

PROPnex RESEARCH
Q1 2024

SHOPHOUSE RESEARCH REPORT

Key Highlights

- The commercial shophouse market started off the year on a muted note in Q1 2024, with 21 caveated transactions (valued at about \$180 million).
- Shophouse median rentals rose by 1.9% QOQ to \$6.48 psf per month in Q1 2024. Meanwhile, shophouse leasing activity was relatively healthy, with 856 rental contracts worth \$9.6 million signed in Q1.
- Shophouse values remained resilient, with average transacted unit prices of shophouses sold during the quarter (\$6,152 psf on land area) growing by 44% QOQ and 14% YOY. Shophouse prices are expected to grow at a moderate pace going into 2024, given the slower transaction volumes.



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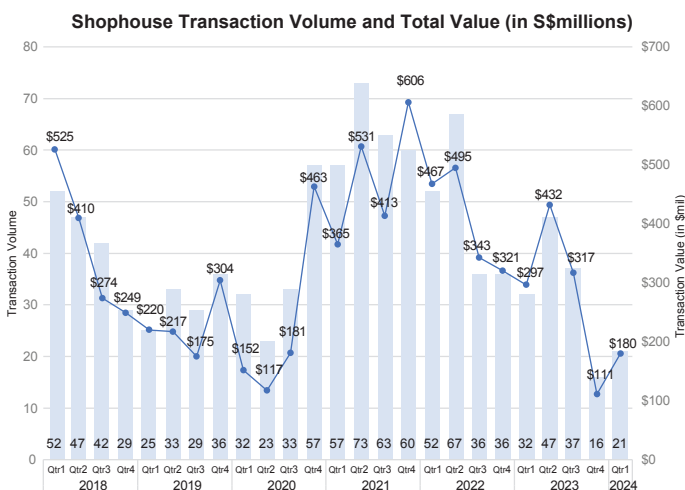
Q1 2024 Shophouse Property Report

Overview

Shophouse transactions were still relatively muted in the quarter, amid the cautious market sentiment, mismatch in pricing expectations, and tighter due diligence checks likely dragging out the sales process. However, market observations indicate that investment interest in commercial shophouses remains keen.

Sales Transactions in Q1 2024

- Based on caveats lodged, there were 21 shophouse transactions in Q1 2024, growing by 31% QOQ from the 16 deals in Q4 2023. As the caveats for some transactions may not have been lodged, the actual sales figure in Q1 is likely much higher.
- Year-on-year, the volume of shophouse transactions in Q1 was down by 34% from the 32 deals in Q1 2023. The pullback in sales could be attributed to the tentative market sentiment, seasonal lull, and stringent due diligence checks.
- Media reports said that there have been a number of shophouses – related to the anti-money laundering bust – put up for tender by banks. According to market observers, the tenders have received strong interest from a number of bidders; though the tender results yet to be announced, at the time of writing.
- The shophouse deals in Q1 2024 amounted to \$180 million, marking a sharp 62% expansion from the previous quarter. On a year-on-year basis, the sales value fell by about 39% from nearly \$297 million in Q1 2023. The decline can be attributed to the slower sales activity during the quarter.

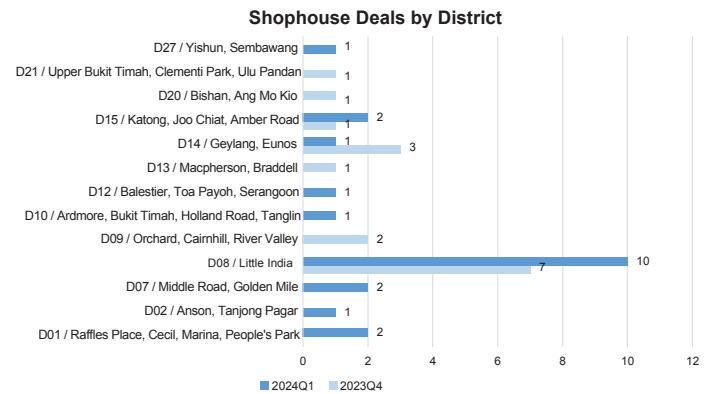


Source: PropNex Research, URA Realis

Transaction Hotspots in Q1 2024

- Of the 21 shophouse transactions in Q1 2024, District 8 (Little India, Jalan Besar) posted the highest sales with 10 deals. In terms of transaction value, District 8 also led the pack, achieving more than \$68 million worth of sales in Q1.

- PropNex salespersons noted that there were a handful of shophouse transactions in the prime Districts 1 and 2 that had not been caveated.



Source: PropNex Research, URA Realis

Top 5 Shophouse Transactions in Q1 2024

- Based on URA caveats, the top transaction of the quarter was the sale of a three-storey shophouse in Pagoda Street for \$19 million in March. The sale price for the freehold shophouse spanning over 1,300 sq ft reflected a record unit price of \$14,504 psf on land area – this was a record high unit price achieved for freehold shophouses in the district. The shophouse is fully tenanted, with both the ground floor and third floor being occupied by restaurant operators, while the second floor is leased to a fitness centre
- The second top deal of the quarter was for three adjoining 2-storey shophouses in Geylang Road – on a 4,319 sq ft site – which were sold in February for \$18.7 million. The freehold shophouses are leased to F&B operators and nightlife establishments

Top 5 Shophouse Transactions in Q1 2024

Location	Sale Date	Postal District	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF) on land area	Tenure
3X PAGODA STREET	13 Mar 2024	1	19,000,000	1,310	14,504	Freehold
22X,22X,22X GEYLANG ROAD	26 Feb 2024	14	18,680,000	4,319	4,326	Freehold
3X MOSQUE STREET	6 Mar 2024	1	15,930,000	1,202	13,249	Freehold
7X SYED ALWI ROAD	15 Feb 2024	8	14,380,000	2,709	5,308	Freehold
X SIXTH AVENUE	21 Mar 2024	10	13,800,000	2,451	5,630	Freehold

Source: PropNex Research, URA Realis

- Based on caveats lodged, of the 21 shophouses sold in Q1 2024, about 76% or 16 deals were priced above \$5 million, while the remaining 30% or 5 transactions were priced at below \$5 million.

Price Range of Shophouses Sold

Price Range	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Under \$2.5 million	0	2	3	3	1
\$2.5 million to < \$5 million	8	11	12	4	4
\$5 million to < \$10 million	16	22	13	6	10
Above \$10 million	8	12	9	3	6
Total	32	47	37	16	21

Source: PropNex Research, URA Realis

Shophouse Prices

- In Q1 2024, shophouse prices in the prime districts continued to rise compared with the previous year, while prices in districts in the outskirts fluctuated due to inconsistent sales.
- The average transacted unit price on land area* of freehold and 999-year leasehold shophouses in D1/2, D7/D8, and D14/15 grew sharply by 44.1% YOY, 1.4% YOY and 24% YOY, respectively. In contrast, the average price of such shophouses in the rest of Singapore fell by 16% YOY.
- 99-year leasehold shophouses in D7/8 saw the average unit price on land area rise by 7.7% YOY, while prices of 99-year leasehold shophouses in D1/D2 fell by 18.4% YOY.

Average unit prices* of shophouses by tenure and district

Unit Price (\$ PSF) on land area*	Quarter/Year	D1 & D2 Raffles Place, Tanjong Pagar	D7 & D8 Little India, Golden Mile	D14 & D15 Geylang, Joochiat, East Coast	Rest of Singapore (RGR, OCR)
99-year leasehold	1Q 2023	\$6,644	\$4,660	No transactions recorded	No transactions recorded
	4Q 2023	No transactions recorded	\$563	\$3,334	\$1,301
	1Q 2024	\$5,421	\$5,018	No transactions recorded	No transactions recorded
	QOQ % change	NA	791.2%	NA	NA
	YOY % change	-18.4%	7.7%	NA	NA
Freehold & 999-year leasehold	1Q 2023	\$9,633	\$6,062	\$3,477	\$4,566
	4Q 2023	No transactions recorded	\$5,741	\$2,555	\$5,221
	1Q 2024	\$13,877	\$6,147	\$4,313	\$3,855
	QOQ % change	NA	7.1%	68.8%	-26.2%
	YOY % change	44.1%	1.4%	24.1%	-15.6%

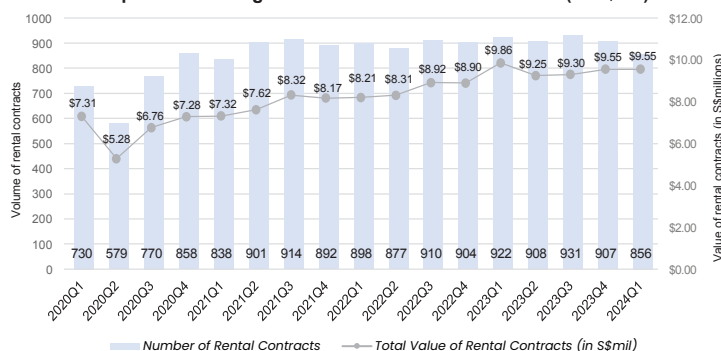
Source: PropNex Research, URA Realis

*Average unit price is based on land area. Transacted prices tend to be higher when they are based on gross floor area (which varies depending on the number of storeys in the shophouse property).

Rents

- Rentals for shophouses in Q1 2024 remained resilient, supported by robust tourist arrivals and tourism receipts. Occupancies of shophouse space remained tight amid buoyant demand, particularly for shophouse space in popular tourist districts.
- In Q1 2024, 856 rental contracts valued at about \$9.6 million were signed – underperforming the same period last year, where 922 contracts worth about \$9.9 million were signed.

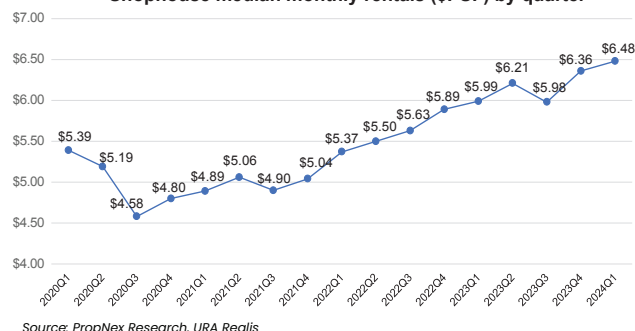
Shophouse Leasing Transactions and Contract Value (in S\$mil)



Source: PropNex Research, URA Realis

- Shophouse rentals continued to rise in Q1 2024, building on the growth in Q4 2023. According to caveats lodged, monthly median rents of shophouses grew to \$6.48 psf in Q1, hitting a new high for median shophouse rentals.

Shophouse median monthly rentals (\$PSF) by quarter



Source: PropNex Research, URA Realis

- In Q1, shophouses in the city fringe led the growth in rentals, with those in District 14 (Geylang, Eunos) and District 15 (Katong, Joo Chiat) posting a 10.5% QOQ and 5.4% QOQ growth respectively. Meanwhile, shophouses in the city centre saw rentals slip during the quarter – median rents in District 1 (Raffles Place, Cecil) fell by 5% QOQ to \$7.44 psf pm.

Median Rentals (\$PSF per month) by district (selected districts)

Median Rentals by district (\$PSF per month)	Q1 2023	Q4 2023	Q1 2024	QOQ	YOY
D01	\$6.43	\$7.83	\$7.44	-5.0%	15.7%
D02	\$7.53	\$7.68	\$7.61	-0.9%	1.1%
D07	\$6.11	\$7.09	\$6.97	-1.7%	14.1%
D08	\$5.20	\$5.70	\$5.85	2.6%	12.5%
D14	\$4.73	\$4.39	\$4.85	10.5%	2.5%
D15	\$5.51	\$5.36	\$5.65	5.4%	2.5%

Source: PropNex Research, URA Realis

Market Outlook

A cocktail of factors have weighed on the commercial shophouse segment, such as market uncertainties, pricing mismatch, limited availability of units for sale, and the effects from the anti-money laundering bust last year, leading to more extensive due diligence processes.

With slowing sales activities, astute investors may take advantage of the softer market sentiment to seek opportunistic buys. There may be potentially more transactions in the fringe and secondary settlement areas – where sellers may be more open to price negotiation. In prime districts, we could continue to see fewer deals, as these shophouses tend to be tightly-held by their owners.

There may be several potential market drivers in 2024: the projected improvement in the Singapore economy in 2H 2024; tourism recovery and the boost in Singapore's global visibility from hosting world-class acts; and the 30-day visa-free arrangement between Singapore and China – making it easier for prospective buyers to come to Singapore to view properties. In addition, the higher property tax for investment residential property and additional buyer's stamp duty (ABSD) rates on residential property purchase by investors and foreigners could channel some investment demand to shophouses, which are not subjected to ABSD.

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