

AUGUST 2011 CCRSI RELEASE (With Data through June 2011)  
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## MARKET SEES MIDYEAR GAINS AS 26 OUT OF CCRSI'S 31 PRICING INDICES RISE IN SECOND QUARTER

MOUNTING INVESTOR DEMAND POSITIVELY IMPACTS SECOND QUARTER COMMERCIAL REAL ESTATE PRICING LEVELS

### Index Overview

- This month's CoStar Commercial Repeat Sale Index ("CCRSI") provides the market's first look at **June 2011** commercial real estate pricing.
- The CCRSI provides the broadest measure of commercial real estate repeat sales activity based on more than 914 repeat sale transactions in **June 2011**, and more than 100,000 repeat sale transactions since its inception.

### National Highlights

- A large majority of CoStar Group's quarterly pricing sub-indices (26 out of 31) rose in the second quarter of 2011
- The National Composite Index increased 6.1% in the second quarter of 2011 reversing the previous quarter's 6.0% decline.
- The Investment Grade Index increased 11.9% in the second quarter of 2011 largely offsetting the previous quarter's 12.6% decline.
- The General Commercial Grade Index increased 4.7% in the second quarter of 2011 fully offsetting the previous quarter's 4.4% decline.

### Property Type Pricing Highlights

- Office properties saw the greatest increase in pricing levels among all commercial property types increasing 17.4% in the second quarter of 2011 from the first quarter of 2011. Pricing for office properties in the largest 10 markets recorded a 20.1% gain during the same period.
- Industrial and multifamily properties each recorded solid pricing gains, rising 10.4% and 9.5%, respectively, from the first quarter of 2011 to the second quarter of 2011. Retail properties recorded a slight pricing decline of 0.2%

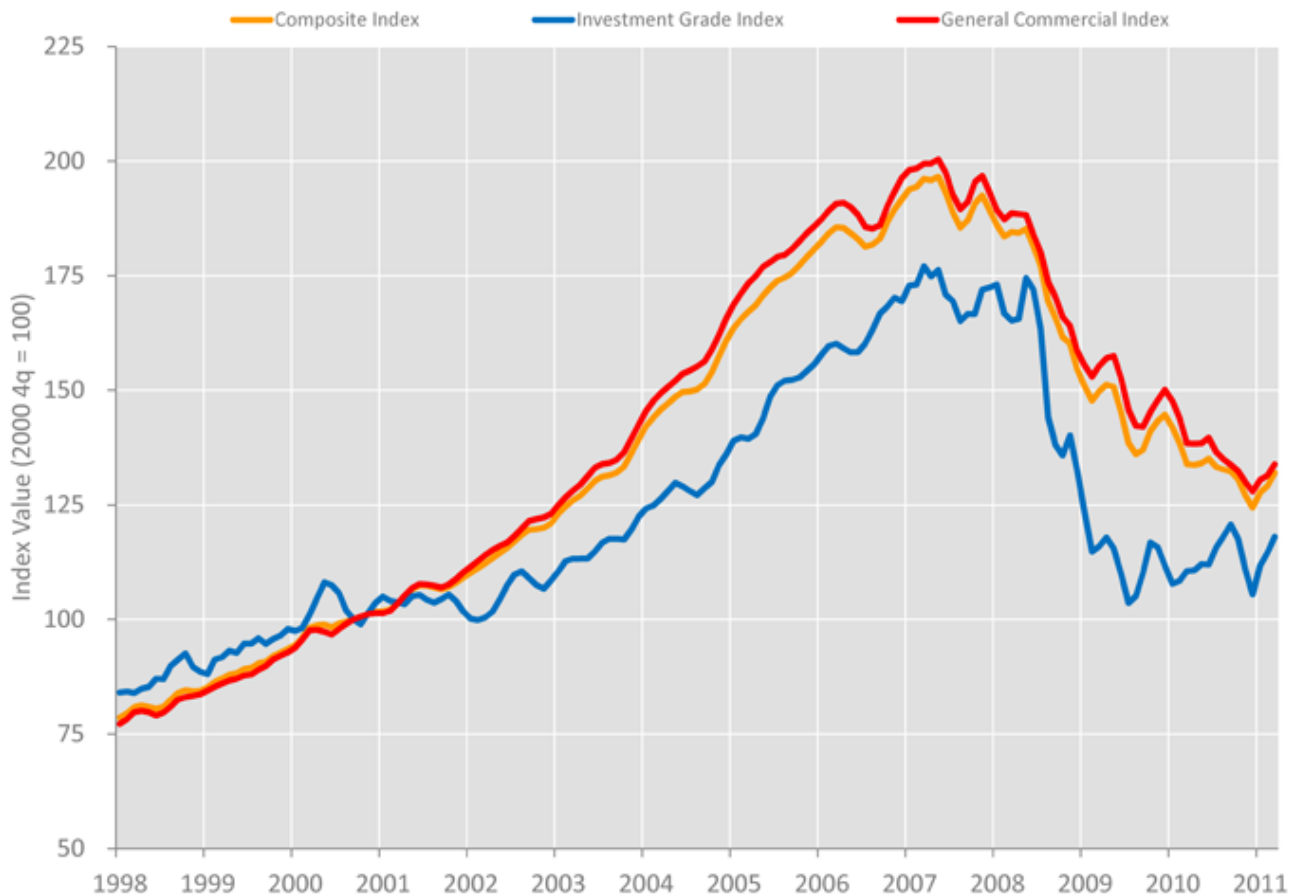
## Regional Pricing Highlights

- The South region edged out the Midwest region as the best performing region of the country in quarter-over-quarter gains, staging an impressive 12.6% increase in pricing during the second quarter of 2011 while the Midwest saw a 12.4% increase. The Western region saw a respectable 5.4% rise while the Northeast region saw a 5.3% decline in pricing.
- Within the South region, multifamily saw a 32.5% quarter-over-quarter increase, office properties saw a 16.2% increase, and industrial saw a 15% increase in pricing.

## Investor Demand Highlights

- Transaction activity increased 24% from 2,176 sale pairs in the first quarter of 2011 to 2,690 sale pairs in the second quarter of 2011.
- Investment Grade transaction activity drove the increase in transaction activity, increasing 33% in the second quarter of 2011 compared to the first quarter 2011 level.
- While the CCRSI is an equal weighted index, it is worth noting that transaction activity on a dollar volume basis increased 73% from the first quarter of 2011. Clearly, investors are seeking larger transactions.

## National Composite Monthly Indices



## Comparison Table for Current Release (ending 6/30/2011)

	1 MONTH EARLIER	1 YEAR EARLIER	Peak- to- Current
National All Property Type Composite	2.2%	-1.5%	-32.9%
National Investment Grade	3.1%	6.8%	-33.3%
National General All Property	1.9%	-3.3%	-33.2%

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, there are 28 sub-indices in the CoStar index family that we report quarterly. The sub-indices include breakdowns by property sector (office, industrial, retail, multifamily 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 as the most accurate way to measure price changes for real estate. The repeat sales methodology measures the movement in the prices of commercial properties by collecting data on actual sales prices when a property sells. When a property is sold more than one time, a sale pair is created. The prices from the first and second sale are then used to calculate price movement for the property. By aggregating all the price changes from all of the sale pairs, a price index is created.

### COMMENTARY ON DATA

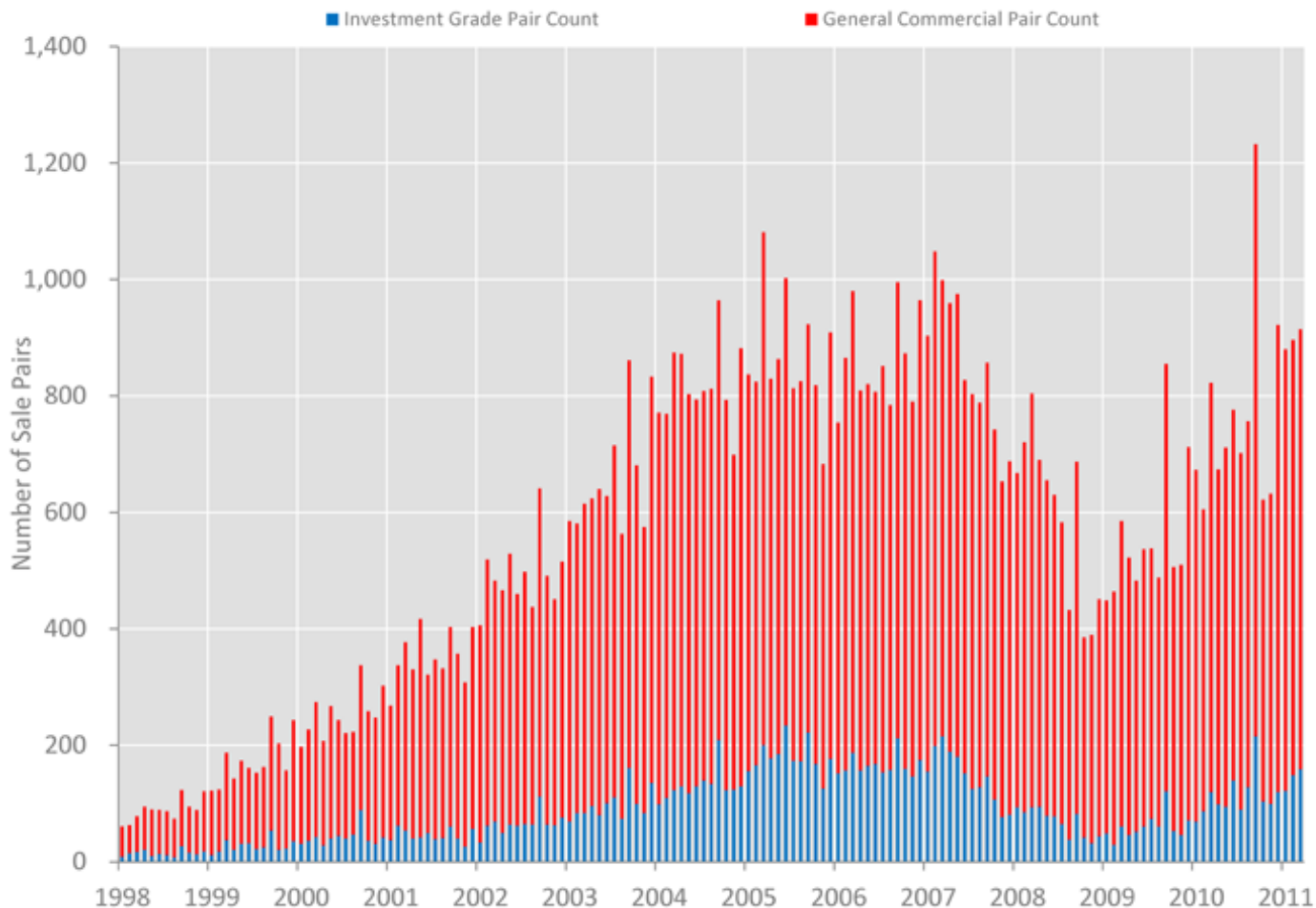
The CCRSI August 2011 report is based on data through the end of June 2011. In June 2011, 914 sales pairs were recorded compared to 896 in the prior month. January 2009 appears to have been the low point in the most recent downturn in terms of pair volume, when 385 transactions were recorded.

While overall dollar volume of sales continues to trend significantly upward on a quarter over quarter basis, the average transaction size decreased from May 2011 to June 2011 for Investment Grade sales pairs. The average investment grade deal size in June 2011 was \$19.86 million, down from the May 2011 average transaction size of \$34.35 million. The average dollar size of transactions in the General Commercial index increased to \$1.86 million in June 2011 as compared to the average May 2011 transaction size of \$1.72 million.

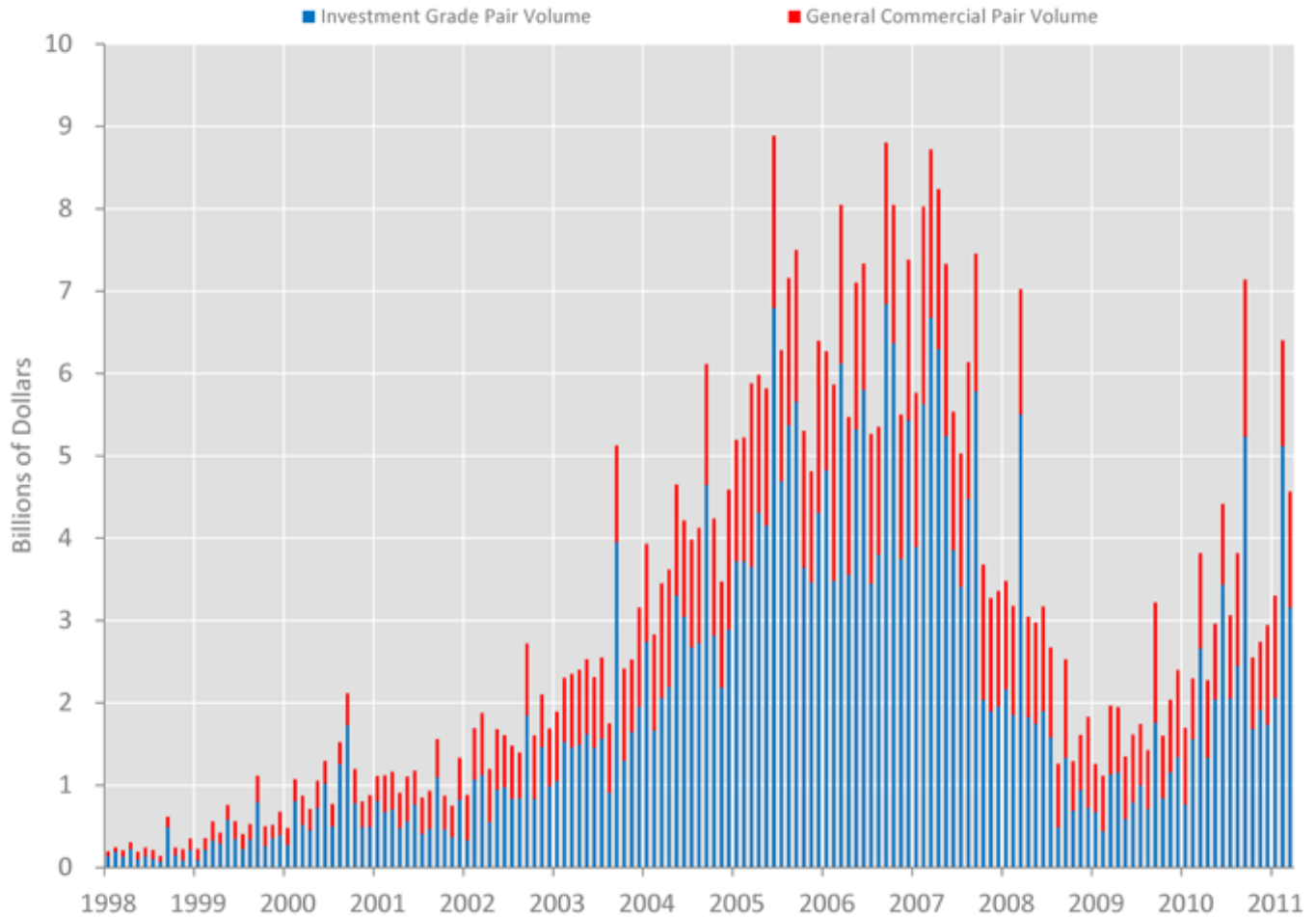
For the composite index, distress sales as a percent of the total sales pairs dropped to 25.9% in June 2011 from 28.3% in May, 2011. For the investment grade index, the percent of distressed sales increased to 34.0% in June 2011 from 32.2% in May 2011. By property type, hospitality had the highest percent of distressed sales in June 2011 at 37.9%, followed by office at 29.8%, multifamily at 26.3%, retail at 22.4%, and industrial at 18.8%.

We provide one graph below showing the sales counts and a second showing dollar volume. Note that by transaction count, General Grade sale pairs accounted for 82.6% of the total sales transaction count in June 2011 down from 85.4% in June 2010.

# Number of Repeat-Sale Transactions by Count



## Number of Repeat-Sale Transactions by Dollar Volume



National Composite CRE Price Index	National Indices by Product Type*	Regional Indices*	Regional Indices by Property Type	Top Ten Metro Market Indices by Property Type
General Commercial	Office	Northeast	Northeast: Office, Multifamily, Industrial, Retail	Office
All	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

### 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

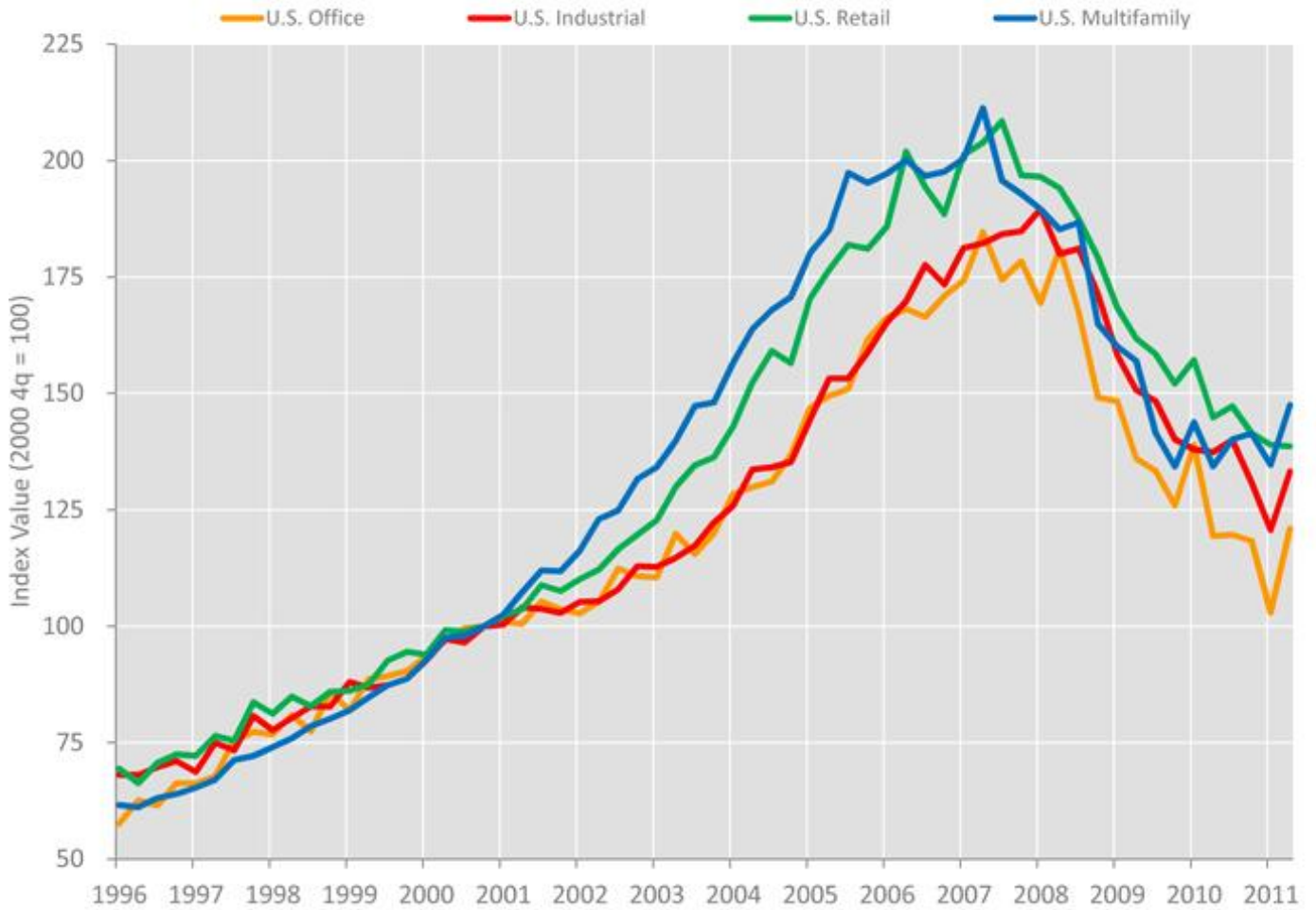
### Largest Retail Metro Areas

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

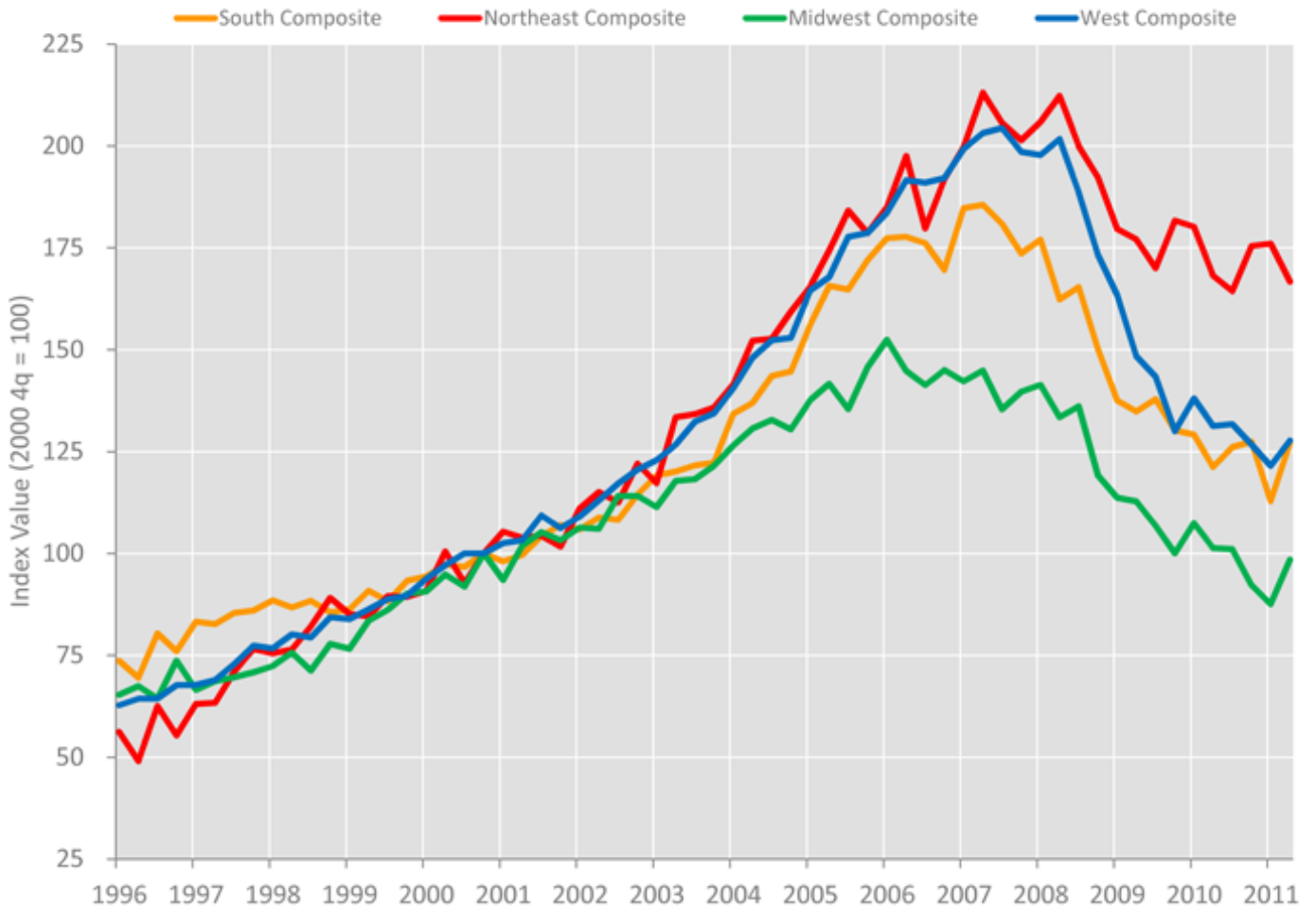
### Largest Multifamily Metro Areas

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

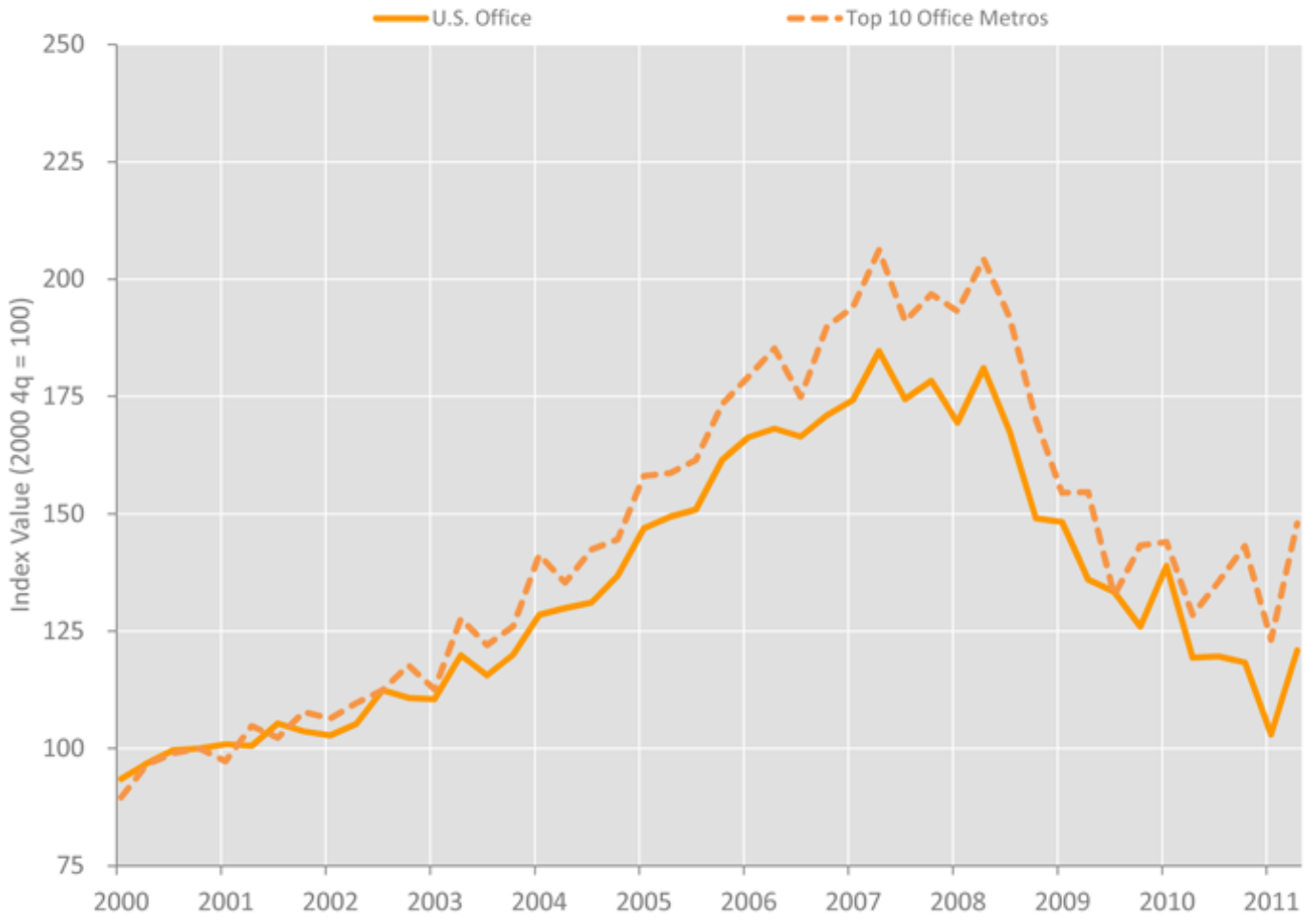
## National Property Type Quarterly Indices Through June of 2011



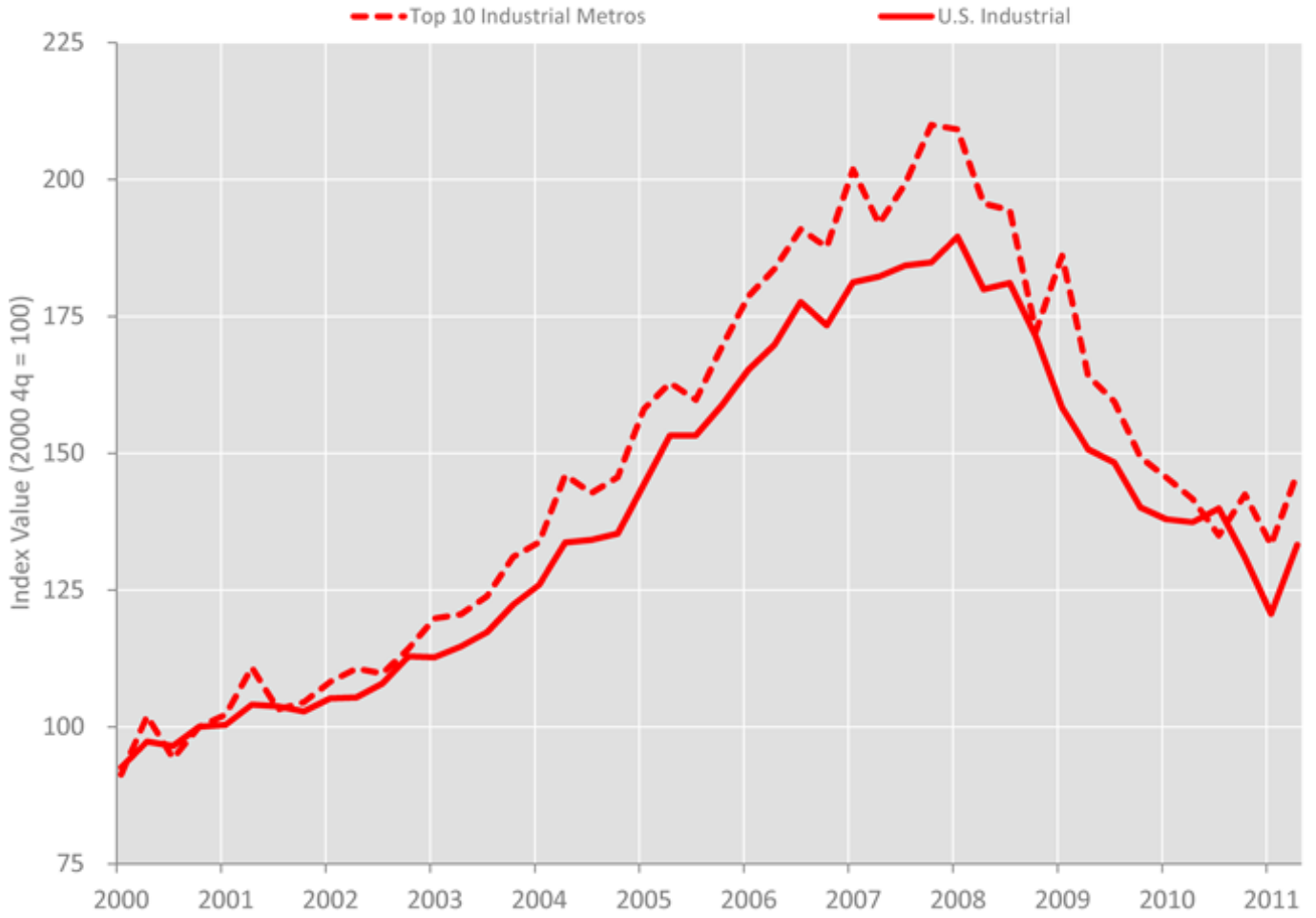
# U.S. Regional Quarterly Indices Through June of 2011



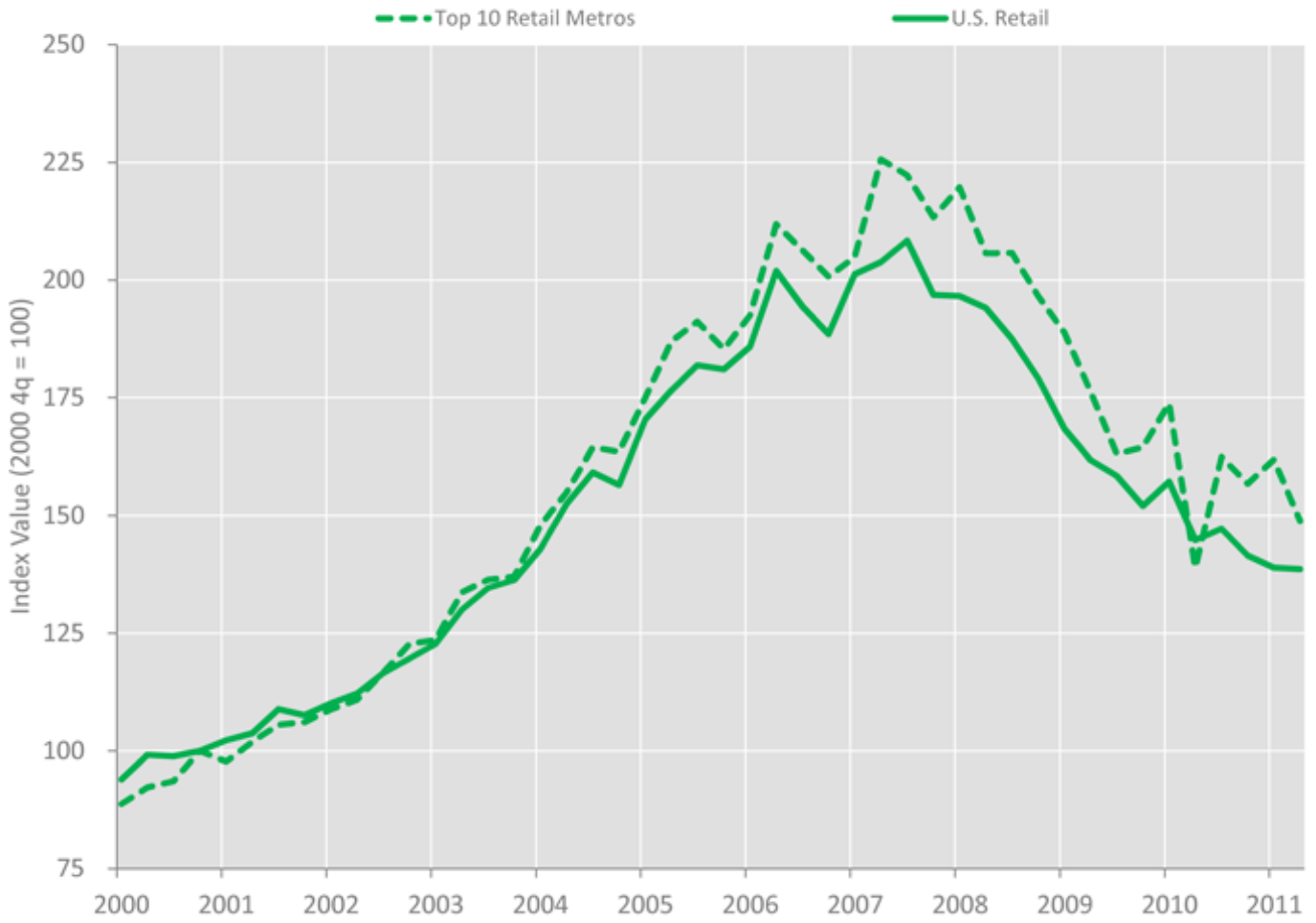
# Office Top 10 Metros Quarterly Indices



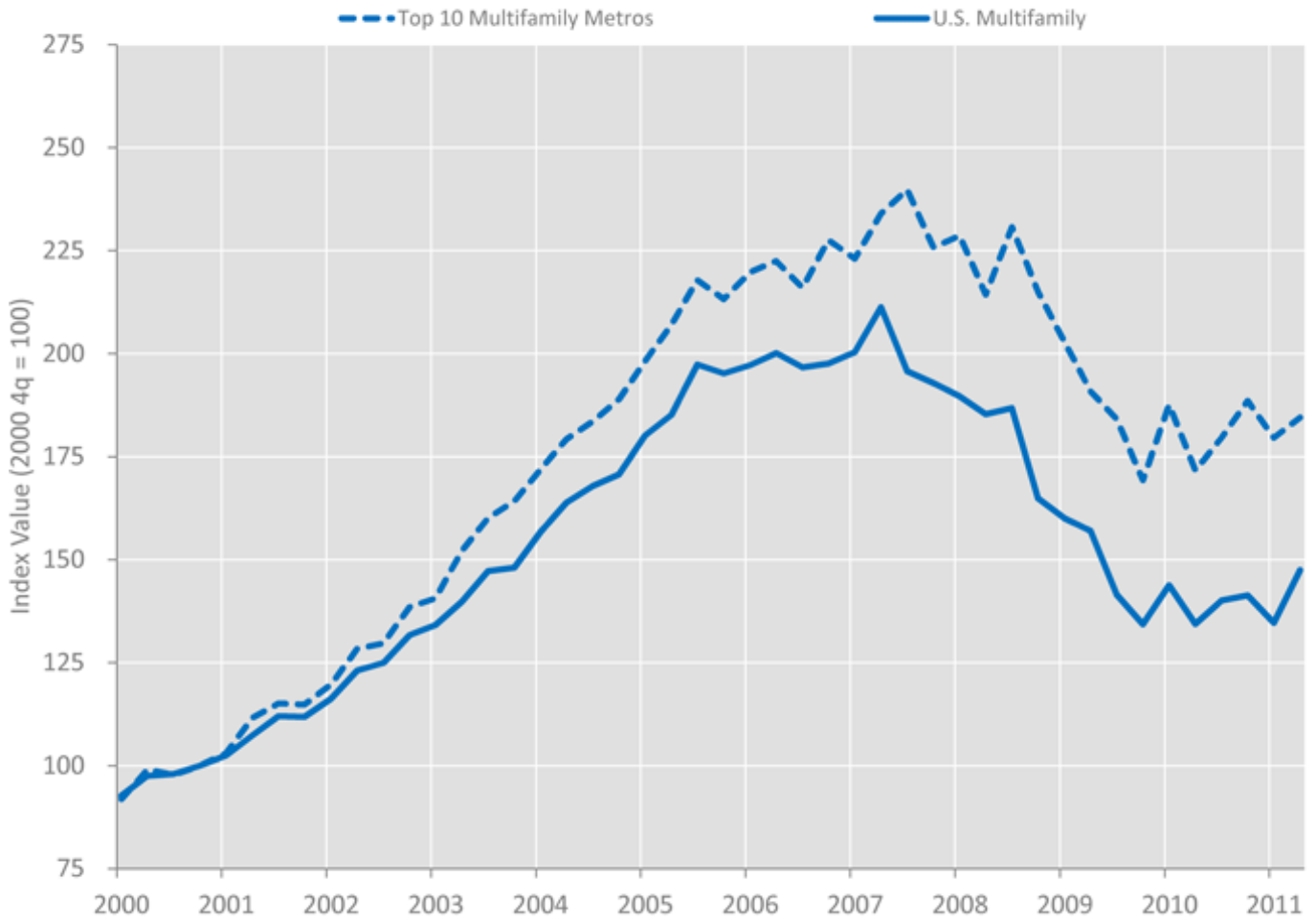
# Industrial Top 10 Metros Quarterly Indices



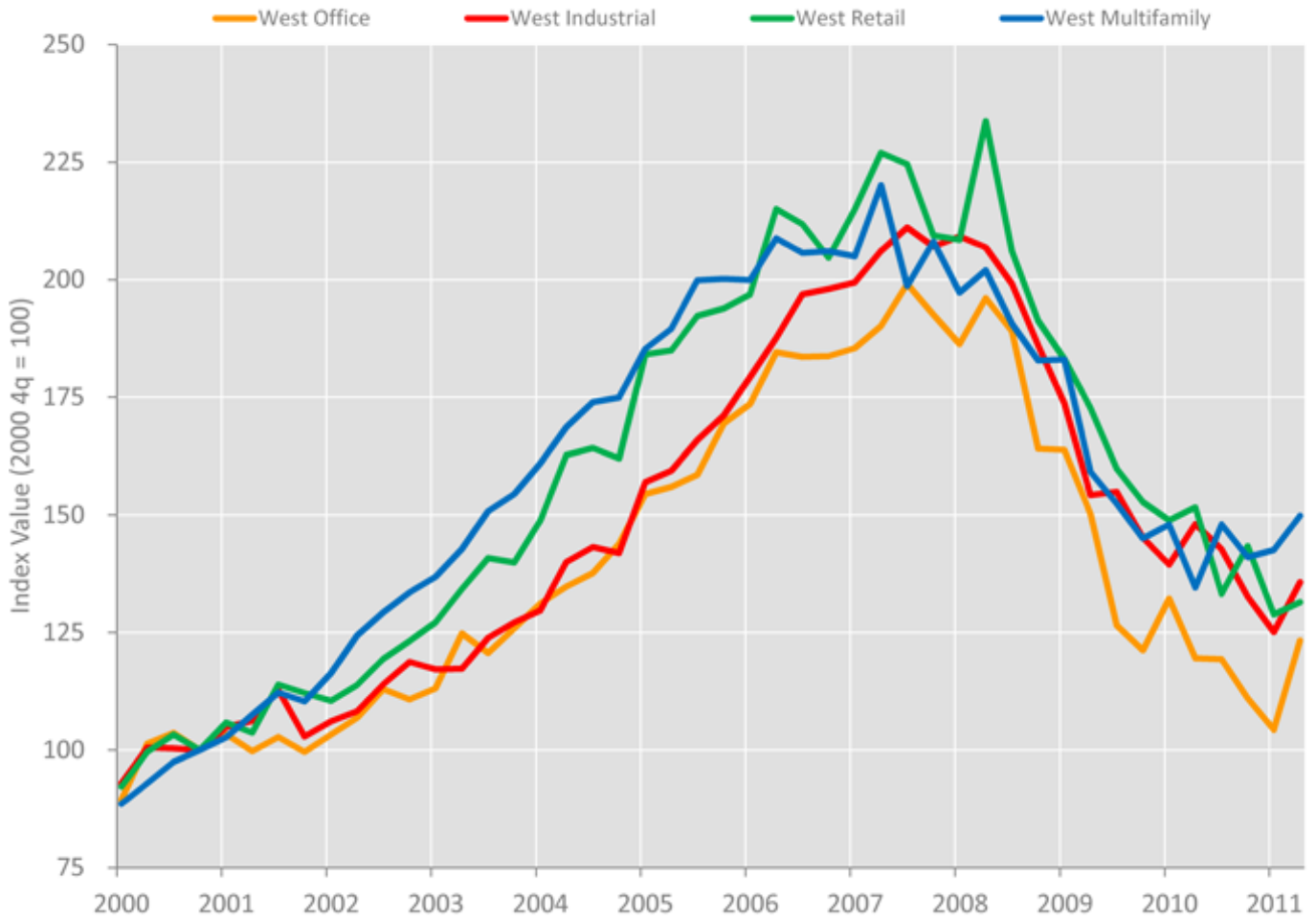
## Retail Top 10 Metros Quarterly Indices



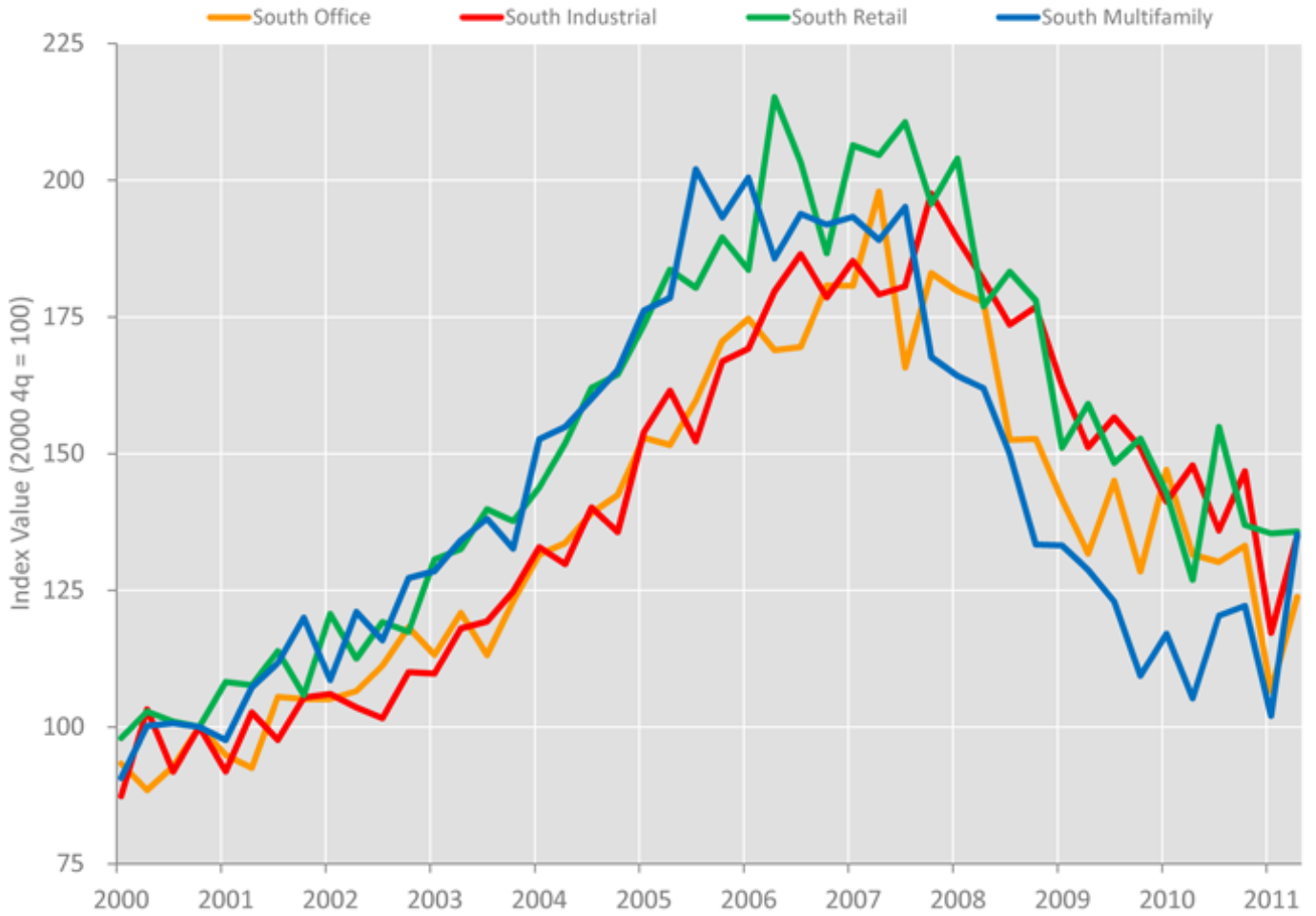
# Multifamily Top 10 Metros Quarterly Indices



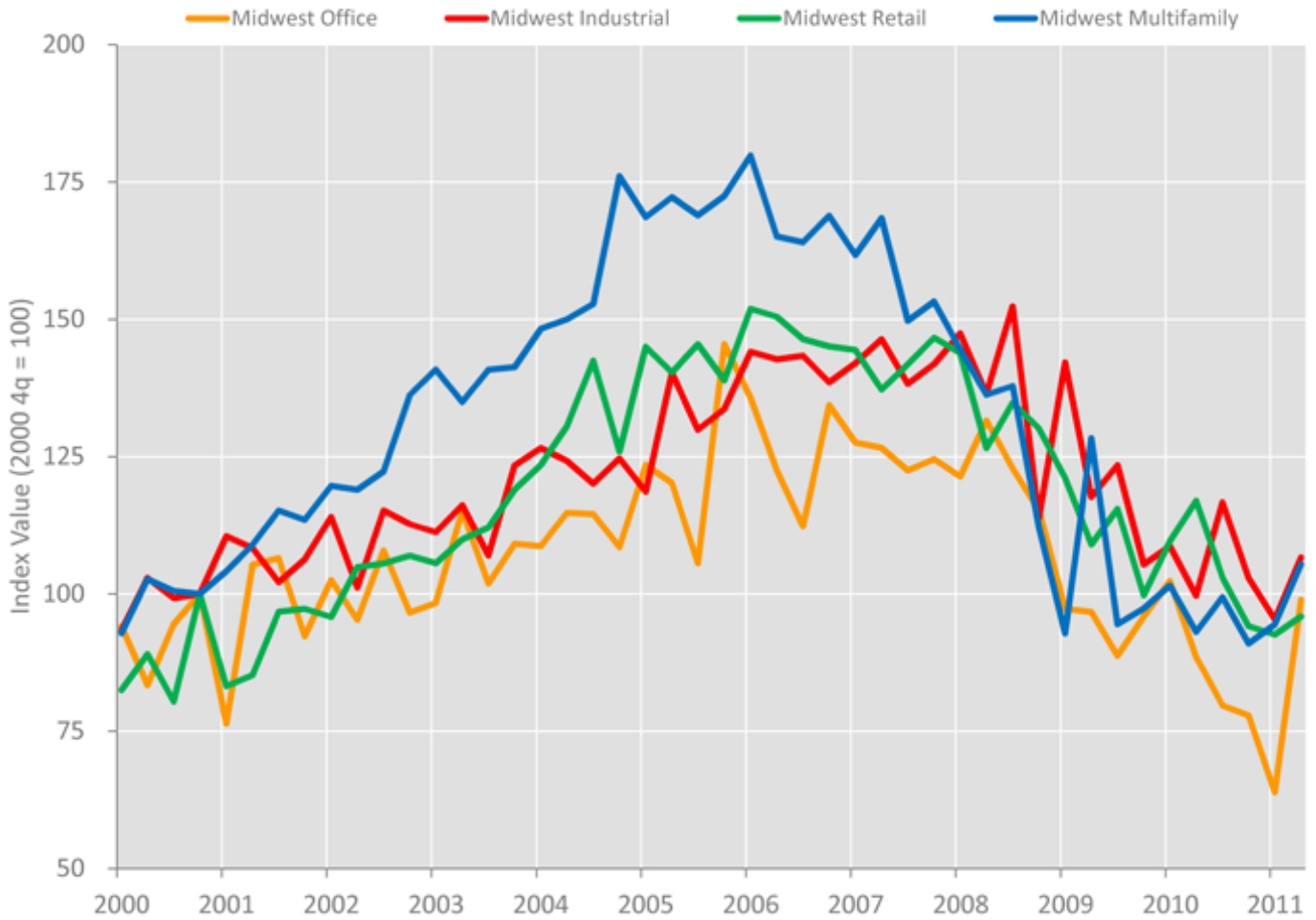
# U.S. West Property Type Quarterly Indices



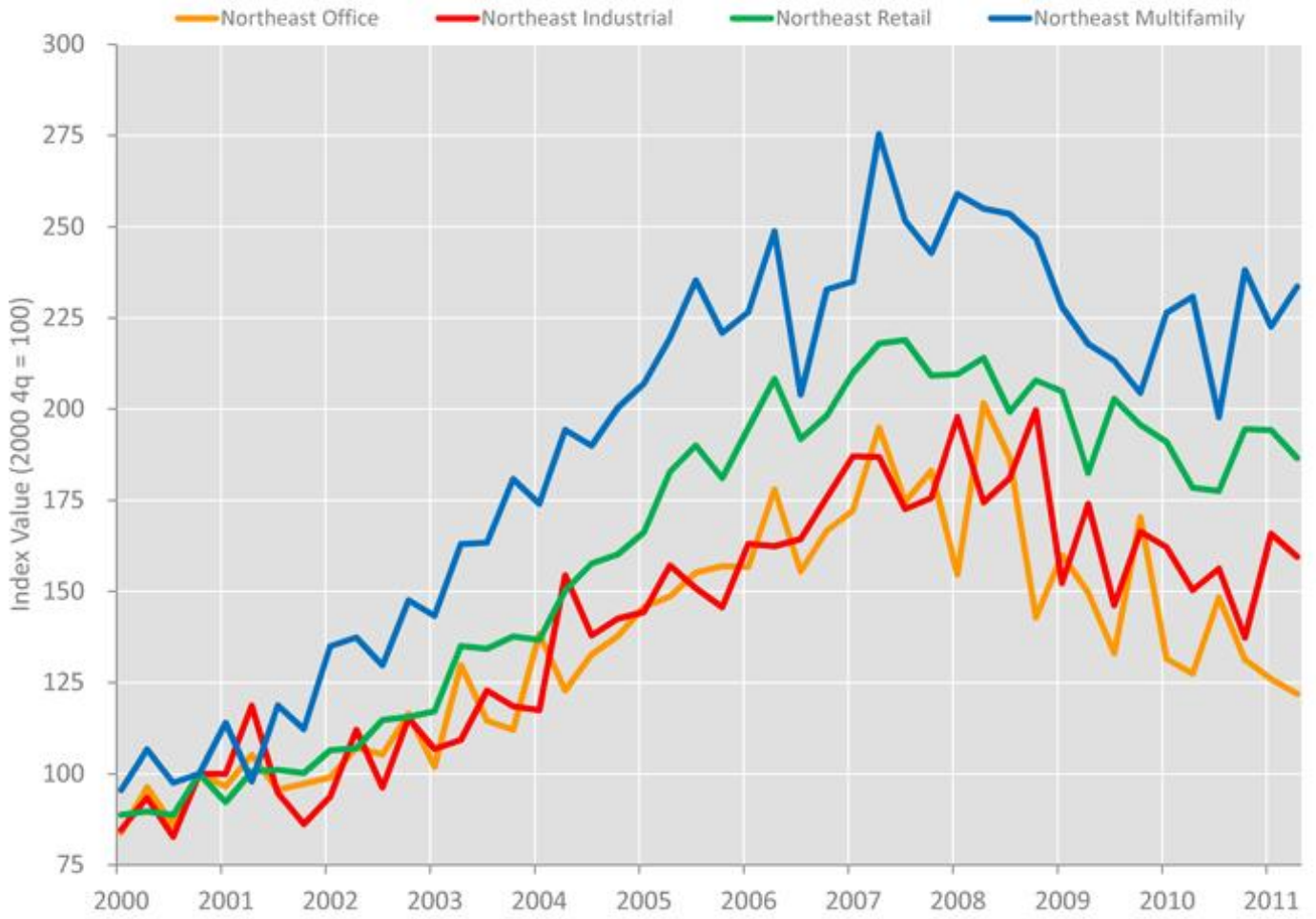
# U.S. South Property Type Quarterly Indices



# U.S. Midwest Property Type Quarterly Indices



# U.S. Northeast Property Type Quarterly Indices



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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, analytic 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. 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>.

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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 June 30, 2011, under the heading "Risk Factors." In addition to these statements, there can be no assurance that the upward trend in pair count volume will continue; that investor demand and commercial real estate pricing levels will continue at the levels or with the trends indicated in this release; that investors will continue to seek larger transactions; that January 2009 will turn out to be the low point in the downturn in terms of pair volume; that dollar volume of sales will continue to trend upward significantly; that the trends represented or implied by the indices will continue; 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.