

NEWS RELEASE

Measured yet steady economic recovery expected in year of continued recovery, renewal and reset

HONG KONG, 18 January 2022 – Colliers (NASDAQ: [CIGI](#); TSX: [CIGI](#)), a global leader in commercial real estate services, has released its Hong Kong Market Outlook report for 2022. The company forecasts 2022 to be a year of measured but steady economic recovery across many of the city's property sectors.

"While Hong Kong's economy witnessed a solid rebound with GDP growth of 7% year-on-year in the first 3 quarters of 2021, in the current context, we expect a more moderate start to 1H 2022. With prices and rents for most sectors resetting to a more attractive range, it will be a good time for investors and occupiers to renew their real estate strategies and leverage growth opportunities in each sector," said Rosanna Tang, Head of Research, Hong Kong and Southern China, Colliers.

Office

An improved leasing sentiment saw office rental corrections moderated across key submarkets in 2021. While net demand remains relatively sluggish, Colliers predicts Hong Kong's Grade A office market will continue to be a tenant's market, as net rents are expected to stabilize in 2022 with a slight upside of about 1%.

"We expect rental recovery in 2022 to look different across different submarkets. Outperforming districts will include Central/Admiralty and Tsim Sha Tsui, which are expected to pick up by 4% and 3% respectively. Meanwhile, submarkets like Island East and Kowloon East, which boast large new supply pipelines and higher vacancy rates, will likely experience rental corrections of -4.5% and -7%. With asset quality becoming an important criteria for occupiers, landlords, especially those with older

buildings, need to be more proactive in refurbishing or increasing add-value to their buildings to maintain competitiveness,” said Fiona Ngan, Head of Office Services at Colliers Hong Kong.

Industrial

The first commercial sector to rebound in 2021, Colliers expects the industrial market to continue to grow in 2022, with overall warehouse rents and prices to increase by 5% and 7% respectively.

“This year, the industrial leasing market continues to outperform after experiencing diversified sources of demand from different occupier's sectors due to increasing adoption of tech and e-commerce. Beyond traditional drivers like third-party logistics (3PL) providers, leasing demand in 2021 also derived from the F&B and technology side, with an increased demand for cold storage spaces (such as central kitchens) and data centres. The ongoing solid export trade performance with the backdrop of limited new warehouse supply means investors should take advantage of conversion and redevelopment options,” said Rosanna Tang.

Retail

Strong shopping momentum in the last quarter, improved labour markets, and the temporary easing of Covid-19 restrictions resulted in total retail sales of 8.3% in 2021. Local consumption is expected to remain the key driver of Hong Kong's retail market in 2022 amid potentially prolonged travel restrictions, with many residents opting to shop at neighbourhood malls instead of high street shops.

“The latest social distancing restrictions posed by the Omicron variant will indeed slow the retail recovery process, but looking ahead, we predict retail rents to pick up from 2021's low base, as we expect prime retail rents to recover within a 5% range. Neighbourhood malls remain fair game for institutional players, while street shops are also viable options for local investors due to their lack of underwriting

risk. Quality coffee shops, modern F&B, home living, lifestyle supermarkets and deli-marts will do relatively well while the luxury market will take time to fully recover,” said Cynthia Ng, Director, Retail Services at Colliers Hong Kong.

Capital Markets and Investment

In a market seeing very strong pent-up demand and high liquidity, investors appear to have a clear appetite for expanding and diversifying their portfolios. Although transaction volume is yet to return to pre-pandemic levels, Hong Kong’s investment transactions picked up from 2020, with 170 deals concluded in 2021 at a total value of HKD 73.4 billion, an increase of 49% and 23% year-on-year respectively. Institutional investors conducted 69% of transactions in 2021, the majority of which focused on the industrial side.

“Contingent on Hong Kong’s borders reopening, we expect transactions in 2022 to remain stable in H1 and pick up in H2, with overall investment volumes predicted to increase by around 15%. Neighborhood retail and industrial spaces are increasingly popular as defensive options for investors, while strata-title offices, street shops and hotels are presenting more upside potential. Green assets will also be a major consideration for investors in 2022, as Colliers’ [2022 Global Investor Outlook Report](#) reveals that many investors are integrating Environmental, Social, and Governance (ESG) factors into their strategies,” said Thomas Chak, Executive Director, Capital Market & Investment Services at Colliers Hong Kong.

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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 approximately 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. To learn more about how we accelerate success, visit our [website](#).