

PRICES OF SHOPHOUSES CONTINUE TO RISE EVEN AS SALES SLOW



An island block of 5 adjoining conserved shophouses at Jalan Besar/ Veerasamy Road were sold to 8M Real Estate for \$40 mil in September 2022.

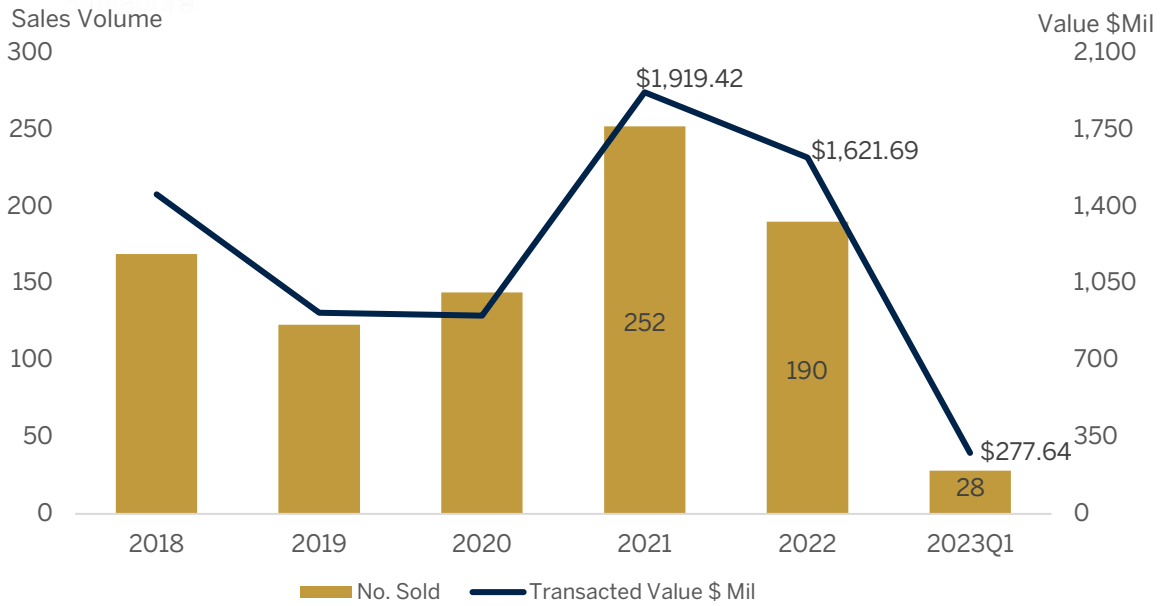
Slower sales as mood of market changed

Market sentiments have turned cautious due to higher interest rates and borrowing costs as well as the latest upward revision in buyer's stamp duty. Transaction data showed that there were 28 shophouse deals in 2023Q1, compared with 52 deals in the same period a year ago. The whole year of 2022 saw 190 deals, a decline of 25% from the 252 deals in 2021 when the market peaked (Figure 1).

The slowdown could also be contributed by fewer shophouses being put out for sale as some owners decided to hold them to enjoy higher rental returns. Owners' reluctance to reduce their asking prices has led to a widening gap between their price expectations and buyers' offers. With all these factors at play, the shophouse market looks set to move at a slower pace for the rest of 2023.

Nevertheless, the price per square foot indicator is still on the rise. The transaction value of \$1.919 bn in 2021 reflects \$4,253 psf, which rose to \$4,787 psf in 2022 for the value of \$1.622 bn. In 2023Q1, the rate climbed to \$5,427 psf for the 28 transactions which totalled \$277.64 mil.

Figure 1: Sales Volume and Transacted Value of Shophouses



Source: URA, List SIR.

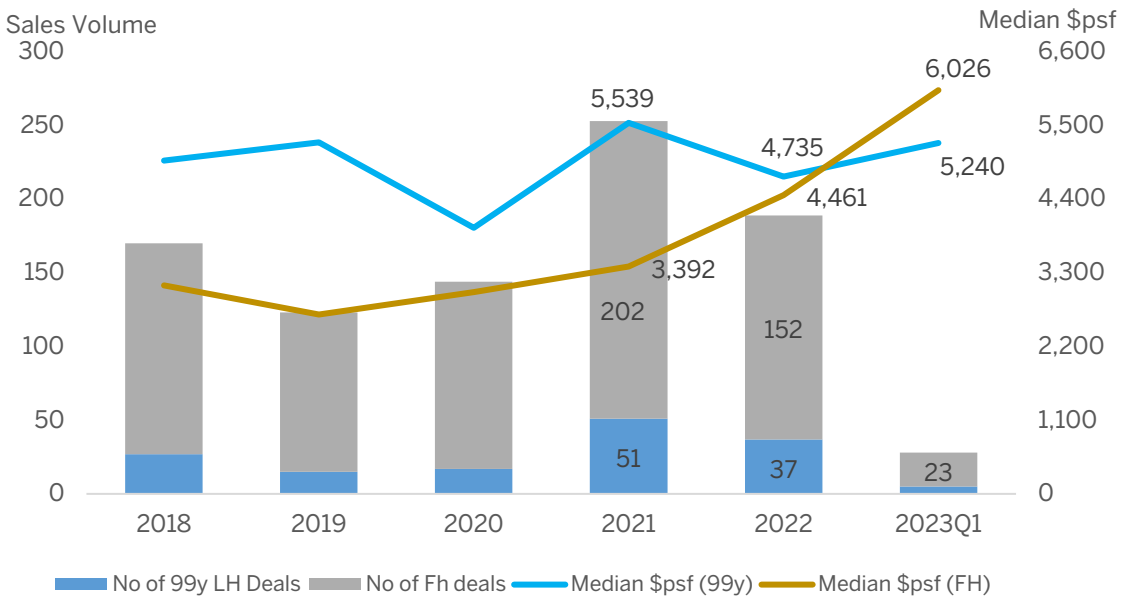
Note: Data downloaded on Apr 10, 2023 and the latest caveat was dated 23 Mar 2023.

Performance of 99-year leasehold and freehold shophouses

A majority of the shophouses carry a freehold or 999-year leasehold title. They are mostly located in the Central Region which includes Boat Quay, Chinatown, Tanjong Pagar, Little India, Serangoon, Geylang and Joo Chiat. The stock of 99-year leasehold shophouses is much smaller and most of them are scattered in areas like Boat Quay, Chinatown, Tanjong Pagar, Little India and Geylang.

Figure 2 shows how the 99-year leasehold shophouses fare compared to the freehold segment in terms of sales volume and median prices per square foot. Despite the lower sales volume, prices of 99-year leasehold shophouses have been trending above freehold shophouses. This is because the bulk of the transactions involved properties at Boat Quay, Chinatown and Tanjong Pagar where values are the highest.

Figure 2: Comparison of 99-year leasehold and Freehold shophouses



Source: URA, List SIR.

Note: Data downloaded on Apr 10, 2023 and the latest caveat was dated 23 Mar 2023.

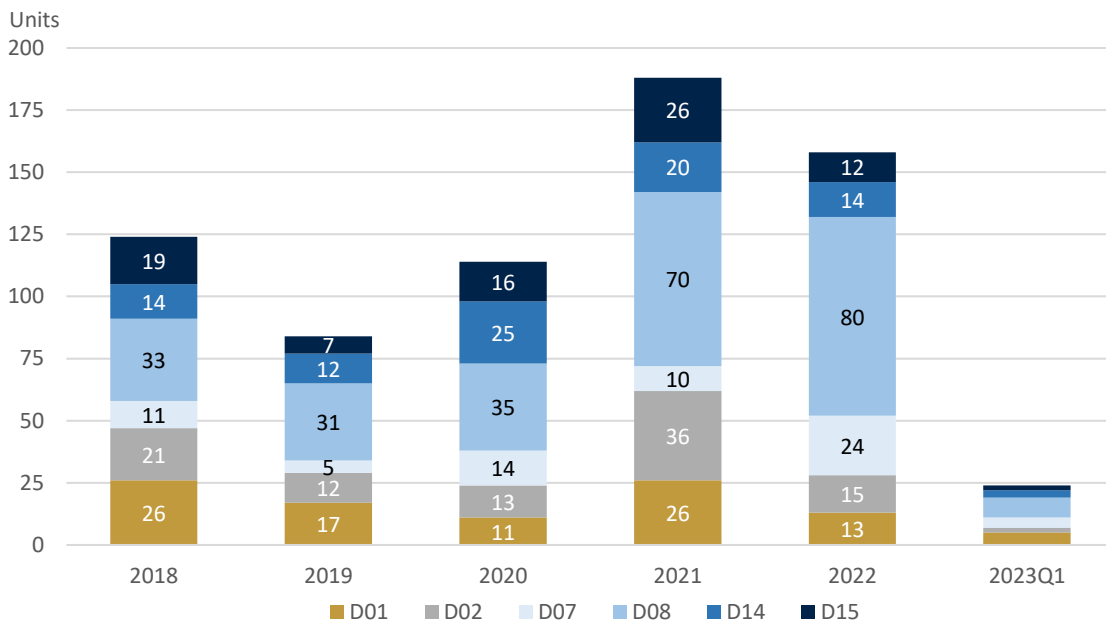
For freehold shophouses, we observed that prices began to rise rapidly from 2021 onwards. Prior to this, prices were hovering around \$3,000 psf because the bulk of the transactions were for shophouses located in Serangoon, Geylang and Joo Chiat where prices were much lower. Transaction data shows that from 2021 onwards, more than half of the sales volume was contributed by the sales in Boat Quay, Chinatown, Tanjong Pagar and Little India, pushing up the overall median prices.

Popular Districts

Based on the caveats lodged for shophouse transactions, the bulk of them occur in the central business district, namely, Raffles Place, Boat Quay and Chinatown in district 1 and Tanjong Pagar in district 2, and at city fringe areas such as Kampong Glam in District 7, Little India in district 8, Geylang in district 14 and Joo Chiat in district 15 (Figure 3). Interest in the shophouses in district 8 had been particularly strong in 2021 and 2022. Although the official distribution of the stock of shophouses is unavailable to the public, these six districts generally have a higher concentration of conservation shophouses and hence will see more sales activity. Moreover, most of the shophouses in locations are for commercial use, and hence, buyers do not need to pay additional buyer's stamp duty in their purchase.

The largest group of shophouse investors in the six top districts were companies which include family offices, institutional funds, local and foreign businesses (Figure 4). Singaporean investors formed the second largest group of buyers followed by foreign investors.

Figure 3: Sales Volume In Top Six Districts



Source: URA, List SIR.

Note: Data downloaded on Apr 10, 2023 and the latest caveat was dated 23 Mar 2023.

Figure 4: Profile of Buyers in Top 6 Districts (2021 to 2023Q1)

	Company			Singaporean Investor			Foreign Investor		
	2021	2022	2023Q1	2021	2022	2023Q1	2021	2022	2023Q1
D01	32	13	3	0	0	0	0	0	0
D02	34	15	2	3	0	0	0	0	0
D07	11	20	2	1	4	1	0	4	1
D08	62	60	5	14	18	2	1	18	0
D14	14	11	1	7	3	2	1	0	0
D15	15	3	1	15	8	1	0	0	0
Total	168	122	14	40	33	6	3	22	1

Source: URA, List SIR.

Note: Data downloaded on Apr 10, 2023 and the latest caveat was dated 23 Mar 2023.

Significant Deals

Figure 5 lists 10 significant deals from 2022 to 2023Q1. They include hotels and rows of contiguous shophouses with prominent frontage which were bought by real estate funds, family offices and companies who have been expanding their portfolio of shophouses. Notably, 52 Boat Quay, was reportedly bought by Tai Tak Estates. The previous owner had purchased the unit for \$21.35 mil in June 2018, making a handsome profit from this sale.

Figure 5: Noteworthy Deals In 2022-2023Q1

District	Address	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF)	Sale Date	Remarks
07	Clover Hotel – 17 to 33 (17 units) Jalan Sultan	74,800,000	15,291	4,921	8-Mar-22	Bought by SLB Development and Weave Living
02	Soloha Hotel - 12, 14, 16 Teck Lim Road	53,380,000	4,155	12,847	May-22	Refurbished hotel bought by Lim Chin Huat
01	1 to 9 (5 units) Club Street	25,877,000	3,556	7,276	10-Jun-22	Bought by ABR Holdings
02	147 Kitchener Road	8,000,000	1,440	5,555	1-Jul-22	Bought by Eng Teng Association
12	161 Lavender Street (11 units)	71,280,000	17,561	4,059	8-Jul-22	Bought by Hafary Flagship Store, total GFA of buildings: 45,212 sq ft
07	11, 11A, 11B Bali Lane	23,000,000	1,664	13,821	1-Aug-22	Bought by Koh Tuck Lye of Shunwei Capital
08	109 to 117 (5 units) Jalan Besar	40,000,000	6,584	6,075	29-Sep-22	Bought by 8M Real Estate
14	311 to 321 (6 units) Geylang Road	42,550,000	9,792	4,345	1-Dec-22	Bought by Aspen Prop, linked to Crescendas Group
12	322 to 332 (6 units) Serangoon Road	62,500,000	9,042	6.912	19-Jan-23	Site can be redeveloped into a six-storey commercial building
01	52 Boat Quay	37,000,000	1,119	33,065	28-Mar-23	Extensively renovated 6-storey shophouse with GFA of 6,446 sq ft

Source: URA, List SIR.

Note: Data downloaded on Apr 10, 2023 and the latest caveat was dated 23 Mar 2023.

Outlook

Shophouses will remain an attractive asset for both foreign and local investors. Be it buyers or sellers, they believe that they will see price appreciation if they hold the asset for long term. However, given the cautious mood in the market, we do not expect the sales volume nor the transaction value in 2023 to be as high as that in 2022. That said, the price of shophouses on a \$ psf basis, will continue to rise as demand remains buoyant and supply is limited. We expect to see more interest in the shophouses located at the city fringe in districts 7 and 8 where prices are more affordable than those located within the city at districts 1 and 2.



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