

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement

Effective as of February 22, 2007, CoStar Realty Information, Inc. (“CoStar”) and Gateway, Inc. (“Gateway”) executed an amendment (the “Amendment”) to a sublease agreement (the “Sublease”), pursuant to which CoStar has exercised its option to extend the Sublease for an additional five-year term commencing September 1, 2007 and expiring August 31, 2012. Under the Sublease, CoStar leases from Gateway approximately 41,551 square feet of office space located within the building known as 4535 Towne Centre Court, San Diego, CA 92121. The Amendment extending the Sublease has an average base rent of approximately \$26.76 per rentable square foot per year (excluding property tax and service charges).

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 hereunto duly authorized.

COSTAR GROUP, INC.

By:

/s/ Frank A. Carchedi

Date: February 27, 2007

Name: Frank A. Carchedi

Title: Chief Financial Officer