

PROPNEX RESEARCH Q2 2023



SHOPHOUSE PROPERTY REPORT

Key Highlights

- Commercial shophouse sales picked up momentum in Q2 2023, with 43 caveated transactions (valued at a combined \$415 million) after the slow start in Q1.
- The shophouse rental market remained stable as rentals inched upwards amid tourism recovery post-pandemic. More than 900 rental contracts worth \$9.2 million were signed in Q2 2023. Shophouse median rentals in Q2 grew to \$6.19 psf per month in view of tight occupancies.
- Shophouse prices are poised to remain resilient in the second half of 2023 given the limited stock as well as renewed interest amongst foreigners and investors, in the light of higher ABSD tax rates for residential properties for these group of buyers. However, recent changes to the Residential Property Act (RPA) from 20th July could make it more difficult for foreigners to acquire commercial and residential land and properties.



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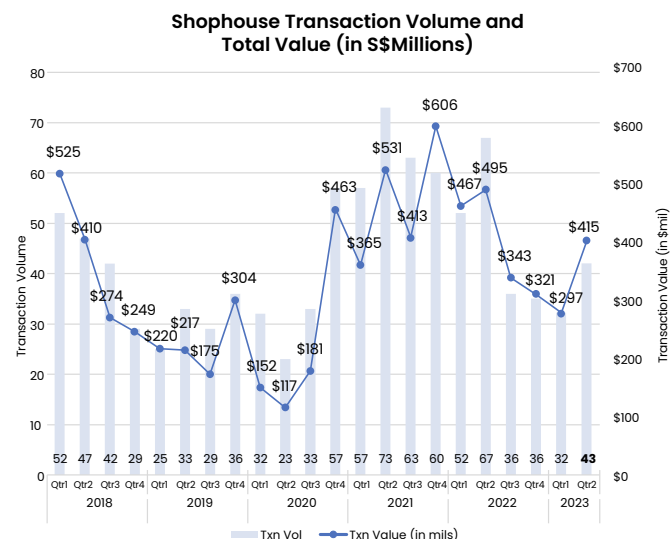
Shophouse Property Report Q2 2023

Overview

After starting the year on a quiet note, the commercial shophouse market picked up in Q2 2023. Interest in shophouses dampened slightly in Q1 following the revisions to the Buyer's Stamp Duty rates for commercial properties in February. This proved to be a temporary blip, as shophouse sales rebounded following the hike in Additional Buyer's Stamp Duty (ABSD) rates to 60% for foreigners buying residential properties from 27 April 2023. The ABSD hike has diverted investment interest to the commercial shophouse segment in Q2 2023.

Sales Transactions in Q2 2023

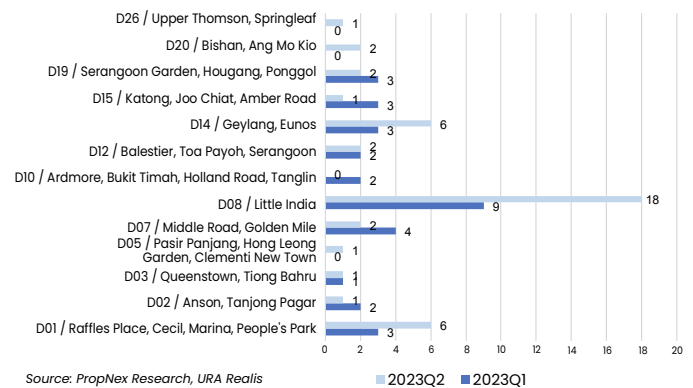
- Based on caveats lodged, there were 43 shophouse transactions in Q2 2023, picking up from the 32 deals in Q1 2023. Most of the transactions done during the quarter were in the fringe areas such as Districts 8 and 14.
- Year-on-year, the volume of transactions in Q2 is down by 36% from the 67 deals in Q2 2022.
- In terms of transaction value, the deals done in Q2 stood at \$414 million, which is a 40% growth from the previous quarter. Year-on-year, transaction values were down by 16.2% from \$495 million in Q2 2022.
- In the first half of 2023 (1H 2023), there were 75 shophouse deals worth \$711.6 million, slightly higher than that of 2H 2022, which recorded 72 deals valued at \$663 million. However, when compared to the corresponding period in 2022, the market activity has cooled considerably from the 119 deals (valued at \$963 million) that were done in 1H 2022.



Transaction Hotspots in Q2 2023

- Of the 43 shophouse transactions in Q2 2023, District 8 (Little India, Jalan Besar) posted the highest sales at 18 units. In terms of transaction value, District 8 also led the pack, achieving more than \$140 million worth of sales in Q2.
- This was followed by the shophouses in District 14 (Geylang, Eunos) and District 1 (Raffles Place, Cecil, Marina) with 6 deals each. Market observations showed that a number of deals in the prime Districts 1 and 2 in Q2 were not caveated.

Shophouse Deals by District



Top 5 Shophouse Transactions in Q2 2023

- Based on caveats lodged, there were two deals which took the top spot in terms of having the highest transacted quantum in the quarter.
- The first was the sale of a 3-storey shophouse in Boat Quay for \$30 million in May. The 999-year leasehold shophouse sits within the Boat Quay Conservation area and in the heart of a popular nightlife cluster of bars and restaurants along the Singapore River. The shophouse is presently tenanted to a restaurant operator.
- The other top deal of the quarter was for a pair of adjoining 4-storey shophouses along Geylang Road, which was sold in June this year for \$30 million. The pair of corner shophouses sits on a site spanning over 4,500 sq ft, and enjoys dual road frontage. These freehold shophouses in District 14 are leased to an eating House and F&B operators on the ground floor.

Table 1: Top 5 Shophouse transactions in Q2 2023

Location	Sale Date	Postal District	Transacted Price (\$)	Area (SqFT)	Unit Price (\$ PSF) on land area	Tenure
3X BOAT QUAY	19-May-23	1	30,000,000	1,426	21,034	999 yrs
43X,43X GEYLANG ROAD	27-Jun-23	14	30,000,000	4,518	6,641	Freehold
2X,2X,2X,2X STANLEY STREET	13-Apr-23	1	29,000,000	1,729	16,776	Freehold
30X JALAN BESAR	16-May-23	8	26,000,000	3,798	6,847	999 yrs
1X NEW BRIDGE ROAD	15-May-23	1	23,800,000	1,452	16,380	99 yrs

Source: PropNex Research, URA Realis

Shophouse Prices

- In terms of unit price (\$PSF) on land area, the growth in shophouse values were uneven across districts in Q2, partly due to the fluctuating volume of caveated transactions. The average transacted unit price on land area* of freehold and 999-year leasehold shophouses grew by nearly 72% QOQ and by 3.4% QOQ in D1/D2 and D14/D15 respectively. Meanwhile, prices in D7/D8 and the rest of Singapore fell by 12.7% and 15.4% QOQ respectively.
- 99-year leasehold shophouses in D1/D2 saw the average unit price on land area in Q2 rise strongly by 39.4% QOQ, while prices in D7/D8 slipped by 3.1% QOQ. There were no caveated deals for 99-year leasehold shophouses in D14/D15 and the rest of Singapore in Q2.

Table 2: 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 (RCR, OCR)
99-year leasehold	2Q 2022	\$7,328	\$3,686	No transactions recorded	No transactions recorded
	1Q 2023	\$6,644	\$4,660	No transactions recorded	No transactions recorded
	2Q 2023	\$9,262	\$4,516	No transactions recorded	No transactions recorded
	QOQ % change	39.4%	-3.1%	NA	NA
	YOY % change	26.4%	22.5%	NA	NA
Freehold & 999-year leasehold	2Q 2022	\$9,629	\$4,990	\$4,380	\$4,105
	1Q 2023	\$9,633	\$6,062	\$3,477	\$4,566
	2Q 2023	\$16,519	\$5,294	\$3,594	\$3,864
	QOQ % change	71.5%	-12.7%	3.4%	-15.4%
	YOY % change	71.6%	6.1%	-17.9%	-5.9%

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).

- Based on caveats lodged, of the 43 shophouses sold in Q2 2023, more than 76% or 33 deals were priced above \$5 million.

Table 3: Price range on shophouses sold by quarter

Price Range	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Under \$2.5 million	4	0	1	0	1
\$2.5 million to < \$5 million	19	11	9	8	9
\$5 million to < \$10 million	30	20	18	16	21
Above \$10 million	14	5	8	8	12
Total	67	36	36	32	43

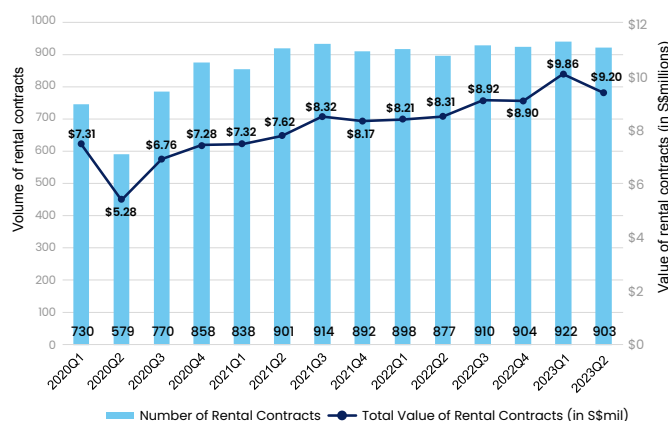
Source: PropNex Research, URA Realis

Rents

- Leasing activity in the shophouse sector remained buoyant supported by the recovering tourism industry – according to the Singapore Tourism Board (STB), visitor arrivals hit 6.28 million in the year-to-June 2023.
- In Q2 2023, 903 rental contracts were signed – slightly down from 922 contracts in Q1.
- Total rental contract values in Q2 stood at \$9.2 million, down by 6.7% QOQ from the record high of \$9.85 million in Q1. Total rental values were up by 3.4% YOY from Q2 2022, which recorded \$8.3 million worth of leasing transactions.

- In the first half of 2023 (1H 2023), there were 1,825 shophouse rental transactions worth \$19 million – outperforming the preceding half (2H 2022) which posted 1,814 transactions valued at \$17.8 million, and also outdoing 1H 2022 which had 1,775 leasing transactions worth \$16.5 million.
- Shophouse rentals continued to climb steadily in Q2 2023, with median rentals at \$6.19 psf per month – up from the \$5.99 psf per month in Q1.
- The growth in shophouse rentals is expected to find some resistance in the 2H 2023 owing to the slowing economy and inflation which could dampen consumer spending. A mitigating factor, however, is that the limited availability of shophouse space for rent will prop up rents.

Shophouse Leasing Transactions and Contract Value



Source: PropNex Research, URA Realis

Market Outlook

Changes to the RPA from 20 July 2023 will require foreign individuals and entities to seek government approval for the purchase of land and property that is zoned for “commercial and residential” use. The authorities added that permission will also need to be sought for the purchase of properties zoned commercial and have permanent approval for commercial and residential uses.

PropNex believes the impact will likely be limited as only a small portion of shophouse stock are zoned “commercial and residential”, including those in Tan Quee Lan Street, Liang Seah Street, Purvis Street, and Balestier Road. One potential outcome from this RPA amendment could be an increased interest among foreigners and foreign entities for “fully” commercial shophouses – this may put some upward pressure on prices in view of the limited availability of such properties for sale on the market.

Another potential effect of the RPA change is that foreign entities or investors that are presently holding on to shophouses with approved commercial and residential uses may be less inclined to sell, further tightening the supply of shophouses available for sale.

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