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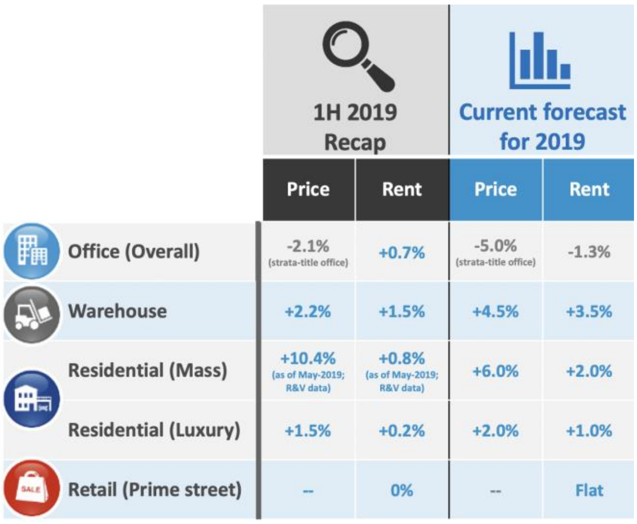
IMMEDIATE RELEASE

Colliers releases Hong Kong Mid-Year Market Outlook 2019

Business sentiment remained cautious but not all doom and gloom

Hong Kong, 24 July 2019 – Colliers International (NASDAQ: CIGI; TSX: CIGI), a global leader in commercial real estate services, released its Hong Kong Mid-Year Market Outlook 2019 to evaluate Hong Kong's property market in the first half of 2019. The report also explores factors affecting the Office, Industrial, Retail and Residential sectors as well as the overall real estate investment landscape to forecast performance over the next six months.

"While US-China trade tension has eased after the G20 summit, business sentiment remained cautious with no clear resolution in sight and as local political turbulence grows. However, Colliers does not anticipate an all "doom and gloom" scenario. We expect the lower interest rate outlook, low unemployment rate and opportunities arising from the Greater Bay Area plan to provide long-term stability," said ***Rosanna Tang, Head of Research, Hong Kong and Southern China, Colliers International***.



	1H 2019 Recap		Current forecast for 2019	
	Price	Rent	Price	Rent
Office (Overall)	-2.1% (strata-title office)	+0.7%	-5.0% (strata-title office)	-1.3%
Warehouse	+2.2%	+1.5%	+4.5%	+3.5%
Residential (Mass)	+10.4% (as of May-2019; R&V data)	+0.8% (as of May-2019; R&V data)	+6.0%	+2.0%
Residential (Luxury)	+1.5%	+0.2%	+2.0%	+1.0%
Retail (Prime street)	--	0%	--	Flat

Colliers' Rental and Price Recap and Forecasts for Hong Kong's Property Market by Sector in 2019

Investment: Strong Rebound of Investment Volume; Neighbourhood Malls and Industrial Buildings as Investment Spotlights for H2

Overall investment volume for commercial properties increased 44% to HKD97.6 billion in H1 2019 from H2 2018, with investment being particularly active in Q2 2019. The rebound in investment volume was mainly driven by a pick-up of transactions in the en bloc office market, hotels and shopping malls.

"Looking ahead, we expect investment sentiment to stay cautiously optimistic for the rest of 2019. We believe commercial property prices will maintain relatively firm in H2 2019 whilst funds and investors stay financially strong. Investors could consider districts with a more bullish rental outlook, such as Island East, and assets with relatively lower capital entry requirements and strong market fundamentals, such as neighbourhood malls, as these can provide stronger growth potential for recurring income and capital appreciation of property value," said ***Thomas Chak, Executive Director of Capital Markets and Investment Services, Colliers International Hong Kong***.

For the industrial sector, the Revitalisation Scheme 2.0 enhances the investment appetite for industrial buildings. As a result, industrial capital values are expected to trend higher for the rest of the year, up 4.5% YOY in 2019.

Office: Subdued Leasing Momentum in Major Submarkets

Despite the overall positive net take-up in H1 2019, the leasing market in general weakened compared to last year (46% lower than H2 2018 and 52% lower than H1 2018). Central/Admiralty, in particular, recorded a negative net take-up for the fourth consecutive quarter, accounting for a total net take-up of -112,866 sq feet in H1. Given softening demand from PRC firms and flexible workspace tenants coupled with increasing new supply, the overall Grade A office vacancy rate rose by 1% over the last six months, with rents expected to drop 1.3% YOY by the end of 2019.

In Q2 2019, Wan Chai/Causeway Bay recorded the lowest net take-up and the largest rental decline among all submarkets, mainly due to tenant relocation to Island East, an area which remains more affordable despite having the strongest rental growth. In

Kowloon, rents rose due to the decentralization trend and the addition of new quality office buildings, especially in Kowloon East, which lifted average rents.

"Hong Kong's business sentiment remained cautious throughout H1 2019, which weighed on office leasing demand. We anticipate that more enterprises will maintain a wait-and-see view towards major business decisions over the coming year due to global economic slowdown and the trade war remaining unresolved. However, according to our Annual Occupier Survey 2019, many are still confident in their business outlook over the next three years and are planning further expansion. For those occupiers looking to relocate, Island East and Kowloon East remain the most popular among all relocation options, " said ***Alex Lam, Senior Director of Office Services, Colliers International Hong Kong****.*

Colliers expects the annual Grade A office supply from 2019 to 2023 to increase to 2.3 million sq feet on average, up 29% from the average of the previous five-year period. However, with no major supply in the next two years, Colliers believes large occupiers should plan ahead for their real estate strategy, and expects new developments in non-CBD areas to continue shaping the leasing market.

Industrial: External Trade Remains Weak; In-House Expansion and New Demand Sources Drive Rents

While the US-China trade truce proposed during the G20 meeting served as good news for Hong Kong, the city's external trade sector remained weak with total exports dropping 2.4% YOY in Jan-May 2019 and port container and air cargo throughput declining by 7.7% and 6.4% YOY respectively. Hong Kong's PMI also fell below the 50-point watershed level for the 14th consecutive month due to slower new business orders from China.

"Unless the trade tensions are completely resolved, the truce should provide limited support to Hong Kong's import and export trade. However, the new air cargo screening policy should continue to drive the leasing demand for warehouse space, and the Revitalisation 2.0's relaxation of the plot ratio by up to 20% also encourages redevelopment of industrial buildings. Coupled with tight vacancy and the lack of new supply, warehouse rents will probably stay on the uptrend in 2019, rising 3.5% YOY by the end of the year," said ***Joseph Lam, Business Line Leader of Industrial Services, Colliers International Hong Kong***.

Looking ahead, Colliers expects the rise of 5G, Internet of Things (IoT), Artificial Intelligence (AI) and robotics will continue to change market dynamics and the development of the warehouse and industrial sector, especially in regards to driving demand for data centres in Hong Kong.

Residential: Thriving Amid Turbulence Yet Bumpier in H2

Purchasing demand continued its strong momentum in H1 2019, with transactions surging 49% QOQ to 20,657 in Q2, the highest number per quarter since Q3 2012. As seen from the over-subscription in recent first-hand sales, buyers were keen to purchase when prices bottomed out after they considered the potential risk of price increases making purchases even harder in the future. This fuelled mass market prices to rise a further 10.4% for the first five months of 2019. However, with banks tightening refinancing and reducing cash rebates, transactions should slow down in H2 and the market should experience modest adjustment.

"Unlike H2 2018, a more dovish interest rate outlook and liquidity expansion would provide more support to the property market even though the economy continues to face uncertainty with the US-China trade disputes lingering on. In the long run, land supply shortage and pent up demand will keep property prices up. For H2 2019, we believe the residential market could see a moderate adjustment with the raising of refinancing cost by banks and lower overall transactions," said ***Daniel Shih, Senior Director of Valuation & Advisory Services, Colliers International Hong Kong***.

For the luxury residential sector, prices increased slightly with purchasing demand staying solid as buyers expect a more stable interest rate outlook for the rest of the year.

Retail: Different Factors Pushing a Shift in Direction

Despite a 14.9% YOY growth in visitor arrivals (29.7 million) for the first five months in 2019, with the shift in the purchasing pattern of inbound tourists from luxury goods to daily necessities, the value of retail sales dropped 1.8% YOY. The weakened demand for luxury goods also saw Central's rents continue to edge down whilst some other core districts saw mild rental growth. Colliers expects first-tier high streets to remain attractive as flagship locations in H2 2019, with rents staying relatively flat.

"Enhancing e-commerce offerings in parallel, expanding retail brands are relatively cautious of big ticket expansion and are looking for smaller sized physical stores up to 2,500 sq feet. These brands are also looking for less core district high streets and smaller sizes in shopping malls for better operational efficiency. Current global and local economic uncertainties may continue to affect Mainland tourists spending appetite. Sales and leasing demand for Admiralty and Wanchai retail spaces may have been dampened by recent social events, nonetheless we believe that sustained domestic consumption on the back of the robust labour market should provide counter support to retail sales performance for the rest of the year," said ***Cynthia Ng, Director of Retail Services, Colliers International Hong Kong***.

Looking ahead, Colliers believes that the retail sector will be shaped by evolving consumer needs for retail-tainment and interactivity with brands, whether it be through loyalty programmes, experiential shopping experience and the use of technology. This will drive changes to the tenant mix with a wider variety of new and authentic product offerings added to the locations.

To learn more about Hong Kong's property market and Colliers expectations for the rest of the year, download the **Hong Kong Mid-Year Market Outlook 2019 highlights** from Colliers International here.

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About Colliers International

Colliers International (NASDAQ, TSX: CIGI) is a leading global real estate services and investment management company. With operations in 68 countries, our 14,000 enterprising people work collaboratively to provide expert advice and services to maximize the value of property for real estate occupiers, owners and investors. For more than 20 years, our experienced leadership team, owning more than 40% of our equity, have delivered industry-leading investment returns for shareholders. In 2018, corporate revenues were $2.8 billion ($3.3 billion including affiliates), with more than $26 billion of assets under management. Learn more about how we accelerate success at corporate.colliers.com, Twitter@Colliers or LinkedIn.