



CCRSI RELEASE – June 2023  
(With data through May 2023)

## **HIGH-QUALITY ASSETS IN PRIMARY MARKETS ARE TAKING THE BRUNT OF PRICE DECLINES**

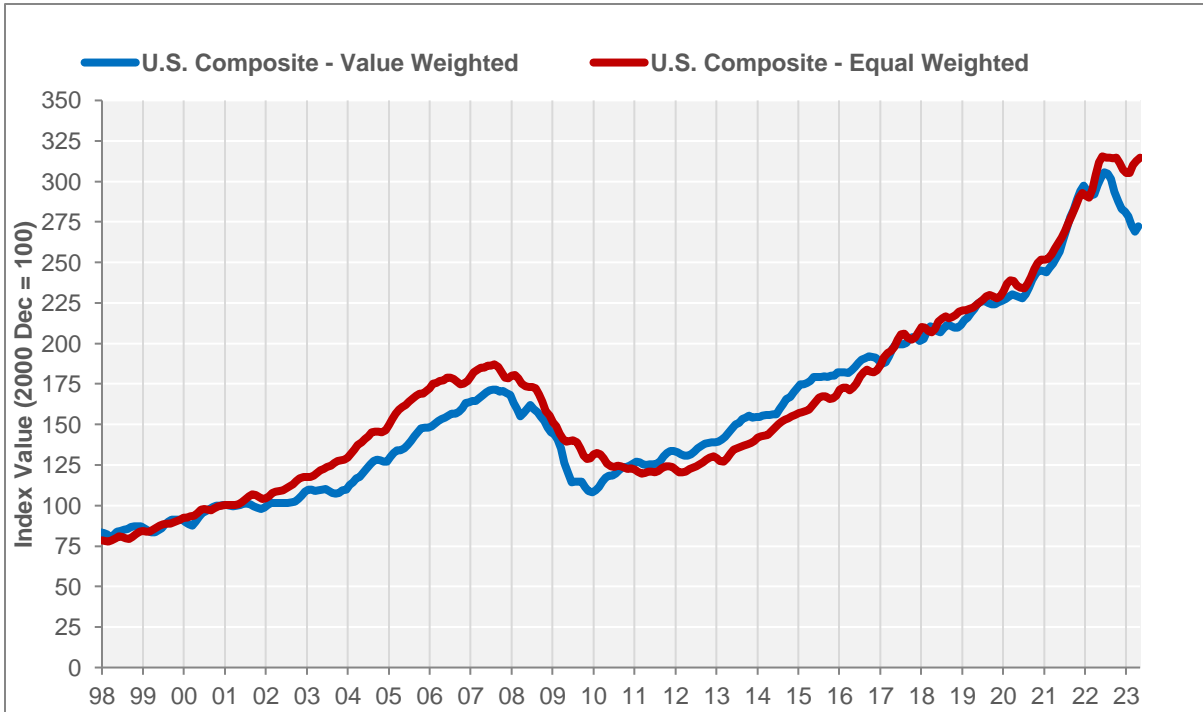
*SLOWING ABSORPTION IN 2022 TURNED NEGATIVE IN THE FIRST HALF OF 2023 AS NEW SUPPLY BEGAN TO WANE*

This month's CoStar Commercial Repeat Sale Indices (CCRSI) provides the market's first look at commercial real estate pricing trends through May 2023. Based on 1,173 repeat sale pairs in May 2023 and more than 291,518 repeat sales since 1996, the CCRSI offers the broadest measure of commercial real estate repeat sales activity.

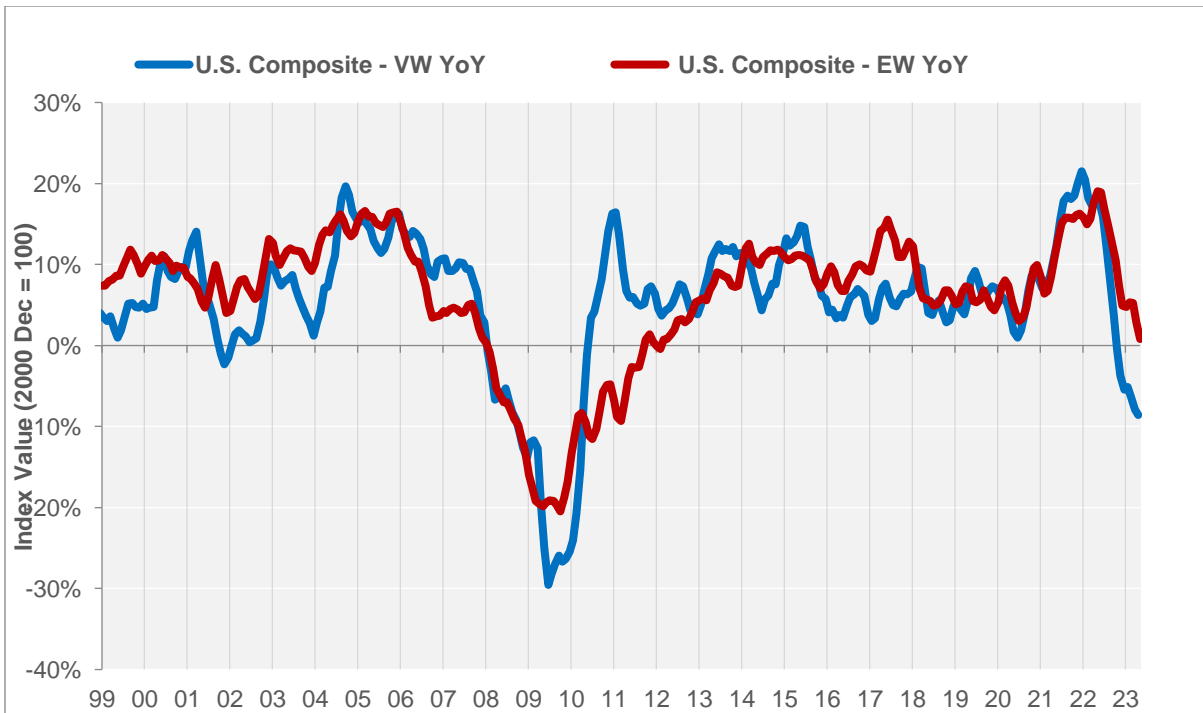
## **CCRSI National Results Highlights**

- U.S. COMPOSITE PRICE INDICES CONTINUED TO TREND LOWER ON AN ANNUAL BASIS DESPITE MAY'S PRICE APPRECIATION. The value-weighted U.S. Composite Index, which is more heavily influenced by high-value trades common in core markets, rose to 272 in May 2023 after nine consecutive months of declines, an advance of 1.3% over the prior month. However, the index was down 8.5% in the 12-month period that ended in May 2023 and was 10.9% lower than the recent high of 306 in July 2022.
- At the same time, the equal-weighted U.S. composite index, which reflects the more numerous but lower-priced property sales typical of secondary and tertiary markets, rose one point to 314 in May 2023, an advance of 0.6% over the prior month. The index gained 0.8% in the 12-month period that ended in May 2023 and was 0.1% off its July 2022 high of 315. The current 12-month trend of annual price gains may suggest that price declines are in store for the equal-weighted index, as has been the case in the value-weighted segment.

## U.S. Composite Indices: Equal- And Value-Weighted, Data Through May 2023

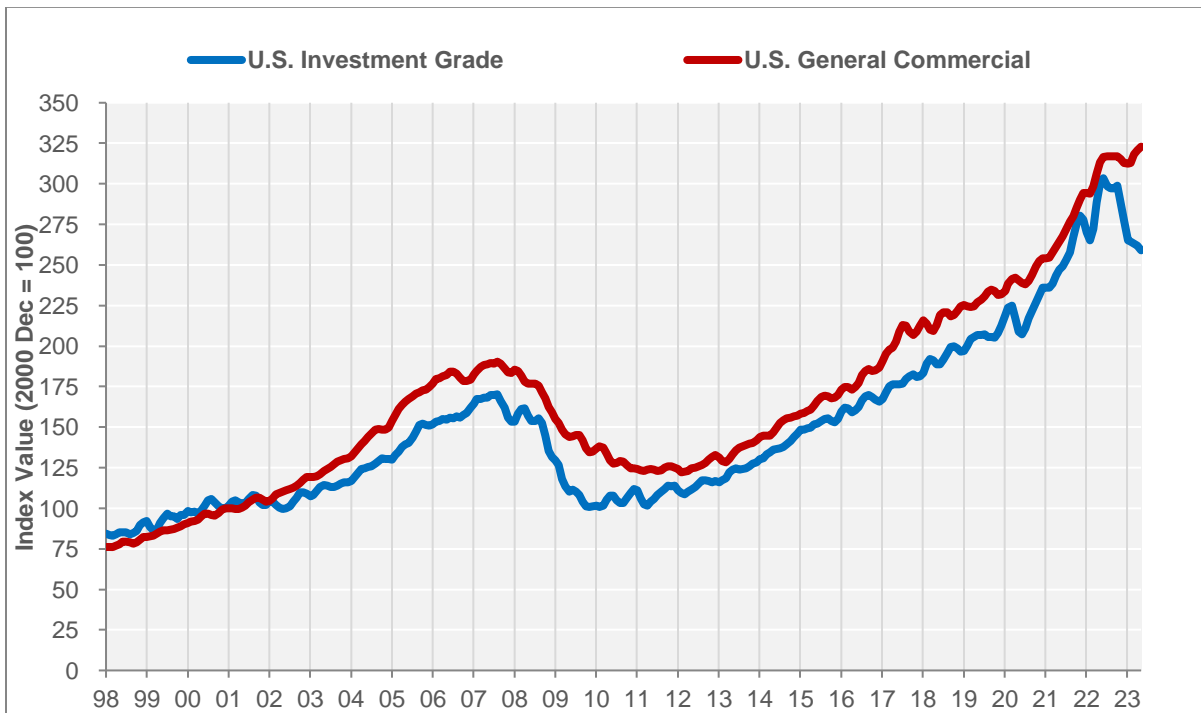


## U.S. Composite Indices: EW And VW YoY, Data Through May 2023



- THE EQUAL-WEIGHTED COMPOSITE PRICE INDEX SAW FURTHER DIVERGENCE BETWEEN GENERAL COMMERCIAL AND INVESTMENT GRADE PRICING IN MAY 2023.
- The investment grade sub-index, more heavily influenced by higher-value assets, fell by 1% in May 2023, the seventh sequential decline and the 12th out of the prior 18 readings. The index dropped 13.6% over the 12-month period that ended in May 2023, the sixth consecutive year-over-year decline.
- The general commercial sub-index, more heavily influenced by smaller, lower-priced assets, stepped 0.7% higher in May 2023, marking the fourth consecutive month of expansion. This sub-index gained 3.1% over the 12-month period that ended in May 2023. However, despite its positive year-over-year price appreciation, a clear downward trend has been in place since May 2022, when the sub-index peaked at 18.5% annual growth.

### U.S. Equal-Weighted Indices By Market Segment, Data Through May 2023

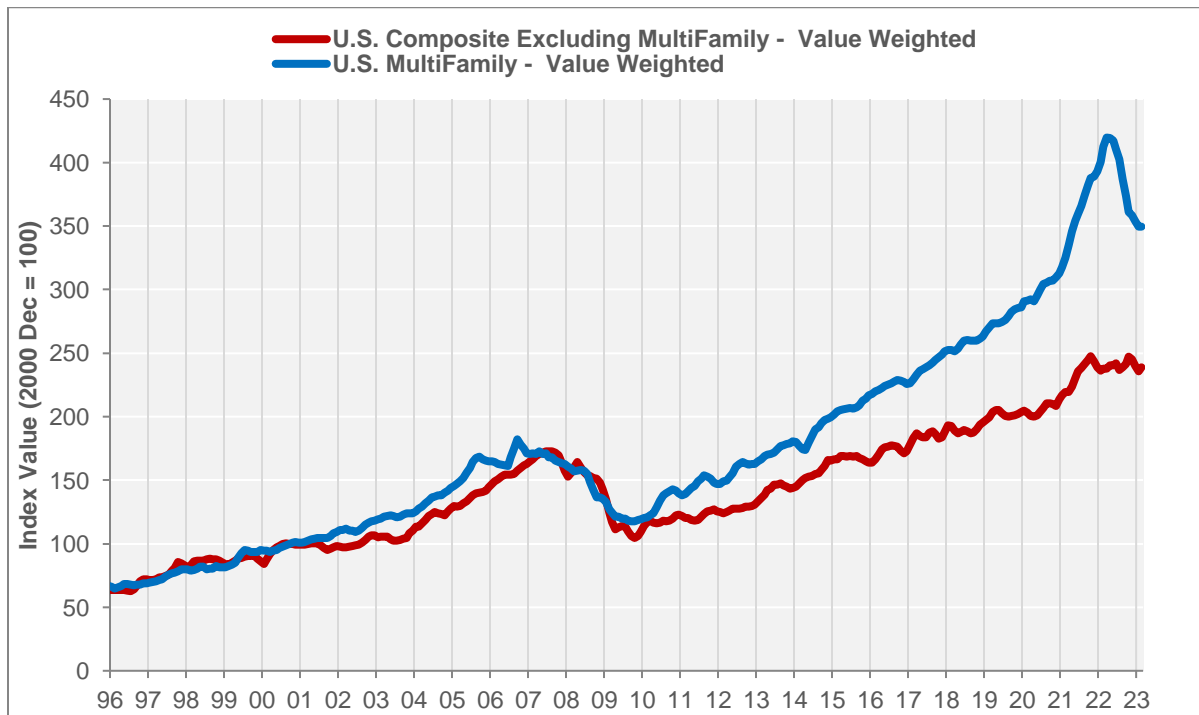


- THE MULTIFAMILY SECTOR IS EXPERIENCING A SUBSTANTIAL PRICING RESET WITH STEADY ANNUAL VALUE DECLINES SINCE MAY OF 2022. For 12 consecutive months, year-over-year pricing has decelerated, with the last six months posting outright negative value declines.
- The multifamily sector sub-index was flat in May 2023, after nine months of declines from a peak of 420 in July 2022. The index saw a price contraction of 15.3% in the 12-month period that ended in May 2023, its steepest decline since December 2009. The multifamily sector sub-index was still 22.4% higher than in February 2020, before the onset of the pandemic. Net absorption in multifamily units reached historic highs in 2021 in response to pandemic-era

impacts on the housing market, motivating double-digit annual price gains and making the sector an attractive asset class. However, higher interest rates and a wave of new supply have muted absorption and transaction activity.

- The value-weighted composite index, excluding the multifamily sector, grew sequentially by 1.4% in May 2023 after three months of declines. The index also expanded by 0.6% in the 12-month period that ended in May 2023. However, recent year-over-year price changes have failed to exceed one percent since October 2022 and have been undulating between negative 1.5% and positive 0.7% for the last eight months. On a trailing 12-month basis, pricing gains peaked at 17.8% in January 2022.

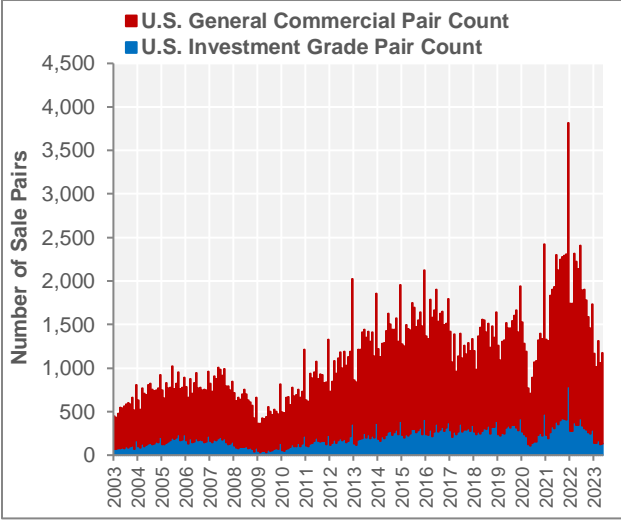
### U.S. Value-Weighted Composite Index Excluding Multifamily Data through February 2023



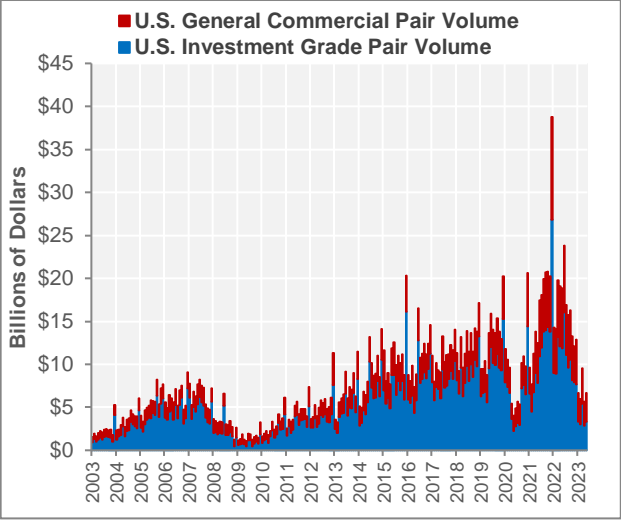
- **MAY TRANSACTION VOLUME FOOTED HIGHER FOLLOWING A STEEP DROP IN THE PRIOR MONTH.** Transaction activity climbed to \$6.6 billion in May 2023, a 17% increase from the prior month, mirroring levels from January 2023. Investment grade transaction volume rose 13.9% in May 2023 to \$3.3 billion, while the general commercial segment led the surge, jumping 20.2% from the prior month to \$3.3 billion.
- Composite pair volume of \$145.3 billion during the 12 months ending in May 2023 was 39.9% lower than the 12-month period that ended in May 2022. As many institutional investors have stepped to the sidelines as a manner of caution, the investment grade segment fell 44.6% over the 12 months that ended in May 2023 and accounted for about 61.3% of the overall annual transaction volume.

The general commercial segment, which accounted for 38.7% of the 12-month transaction volume, slipped 30.8% over the 12 months ending in May 2023.

**U.S. Pair Count, Data Through May 2023**

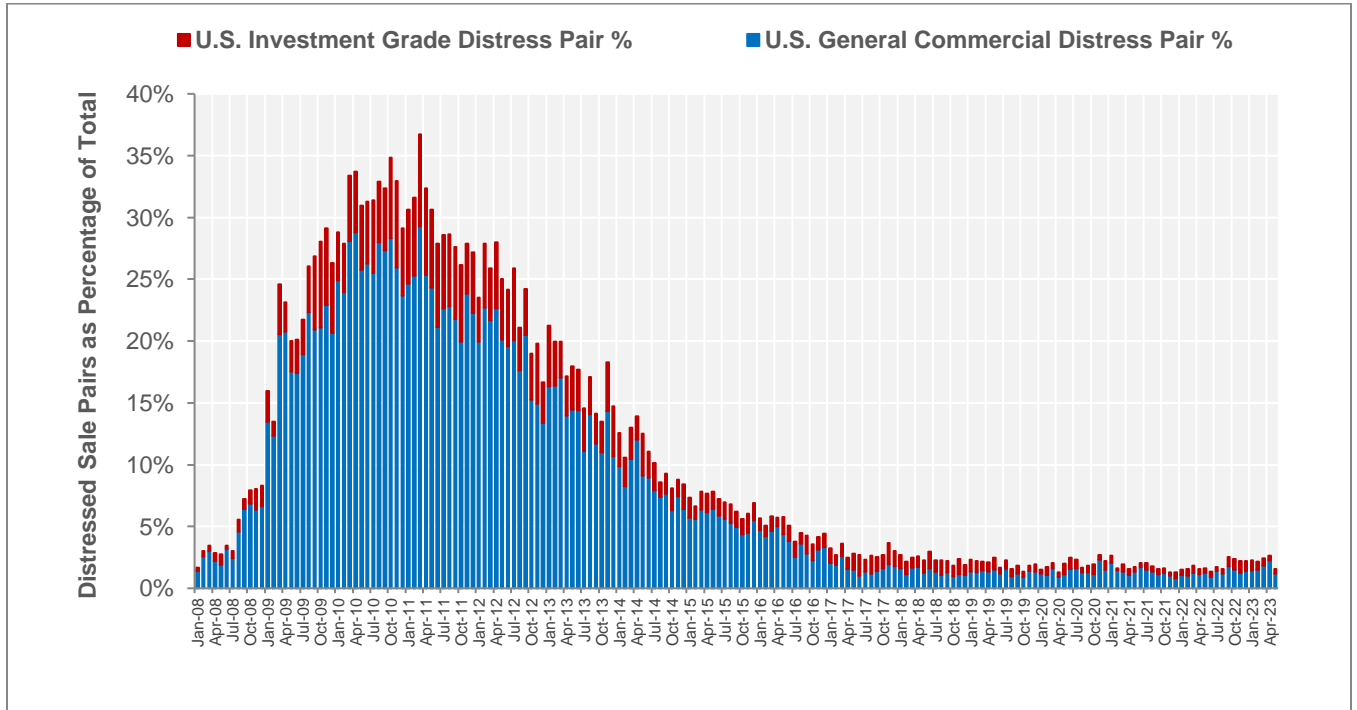


**U.S. Pair Volume, Data Through May 2023**



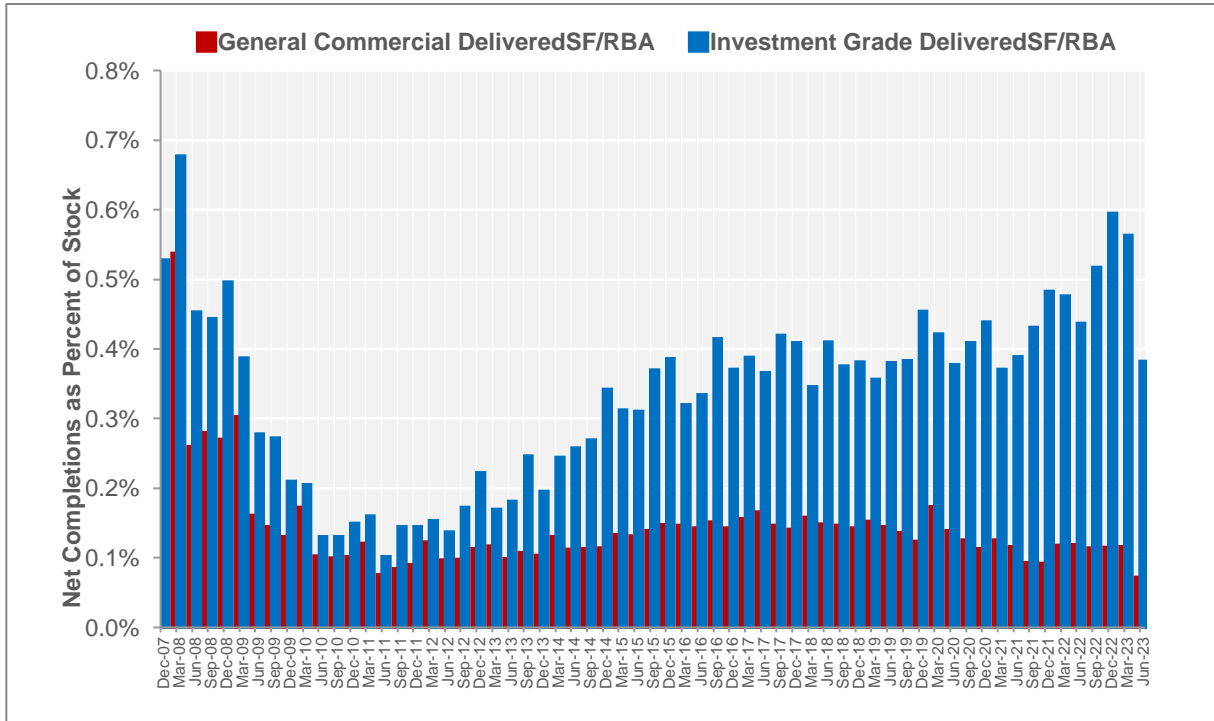
- DISTRESSED REPEAT-SALE TRADES FELL SHARPLY IN MAY.** Approximately 18 of the 1,173 repeat-sales trades in May 2023, or about 1.5%, were distressed sales. In comparison, April of 2023 marked a post-COVID-19 high with 2.6% of all repeat-sales trades. General commercial distressed sales accounted for 14 of the distressed trades in May 2023 or 1.2% of all repeat-sales trades. Only four investment grade distressed sales were recorded in the month, accounting for 0.3% of all repeat sales trades.

## U.S. Distress Sale Pairs Percentage, Data Through May 2023



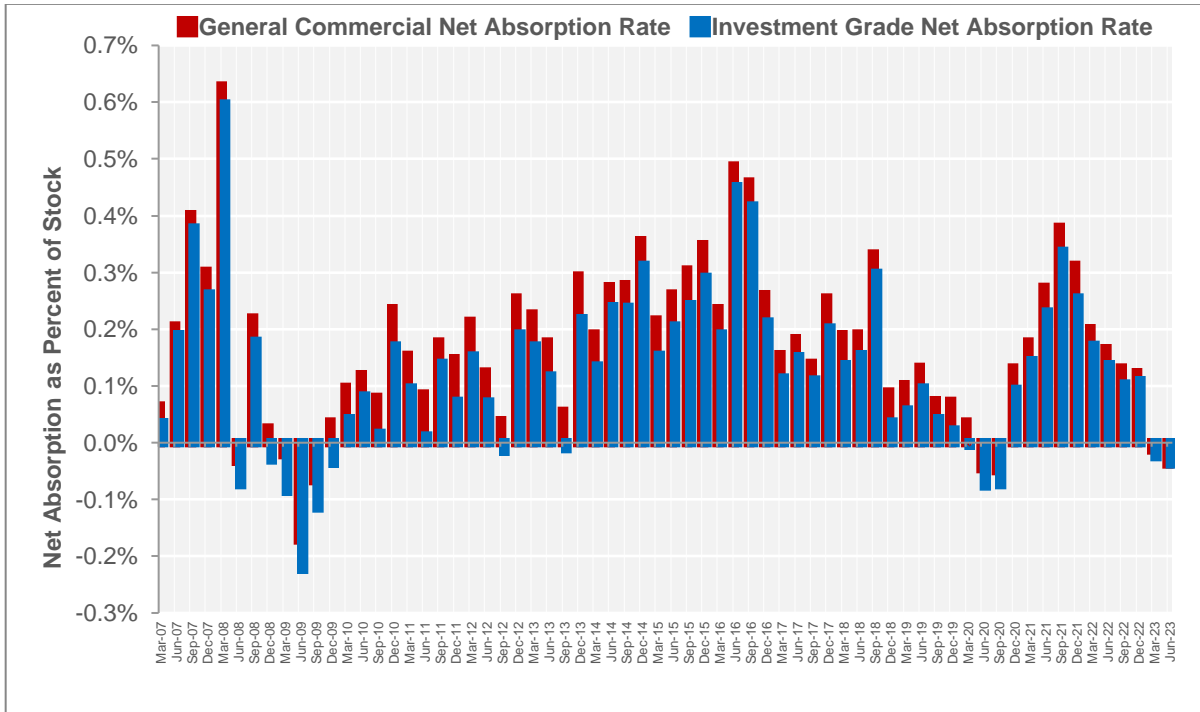
- SECOND QUARTER DELIVERIES SLOWED TO MATCH THE PRE-PANDEMIC TREND DESPITE ELEVATED SUPPLY OVER THE LAST 12 MONTHS. Deliveries across the three major property types — office, retail, and industrial — are projected to reach 798.1 million SF in the 12 months ending in June 2023, up 12.9% from the same period in 2022. Approximately 88% of the space delivered, or 705.9 million SF, is expected to be of investment grade assets, an increase of 15% over the 12-month period that ended in June 2022. Only 92.2 million SF of general commercial properties are projected to be delivered in the 12 months ending in June 2023, a decrease of 0.9% over the prior 12-month period.
- Above-trend deliveries in late 2022 and the first quarter of 2023 caused the 12-month picture to remain elevated, while the quarter-over-quarter performance logged a much different result. Compared to the first quarter of 2023, deliveries in the second quarter of 2023 fell 33% in the aggregate, with investment grade and general commercial declining by 32% and 40%, respectively.
- As a percentage of total stock, deliveries are projected to add 0.3% to the total inventory in the quarter ending in June 2023. Investment grade deliveries are expected to enlarge its stock by 0.4%, while general commercial should grow by less than 0.1% of its current inventory.

## Market Fundamentals, Data Through June 2023



- TWO CONSECUTIVE QUARTERS OF NEGATIVE ABSORPTION. Net absorption is projected to be 83.6 million SF in the 12 months ending in June 2023, a collapse of 81.9% from the 12-month period that ended in June 2022. Investment grade and general commercial segments individually saw similar declines in demand, by 83.2% and 80.7%, respectively, over the same period. Since peaking in the third quarter of 2021, the most recent period marks the seventh consecutive quarter of declining net absorption combined across the investment grade and general commercial segments.
- As a percentage of stock, negative net absorption in the quarter ending in June 2023 is projected to give back 0.37% of space. This marks the first time the market posted two consecutive quarters of negative demand since the third quarter of 2020, as the pandemic sent uncertainty rippling through commercial property markets.

## Market Fundamentals, Data Through June 2023





## Monthly CCRSI Results, Data Through May 2023

	1 Month Earlier	1 Quarter Earlier	1 Year Earlier	Trough to Current
Value-Weighted U.S. Composite Index	1.3%	-2.2%	-8.5%	152.1% <sup>1</sup>
Equal-Weighted U.S. Composite Index	0.6%	3.0%	0.8%	163.2% <sup>2</sup>
U.S. Investment-Grade Index	-1.0%	-1.9%	-13.6%	157.3% <sup>3</sup>
U.S. General Commercial Index	0.7%	3.1%	3.1%	162.9% <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

## Market Fundamentals Data Through June 2023

### Annual Net Absorption (in millions of square feet)

	2020Q2	2021Q2	2022Q2	2023Q2
Aggregate	28.4	217.9	461.1	83.6
Investment Grade	-4.0	92.7	211.7	35.6
General Commercial	32.3	125.2	249.4	48.0

Note: "Net Absorption" is the change in occupied space, calculated based on three types of properties: office, retail, and industrial.

### Annual Delivered SF (in millions of square feet)

	2020Q2	2021Q2	2022Q2	2023Q2
Aggregate	658.0	636.0	706.9	798.1
Investment Grade	530.9	529.6	613.8	705.9
General Commercial	127.1	106.5	93.1	92.2

Note: Delivered SF is calculated based on three types of properties: office, retail, and industrial.

## 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 are reported monthly, 30 sub-indices in the CoStar index family are reported quarterly. 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 the sales pairs are used to create a price index. Historical price indices are revised as new data is recorded.

### 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.

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

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

CoStar Group (NASDAQ: CSGP) is a leading provider of online real estate marketplaces, information, and analytics in the property markets. Founded in 1987, CoStar Group conducts expansive, ongoing research to produce and maintain the largest and most comprehensive database of real estate information. CoStar is the global leader in commercial real estate information, analytics, and news, enabling clients to analyze, interpret and gain unmatched insight on property values, market conditions and availabilities. Apartments.com is the leading online marketplace for renters seeking great apartment homes, providing property managers and owners a proven platform for marketing their properties. LoopNet is the most heavily trafficked online commercial real estate marketplace with over twelve million monthly global unique visitors. STR provides premium data benchmarking, analytics, and marketplace insights for the global hospitality industry. Ten-X offers a leading platform for conducting commercial real estate online auctions and negotiated bids. Homes.com is the fastest growing online residential marketplace that connects agents, buyers, and sellers. BureauxLocaux is one of the largest specialized property portals for buying and leasing commercial real estate in France. Business Immo is France's leading commercial real estate news service. Thomas Daily is Germany's largest online data pool in the real estate industry. Belbex is the premier source of commercial space available to let and for sale in Spain. CoStar Group's websites attract nearly 100 million unique monthly visitors. Headquartered in Washington, DC, CoStar Group maintains offices throughout the U.S., Europe, Canada, and Asia. From time to time, we plan to utilize our corporate website, [CoStarGroup.com](http://CoStarGroup.com), as a channel of distribution for material company information. For more information, visit [CoStarGroup.com](http://CoStarGroup.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 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 trends related to commercial real estate fundamentals, absorption, price growth, and tenant demand; the risk that net absorption will not be as expected for the 3-month period ending June 2023; and the risk that deliveries across office, retail, and industrial properties will not be as projected. More information about potential factors that could cause results to differ materially from those anticipated 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 in CoStar's Annual Report on Form 10-K for the year ended December 31, 2022, and Quarterly Report on Form 10-Q for the quarters ending March 31, 2023, each of which is filed with the SEC, including in the "Risk Factors" section of that filing, as well as CoStar's other filings with the SEC available at the SEC's website ([www.sec.gov](http://www.sec.gov)). All forward-looking statements are based on information available to CoStar on the date hereof, and CoStar assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.