

Q4 2022 QUARTERLY REPORT SHOPHOUSE PROPERTY REPORT

Report prepared by PropNex Research team

KEY HIGHLIGHTS

- The commercial shophouse market activity remained muted in Q4 2022 with 31 caveated transactions (valued at a combined \$282 million) amidst limited availability of shophouses put up for sale.
- The rental market for shophouse space remained brisk as the tourism industry continued to recover. More than 900 rental contracts worth \$8.9 million were signed in Q4 2022. Shophouse median rentals in Q4 grew to \$5.89 psf per month amid tight occupancy rates in the shophouse sector.
- Shophouse prices and rentals are poised to grow further in 2023 given the limited stock and healthy demand. With the reopening of China and slower global economic growth expected in 2023, the shophouse sector will likely remain popular as investors seek safe haven assets and those that will benefit from tourism recovery.



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Shophouse Property Report Q4 2022

Overview

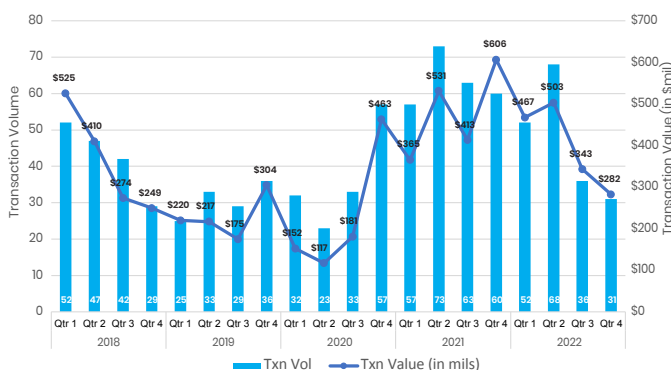
The commercial shophouse market closed the year on a quieter note. In Q4 2022, just over 30 deals were inked, with shophouses in fringe areas leading sales, including in Little India and Geylang. While URA Realis caveat data showed that fewer transactions have been done in the quarter, the number of deals is likely to be slightly higher as some transactions may not have been captured. The supply of shophouses put up for sale continued to remain tight, with many owners holding onto their shophouse assets, while capitalising on buoyant occupier demand for shophouse space.

While the sales volume in 2022 fell short in comparison to 2021, it has outperformed that of previous years prior to the pandemic. In terms of transaction value – nearly \$1.6 billion worth of shophouse deals were sealed in 2022. With the global economy at risk of a recession in 2023 and China pivoting from its zero-Covid stance, the shophouse market – seen as a safe haven sector – is expected to remain resilient amid uncertainties.

Sales Transactions in Q4 2022

- Based on caveats lodged, there were 31 transactions in Q4 2022, falling slightly from 36 deals in Q3 2022. Most of the transactions done during the quarter were in the fringe areas such as District 8.
- Based on caveated data, some 187 deals were done in the whole of 2022 – markedly lower than the 254 deals posted in 2021.
- The transaction value of deals in Q4 stood at \$282 million, which is a 17.7% drop from the previous quarter. Year-on-year, the value of transactions in Q4 is down by 53.4% from \$606 million in Q4 2021.
- For the whole of 2022, deals worth \$1.6 billion were achieved – down from \$1.9 billion recorded in 2021.

Shophouse Transaction Volume and Total Value (in S\$millions)

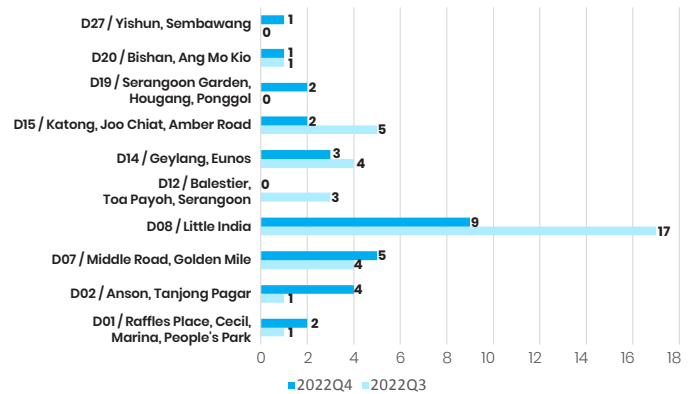


Source: PropNex Research, URA Realis

Transaction Hotspots in Q4 2022

- Of the 31 shophouse transactions in Q4 2022, District 8 (Little India, Jalan Besar) posted the highest sales at 9 units. In terms of transaction value, District 14 (Geylang, Eunos) led the pack, achieving \$56.9 million worth of sales in Q4.
- In 2022, District 8 topped all other districts, having achieved more than \$498 million worth of sales from over 70 deals – an all-time high for the district in terms of total value. Transaction momentum has shifted to fringe districts such as District 8, overtaking those in the prime districts. Deals in Districts 1 and 2 amounted to \$223 million and \$200 million, respectively in 2022.
- Sales volumes in Districts 7, 8 and 14 are expected to remain elevated, due to their larger availability of units for sale.

Shophouse Deals by District



Source: PropNex Research, URA Realis

Top 5 Shophouse Transactions in Q4 2022

- Based on caveats lodged, the top deal of the quarter was the sale of six adjoining freehold shophouses along Geylang Road for \$42.6 million in December.
- The six shophouses, which span two floors each, have individual land titles with a combined land area of 9,792 sq ft and a total floor area of 17,014 sq ft. Selected units include an attic level. The purchase price reflects a unit price of \$2,501 psf on gross floor area and \$4,345 psf on land area.
- Another notable deal in the quarter was the sale of two adjoining conserved shophouses in the Telok Ayer conservation area. The sale price of \$27.2 million reflects a unit price of \$10,272 psf on land area.

Top 5 Shophouse transactions in Q4 2022

Location	Sale Date	Postal District	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF) on Land Area	Tenure
31X – 32X GEYLANG ROAD	5 Dec 2022	14	42,550,000	9,792	4,345	Freehold
3X, 3X ANN SIANG ROAD	28 Oct 2022	1	27,188,888	2,647	10,272	999 yrs
9X AMOY STREET	1 Nov 2022	1	18,688,000	1,856	10,071	999 yrs
1X, 1X KEONG SAIK ROAD	1 Dec 2022	2	17,000,000	1,080	15,591	Freehold
1X – 1X TANJONG PAGAR ROAD	8 Nov 2022	2	13,000,000	1,976	6,578	99 yrs

Source: PropNex Research, URA Realis

Shophouse Prices

- In terms of unit price on land area (\$psf), the growth was uneven across districts in Q4 compared to Q3, partly due to the thin transaction volume.
- The average transacted unit price on land area* of freehold and 999-year leasehold shophouses in D1/D2 contracted by 22.6% QOQ in Q4 2022. Meanwhile that of D7/D8 grew slightly by 0.5% in Q4 2022. Prices of freehold and 999-year leasehold shophouses located in D14/D15 grew by 8.6% while that of shophouses in the rest of Singapore fell by 32.5% QOQ.
- Meanwhile, 99-year leasehold shophouses in D1/D2 saw the average unit price on land area in Q4 2022 grow by 23.5% QOQ, while prices in D7/D8 contracted by 31.6%. There were no caveated deals for 99-year leasehold shophouses in D14/D15 and the rest of Singapore during the quarter.

Average unit prices* of shophouses by tenure and district

Unit Price (\$ psf) on land area	Year	D1 & D2 Raffles Place, Tanjong Pagar	D7 & D8 Little India, Golden Mile	D14 & D15 Geylang, Joo Chiat, East Coast	Rest of Singapore (RCR, OCR)
99-year leasehold	4Q 2021	\$7,588	\$4,053	\$2,888	No transactions recorded
	3Q 2022	\$6,434	\$4,587	No transactions recorded	\$4,059
	4Q 2022	\$7,945	\$3,139	No transactions recorded	No transactions recorded
	% QOQ change	23.5%	-31.6%	NA	NA
	% YOY change	4.7%	-22.6%	NA	NA
Freehold & 999-year leasehold	4Q 2021	\$10,147	\$4,255	\$2,638	\$4,023
	3Q 2022	\$15,484	\$5,616	\$3,824	\$3,710
	4Q 2022	\$11,978	\$5,642	\$4,152	\$2,504
	% QOQ change	-22.6%	0.5%	8.6%	-32.5%
	% YOY change	18.0%	32.6%	57.4%	-37.7%

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 31 shophouses sold in Q4 2022, more than two thirds or 21 deals were priced above \$5 million.

Price range of shophouses sold by quarter

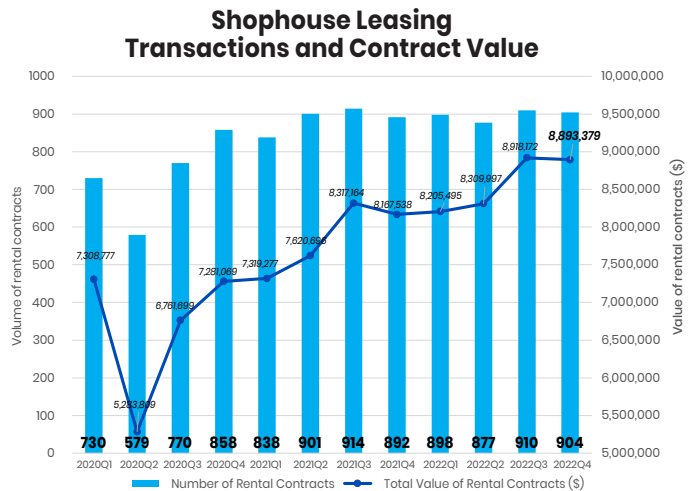
Price Range	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Under \$2.5 million	1	4	4	0	1
\$2.5 million to < \$5 million	28	18	19	11	9
\$5 million to < \$10 million	13	17	31	20	13
Above \$10 million	18	13	14	5	8
Total Transactions	60	52	68	36	31

Source: PropNex Research, URA Realis

Rents

- In Q4 2022, rental activity in the shophouse sector remained brisk as tourist arrivals rose – 904 rental contracts were signed during the quarter. In 2022, 3,589 contracts were signed, rising from 3,545 contracts signed in 2021.
- Total rent values in Q4 amounted to nearly \$8.9 million, taking the total rental value in 2022 to \$34.3 million – up from \$31.4 million in 2021.

- Shophouse rentals continued to climb steadily in Q4 2022, with median rentals at \$5.89 psf per month – up from \$5.63 psf per month in Q3 2022.
- Shophouse rentals are expected to continue to grow in 2023 despite economic headwinds, as demand from occupiers remain steady, supported by tourism recovery, and limited availability of shophouse space for rent.



Market Outlook

In 2022, the tourism industry staged a healthy comeback with the reopening of international borders and resumption of travel. Pandemic-battered F&B and retail businesses operating in shophouses enjoyed business recovery as visitors returned to tourist hotspots. According to the Singapore Tourism Board (STB), the number of visitors to Singapore reached 6.3 million in 2022, exceeding STB's initial forecast of between 4 million and 6 million. The top markets for visitor arrivals were Indonesia (1.1 million visitors), India (686,000 visitors) and Malaysia (591,000 visitors).

With China's reopening as of 8 January this year, the shophouse market is poised to enjoy strong growth in capital prices and rentals, as mainland Chinese investors and tourists return to Singapore's shores. Investors will be seeking to park their wealth in safe haven and defensive investment assets, while the increase in visitors could help to boost tourism spending at F&B and retail shophouse premises.

In 2023, the global economy faces a number of headwinds such as high inflation and weaker global output. Against a gloomier economic backdrop, more high net-worth individuals and family offices have been seeking investment safe havens. To that end, PropNex expects shophouses – which are limited in supply and highly prized for their heritage value – to continue to garner interest from both local and foreign buyers in 2023.

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