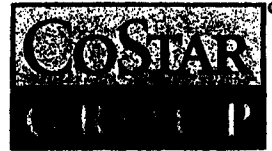


EXHIBIT 3

Ref: legalw
Dept:

Date: 18AUG04 SHIPPING \$11.42
Wgt: 0.35 lbs SPECIAL \$0.00
HANDLING \$0.00
TOTAL \$12.22

SERVICE: STANDARD OVERNIGHT
TRACK: 6754 7422 6530



Real Estate Information

August 18, 2004

Via Federal Express

Ryan Prusse
Director
RSP & Associates
9450 SW Commerce Circle
Suite 101
Wilsonville, OR 97070

CoStar Group, Inc.

2 Bethesda Metro Center
Bethesda, MD 20814-5388

877-7-COSTAR
www.costar.com
NASDAQ: CSGP

Re: Your Use of CoStar Services

Dear Mr. Prusse:

You have abused the CoStar COMPS® service previously licensed to RSP, and CoStar was fully within its rights when it terminated your subscription. You have also failed to provide a sufficient response to my letter of August 10, 2004. Specifically:

1. While it has become abundantly clear that you have provided third parties with access to the proprietary, subscription-only CoStar COMPS service, you have failed to identify the names and company affiliations of each such third party;
2. While you say you "have not knowingly provided access to your subscription," you fail to account for how and why third parties knew your specific CoStar UserID and password and used such codes to gain access to and use of the CoStar COMPS service;
3. While you say you "have not knowingly provided access to your subscription," you fail to account for why you set up a system wherein anyone calling your office could upon request receive the rotating CoStar key token code that must be entered along with the associated static UserID and password to gain access to the CoStar COMPS service;
4. Aside from telling me by telephone that "we're as guilty as can be in terms of sharing the CoStar ID's internally," you have failed to identify the names of the current and former RSP personnel that have accessed or used the CoStar COMPS service;

5. You have not explained what you received in exchange for providing others, including other commercial real estate professionals, with access to the CoStar COMPS service;
6. You have failed to confirm that you will permanently refrain from accessing or using any CoStar subscription service absent express written permission from CoStar; and
7. You have failed to comply with the "Post-Termination" section of the License Agreement, which requires you to permanently delete and destroy all elements of the Licensed Product under RSP's control and affirm the completion of this process by execution and delivery to CoStar of a written certification to that effect. (Note: as indicated by telephone, solely for archival purposes required by law or regulation, and not for any other purpose, such as any future research, counseling or valuations, you may retain limited, insubstantial portions of the Licensed Product to the extent already incorporated into work product generated for a specific client in compliance with the terms of the License Agreement).

In sum, these are important issues yet you have not treated them in a serious manner. I urge you to provide a complete response within five (5) business days so that we can explore the possibility of a resolution to this matter.

Sincerely,



Scott A. Zebrak
Deputy General Counsel &
Director, Intellectual Property