UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended: June 30, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ________ to ________

Commission file number: 0-24531

COSTAR GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	52-2091509
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

7475 WISCONSIN AVENUE
BETHESDA, MD 20814
(301) 215-8300

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] - No [ ]

As of July 31, 1999, there were 12,812,160 shares outstanding of the Registrant's Common Stock, par value $.01.

COSTAR GROUP, INC.

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PART 1 FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CoStar Group, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended June 30, 1999	For the Three Months Ended June 30, 1998	For the Six Months Ended June 30, 1999	For the Six Months Ended June 30, 1998
Revenues	$ 7,178	$ 3,254	$ 13,305	$ 6,093
Cost of revenues	3,068	968	5,662	1,872
Gross margin	4,110	2,286	7,643	4,221
Operating expenses:				
Selling and marketing	4,411	1,328	7,911	2,592
Software development	309	144	550	262
General and administrative	2,632	1,020	4,650	1,919
	7,352	2,492	13,111	4,773
Loss from operations	(3,242)	(206)	(5,468)	(552)
Interest and other income (expense)	616	(40)	678	(78)
Net loss	$ (2,626)	$ (246)	$ (4,790)	$ (630)
Basic and diluted net loss per share	$ (0.23)	$ (0.04)	$ (0.45)	$ (0.11)
Weighted average common shares	11,510	5,764	10,572	5,759

See accompanying notes.

CoStar Group, Inc.
Condensed Consolidated Balance Sheet
(in thousands)

	June 30, 1999	December 31, 1998
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 102,424	$ 19,667
Accounts receivable, less allowance for doubtful accounts of $600 and $326 as of June 30, 1999 and December 31, 1998	2,153	1,245
Prepaid expenses and other current assets	487	326
Total current assets	105,064	21,238
Property and equipment	5,792	3,385
Accumulated depreciation	(1,708)	(1,228)
	4,084	2,157
Capitalized product development costs, net of accumulated amortization of $1,630 and $990 as of June 30, 1999 and December 31, 1998	4,718	1,857
Other assets	18,921	2,098
Deposits	210	192
Total assets	$ 132,997	$ 27,542
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,641	$ 801
Accrued wages and commissions	1,755	1,078
Accrued expenses	1,239	812
Deferred revenue	3,033	1,647
Total current liabilities	7,668	4,338
Stockholders' equity	125,329	23,204
Total liabilities and stockholders' equity	$ 132,997	$ 27,542

See accompanying notes.

CoStar Group, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	For the Six Months Ended June 30, 1999	1998
Operating activities:		
Net loss	$ (4,790)	$ (630)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	480	191
Amortization	1,732	284
Provision for losses on accounts receivable	274	78
Non cash charges	9	9
Changes in operating assets and liabilities	411	483
Net cash provided by (used in) operating activities	(1,884)	415
Investing activities:		
Net purchases of property and equipment	(2,100)	(249)
Capitalization of product development costs	(677)	(223)
Acquisitions (net of acquired cash)	(9,993)	-
Net cash used in investing activities	(12,770)	(472)
Financing activities:		
Net proceeds from exercised stock options	-	80
Net proceeds from public offering	97,411	-
Net cash provided by financing activities	97,411	80
Net increase in cash and cash equivalents	82,757	23
Cash and cash equivalents at beginning of period	19,667	1,069
Cash and cash equivalents at end of period	$ 102,424	$ 1,092

See accompanying notes.

COSTAR GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

CoStar Group, Inc. (formerly Realty Information Group, Inc.) ("the Company") is a Delaware corporation and was incorporated in February 1998 to succeed its predecessors, Realty Information Group L.P. ("RIGLP") and OLD RIG, Inc. ("RIGINC"). RIGLP was an operating entity, while RIGINC was a shell holding entity. In connection with the Company's Initial Public Offering on July 1, 1998 ("the Offering"), RIGLP and RIGINC merged with the Company pursuant to the RIG Contribution Agreement dated March 5, 1998. The limited partners of RIGLP (other than RIGINC) and all of the stockholders of RIGINC received 3.03 shares of Common Stock of the Company per each limited partnership unit or share of common stock exchanged, for a total of 5,754,017 shares. As a result of the reorganization of these entities, the Company owned (directly or indirectly) all of the capital stock of RIGINC and all the equity of RIGLP.

The merger has been accounted for as a reorganization of entities under common control similar to a pooling of interests. Following the merger each shareholder of the Company maintained their exact same ownership of the operating entity, RIGLP, as before the merger. The transfer of assets and liabilities of RIGLP and RIGINC have been recorded at the historical carrying values. The financial statements are presented as if the Company was in existence throughout all periods presented, as one operating entity. All share amounts have been restated to reflect the conversion of partnership units to common stock of the Company. On January 1, 1999, RIGLP and RIGINC were merged into a newly formed corporation, CoStar Realty Information, Inc. a wholly-owned subsidiary of the Company.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the associated amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with original maturity dates of 90 days or less to be cash equivalents. Cash equivalents consist of money market fund investments and short-term commercial paper.

2. ACQUISITIONS

On January 8, 1999, the Company acquired all of the common stock of LeaseTrend, Inc. ("LeaseTrend"), a Cincinnati based provider of commercial real estate information, for $4,500,000 in cash and 566,671 shares of the Company's Common Stock. The transaction was accounted for as a purchase and the consideration was valued for accounting purposes at approximately $9,200,000 including acquisition expenses.

On January 22, 1999, the Company acquired all of the common stock of Jamison Research, Inc. ("Jamison"), an Atlanta based provider of commercial real estate information, for $5,284,000 in cash and 448,031 shares of the Company's common stock. The transaction was accounted for as a purchase and the consideration was valued for accounting purposes at approximately $10,300,000 including acquisition expenses.

The Company adjusted the historical carrying value of certain acquired assets and liabilities of LeaseTrend and Jamison to fair market value as discussed below. Working capital and property and equipment accounts of LeaseTrend and Jamison were recorded at book value, and represent an increase in amounts allocated to the accounts shown below of approximately $600,000 and $400,000, respectively. The approximate allocation of purchase price to capitalized product development costs and intangible assets (including amounts previously capitalized by LeaseTrend and Jamison) is as follows:

	LeaseTrend	Jamison	Totals	Estimated Life
Capitalized product development				
Developed software products	$ 200,000	$ 200,000	$ 400,000	2 years
Proprietary databases	1,100,000	1,300,000	2,400,000	5 years
Other assets				
Customer base	8,100,000	8,800,000	16,900,000	10 years
Other intangible assets	400,000	400,000	800,000	2 years
	$9,800,000	$10,700,000	$ 20,500,000	

Capitalized product development includes those developed software products and proprietary databases which are expected to produce revenues currently, until their conversion by the Company into products with a format consistent with the Company's products. This effort is expected to take up to 2 years from the date of acquisition. The underlying proprietary databases are expected to continue in use beyond the conversion period.

The Company's unaudited pro forma consolidated condensed statement of operations for the six months ended June 30, 1999 and 1998, assuming the acquisition of LeaseTrend and Jamison was effected at the beginning of the period, is summarized as follows:

	For the Six Months Ended June 30, 1999	1998
Revenues	$ 13,617,000	$ 9,981,000
Net loss	$ (4,934,000)	$(2,057,000)
Weighted average shares	10,652,000	6,773,000
Basic and diluted net loss per share	$ (.46)	$ (.30)

3. LINE OF CREDIT

In October 1998, the Company renewed its line of credit agreement with Silicon Valley East (a Division of Silicon Valley Bank). The new line provides for a total of $5,000,000 in borrowing bearing an interest rate at the bank's prime rate plus 1%, and has a one-year term. On February 2, 1999, the Company borrowed $3,000,000 against this line of credit. The proceeds from this borrowing were repaid on May 13, 1999.

4. PUBLIC OFFERING

On May 10, 1999, the Company completed a public offering of its common stock in which a total of 3,019,495 shares were issued (including 269,495 shares issued in connection with the underwriters' over-allotment option) at $34.50 per share. The total net proceeds to the Company were approximately $97.4 million, after deducting underwriting discounts and commissions and estimated offering expenses.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those in such forward-looking statements as a result of certain factors, including those set forth in the Company's registration statement filed on Form S-1 on March 24, 1999, and the Company's other filings with the Securities and Exchange Commission. The following discussion should be read in conjunction with the Company's filings with the Securities and Exchange Commission and the unaudited condensed consolidated financial statements included herein.

OVERVIEW

CoStar Group, Inc. is a leading provider of information services to the U.S. commercial real estate industry. We are creating a digital marketplace where the members of the commercial real estate and related business community can continuously interact and facilitate transactions by efficiently exchanging accurate and standardized information. Our wide array of digital service offerings includes a leasing marketplace, a selling marketplace, decision support, tenant information, property marketing, and industry news. Substantially all of our current services are digitally delivered and a majority of our clients receive daily service updates over the Internet.

We completed our initial public offering in July 1998 and received net proceeds of approximately $22.7 million. We primarily used those net proceeds to fund the geographic and service expansion of our business, including three strategic acquisitions, and to expand our sales and marketing organization. In May 1999, we completed a follow-on public offering and received net proceeds of approximately $97.4 million. We expect to use these proceeds primarily for development and distribution of new services, expansion of all existing services across our current markets, geographic expansion in the U.S. and international markets, strategic acquisitions and working capital and general corporate purposes.

From 1994 through 1998, we expanded the geographical coverage of our existing services and developed new services. In addition to internal growth, this expansion included the acquisitions of Chicago ReSource, Inc. in Chicago in 1996 and New Market Systems, Inc. in San Francisco in 1997. In August of 1998, we expanded into the Houston region through the acquisition of Houston-based real estate information provider C Data Services, Inc. In January of 1999, we expanded further by acquiring LeaseTrend and Jamison.

We consider regions that have had ongoing operations for at least 18 months to be established, and we currently generate positive cash flow from our operations in each established region. As of June 30, 1999, the following regions are those that have been in operation for more than 18 months and that we consider to be established: Washington (includes Baltimore), Chicago, New York (includes Northern New Jersey, Long Island, Westchester, and Connecticut), Los Angeles (includes Orange County), San Francisco, and Philadelphia. These regions provide us with substantial cash flow which we reinvest into the business. Since its inception, the development of our business has required substantial investments for the expansion of services and the establishment of operating regions, which has resulted in substantial net losses on an overall basis.

The incremental cost of introducing new services in an established region in the future may reduce the profitability of a region or cause it to incur losses. We expect continued development and distribution of new services, expansion of all existing services across current markets and geographic expansion in the U.S. and international markets. Therefore, while we expect operations in existing established regions to remain profitable and provide substantial funding, we expect our overall expansion plans to generate significant losses and negative cash flow from operations for at least the next two years.

THREE MONTHS ENDED JUNE 30, 1998 COMPARED TO
THREE MONTHS ENDED JUNE 30, 1999

REVENUES. Revenues increased 121% from $3,254,000 for the three months ended June 30, 1998 to $7,178,000 for the three months ended June 30, 1999. The increase resulted primarily from growth in the Company's client base in established regions, expansion of emerging regions entered during 1998 and revenues from the over twenty newly acquired regions including Atlanta, Dallas, Florida, Denver and the Midwest.

GROSS MARGINS. Gross Margins increased 80% from $2,286,000 for the three months ended June 30, 1998 to $4,110,000 for the three months ended June 30, 1999, while gross margin percentages were 70% and 57% of revenue, respectively. This increase resulted principally from significant revenue growth from established regions. The decline in gross margin percentages resulted from expansion of services in established regions, an increase in the number of emerging regions and lower gross margins in the newly acquired regions. Furthermore, our cost of revenues for the three months ended June 30, 1999 includes purchase price amortization from the LeaseTrend and Jamison acquisitions of approximately $170,000.

SELLING AND MARKETING EXPENSES. Selling and marketing expenses increased 232% from $1,328,000 for the three months ended June 30, 1998 to $4,411,000 for the three months ended June 30, 1999. Selling and marketing expenses increased as a result of the cost of the acquired sales organizations and purchase price amortization of approximately $420,000 for the Jamison and LeaseTrend acquisitions during the second quarter of 1999. In addition, continued expansion of the sales organization and marketing efforts required for growth, particularly in emerging regions, including Boston, Phoenix, Houston, Tampa, Miami, Denver and the Midwest, of which only Boston was in operation during the second quarter of 1998, contributed to the increased expenses.

SOFTWARE DEVELOPMENT. Software development expenses increased 115% from $144,000 for three months ended June 30, 1998 to $309,000 for the three months ended June 30, 1999 reflecting development costs for the expansion of services for emerging and established regions and new service initiatives.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased 158% from $1,020,000 for the three months ended June 30, 1998 to $2,632,000 for the three months ended June 30, 1999. General and administrative expenses increased due to the hiring of new employees to support the expanding scope of our operation and client base, as well as the increased administrative costs of a public company. Additionally, our general and administrative expenses include approximately $100,000 of purchase price amortization from the LeaseTrend and Jamison acquisitions.

INTEREST AND OTHER INCOME (EXPENSE). Interest and other income increased from an expense of $40,000 for the three months ended June 30, 1998 to income of $616,000 for the three months ended June 30, 1999. This was a direct result of interest earned on the proceeds from the initial and follow-on public offerings.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO
SIX MONTHS ENDED JUNE 30, 1999

REVENUES. Revenues increased 118% from $6,093,000 for the six months ended June 30, 1998 to $13,305,000 for the six months ended June 30, 1999. The increase resulted primarily from growth in the Company's client base in established regions, expansion of emerging regions entered during 1998 and revenues from over twenty newly acquired regions including Atlanta, Dallas, Florida, Denver and the Midwest regions.

GROSS MARGINS. Gross Margins increased 81% from $4,221,000 for the six months ended June 30, 1998 to $7,643,000 for the six months ended June 30, 1999, while gross margin percentages were 69% and 57% of revenue, respectively. This increase resulted principally from significant revenue growth from established regions. The decline in gross margin percentages resulted from expansion of services in established regions, an increase in the number of emerging regions and lower gross margins in the newly acquired regions. Furthermore, our cost of revenues for the six months ended June 30, 1999 includes purchase price amortization from the LeaseTrend and Jamison acquisitions of approximately $308,000.

SELLING AND MARKETING EXPENSES. Selling and marketing expenses increased 205% from $2,592,000 for the six months ended June 30, 1998 to $7,911,000 for the six months ended June 30, 1999. Selling and marketing expenses increased as a result of the cost of the acquired sales organizations and purchase price amortization of approximately $773,000 for the Jamison and LeaseTrend acquisitions for the six months ended June 30, 1999. In addition, continued expansion of the sales organization and marketing efforts required for growth, particularly in emerging regions, including Boston, Phoenix, Houston, Tampa, Miami, Denver and the Midwest, of which only Boston was in operation during the six months ended June 30, 1998, contributed to the increased expenses.

SOFTWARE DEVELOPMENT. Software development expenses increased 110% from $262,000 for six months ended June 30, 1998 to $550,000 for the six months ended June 30, 1999 reflecting development costs for the expansion of services for emerging and established regions and new service initiatives.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased 142% from $1,919,000 for the six months ended June 30, 1998 to $4,650,000 for the six months ended June 30, 1999. General and administrative expenses increased due to the hiring of new employees to support the expanding scope of our operation and client base, as well as the increased administrative costs of a public company. Additionally, our general and administrative expenses include approximately $183,000 of purchase price amortization from the LeaseTrend and Jamison acquisitions.

INTEREST AND OTHER INCOME (EXPENSE). Interest and other income increased from an expense of $78,000 for the six months ended June 30, 1998 to income of $678,000 for the six months ended June 30, 1999. This was a direct result of interest earned on the proceeds from the initial and follow-on public offerings.

LIQUIDITY AND CAPITAL RESOURCES

Our cash balance was $102,424,000 at June 30, 1999, an increase of $82,757,000 from $19,667,000 at December 31, 1998. This increase was due principally to the $97.4 million in proceeds from the follow-on public offering, which was offset by acquisitions of LeaseTrend and Jamison in January 1999, cash used in operating activities, $2,100,000 million in purchases of property and equipment and $677,000 in capitalized product development costs. During the second quarter of 1999, we financed our operations and growth through cash flow from the established regions and the proceeds of the public offerings. Net cash used in operations for the six months ended June 30, 1999 was $1,884,000 compared to net cash provided by operating activities of $415,000 for the six months ended 1998. This was a direct result of increased expansion in the emerging and acquired regions. Additionally, we received advance payments from clients on a number of contracts, resulting in the generation of cash as reflected in deferred revenue balances of $1,647,000 and $3,033,000 as of December 31, 1998 and June 30, 1999, respectively. We continue to experience overall operating losses as a result of our recent expansion into emerging and acquired regions, while established regions continue to generate substantial cash flow from operations.

Net cash used in investing activities amounted to $12,770,000 for the six months ended June 30, 1999, including $9,993,000 (net of acquired cash) for the acquisition of LeaseTrend and Jamison. Additional investing activities included capitalized product development costs, consisting principally of building photography, and purchase of property and equipment, consisting principally of computer and office equipment. We currently have no material commitments for capital expenditures.

Effective October 5, 1998, we renewed our line of credit and increased the amount of the facility from $1,000,000 to $5,000,000. On February 2, 1999 we borrowed $3,000,000 against this line of credit. The proceeds from this borrowing were repaid on May 13, 1999.

On May 10, 1999, the Company completed a public offering of its common stock in which a total of 3,019,495 shares were issued (including 269,495 shares issued in connection with the underwriters' over-allotment option) at $34.50 per share. The total net proceeds to the Company were approximately $97.4 million, after deducting underwriting discounts and commissions and estimated offering expenses.

To date, we have grown in part by acquiring other companies, and we may continue to make acquisitions. Our acquisitions may vary in size and could be material to our current operations. We expect to use cash, stock, or other means of funding to make these acquisitions.

We expect to incur significantly higher costs, particularly as we introduce new and upgraded services, expand geographically, and develop the infrastructure to support the expanding organization and client base. Based on current plans, we believe that our available cash combined with our line of credit and positive cash flow from our established regions should be sufficient to fund our operations for at least the next two years.

Through June 30, 1998, we operated as either a Subchapter S corporation or a limited partnership, and we were not subject to corporate income taxes. After June 30, 1998, we became a taxable entity. Although we have experienced losses to date, future profits, to the extent not offset by the benefits of loss carryforwards, would result in income tax liabilities. We do not expect to benefit substantially from tax loss carryforwards generated prior to July 1998.

We do not believe the impact of inflation has significantly affected our operations.

IMPACT OF THE YEAR 2000

We believe that we may be affected by computer problems associated with the Year 2000. The Year 2000 issue arises because some computer hardware and software will not work properly after 1999. That failure occurs because many older systems express dates in a two-digit format. For example, under this format the year 1999 is expressed as 99. As a result, these older systems may be unable to distinguish between the year 1900 and the year 2000. That inability may cause hardware system failures, software miscalculations, and disruptions of data transmissions.

Our plans to resolve the Year 2000 issue involve the following steps: assessment, remediation, and confirmation through testing. To date, we have completed our preliminary assessment of the issue and approximately 75% of the remediation phase. We have undertaken testing as particular aspects of the remediation phase are completed.

Assessment

Our Year 2000 assessment has included:

- - cataloging and evaluating internal hardware and software systems obtained from third parties;

- - testing the software we have developed ourselves; and

- - contacting our clients, suppliers, and service providers.

Remediation and Testing Efforts

We have identified three areas that require evaluation and remediation: internal infrastructure, our proprietary software, and impacts from systems of vendors and our clients.

Internal Infrastructure. We are currently cataloging and evaluating our hardware to determine its Year 2000 compliance. Our workstation supplier has informed us that all workstations we have obtained from it are compliant. We have successfully completed testing on approximately 80% of those workstations. We have purchased new, compliant servers to replace older hardware and most of these servers are operational. We expect the remainder of those servers to be operational within the next three months. In addition, we have recently completed compliance testing on most of our laptops and believe that they are Year 2000 compliant.

We are also in the process of making the software used in our internal infrastructure Year 2000 compliant. We have installed a new, compliant enterprise accounting system. In addition we have converted approximately 75% of our network server operating systems to compliant software and expect to convert the remaining servers to compliant software within the next three months. Furthermore, we have replaced most of our non-compliant phone and voice mail systems with compliant systems.

Proprietary Software and Databases. Our commercial real estate information systems use extensive proprietary software and databases. We performed Year 2000 compliance measures for much of this software in prior years since various fields, like tenant lease expirations, required compliance in the early 1990's to accommodate post-2000 dates. Since that time, we have assessed all our proprietary commercial real estate information software to identify areas vulnerable to these problems. This led us to recode common date routines, functions, and methods so they would interpret both entered and stored dates with a compliant approach. We believe that our proprietary systems are now compliant, but we might still encounter additional Year 2000 defects. In addition, we are upgrading our older internal software applications with newer systems to provide greater assurance of Year 2000 compliance.

We have identified additional potential Year 2000 risks with respect to our recently acquired LeaseTrend and Jamison subsidiaries. We believe that a significant percentage of their hardware and internal proprietary software are non-compliant. We are currently upgrading these computer systems and are converting the acquired databases into our centralized system to replace the non-compliant products we acquired used by those subsidiaries. We plan to complete this process in the next three months in the normal course of business.

Client and Vendor Issues. Our assessment has also revealed that some of our clients use hardware and software that is not Year 2000 compliant. As a result, our clients' systems may not support the use of our software. We have notified our clients of this potential issue. Where we have uncovered such problems, we have attempted to ensure compatibility by coding our own alternatives or replacements. Despite these efforts, our clients' success in continuing to install and use our services depends significantly on their own compliance efforts, which we do not control. If necessary, we will develop in the next three months a contingency plan to address problems arising from our clients' failure to have compliant computer equipment and software.

Third party Year 2000 compliance problems may also affect us by interrupting services which we need to conduct our business. For example, most of our data updates are delivered via the Internet. If Year 2000 problems result in disruption of the Internet as a delivery system, we believe we could use alternative delivery systems, which would mitigate to some extent the impact of this disruption. We also rely on telecommunications providers for communication services and distribution of our product data updates. Any compliance problems by these providers could lead to extended loss of their services and significant unanticipated expenses to remedy the situation.

Compliance Costs

Our incremental costs expended to date in connection with Year 2000 compliance have not been significant, as we have undertaken most of our activities in the normal course of business. We estimate, however, that during 1999 we have spent approximately $700,000 in connection with Year 2000 compliance. In addition we estimate that we will spend approximately $300,000 in connection with Year 2000 compliance during the remainder of 1999. A large part of these costs results from upgrading LeaseTrend and Jamison equipment and software, much of which was planned independently of the Year 2000 issue.

ITEM 3   QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not have significant exposure to market risks associated with the changes in interest rates related to its cash equivalent securities held as of June 30, 1999.

PART II. OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

From time to time, the Company has been involved in lawsuits incidental to its business. The Company is not currently subject to, and none of our properties is subject to, any material legal proceedings.

ITEM 2 CHANGE IN SECURITIES

None

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5 OTHER INFORMATION

On August 2, 1999, the Company changed its name from Realty Information Group, Inc. to CoStar Group, Inc.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

An amended report on Form 8-K was filed with the SEC on April 7, 1999 providing financial statements and financial information required under Item 7 with respect to the acquisition of Jamison Research, Inc.

EXHIBIT NUMBER:	EXHIBIT DESCRIPTION:
3.1	Certificate of Amendment of Restated Certificate of Incorporation
27	Financial Data Schedule

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COSTAR GROUP, INC.

Date: August 11, 1999

By: /s/ Frank A. Carchedi

Frank A. Carchedi
Chief Financial Officer
(Principal Financial and Accounting Officer
and Duly Authorized Officer)

EXHIBIT 3.1

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

OF

REALTY INFORMATION GROUP, INC.

Realty Information Group, Inc., a Delaware corporation, hereby certifies as follows:

FIRST. The Board of Directors of said Corporation duly adopted a resolution setting forth and declaring advisable the amendment of Article One of the Restated Certificate of Incorporation of said Corporation so that, as amended, said Article shall read as follows:

"The name of the Corporation is: CoStar Group, Inc."

SECOND. The effective date and time of the foregoing amendment shall be 8:00 a.m., New York time, on August 2, 1999.

THIRD. The foregoing amendment has been duly adopted by the favorable vote of the holders of a majority of the outstanding stock entitled to vote thereon in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Realty Information Group, Inc. has caused this certificate to be signed by Andrew Florance, its President and Chief Executive Officer, on the 22nd day of July 1999.

REALTY INFORMATION GROUP, INC.

By /s/ Andrew Florance

Andrew Florance
President and Chief Executive Officer

This schedule contains summary financial information extracted from the condensed consolidated balance sheet and statement of operations of COSTAR GROUP, INC. as of and for the six months ended June 30, 1999 and is qualified in its entirety by reference to such financial statements.

OTHER
DEC-31-1999
JUN-30-1999
102,424,000
0
2,753,000
600,000
0
105,064,000
5,792,000
1,708,000
132,997,000
7,668,000
0
0
0
128,000
125,201,000
132,997,000
0
13,305,000
0
5,662,000
13,111,000
274,000
0
(5,468,000)
0
(4,790,000)
0
0
0
(4,790,000)
(0.45)
(0.45)