

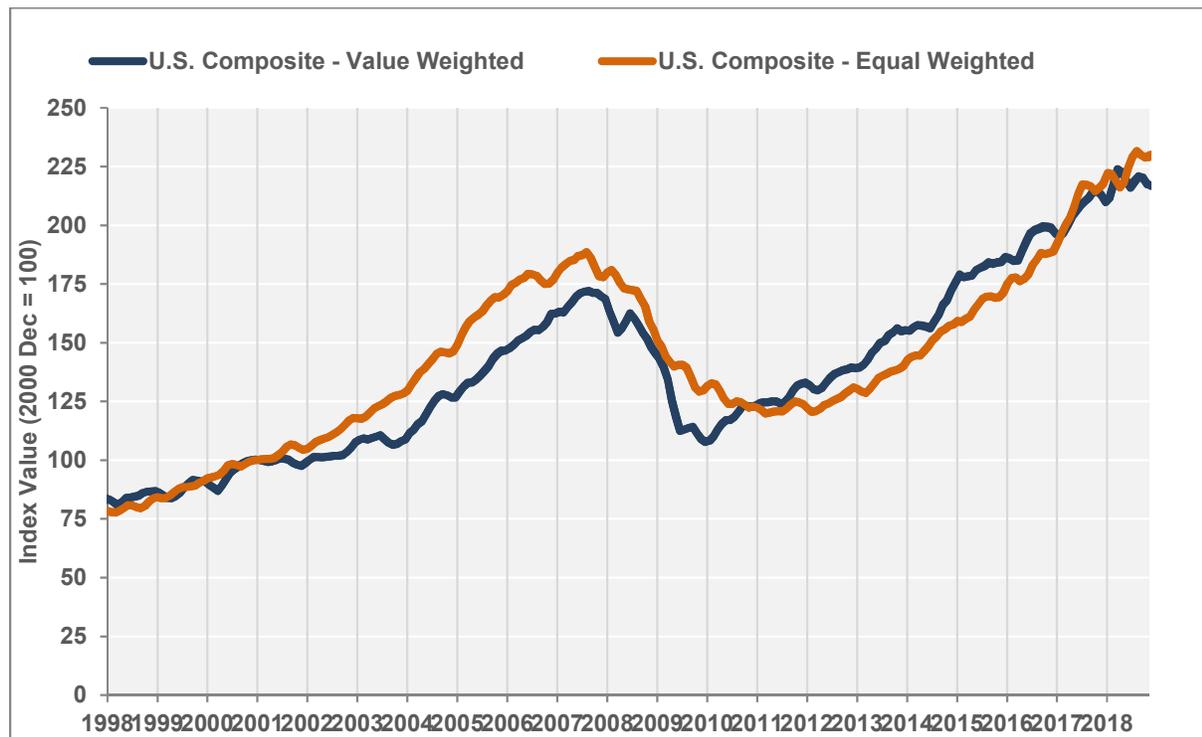
CCRSI RELEASE – JANUARY 2019 (With data through December 2018)

## COMMERCIAL PROPERTY PRICES CONTINUED THEIR UPWARD TRAJECTORY IN 2018, ALTHOUGH AT SLOWER GROWTH RATE

*OFFICE AND MULTIFAMILY INDICES LED PRICING GROWTH AMONG PROPERTY TYPES; SOUTH REGION INDEX REACHED NEW PEAK*

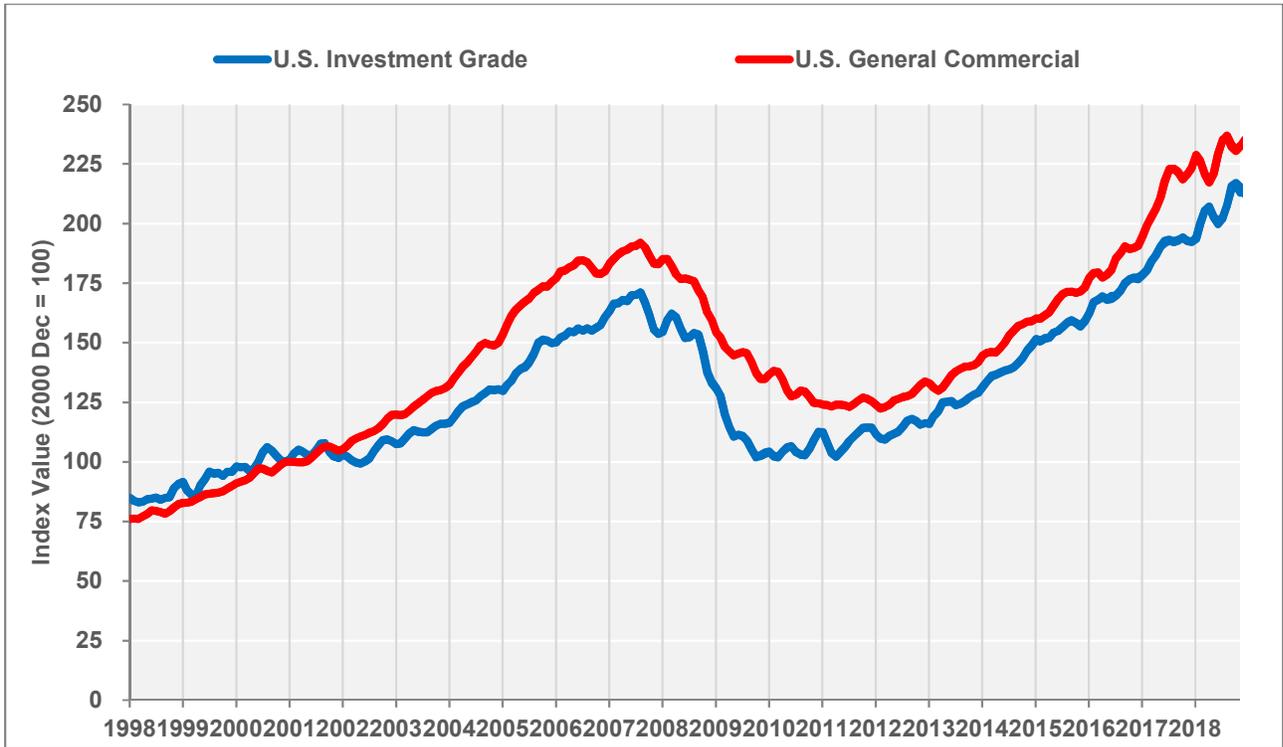
This month's CoStar Commercial Repeat Sale Indices (CCRSI) provides the market's first look at commercial real estate pricing trends through December 2018. Based on 1,321 repeat sale pairs in the month of December 2018 and more than 204,000 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity.

### U.S. Composite Indices: Equal- And Value-Weighted, Data Through December 2018

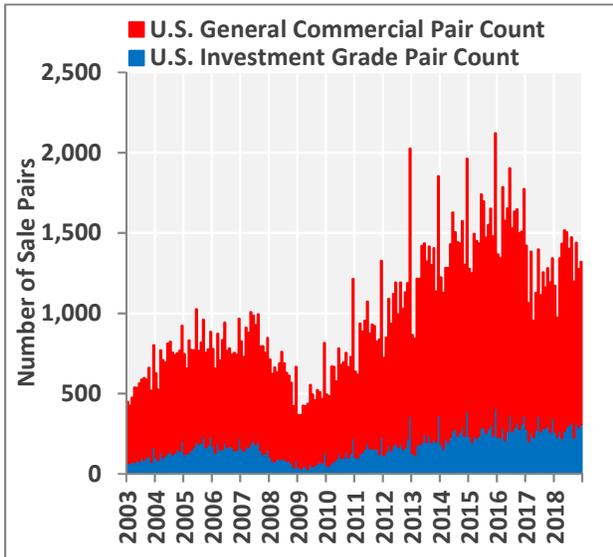


COSTAR COMMERCIAL REPEAT-SALE INDICES JANUARY 2019 Release (With Data through DECEMBER 2018)

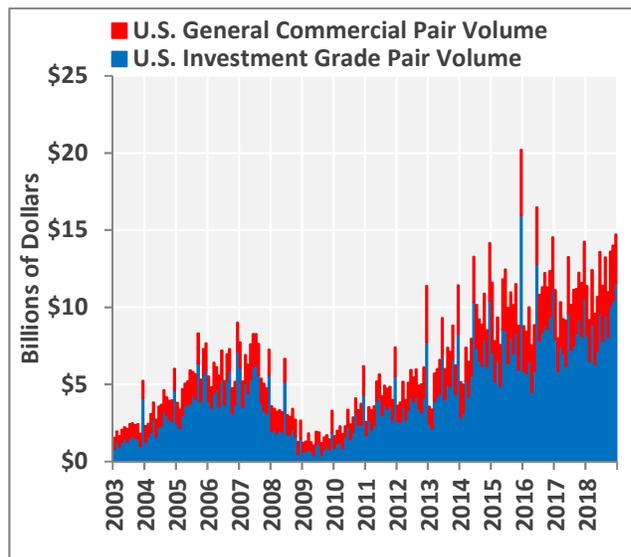
## U.S. Equal-Weighted Indices by Market Segment, Data Through December 2018



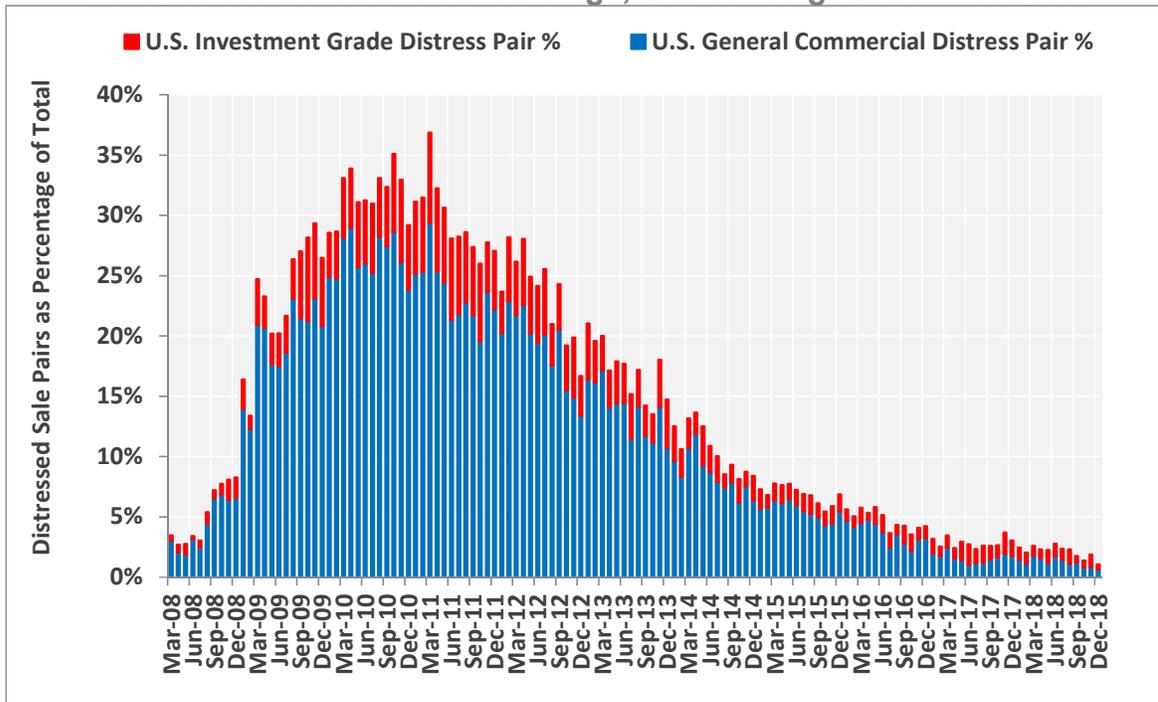
## U.S. Pair Count, Data Through December 2018



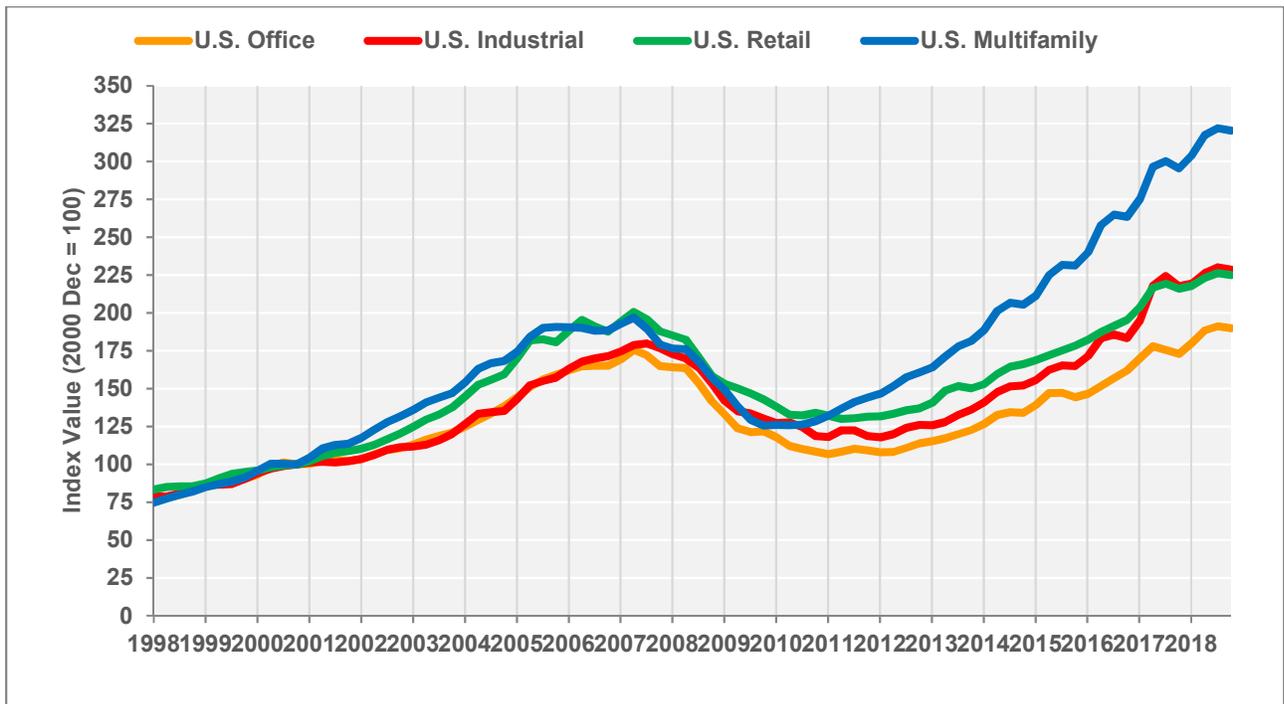
## U.S. Pair Volume, Data Through December 2018



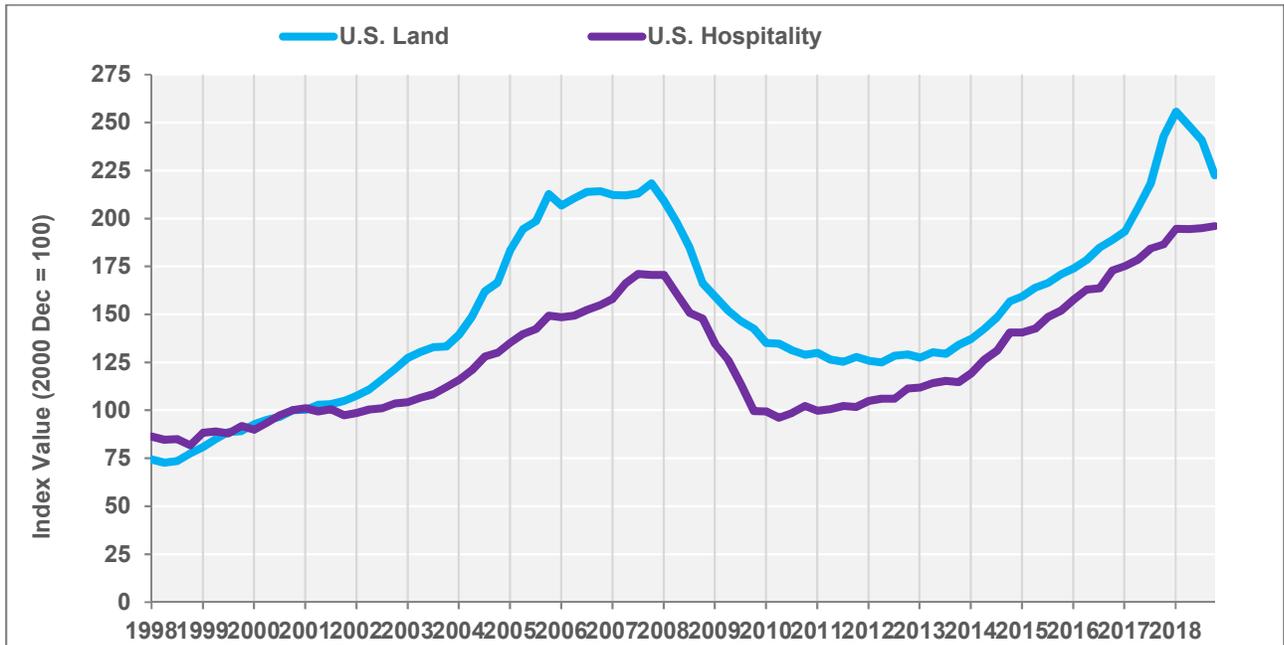
### U.S. Distress Sale Pairs Percentage, Data Through December 2018



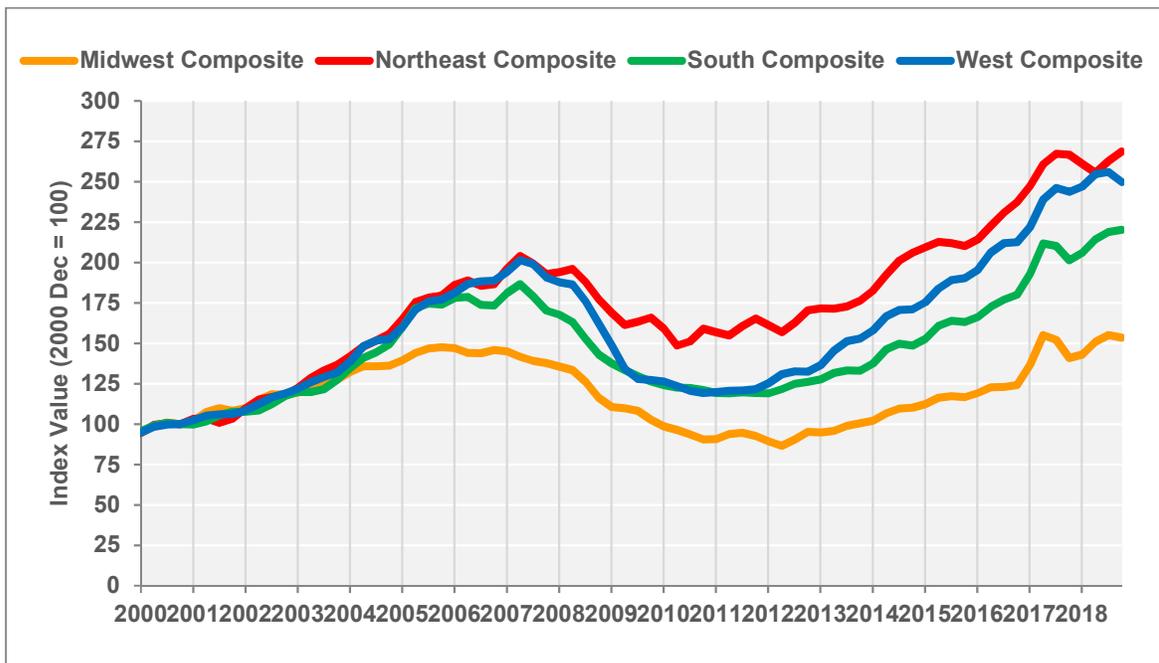
### U.S. Primary Property Type Quarterly Indices – Equal-Weighted Data Through December 2018



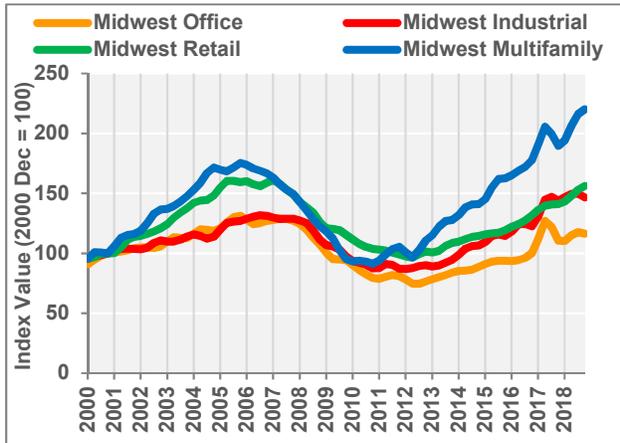
## U.S. Land and Hospitality Quarterly Indices – Equal-Weighted Data Through December 2018



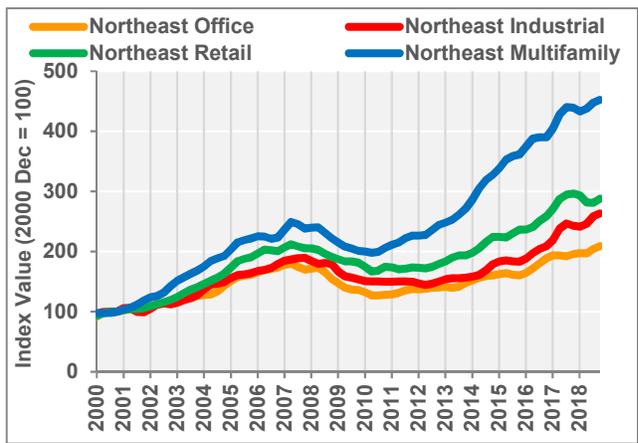
## U.S. Regional Type Quarterly Indices – Equal-Weighted Data Through December 2018



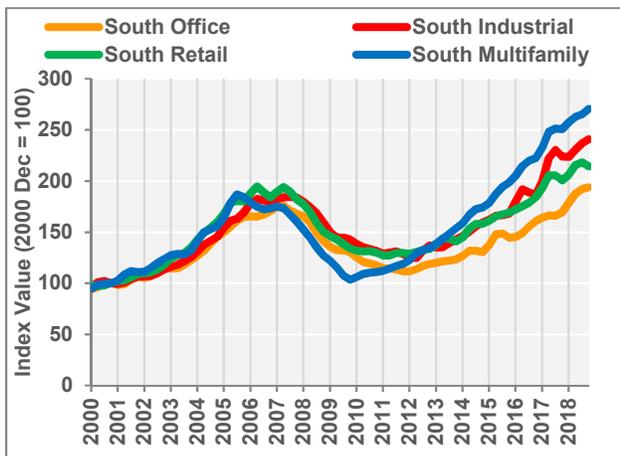
U.S. Midwest Property Type Quarterly Indices Equal-Weighted, Data Through December 2018



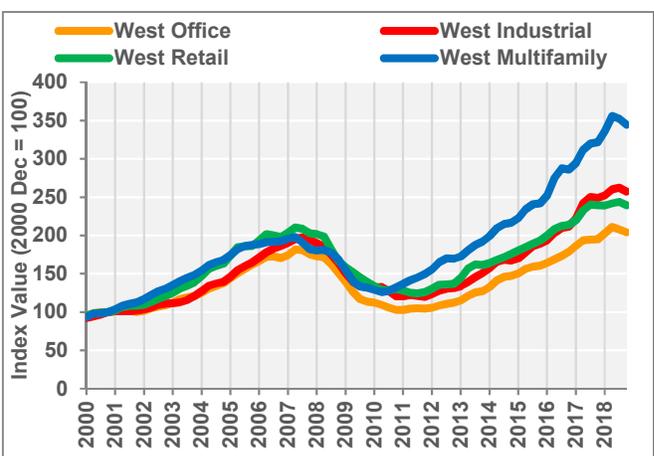
U.S. Northeast Property Type Quarterly Indices Equal-Weighted, Data Through December 2018



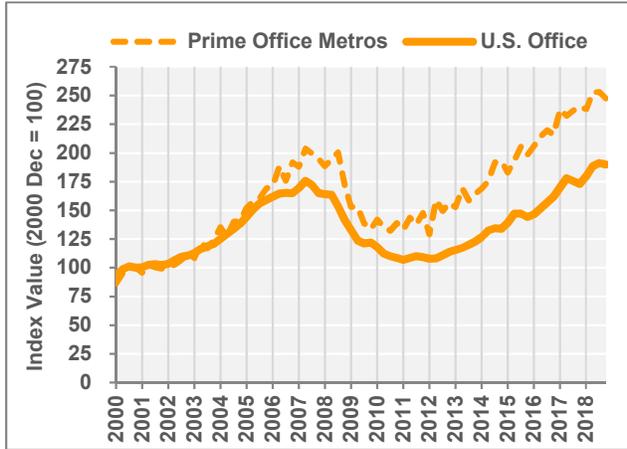
U.S. South Property Type Quarterly Indices Equal-Weighted, Data Through December 2018



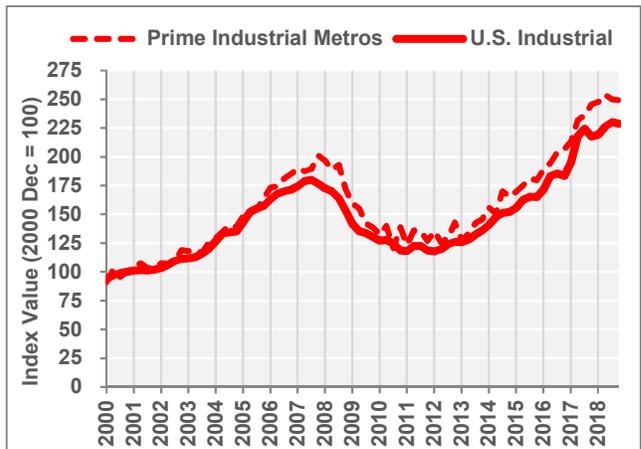
U.S. West Property Type Quarterly Indices Equal-Weighted, Data Through December 2018



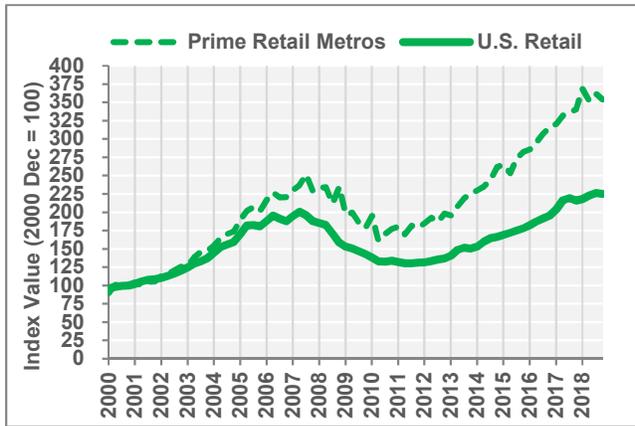
Prime Office Markets Quarterly Indices  
Equal-Weighted, Data Through December 2018



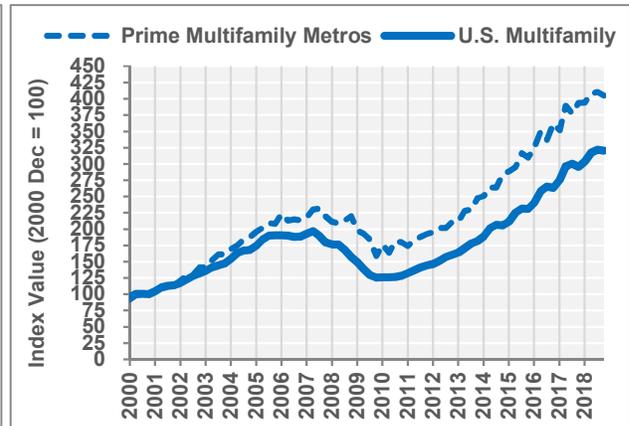
Prime Industrial Markets Quarterly Indices  
Equal-Weighted, Data Through December 2018



Prime Retail Markets Quarterly Indices  
Equal-Weighted, Data Through December 2018



Prime Multifamily Markets Quarterly Indices  
Equal-Weighted, Data Through December 2018



## CCRSI National Results Highlights

- **COMPOSITE PRICE INDICES CONTINUED ON THEIR UPWARD TRAJECTORY IN 2018 BUT AT A MUCH SLOWER RATE THAN PREVIOUS YEARS.** Continued demand for commercial real estate space in an expanding economy supported increased property prices, albeit at a more modest growth rate in 2018. The equal-weighted U.S. Composite Index extended its streak of stronger growth, with a 5.9% increase in 2018, as the scope of the pricing recovery for commercial property broadened across the building size and quality spectrums. The single-digit increase for the index in 2018 compares to an annual average growth rate of 11.3% from 2015-2017. Meanwhile the value-weighted U.S. Composite Index, which reflects larger asset sales common in core markets, rose 1.8% in 2018, also well below its 7.3% average annual growth rate from 2015-2017.
- **OFFICE AND MULTIFAMILY BEST INDUSTRIAL TO LEAD GROWTH AMONG MAJOR PROPERTY-TYPE INDICES.** Sturdy market fundamentals and favorable liquidity conditions for commercial real estate transactions supported continued price growth across the property type spectrum in 2018. The Office Index advanced 9.8% and the Multifamily Index increased 8.5% in 2018, well above the annual growth in the range of 4%-5% in the Industrial, Retail, and Hotel indices. The volatile Land Index was the only property type index to lose ground in 2018 as tempered construction levels lessened demand for development sites.
- **SOUTH REGIONAL INDEX REACHED NEW PEAK IN 2018, POSTS STRONGEST ANNUAL GROWTH RATE AMONG THE FOUR REGIONS.** Favorable population and employment growth and comparably lower pricing than in the core coastal markets bolstered investment activity in South markets in 2018. The South Regional Index advanced 9.3% in 2018 to a new peak level as real estate investors continued to bid up prices. Meanwhile, after leading price recovery coming out of the recession, recent price gains in the Northeast have naturally slowed following an extended period of above average price growth. The Northeast Regional Index advanced just 0.8% in 2018, compared with the double-digit pace of growth in 2016-2017 driven by a high concentration of core markets.
- **OVERALL TRANSACTION VOLUME REMAINED ELEVATED.** Despite moderating sale prices, composite pair volume reached \$144.7 billion in 2018, up 10% from 2017. The lower end of the commercial property market had only slightly more momentum in terms of sales activity. Composite pair volume rose 10.7% in the General Commercial segment, compared to 9.7% in the Investment-Grade segment in 2018.

## Monthly CCRSI Results, Data Through December 2018

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
Value-Weighted U.S. Composite Index	-0.5%	-1.7%	1.8%	101.3% <sup>1</sup>
Equal-Weighted U.S. Composite Index	0.2%	0.2%	5.9%	92.1% <sup>2</sup>
U.S. Investment-Grade Index	-1.4%	-1.6%	10.4%	108.5% <sup>3</sup>
U.S. General Commercial Index	1.3%	1.4%	5.5%	91.1% <sup>4</sup>

<sup>1</sup> Trough Date: January 2010    <sup>2</sup> Trough Date: December 2011    <sup>3</sup> Trough Date: December 2010    <sup>4</sup> Trough Date: December 2011

## Quarterly CCRSI Property Type Results

- ALL MAJOR PROPERTY SECTORS, ASIDE FROM THE LAND INDEX, POSTED PRICING GAINS IN 2018. Although growth has decelerated across the spectrum, the four major property type indices, along with the hotel index, ended 2018 on an upward trajectory. The prime markets indices within each property sector—dominated by the large, core, coastal metropolitan areas—increased more slowly than the national property-type indices in 2018 as investors sought bigger yields in smaller markets, resulting in the pricing recovery becoming more broad-based.
- U.S. OFFICE INDEX LED GROWTH AMONG THE FOUR MAJOR PROPERTY TYPES IN 2018. The U.S. Office Index was up 9.8% in 2018 as office rent levels and occupancy rates nationally continued to improve throughout the year. Price growth was lower at the top end of the market, however. The Prime Office Metros Index advanced by 3% in 2018.
- MULTIFAMILY INDEX TURNS IN ANOTHER SOLID YEAR OF PRICE GROWTH. Despite continued new construction and already-high pricing, the U.S. Multifamily index was up by 8.5% in 2018, still a solid pace of growth, although it marked a slowdown from the double-digit pace of growth that the sector had maintained since 2011. Meanwhile, the Prime Multifamily Metros Index increased 2.7% in 2018, a slower rate than the broader market, suggesting weaker price growth in high-value properties in primary markets.

- **U.S. INDUSTRIAL INDEX INCREASED 5% IN 2018.** The U.S. Industrial index advanced 5% in 2018, well below the average annual pace of 12.8% set by the index in 2015-2017. While expected, the decline was somewhat surprising given the continued strong demand for industrial space in 2018, with vacancies falling to their lowest point in the cycle, and rent growth approaching 6% for the year. Despite the strong underlying market fundamentals, pricing in core markets grew more slowly than the broader market, as the Prime Industrial Metros Index advanced by just 1.5% in 2018.
- **NO SURPRISE HERE: U.S. RETAIL INDEX LAGGED OTHER MAJOR PROPERTY TYPES.** With real estate investors and lenders alike wary of the higher risks associated with retail property, price growth lagged the property types. However, while many retailers continue to shed stores, they are disproportionately targeting their less-productive locations for closure, while investor demand for remaining stronger-performing locations stayed strong. As a result, the U.S. Retail Index rose 4.2% in 2018. The Prime Retail Metros Index advanced by 4% in the same period.
- **U.S. HOSPITALITY INDEX CONTINUED TO POST STEADY GROWTH.** The U.S. Hospitality Index was up 5.1% in 2018, down from its average annual growth rate of 9.9% seen in 2015-2017. National hotel occupancies remain above last cycle's highs, which has supported continued room rate and RevPAR growth as well as investor demand for selective hotel assets.
- **U.S. LAND INDEX SLID 8.4% IN 2018.** The U.S. Land Index is generally the most volatile of the property type indices. After an increase of more than 28% in 2017 when construction levels were increasing, the U.S. Land Index reversed course in 2018. While strong demand for development sites has supported new construction over the last several years, the decline may indicate a pullback in demand for new development activity.

## Quarterly CCRSI Regional Results

- **SOUTH CLAIMS PRIZE AS TOP PERFORMING REGIONAL INDEX IN 2018.** While a higher concentration of the core coastal markets that led the recovery helped propel earlier and stronger growth in the Northeast and West Indices, the South region's favorable population demographics and employment growth as well as more affordable pricing provided it with stronger momentum in price growth more recently. The South Index advanced 9.3% in 2018, with the strongest growth coming from the South Office and Multifamily Indices. The South Office Index increased 14.4% and the South Multifamily Index was up 8%, respectively, in 2018.
- **SURGE IN MULTIFAMILY PRICE INDEX BOLSTERED MIDWEST REGION IN 2018.** The Midwest Multifamily Index increased 16% in 2018, the strongest annual growth rate, by far, among the 16 regional property type indices. This expansion in the multifamily segment supported an increase of 8.9% in the overall Midwest regional index in 2018. Despite recent growth, the Midwest regional index level is still 30% or more below that of the other regions.
- **NORTHEAST REGIONAL INDEX SEES MORE MODERATE GROWTH.** While the Northeast led the pricing recovery coming out of the recession, all four regional indices have since reached new historical highs, and subsequent pricing gains have naturally slowed. The Northeast Composite Index managed to tick up 0.8% in 2018, down from an annual growth rate of 12.6% in 2016-2017. Gains in the Northeast Office and Industrial indices were offset by losses in the Northeast Retail Index in 2018.
- **WEST REGION BENEFITS FROM GROWTH BOOST IN MULTIFAMILY AND OFFICE INDICES.** The West Composite Index advanced 2.4% in 2018. The West Multifamily Index led growth, with an expansion of 7.1%, followed by the West Office Index, which was up 4.8%, in 2018.

## 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, and 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 once, 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.

### Available Monthly And Quarterly CCRSI Indices

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, D.C.

### 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, D.C.

### Prime Multifamily Markets

#### CBSA Listed Alphabetically

Boston
Chicago
Houston
Los Angeles
New York
Orange County
San Francisco
San Jose
Seattle
Washington, D.C.

### CONTACT:

Gay Beach, Senior Director, Marketing Communications, CoStar Group  
([gbeach@costar.com](mailto:gbeach@costar.com)).

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

## **ABOUT COSTAR GROUP, INC.**

CoStar Group, Inc. (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. LoopNet is the most heavily trafficked commercial real estate marketplace online with approximately 5 million monthly unique visitors per month. Realla is the UK's most comprehensive commercial property digital marketplace. Apartments.com, ApartmentFinder.com, ForRent.com, ApartmentHomeLiving.com, Westside Rentals, AFTER55.com, CorporateHousing.com, ForRentUniversity.com and Apartamentos.com form the premier online apartment resource for renters seeking great apartment homes and provide property managers and owners a proven platform for marketing their properties. CoStar Group's websites attracted an average of approximately 45 million unique monthly visitors in aggregate in the third quarter of 2018. Headquartered in Washington, DC, CoStar maintains offices throughout the U.S. and in Europe and Canada with a staff of over 3,600 worldwide, including the industry's largest professional research organization. For more information, visit [www.costargroup.com](http://www.costargroup.com).