

# CoStar Group: Can Homes.com Become a Marketplace?

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**Case convention:** This author-created case uses public information only. Management statements are attributed. No private deliberations or post-cutoff outcomes are represented.

## The question

CoStar Group closed 2025 with \$3.247 billion in revenue, up 19% from 2024, but a \$72 million operating loss and \$7 million in net income. Its January 2026 outlook described Homes.com as a fast-growing part of its residential portfolio: subscribers had increased 337% since the first quarter of 2024. At the same time, management said Homes.com's 2025 "net investment"-revenue less directly attributable and allocated costs-was \$850 million. Management expected to lower that investment by more than \$300 million in 2026, then by at least \$100 million annually through 2030. It forecast revenue above expenses exiting 2029 and positive Adjusted EBITDA in 2030. These were forecasts, not results. [S1], pp. 45-46; [S2], Homes.com outlook.

As an outside investor reviewing CoStar's February 26, 2026 Form 10-K, you must decide how to interpret that combination. Is Homes.com developing into a marketplace where consumer use and agent participation reinforce each other? Or is it still buying audience and brand awareness, with conversion and returns difficult to establish? What evidence should guide your view of management's investment milestones?

**Assignment:** Prepare an investor brief that evaluates the Homes.com growth thesis and identifies the operating evidence that would strengthen or weaken it over the next two years. Distinguish Homes.com from CoStar's broader Residential segment and the companywide outlook. Do not treat management's forecasts as achieved results.

## CoStar's proposition

CoStar's business spans commercial property data and analytics, online advertising marketplaces and residential real estate. It describes its residential marketplaces as aggregating consumer demand and selling marketing and leads to agents, property owners, landlords and property managers. Homes.com lets consumers search listings and neighborhood information, while agents can promote their listings and profiles. CoStar describes this as a "your-listing your lead" proposition. [S1], Item 1, pp. 10-12.

The company's product strategy combines Homes.com with a broader set of assets. CoStar says Homes AI draws on property information, Matterport 3D digital twins, images, school information, neighborhood insights and market intelligence. The 2026 priorities in its annual

report include integrating Domain and OnTheMarket with its residential platforms, cross-platform rental marketing, depth advertising, a new homes builder program and additional tools for agents. [S1], Item 1, pp. 10-12; Item 7, pp. 39-40.

The investment sits inside a larger business. CoStar reports Commercial Real Estate and Residential Real Estate as its operating segments. Residential also includes Apartments.com, Land.com, Domain and OnTheMarket. In 2025, Residential revenue increased 20% to about \$1.5 billion. CoStar attributed the increase to more agents and properties advertised, partly offset by lower average prices, and \$95 million in Domain revenue after its August acquisition. Residential Adjusted EBITDA improved by \$131 million but remained a loss of \$230 million. Those segment figures combine products and allocated shared costs; CoStar does not report a standalone Homes.com income statement. [S1], Item 7, pp. 45-48.

## **A forecast and its measurement problem**

CoStar's January outlook gives investors a schedule against which to assess execution. Management defined Homes.com net investment as revenue less directly attributable and allocated costs. It reported \$850 million for 2025 and forecast a reduction of more than \$300 million in 2026, followed by annual reductions of more than \$100 million through 2030. It expected Homes.com revenue to exceed expenses exiting 2029 and positive Adjusted EBITDA in 2030. The release did not provide Homes.com standalone revenue, subscriber counts, paid conversion, agent retention or forecast sensitivities. [S2].

At the company level, management forecast 2026 revenue of \$3.78-\$3.82 billion and Adjusted EBITDA of \$740-\$800 million; its medium-term outlook included approximately 15% revenue CAGR from 2025 to 2028 and \$1.25 billion in Adjusted EBITDA in 2028. These figures cover all CoStar operations and do not isolate Homes.com. [S2].

CoStar's filing offers portfolio-wide context, with similar limits. Across all subscription services, annualized net new bookings were \$308 million in 2025, \$250 million in 2024 and \$286 million in 2023. CoStar cautions that bookings are an operating metric and should not replace revenue analysis. Renewal rates for companywide subscription contracts of at least one year were 89%, 89% and 90%, respectively. Neither series provides a Homes.com cohort measure. [S1], Item 7, pp. 39-40.

## **The competitive setting**

CoStar says its marketplace businesses depend partly on attracting consumers and advertising from agents, brokers, property managers and owners. For Homes.com and Apartments.com it uses television, radio, online advertising, social media, email, search-engine marketing and search-engine optimization. The filing identifies risks from changing search rankings, competition for audience and advertisers, advertising that does not generate cost-effective awareness or revenue, and difficulty attracting and retaining agents and consumers. [S1], Item 1, p. 12; Item 1A, pp. 15-21.

Homes.com therefore competes in a system involving consumers, agents, listing providers, brokerages, MLSs and search engines. Consumers may consult several portals; agents may advertise across multiple services; and access to listing data and visibility in search results matter. CoStar identifies Zillow, Realtor.com and other residential portals as competitors and notes that rivals may have more traffic, brand recognition, data or marketing resources. [S1], Item 1A, pp. 16-19.

## What platform research can-and cannot-say

Rochet and Tirole's theoretical analysis of two-sided platforms explains why a platform may need to attract both user groups and choose how prices are divided between them. Their model also shows how multihoming can shape competition. It provides a way to ask whether consumer value and agent value reinforce each other, but it does not establish Homes.com network effects or an optimal investment level. The article uses stylized markets and participation assumptions. [S3], pp. 990-1004, 1012-1019.

Chu and Manchanda's empirical study of Taobao, a Chinese consumer-to-consumer marketplace, estimates that a 1% larger seller base was associated with 1.53% more new buyers on average, while a 1% larger buyer base was associated with 0.44% more new sellers. Buyer-side direct network effects were small; the seller-side direct effect was statistically insignificant. Their data are daily platform-level observations from 2003 through 2012, and estimates come from a model of joining decisions. Taobao's low-friction, free-to-join commerce platform differs from residential property search, which is local, high stakes, infrequent and dependent on listing access. These estimates are not Homes.com forecasts or benchmarks. [S4], working paper pp. 13-16, 21-27, Table 5 and Figure 3; published article abstract.

## Investor brief

Assess whether the public evidence supports a plausible path from Homes.com audience growth to lasting agent value and improving economics. Set out a small group of observable milestones for 2026-2027, explain what each would measure, and identify the alternative explanations each milestone must rule out. State what additional disclosure would help distinguish Homes.com performance from Residential segment mix and companywide cost allocations.

## Discussion questions

1. Which links in the proposed consumer-agent marketplace chain are supported by public evidence, and which remain assumptions?
2. What would make the reported subscriber increase strategically meaningful? What would make it a weak indicator?
3. How should an investor interpret the planned reduction in net investment alongside the 2029/2030 profitability targets?
4. Which CoStar-level metrics are useful context, and why can none substitute for Homes.com-specific cohorts or unit economics?
5. How far do the two-sided market studies travel to this case? What should an investor measure directly instead?

## Sources

**S1.** CoStar Group, [2025 Form 10-K](#), filed February 26, 2026; cited Item 1, Item 1A, Item 7, audited statements and Notes 2, 4 and 13.

**S2.** CoStar Group, [January 7, 2026 full-year and medium-term outlook](#), Homes.com forecast and consolidated outlook.

**S3.** Rochet, Jean-Charles, and Jean Tirole (2003), "Platform Competition in Two-Sided Markets," *Journal of the European Economic Association* 1(4): 990-1029. [DOI](#).

**S4.** Chu, Junhong, and Puneet Manchanda (2016), "Quantifying Cross and Direct Network Effects in Online Consumer-to-Consumer Platforms," *Marketing Science* 35(6): 870-893. [DOI](#). Results are cited to the accessible September 2015 author manuscript, [University of Michigan repository](#); final journal abstract checked.