

FEBRUARY 2012 CCRSI RELEASE
(With data through December 2011)

COMMERCIAL REAL ESTATE PRICES INCREASE A MODEST 1.1% IN FOURTH QUARTER AS PROPERTY PRICING LEVELS OFF IN DECEMBER

MULTIFAMILY LED ALL PROPERTY TYPES IN PRICING GAINS; NORTHEAST REGION ADVANCED FURTHEST IN RECOVERY; PRICING FOR INVESTMENT GRADE OUTPERFORMED GENERAL COMMERCIAL REFLECTING INVESTOR PREFERENCE FOR MAJOR MARKETS AND CORE ASSETS

The CoStar Commercial Repeat Sale Indices (CCRSI) National Composite index ended the fourth quarter of 2011 relatively flat with December 2011 commercial real estate pricing essentially unchanged from October 2011 levels. This trend was in-line with fourth quarter pricing performance in each of the past two years, as heavy pre-year-end trading activities kept prices stable. The National Composite index ended 2011 up just 0.2% from year-ago levels, but up 5.5% from its low point in March 2011, thanks to a mid-year surge.

The Multifamily index continued to demonstrate the strongest pricing growth, advancing by 6.8% in the fourth quarter of 2011 and increasing a total of 15.3% in 2011. The Retail index lost ground in the fourth quarter of 2011 and returned to its lowest value since 2003. The West regional index recorded the largest regional gains, aided by outsized growth in office and multifamily pricing levels, while the Northeast regional index continued to track the largest cumulative pricing gains since the trough of the recent cycle. While distressed trading volume remained elevated in the fourth quarter, its impact on pricing levels was mitigated by a surge in non-distressed property trading.

This month's CCRSI provides the market's first look at December 2011 commercial real estate pricing. Based on 1,172 repeat sales in December and more than 100,000 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity. Also, in this release CoStar

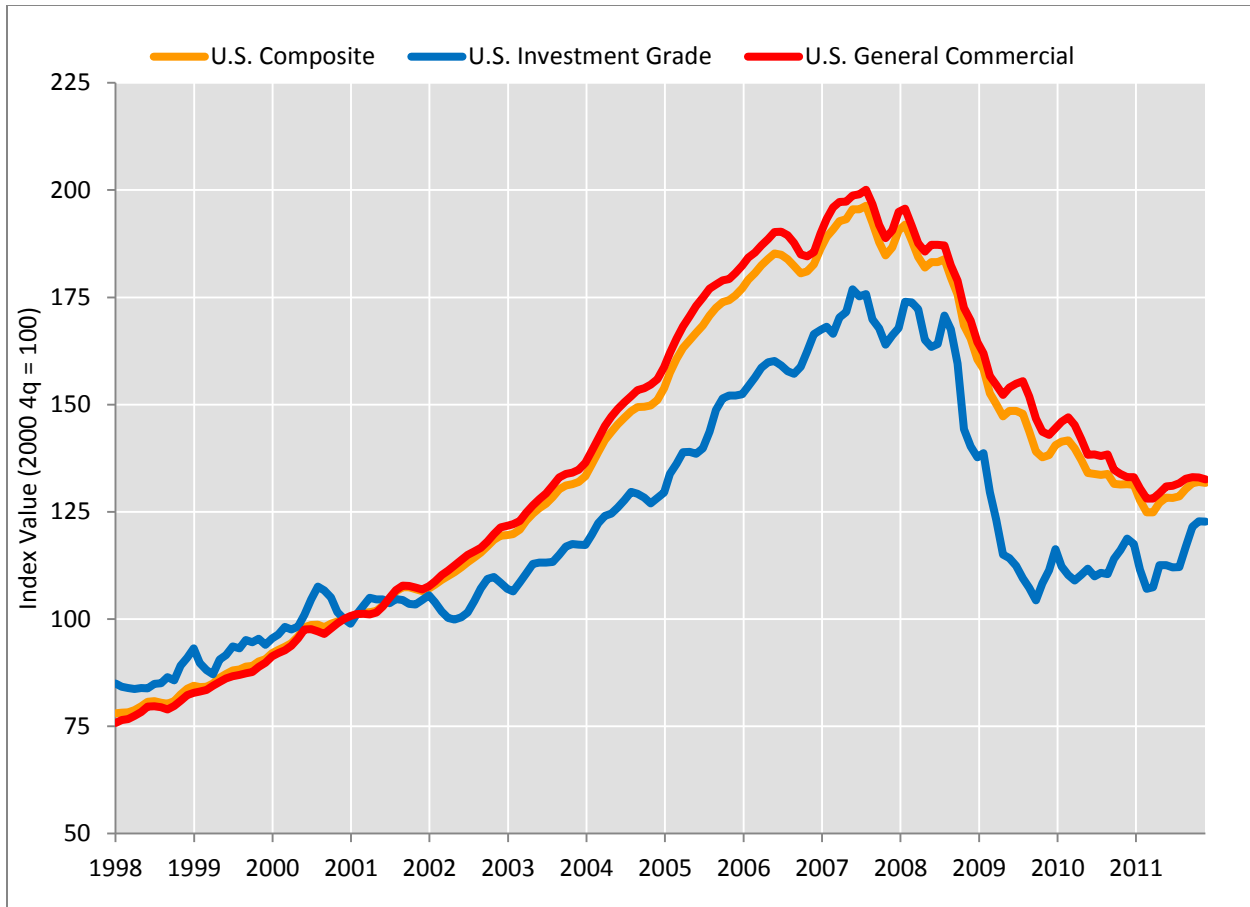
has introduced two new pricing indices; a Hospitality index and a Commercial Land index. Along with the four major property types, the Hospitality and Land Indices will be produced quarterly.

December 2011 National Results Highlights

- Both the Investment Grade and the General Commercial indices of the CCRSI followed a similar trend in 2011, declining in the first quarter, undergoing a mid-year rally, and then coasting through a relatively flat fourth quarter. The Investment Grade Index finished December up a cumulative 14.6% from March 2011, while the General Commercial Index ended the year up 3.5% for the same period from March 2011.
- The Investment Grade segment of the commercial property sales market is further advanced in its recovery than the General Commercial segment. Prices for investment-grade properties reached the bottom of the most recent cycle at the end of 2009, more than a year ahead of the general commercial properties. These pricing patterns mirror the movement in commercial real estate fundamentals over the past year, with larger and higher-quality properties generally outperforming the market average in terms of timing and magnitude of improvement.
- The impact of distress on commercial property pricing has been mitigated by rising deal volume. The observed volume of distressed transactions in December 2011 remained well above the average monthly volume for the full year, yet the distress percentage of total observed transaction volume fell from 35.4% in March 2011 to 24.8% in December 2011. This relative decrease of distressed trading has had a positive impact on the National Composite Index.
- Limited levels of commercial real estate lending continue to hamper the market recovery. According to the Mortgage Bankers Association (MBA) Quarterly Survey of Commercial/Multifamily Mortgage Bankers Originations, mortgage originations during the last quarter of 2011 fell by 7% from the third quarter.

Monthly CCRSI Results as of 12/31/2011

| | 1 Month Earlier | 1 Quarter Earlier | 1 Year Earlier | Trough to Current |
|--|--------------------|----------------------|-------------------|----------------------|
| National Composite Index | -0.2% | 1.1% | 0.2% | 5.5% |
| National Investment Grade Index | 0.0% | 5.1% | 3.4% | 17.6% |
| National General Commercial Index | -0.4% | -0.1% | -0.4% | 3.5% |



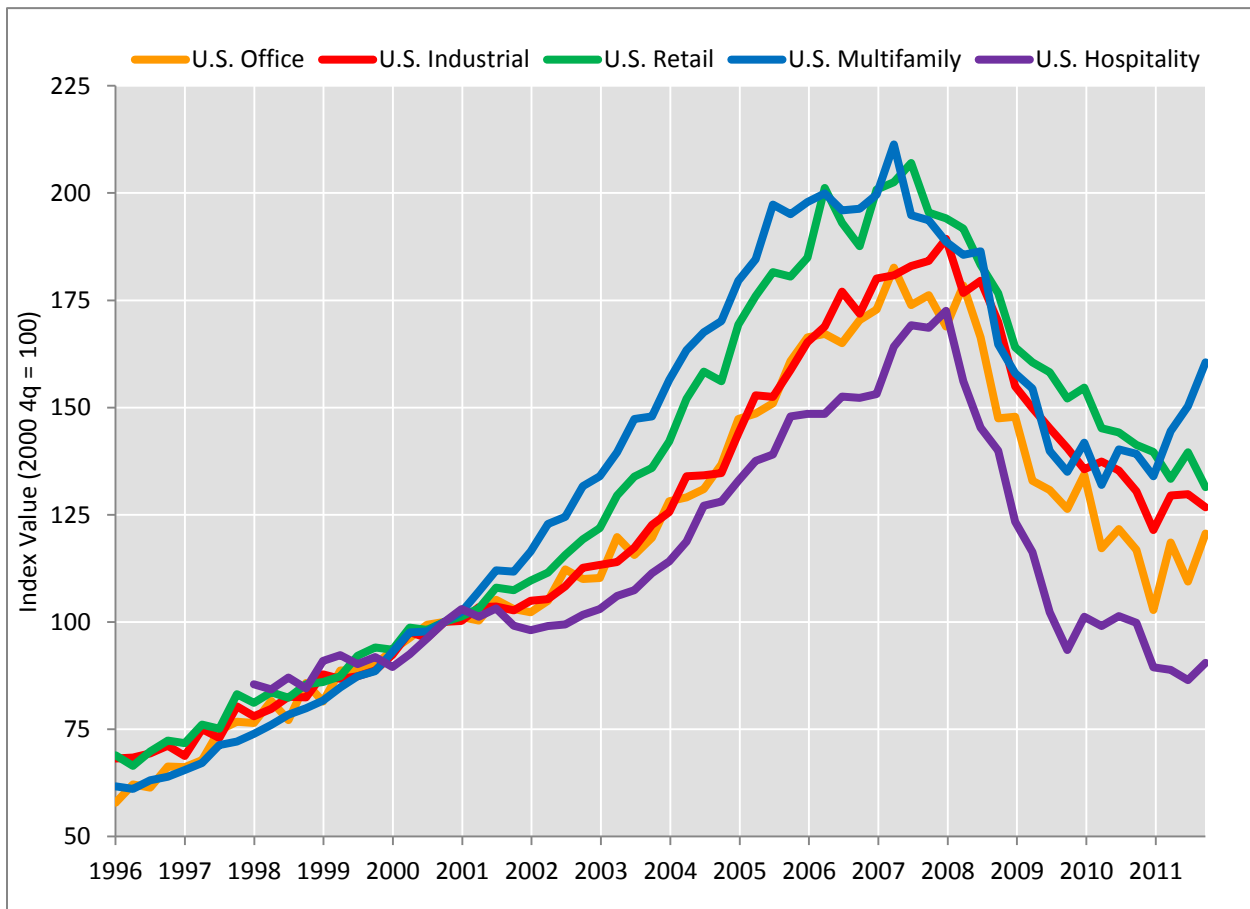
Quarterly CCRSI Property Type Results

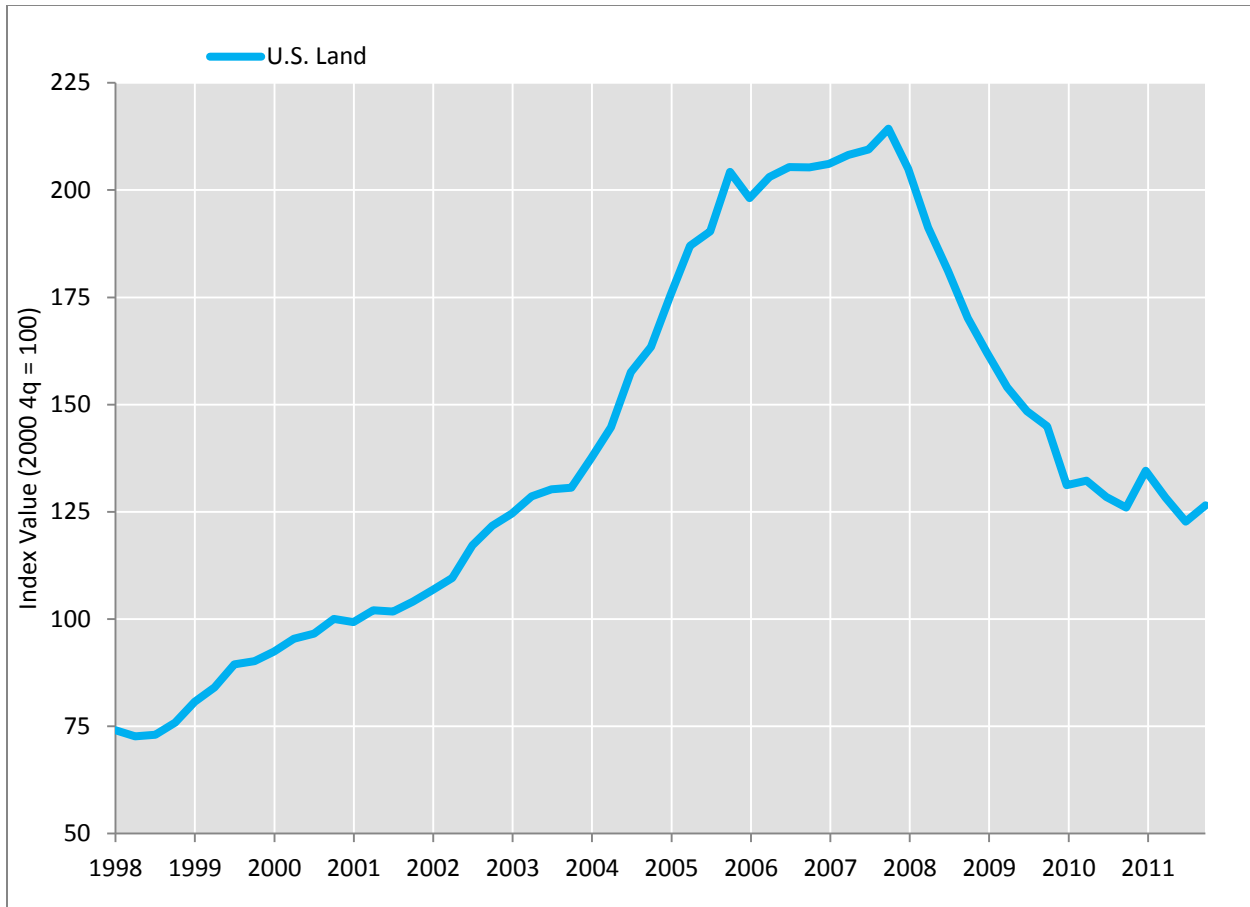
- The Multifamily pricing index continues to lead all CCRSI commercial property-type indices in terms of percentage growth. The Multifamily index advanced by a cumulative 21.6% from the trough of the cycle through the end of 2011, and outperformed the second-ranked Office property index by more 400 basis points. These gains reflect the strong fundamentals of the multifamily leasing market, in which demand has outstripped supply over the past two years, causing vacancies to contract by 170 basis points. Subsequent gains in rental rates have investors anticipating strong income growth over the near term, and these expected future gains appear to be priced into current transactions.
- The Office property index increased by 17.3% since the end of March 2011, signaling renewed investor interest in this property type. Pricing gains have been significant, but the index has been prone to volatility, reflecting the uneven nature of the office recovery. Pricing gains have proven to be more explosive in tech-centric markets than in the overall market. The Office index will likely continue to vacillate between gains and losses until office demand growth becomes more evenly dispersed across markets.
- The growth rate of the Industrial property index has been more reserved. Pricing for industrial property advanced by just 4.4% since March 2011, and is down slightly compared to year-ago levels.

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- While most property types have demonstrated some degree of pricing recovery to date, retail has been a noted exception. During the fourth quarter of 2011, the Retail index returned its lowest value since 2003. Retail fundamentals remain soft despite an improving economy and retail sales volume that has already eclipsed the peak rate of the last cycle. Certain segments of the retail universe, including power centers and super regional malls, have notched tenancy gains over the past year, which could presage an impending turnaround in retail pricing.
- The Hospitality Index ended December 2011 near cyclical lows. Despite improving occupancies and RevPAR (revenue per available room), pricing is still 47.6% below its peak in the third quarter of 2007, the biggest gap among all six commercial property types. Distress has played an integral role in this divide. The amount of distressed hospitality property trading as a percentage of the total repeat sales ranks at the top among all CRE property types and has not yet begun to markedly diminish. The pervasiveness of distress among hospitality property has had a negative impact on sector pricing.
- Likewise, commercial land prices remain depressed. The Land index finished 2011 down a cumulative 41% from the peak of the last cycle, and has not shown any tangible recovery in pricing through December 2011. However, losses appear to be moderating. Following three years of quarterly pricing declines, the Land index level has not materially changed since year-end 2010.

U.S. Property Type Quarterly Indices through December of 2011





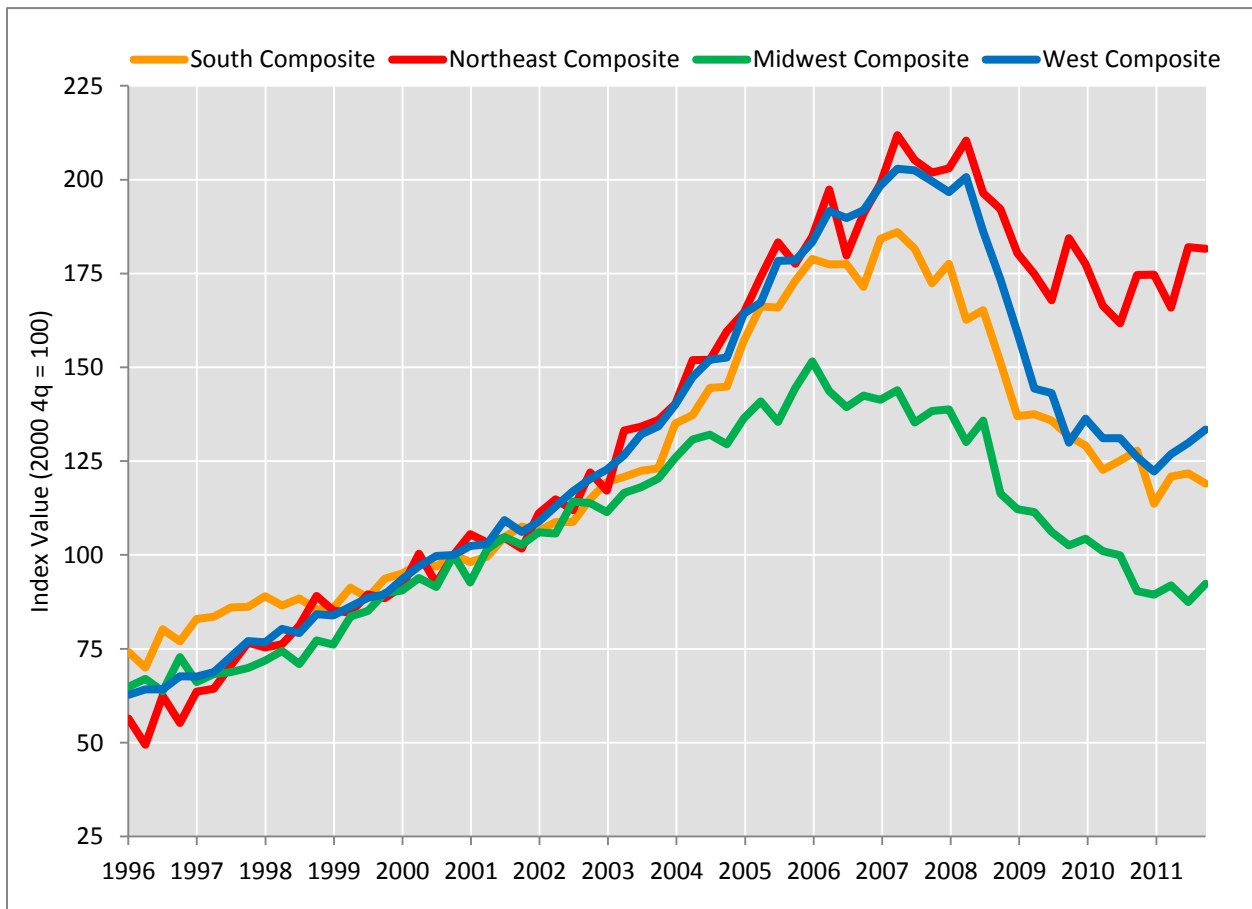
Quarterly CCRSI Regional Results

- Among the four U.S. regions, the Northeast has advanced the furthest in its pricing recovery through December 2011. Having gained 12.3% from the recent market trough, the Northeast Composite Index ended the fourth quarter of 2011 only 14.3% below its peak of the last cycle. The Northeast region has seen an exceptionally strong rebound in multifamily and office pricing, reflecting an investor preference for dense coastal markets and core assets that was especially pronounced during the early stages of the economic recovery. Structurally high occupancies and rebounding rental rates have investors anticipating outsized income growth for this region, which has had a positive impact on pricing.
- Pricing in the South, Midwest, and West regions is recovering at a more moderate pace. The composite indices for each region finished December 2011 down between 34% and 39% from the peak of the last cycle.
- The West Composite Index, while still well off peak levels, demonstrated the fastest rate of improvement among the four regions in 2011. The West regional index advanced by 5.8% in 2011 versus a 4% gain in the Northeast, a 2.2% gain in the Midwest, and a 6.9% loss in the South. Barriers to supply in the West have improved the marketability of commercial real estate assets in this region as investors branch out to seek opportunities beyond the core coastal Northeastern markets.

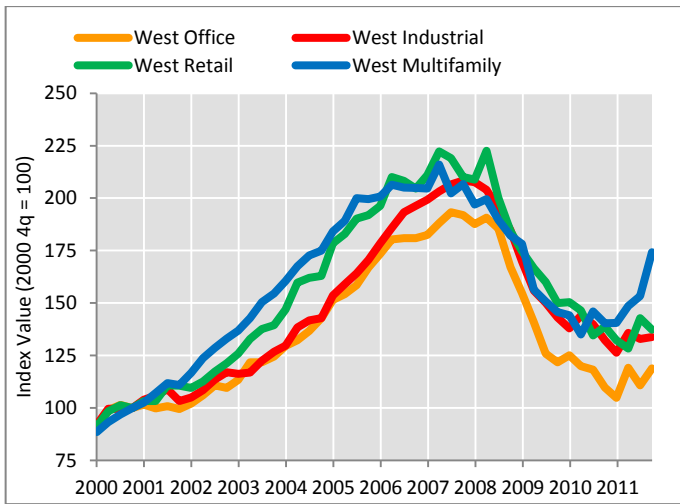
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- The multifamily segment has been the best-performing segment over the past year and is the only index to record positive gains in 2011 across all regions.
- The office segment tallied the second-best growth rate in 2011. Gains on the office regional indices ranged from 8% in the West to 11% in the Midwest and Northeast, although the South Office index recorded a 4% pricing loss in 2011.
- Retail was universally the worst pricing performer in 2011. All regions produced pricing losses in 2011, ranging from a 1.2% cumulative decline in the West to a 10.3% cumulative decline in the South.

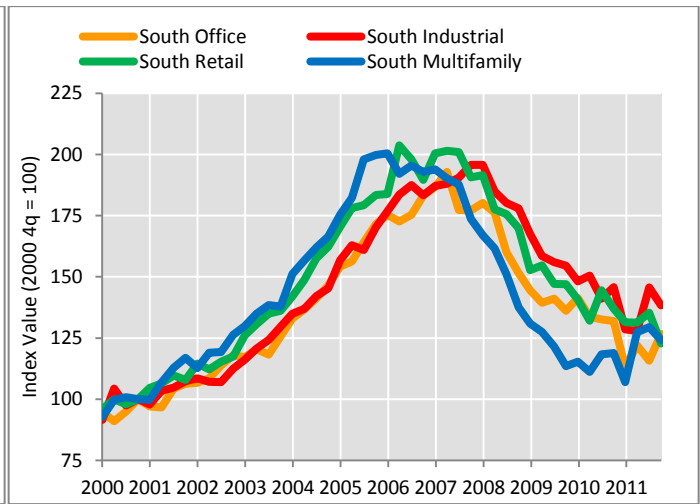
U.S. Regional Quarterly Indices through December of 2011



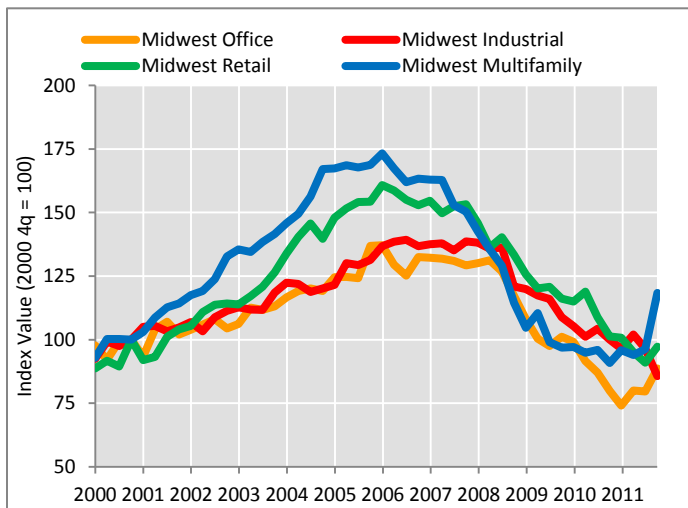
U.S. West Property Type Quarterly Indices



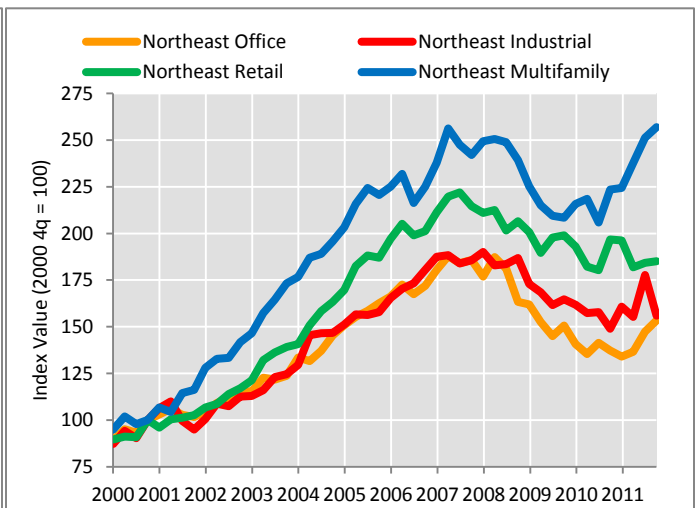
U.S. South Property Type Quarterly Indices



U.S. Midwest Property Type Quarterly Indices



U.S. Northeast Property Type Quarterly Indices

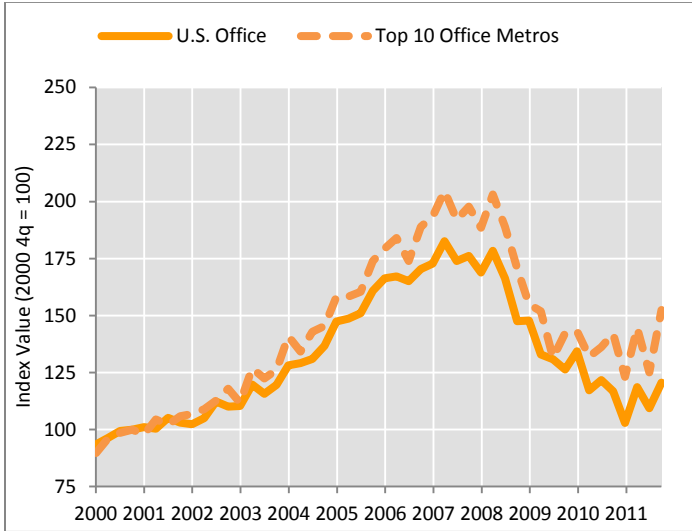


Quarterly CCRSI Top Ten Markets Results

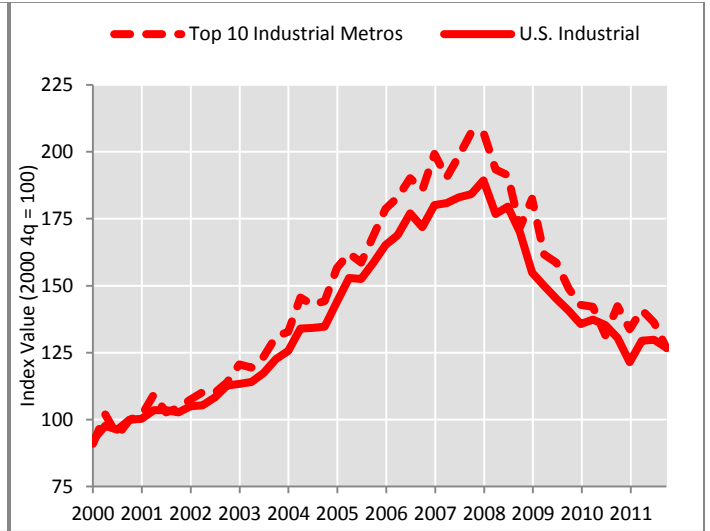
- As of Fourth Quarter 2011, the Office Top 10 Largest Metro Index accumulated a price gain of 23.8% since the trough of the last cycle, significantly outperforming the 17.3% of the National Office index. Similarly, the Multifamily Top 10 Largest Metro Index recovered 25.6% from its trough, whereas the same recovery for the overall Multifamily index was 21.6%. The results are consistent with observations in regional and property type indices, reflecting investor preference for core assets in large, densely populated markets.
- Both the Industrial and Retail Top 10 Largest Metro Indices, on the other hand, underperformed the national indices. While the National Industrial index posted a year to date decline of 2.9%, the

Industrial Top 10 Largest Metro Index went down by 11%. The Retail Top 10 Largest Metro Index also proved to be drag on the National Retail Index as its quarterly and annual price losses were nearly double the national average.

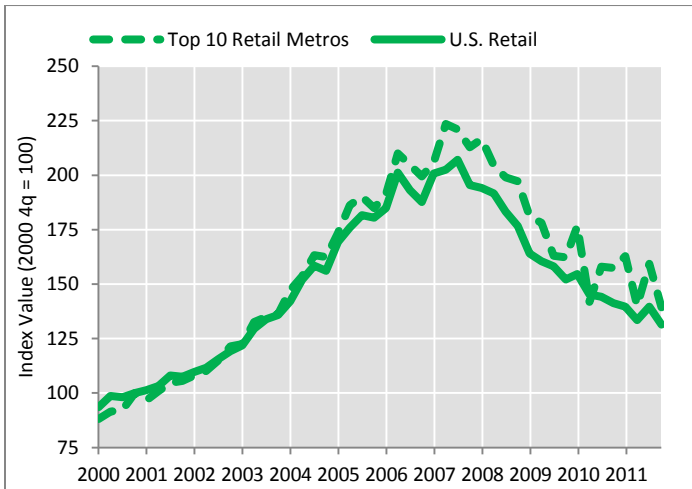
Office Top 10 Largest Metros



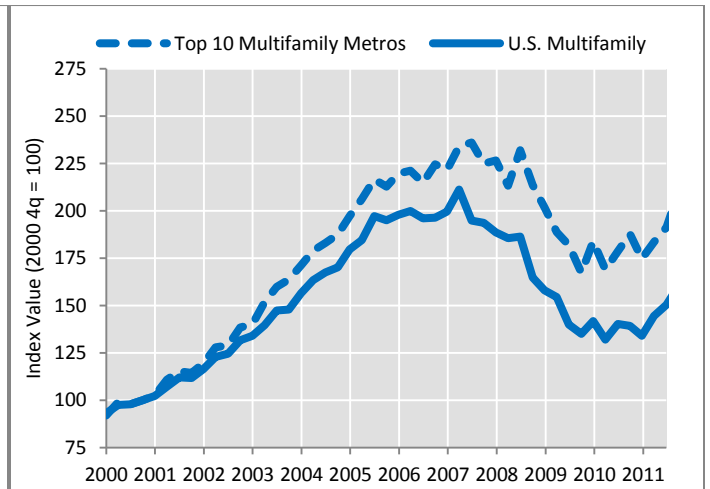
Industrial Top 10 Largest Metros



Retail Top 10 Largest Metros



Multifamily Top 10 Largest Metros

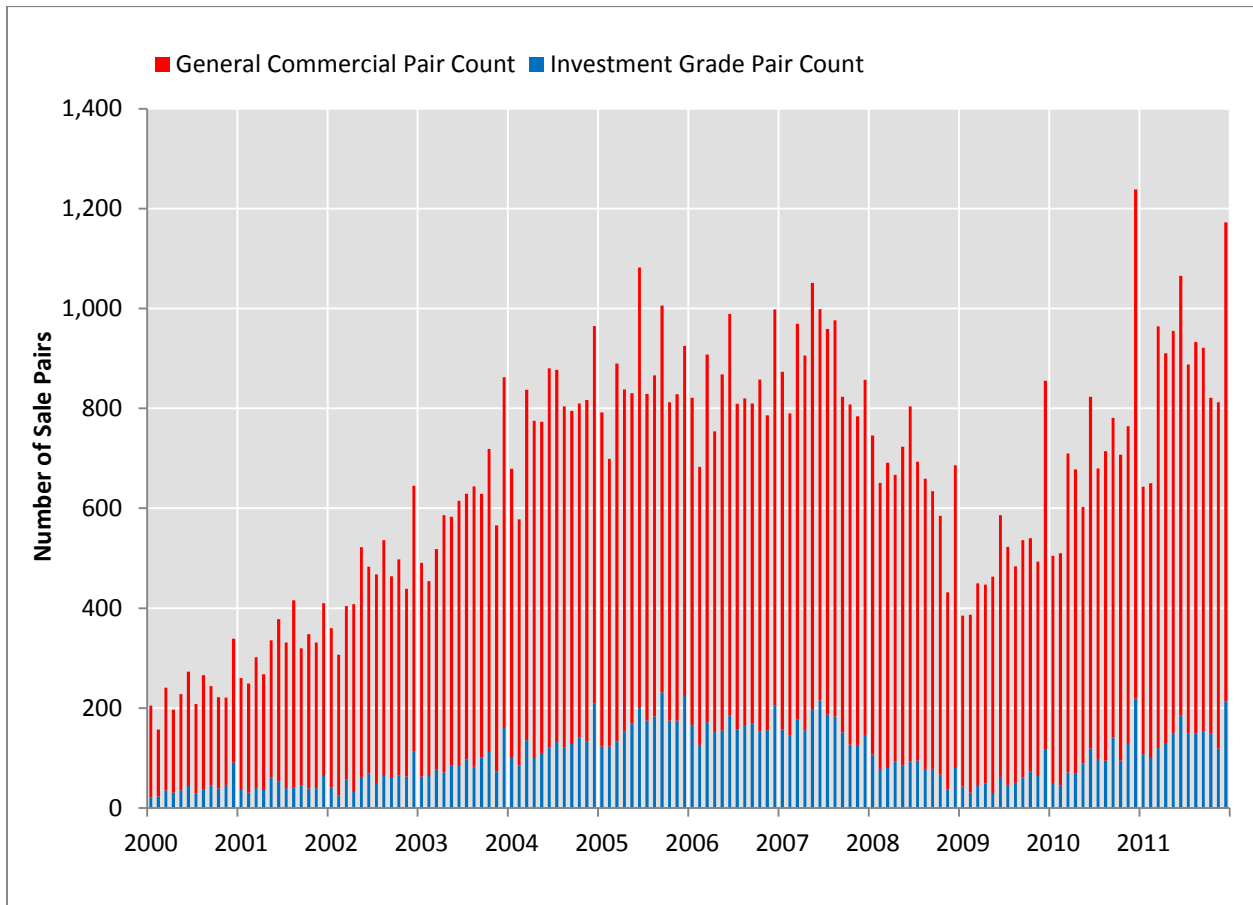


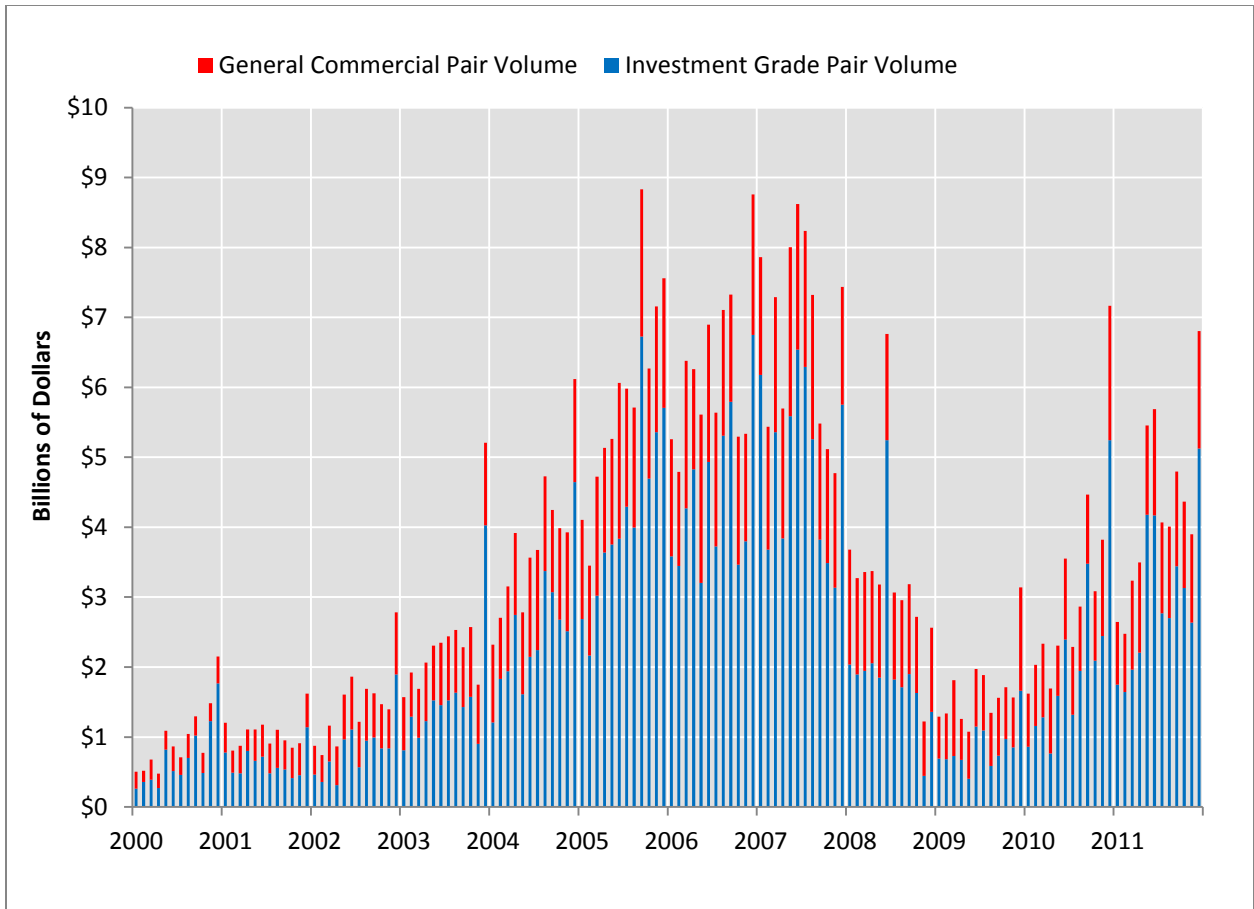
COMMENTARY ON DATA

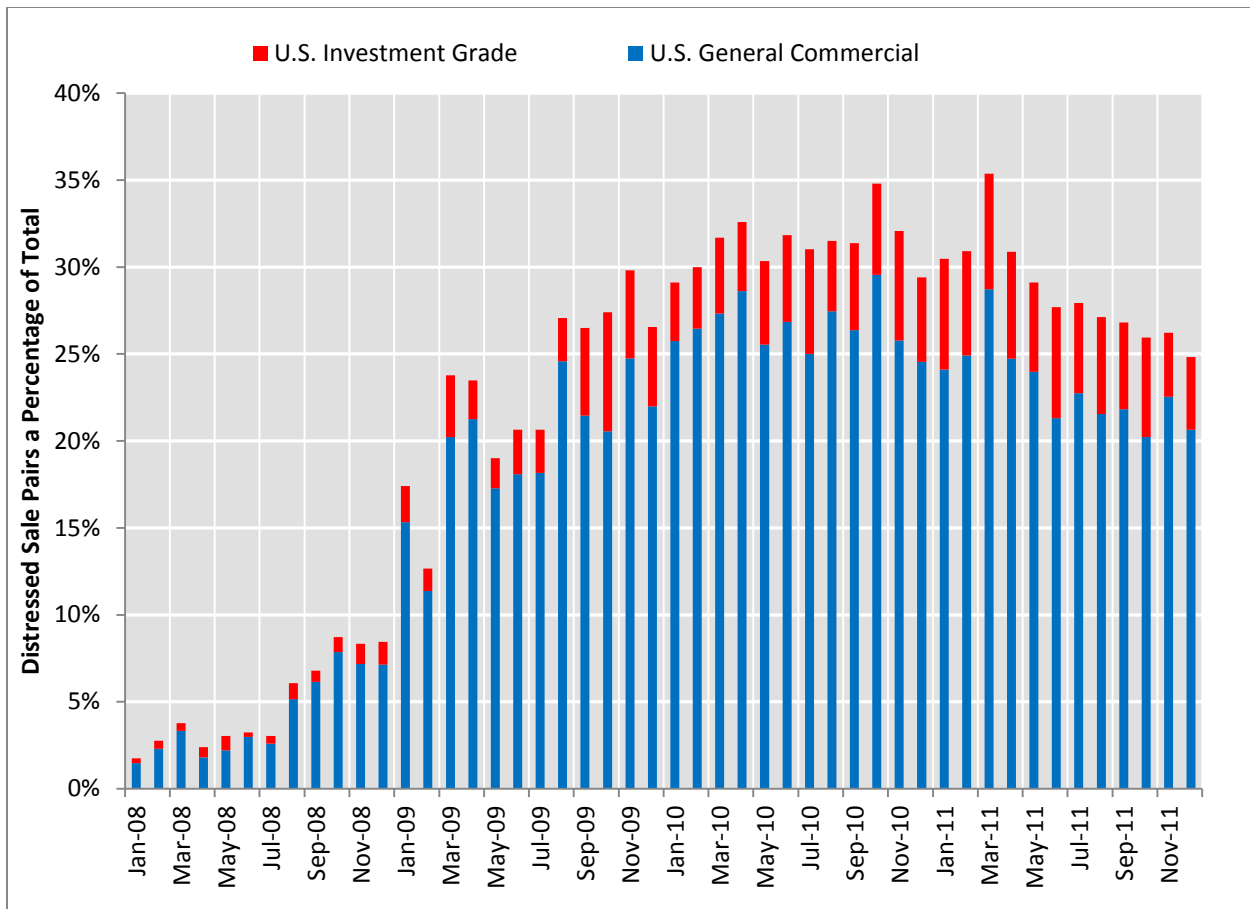
The CCRSI February 2012 report is based on data through the end of December 2011. With a total of 1,172 sales pairs for the month, the transaction activity remains on a par with its historical average. At the low point in the last downturn, only a total of 385 transactions were recorded in January 2009. Of the total 1,172 sales pairs in December 2011, 959 were General Commercial deals and 213 were Investment Grade. The pair counts for both are likely to increase slightly in the coming months, when the additional closings are recorded.

Distress sales as a percentage of total sales continued to decline from their peak of 35.4% in March 2011 and accounted for 24.8% (291 sales pairs) of all repeat sales in December 2011. Even though distress sales gradually declined over the past nine months, the overall level was still high, suggesting that distress continues to be a significant factor of CRE pricing.

We provide three graphs below showing the sales counts, dollar volume, and distress sales as a percentage of total sales. Note that by transaction count, General Grade sales pairs accounted for 81.8% of the total sales, a ratio that has been stable in the last 12 months.







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, 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 10 largest metropolitan 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 | Top Ten Metro 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 | | | |

Largest Office Metro Areas

| # | CBSA |
|----|-------------------|
| 1 | New York |
| 2 | Los Angeles |
| 3 | Washington |
| 4 | Chicago |
| 5 | Dallas-Fort Worth |
| 6 | Boston |
| 7 | San Francisco |
| 8 | Atlanta |
| 9 | Philadelphia |
| 10 | Houston |

Largest Industrial Metro Areas

| # | CBSA |
|----|-----------------------|
| 1 | Los Angeles |
| 2 | New York |
| 3 | Chicago |
| 4 | Dallas-Fort Worth |
| 5 | Atlanta |
| 6 | Detroit |
| 7 | Riverside |
| 8 | Houston |
| 9 | Philadelphia |
| 10 | Miami-Fort Lauderdale |

Largest Retail Metro Areas

| # | CBSA |
|---|-------------------|
| 1 | New York |
| 2 | Los Angeles |
| 3 | Chicago |
| 4 | Dallas-Fort Worth |

Largest Multifamily Metro Areas

| # | CBSA |
|---|-------------------|
| 1 | New York |
| 2 | Los Angeles |
| 3 | Chicago |
| 4 | Dallas-Fort Worth |

| | | | |
|----|-----------------------|----|--------------|
| 5 | Miami-Fort Lauderdale | 5 | Washington |
| 6 | Atlanta | 6 | Houston |
| 7 | Houston | 7 | Boston |
| 8 | Philadelphia | 8 | Atlanta |
| 9 | Washington | 9 | Seattle |
| 10 | San Francisco | 10 | Philadelphia |

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 commercial real estate's leading provider of information and analytic 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. Headquartered in Washington, DC, CoStar maintains offices throughout the U.S. and in Europe with a staff of approximately 1,500 worldwide, including the industry's largest professional research organization. For more information, visit <http://www.costar.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 subject to many risks and uncertainties that could cause actual results to differ materially from these statements. 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, 2010, and CoStar's Form 10-Q for the quarter ended September 30, 2011, under the heading "Risk Factors." In addition to these statements, there can be no assurance that gains in multi-family rental rates will result in strong income growth over the near term; that expected future gains in rental rates and the resulting income growth are priced into current transactions; that the Office index will continue to vacillate between gains and losses until office demand growth becomes more evenly dispersed across markets; that tenancy gains over the past year in certain segments of the retail universe will presage an impending turnaround in retail pricing; that losses in land pricing is moderating; that structurally high occupancies and rebounding rental rates in the Northeast region will result in outsized income growth for that region; that pair counts for General Commercial and Investment Grade will increase slightly in the coming months as additional closings are recorded; that distress sales will continue to be a significant factor of CRE pricing; that investor demand and commercial real estate pricing levels will continue at the levels or with the trends indicated in this release; that the trends represented or implied by the indices will continue; that investor demand and commercial real estate pricing levels will continue at the levels or with the trends indicated in this release; and that the CCRSI will be released on the date and updated on the frequency set forth in the release. 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.