

H1 2023

knightfrank.com.sg/research

Shophouse market undeterred by economic uncertainty

► “Commercial shophouses are even more highly sought after now, after the recent residential cooling measures and removal of “commercial and residential” from the list of land-use zones in the Residential Property Act.”

MARY SAI, EXECUTIVE DIRECTOR, CAPITAL MARKETS

The shophouse market in Singapore continued to be attractive to buyers in the first half of 2023, especially after the April 2023 implementation of increased Additional Buyer’s Stamp Duty (ABSD) rates for the residential sector. As ABSD is not applicable for commercial properties, interest in shophouses expanded with private wealth buyers comprising high-net-worth (HNW) investors and family offices with goals of capital preservation. A total of 75 shophouse transactions amounting to S\$711.6 million was recorded in H1 2023, an increase of 7.2% compared to H2 2022. And it is more than likely that even more shophouses exchanged hands between January and June that were not reported nor were caveats lodged. For some of these transactions that occurred in H1 2023, many of these

wealthy buyers favoured low-key profiles, prioritising privacy.

Despite the increased sales volume in H1 2023 compared to the S\$663.5 million sales representing 72 transactions in H2 2022, this was nonetheless below the S\$962.8 million sales recorded in H1 2022 with 119 shophouse deals. Were it not for the current high interest rate environment, there might have been more transactions. Instead, some institutional buyers that are more dependent on debt financing and recurring rental income for positive carry, treaded with more caution before making acquisitions.

Out of all the shophouses transacted in H1 2023, 78.7% or 59 units had 999-year or freehold tenures, making up the majority of the total. This was 1.7% higher or one unit more compared to

H1 2023

Total Sales Value : S\$711.6 million
No. of Units Sold : 75
Average Price : S\$5,454 psf on land

H2 2022

Total Sales Value : S\$663.5 million
No. of Units Sold : 72
Average Price : S\$4,610 psf on land

H1 2022

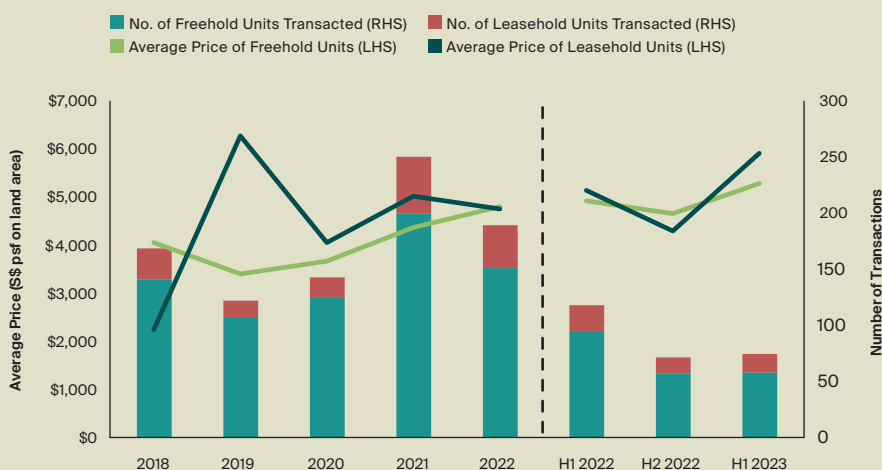
Total Sales Value : S\$962.8 million
No. of Units Sold : 119
Average Price : S\$5,032 psf on land

the previous half year of H2 2022 when a total of 58 transactions were recorded. In the first six months of 2023, transactional sales value for freehold shophouses added up to S\$572.6 million, with an average price of S\$5,338 psf on land that had moved up 13.4% from the previous half year (Exhibit 1), as private wealth squeezed into the limited investible market for this niche real estate asset class.

Leasehold shophouses did not perform as well in H1 2023, with the transactional value 15.7% lower at S\$139.0 million compared to S\$164.9 million in H2 2022. However, a total of 16 transactions were recorded, reflecting an increase from the 14 units that were sold in H2 2022. Even though the transaction and sales volumes in H1 2023 were fairly similar to H2 2022, the average price of S\$5,983 psf on land represented a substantial 37.6% increase from an average of S\$4,348 psf on land in H2 2022, with shophouse prices running against the grain of tentative caution that is characteristic of other real estate sectors at the moment. Among the leasehold shophouse transactions, the most noteworthy was the sale of 11 New Bridge Road for S\$23.8 million in May.

District 8 remained popular among shophouse buyers, with 27 shophouses selling for a total of S\$259.4 million from January to June 2023. It was also the only district that registered more than ten shophouse transactions, with

Exhibit 1: Sales Volume and Average Unit Prices of Shophouses



Source: URA Realis (based on data downloaded as at 18 July 2023), Knight Frank Research

demand driven by the continued gentrification and growing popularity of Little India as a hip tourist destination. The sale of the six adjoining freehold shophouses along Serangoon Road for S\$62.5 million made up the bulk of sales volume in District 8, taking the top spot in the top five deals of H1 2023 (Exhibit 2).

Exhibit 2: Top 5 Deals in H1 2023

DEVELOPMENT NAME	ADDRESS	LAND AREA (SF)	SALES PRICE (\$ MIL)	UNIT PRICE (\$ PSF)	SALE DATE
N.A.	322, 324, 330 etc Serangoon Road	9,042	\$62.5	\$6,912	Jan-23
Boat Quay Conservation Area	37 Boat Quay	1,426	\$30.0	\$21,034	May-23
N.A.	433, 435 Geylang Road	4,518	\$30.0	\$6,641	Jun-23
Telok Ayer Conservation Area	28, 28A, 28B, 28C Stanley Street	1,729	\$29.0	\$16,776	Apr-23
N.A.	301 Jalan Besar	3,798	\$26.0	\$6,847	May-23

Source: URA Realis (based on data downloaded as at 18 July 2023), Knight Frank Research

As conservation shophouses are highly coveted for their heritage value, cultural qualities and limited quantity in the market, supernormal profits from capital appreciation are regularly observed the longer the asset is held. Between January and June 2023, 15 shophouse sales made returns of more than 100%. The sale of 37 Boat Quay located within the Boat Quay Conservation Area at S\$30.0 million after being held for 23 years translated to a 631.7% profit, the highest in H1 2023 (Exhibit 3). Other notable deals with sizable returns included the sale of two shophouse units along Geylang Road for S\$30.0 million which gained 605.9% after being held for a similar 23 years.

Exhibit 3: Property Gains for Shophouses Transacted in H1 2023

DEVELOPMENT NAME	ADDRESS	SALES PRICE (\$ MIL)	DATE OF SALE	LAND AREA (SF)	RETURN	EST. NO. OF YEARS HELD
Boat Quay Conservation Area	37 Boat Quay	\$30.0	May-23	1,426	631.7%	23
N.A.	433, 435 Geylang Road	\$30.0	Jun-23	4,518	605.9%	23
Kampong Glam Conservation Area	10 Bussorah Street	\$4.5	Apr-23	662	592.3%	16
Sembawang Hills Estate	122, 122A Casuarina Road	\$5.7	Jun-23	2,005	533.3%	20
N.A.	750 Upper Serangoon Road	\$11.2	Apr-23	2,794	443.7%	18

Source: URA Realis (based on data downloaded as at 18 July 2023), Knight Frank Research

MARKET OUTLOOK

Buyer/investor interest is expected to continue with foreign private wealth sources turning from residential assets to shophouses, driving demand and the growth of prices to new levels. In addition, more locals in Singapore are also on the lookout for shophouses in trendy dining and tourist locations with entrepreneurial intentions to create greater diversity and epicurean choices in the food and beverage scene. The ongoing gentrification of conservation areas in Singapore as culinary hotspots, has been and will continue to pull in the growing tourist throng as international visitor arrivals normalise to pre-pandemic levels.

Given the positive momentum in the shophouse market in the first half of 2023, the earlier projected sales volume of S\$1.3 billion to S\$1.5 billion is likely for the whole of the year.

For Strata Sales enquiries, please contact:



Mary Sai
Executive Director
Capital Markets
+65 6228 6886
mary.sai@sg.knightfrank.com

For further information on the report, please contact:



Leonard Tay
Head
Research
+65 6228 6854
leonard.tay@sg.knightfrank.com



Sim Li Wei
Analyst
Research
+65 6228 6856
liwee.sim@sg.knightfrank.com

Recent Publications



THE WEALTH REPORT 2023



SHOPHOUSE H1 2023

SUBSCRIBE to updates and reports delivered to your inbox

SIGN UP ONLINE