I am recommending a sell of CoStar Group (CSGP) with a weighted average price target of ~$26.50 which represents an almost 25% drop from their current early May 2026 price of ~$35. The company is currently undergoing a shift from being a pure play CRE data provider to a mix between CRE Data and acting as a Residential marketplace company similar to Zillow. The market has been bearish over the past year as investments have poured into the Resi side of the business while they are yet to reach profitability on their newer Homes.com product. My three-point case for the short position is as follows:

1. **Execution Risk on Homes.com:** Their investment in Homes.com is part of a multi-year plan to secure space in the Single-Family Residential market. While their other product, Apartments.com, is doing well, Homes.com is not expected to reach profitability until 2029. This leaves significant room for execution risk that could derail their plans to enter the space successfully. While management does appear to be seasoned, I think the market is still overpricing CSGP based on the serious potential execution risk of their Homes.com investment given the extended timeline.
2. **Highly Competitive Industries:** Both the CRE data market, as well as the Residential marketplace market, have many competitive players in the space who are also trying to innovate and take share. Companies like Crexi, Yardi, and Green Street on the CRE data side and Zillow, Realtor.com, and Redfin on the Residential side (in addition to many more on both) can cause problems for CSGP in the future. While CSGP is currently very dominant on the CRE side, their attempt to break into single-family Resi is facing a clear uphill battle as mentioned above.
3. **Poor Industry Trends in both CRE and Resi:** With the exception of Data Centers, both CRE and Residential have been struggling since the Pandemic. CRE, in particular Life Science and Office, are high-vacancy and trends aren't improving much. On the Residential side, mortgage rates are high leading to some owners not wanting to sell along with keeping a good mix buyers sidelined waiting for improvement as well. The Resi side seems more concerning for CSGP in the immediate term as lower interest in buying and selling homes will be a direct hit to Homes.com traffic.

Catalysts: The market is already substantially bearish on CSGP. They have been selling off for over a year at this point. I don't think there is a need for a sharp catalyst to shock the market as momentum is on the side of the trade. While they have good topline growth numbers, I believe it is already priced into the current share price and then some. The Homes.com investment drag hitting the bottom line, lack of short-term return to show for it, and execution risk hampering longer-term upside is enough for a continued sell-off down to my price target of $26.50.

Bull-Case: The risk comes from potential early profitability on Homes.com, improvement in site traffic trends, strong current products and business lines gaining outsized improvement (CRE Data, Matterport, AUS expansion, etc.) or stabilization in the housing market. The company has good growth overall, so if they can eliminate the drag and turn Homes.com profitable sooner than the 2029 estimate then their stock price could increase from where it is today. That being said, I think the risk is asymmetric at the current price, and upside could be limited in terms of stock price changes.

In summary, CSGP is taking a gamble on entering the single-family residential marketplace market and stock market participants had previously been giving them an exorbitant amount of credit to be able to execute on that vision. Over the past year, the market has slowly but consistently brought the stock price back toward reasonable levels, but I still see about 25% more in terms of correction potential. I like taking a short position here, targeting a price of ~26.50 to be realized over the next 6-12 months as the market continues to correct the price.

2027 P/E Valuation and Weighted-Average Price Target

2027 Multiple	Price	Odds	Diff
Downside 25x P/E	$15.00	33.3%	(19.98)
Base 25x P/E	$26.59	33.3%	(8.39)
Upside 25x P/E	$37.93	33.3%	2.95

WA Target
26.51

Sensitivity Analysis on CSGP P/E Multiple

		EPS by Year			
	Base Case	2027	2028	2029	2030
	P/E Multiple	$1.06	$1.65	$2.33	$3.14
Low Resi	17	$18.08	$28.01	$39.66	$53.37
Medium Resi	20	$21.27	$32.95	$46.66	$62.79
High Resi	22	$23.40	$36.24	$51.32	$69.07
Blended 1	25	$26.59	$41.18	$58.32	$78.48
Blended 2	27	$28.72	$44.48	$62.99	$84.76
CRE Data Avg	30	$31.91	$49.42	$69.99	$94.18