

ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDER
TO AID PUBLIC COMMENT
In the Matter of CoStar Group, Inc., Lonestar
Acquisition Sub, Inc., and LoopNet, Inc.
File No. 111-0172

The Federal Trade Commission has accepted for public comment, subject to final approval, an Agreement Containing Consent Order ("Consent Agreement") from CoStar Group, Inc. ("CoStar"), Lonestar Acquisition Sub, Inc., and LoopNet, Inc. ("LoopNet") (collectively, "Respondents"). Pursuant to Agreement and Plan of Merger dated April 27, 2011, Lonestar Acquisition Sub, Inc., a wholly

I. Respondents and Other Relevant Entities

A. CoStar

CoStar is the largest provider of CRE information services in the United States, offering a researched listings database with nationwide coverage. CoStar proactively tracks and aggregates CRE listings and information to create and maintain an in-depth and comprehensive CRE database. CoStar is a publicly traded, for-profit corporation.

B. LoopNet

LoopNet operates the most heavily trafficked CRE listings database in the United States. LoopNet provides a platform for CRE market participants to post listings and other detailed information about available properties, and aggregates that user-generated content into a database searchable by the public. Through this platform, LoopNet also offers some CRE information services with nationwide coverage. LoopNet is a publicly traded, for-profit corporation.

Starting in 2007, LoopNet acquired a substantial ownership stake in Xceligent, a provider of CRE information and listings services, with coverage focused on the Midwest and South. Today, LoopNet provides Xceligent with funding and information to aid Xceligent in expanding its geographic scope.

C. Xceligent

Xceligent, a privately held corporation, is a third leading provider of CRE information services in the United States, offering a researched listings database. Xceligent's model closely resembles CoStar's, with a research staff that proactively tracks and aggregates CRE listings and information to create and maintain an in-depth and comprehensive CRE database.

II. The Proposed Complaint

CoStar's acquisition of LoopNet presents trust concerns in the markets for CRE listings databases and CRE information services. Listings databases provide a means for parties to CRE transactions to post and to search for available properties for sale and for lease. CRE information services compile the data industry participants need to evaluate CRE assets and opportunities, informing decisions ranging from the determination of asking price to whether to execute a given sale or lease agreement. Real estate brokers, lenders, investors, developers, appraisers, government agencies, and others connected to the CRE industry require listings databases and information services with geographic coverage that corresponds to their unique scope of operations. The coverage needs of a given customer may be as broad as the entire United States, or as narrow as a city neighborhood.

CoStar and LoopNet are the only two providers of CRE listings databases with nationwide coverage. CoStar is the only great provider of full-inventory, research verified CRE listings databases and information services with national coverage. CoStar's closest competitor on a product basis, Xceligent, today provides full-inventory, research-verified listings databases and information services in 33 metropolitan areas. Other providers offer CRE listings databases and information services with coverage of a particular local or regional area or of a particular subset of the total CRE landscape, but none have achieved the critical mass of user data that CoStar and LoopNet possess today.

The acquisition may substantially lessen competition in these relevant markets by eliminating actual, direct, and substantial competition between CoStar and LoopNet, and between CoStar and Xceligent because LoopNet's substantial ownership stake in Xceligent. The acquisition therefore may increase the likelihood that CoStar will exercise market power unilaterally.

Timely, competitively meaningful entry is unlikely to mitigate these anticompetitive effects. Significant network effects characterize the market for CRE listings databases and create a substantial barrier to new entry. For both listings databases and information services, entry and expansion are difficult, costly, and time-consuming.

III. The Proposed Consent Agreement

The proposed Consent Agreement and the Order include the obligation to divest certain LoopNet data to Xceligent and conduct requirements that may modify Respondents' current and future contractual agreements with its customers. These provisions are intended to ensure that the remedy is responsive to the history and characteristics of the relevant markets. The Order incorporates these carefully-tailored provisions to assure the successful implementation of the remedy and to effectuate the Order's remedial purposes. Some of these provisions are highlighted below.

A. Divestitures

The proposed Consent Agreement is intended to remedy the acquisition's alleged anticompetitive effects by, among other things, requiring the divestiture of LoopNet's interest in Xceligent to DMG Information, Inc. ("DMGI"). DMGI is a U.S.-based subsidiary of British media and data conglomerate Daily Mail & General Trust, PLC, a publicly traded, for-profit firm with 2011 revenues of nearly £2 billion. DMGI specializes in business-to-business information services and has significant experience in the CRE information space. DMGI's strong, existing presence in the CRE information space includes substantial and long-standing investments in CRE information firms including Trepp, LLC; Real Capital Analytics, Inc.; Environmental Data Resources, Inc.; and BUILDERadius, Inc.

Respondents have reached an agreement with DMGI LoopNet's interest in Xceligent and in the URL "commercialsearch.com." In addition to these assets, Respondents have agreed to give DMGI certain LoopNet data that will facilitate Xceligent's expansion into new metropolitan areas. The need for this data divestiture arises from the unique historical relationship between LoopNet and Xceligent and from

available products on a standard basis for three (3) years post-acquisition. A related provision, Paragraph III.G., prohibits Respondents from limiting the use of the REApplications product, a software tool for managing market research. For three (3) years after the Order date, if Respondents continue to offer REApplications, Paragraph III.G. provides that customers shall be permitted to use REApplications in support of, or in connection with, their purchase, lease, or license of

following the Order date, and annually thereafter until the Order terminates in ten (10) years.

Paragraph IX. of the Order requires respondents to give the Commission prior notice of certain events that might affect compliance obligations arising from the Order.

D. Additional Provisions

Paragraph X. of the Order provides that the Order shall terminate after ten (10) years.