%, down sharply from a peak of 35% in October 2010. Rising occupancies have helped stabilize NOIs across a growing number of markets leading to a large net reduction in the number of forced sales. This trend has been a positive force for commercial real estate pricing.
- **GAP BETWEEN BUYERS AND SELLERS CONTINUES TO NARROW:** The number of days on market for commercial property has consistently declined over the last year, falling from 432 days in January 2013 to about 417 days in January 2014. Also consistent with the positive pricing trends, the gap between asking and actual sale prices closed by more than one percentage point over the same period. However, while these indicators show improvement, buyers and sellers still remain far apart relative to historic averages, suggesting that there is further room for liquidity to increase in 2014.
- **SELLERS KEEPING PROPERTIES ON THE MARKET:** The number of properties withdrawn from the sales market by discouraged sellers is leveling off. In January 2014, the rate at which properties were withdrawn from the market declined 3.1% from the same period last year.

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
<b>Value-Weighted U.S. Composite Index</b>	-0.6%	0.8%	10.6%	52.2% <sup>1</sup>
<b>Equal-Weighted U.S. Composite Index</b>	1.0%	2.7%	12.2%	20.3% <sup>2</sup>
<b>U.S. Investment Grade Index</b>	1.3%	2.8%	17.5%	33.3% <sup>3</sup>
<b>U.S. General Commercial Index</b>	1.0%	2.5%	10.9%	18.2% <sup>4</sup>

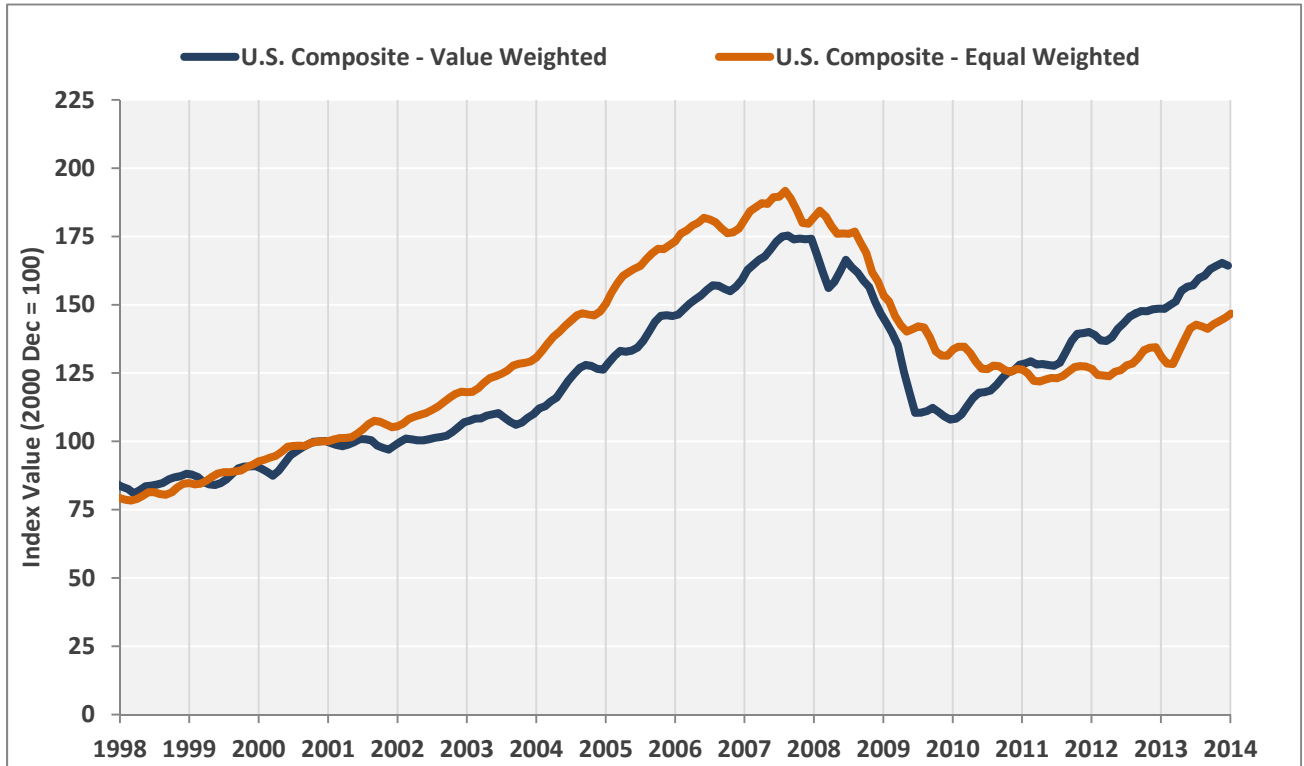
<sup>1</sup> Trough Date: January, 2010    <sup>2</sup> Trough Date: March, 2011    <sup>3</sup> Trough Date: October, 2009    <sup>4</sup> Trough Date: March, 2011

### Monthly Liquidity Indicators, Data through January of 2014 <sup>1</sup>

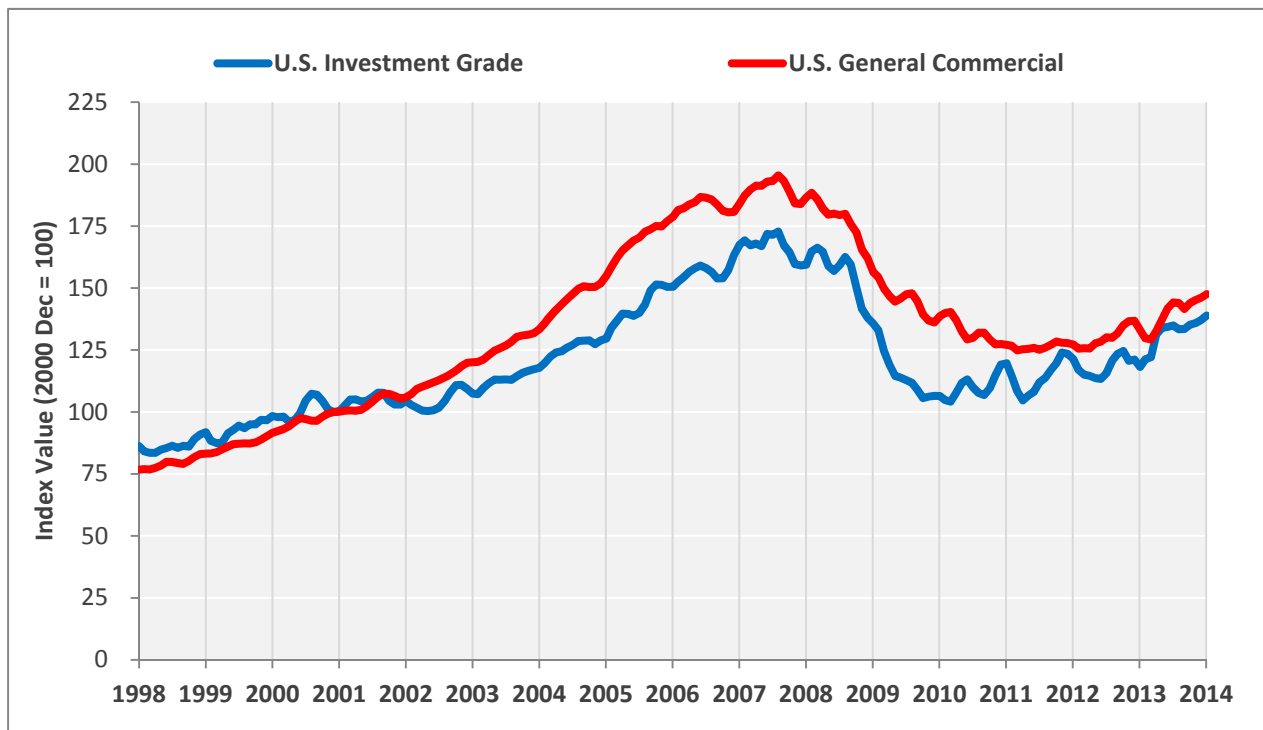
	Current	1 Month Earlier	1 Quarter Earlier	1 Year Earlier
<b>Days on Market</b>	417	419	420	432
<b>Sale Price-to-Asking Price Ratio</b>	88.2%	88.0%	88.1%	86.8%
<b>Withdrawal Rate</b>	40.3%	40.0%	40.7%	41.6%

<sup>1</sup> Average days on market and sale price-to-asking price ratio are both calculated based on listings that are closed and confirmed by CoStar Group's 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.

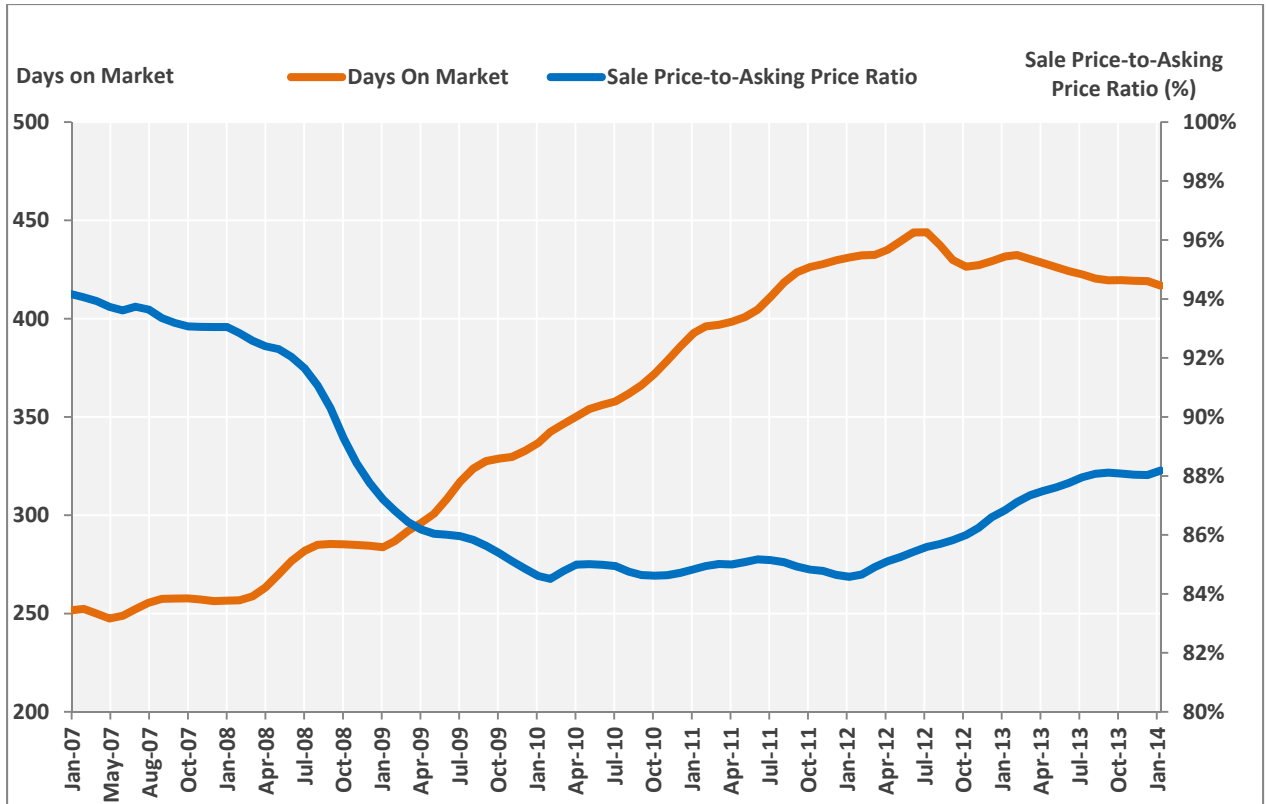
### U.S. Composite Indices: Equal- and Value-Weighted, Data through January of 2014



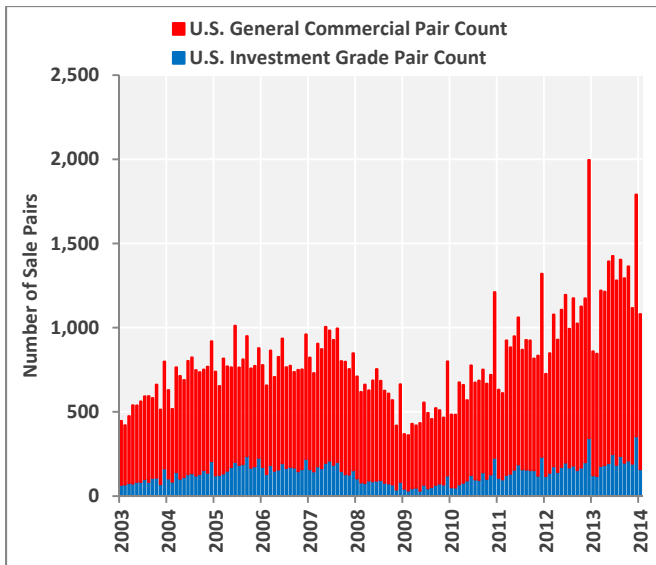
### U.S. Equal-Weighted Indices by Market Segment, Data through January of 2014



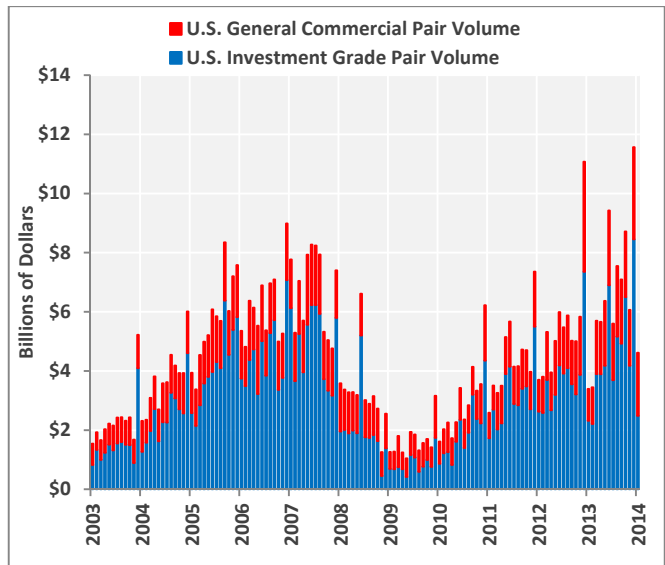
## Market Liquidity Indicators, Data through January of 2014



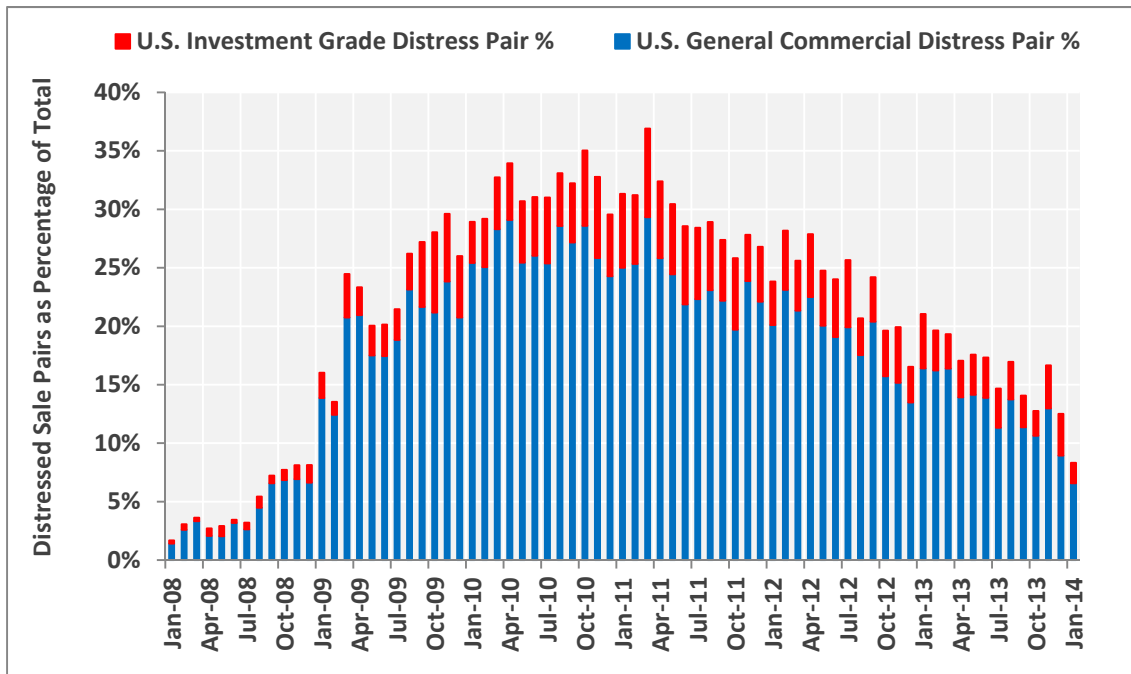
## U.S. Pair Count, Data through January of 2014



## U.S. Pair Volume, Data through January of 2014



## U.S. Distress Sale Pairs Percentage, Data through January of 2014



### 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

#### Prime Multifamily Markets

CBSA Listed Alphabetically
Boston
Chicago
Houston
Los Angeles

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San Diego
San Francisco
San Jose
Washington DC

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New York
Orange County
San Francisco
San Jose
Seattle
Washington DC

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## CONTACT:

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

## ABOUT COSTAR GROUP, INC.

CoStar Group (NASDAQ: CSGP) is the leading provider of commercial real estate information, analytics and marketplaces. Founded in 1987, CoStar Group 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 8 million registered members. CoStar Group operates websites that have over 8 million unique monthly visitors in aggregate. Headquartered in Washington, DC, CoStar Group 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 [www.costargroup.com](http://www.costargroup.com).

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This news release includes "forward-looking statements" within the meaning of the federal securities laws including, without limitation, statements regarding CoStar's plans, objectives, expectations, beliefs, intentions or strategies regarding the future. These statements are based upon the current beliefs and expectations of management of CoStar 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 and other information set forth in this release 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 possibility that the expanded lending environment does not positively impact the broader market or support further pricing growth in 2014. 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 Form 10-K for the year ended December 31, 2013, under the heading "Risk Factors." All forward-looking statements are based on information available to CoStar on the date hereof, and CoStar does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.