



Q3 2019 SHOPHOUSE MARKET SNAPSHOT



Shophouse sale value decreased to S\$143.1 million in Q3 2019 from S\$217.0 million in Q2 2019 due to higher asking prices.

PRICES OF LEASEHOLD SHOPHOUSES REACHING A STEADY STATE IN Q3 2019



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“Given the low-interest-rate environment and the uncertain external environment, shophouses become more appealing due to its stickiness in price and rents. We expect the shophouse sales to improve from Q4 2019 to 2020, as more investors seek safe assets, such as shophouses, for wealth preservation and future capital appreciation.”

Overview

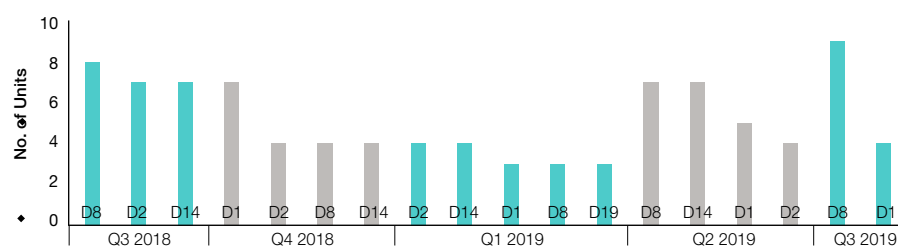
- **Shophouse sale value in Q3 2019 amounted to S\$143.1 million**, a 34.0% quarter-on-quarter (q-o-q) decline from S\$217.0 million in Q2 2019. The decline in shophouse sale value was probably due to the higher asking prices, especially for the heritage shophouses in districts 1 and 2.
- **The sales value of freehold shophouses decreased by 35.2% q-o-q** to S\$127.4 million in Q3 2019. Similarly, there was a slight drop in the sales value of leasehold shophouses, which declined by 23.4% q-o-q to S\$15.7 million in the same quarter.
- **There were 24 shophouse transactions lodged in Q3 2019, declining by 27.3% q-o-q from the 33 deals in Q2 2019.** The number of freehold shophouse transactions fell from 31 in Q2 2019 to 22 in Q3 2019. In contrast, there was no change in the number of leasehold shophouses transacted as there were only two sales in Q3 2019 (Exhibit 4).
- **The average price per square feet (psf) of leasehold shophouses** increased, inching up by 2.5% q-o-q to S\$6,167 psf in Q3 2019 (Exhibit 4). The average price psf of leasehold shophouses was also 94.3% higher than that for freehold shophouses, which decreased by a marginal 3.6% q-o-q to S\$3,173 psf in Q3 2019. The sale of a leasehold shophouse at 76 Pagoda Street for S\$9,691 psf contributed to the uplift in the average unit prices. 76 Pagoda Street is a prime F&B shophouse located next to the entrance of Chinatown MRT.

- **The sale of the shophouse at 39/45 Boat Quay (999-year leasehold) at S\$32.0 million is the largest transaction in Q3 2019 in terms of quantum (Exhibit 2).** The transaction is also the highest in terms of average price at S\$9,870 psf in Q3 2019. Located along the Singapore River, shophouses in the Boat Quay historical district boast a variety of bars and F&B outlets with excellent frontages.
- **Boosted by the aforementioned transaction, shophouse sales in the Singapore River Planning Area recorded the highest sale value of S\$40.9 million (Annex A).**

District 8, which includes Little India, recorded nine shophouse transactions, highest among the postal districts in Q3 2019. District 1, comprising Raffles Place and Chinatown which has always been a draw among investors, saw four transactions.

EXHIBIT 1

Districts with the most transactions based on Caveats lodged



Source: REALIS, Knight Frank Research

(Only districts that record three and more transactions are highlighted)

The top five transactions in Q3 2019 were freehold shophouses, with the largest deal in terms of quantum being the shophouses at Boat Quay.

EXHIBIT 2

Top 5 Deals in Q3 2019 (By Price Quantum)

Address	Tenure	Transacted Price (S\$ million)	Unit Price (S\$ psf)	Area (sq ft)
39/45 Boat Quay	Freehold	32.2	9,870	3,261
124/126 East Coast Road	Freehold	17.3	6,015	2,874
76 Pagoda Street	Freehold	13.3	9,691	1,378
51 South Bridge Road	Freehold	8.7	6,241	1,399
43 Ann Siang Road	Freehold	7.7	6,711	1,152

Source: REALIS, Knight Frank Research

Most investors hold the shophouses over the span of 7 to 9 years. Among the shophouses transacted in Q3 2019, the owners of the shophouse at 29 Norris Road in the Little India Conservation Area (District 8) were among those that enjoyed higher returns. The owner enjoyed a capital appreciation of 148.0% after selling it 9 years later.

EXHIBIT 3

Property Gains for Shophouses Transacted in Q3 2019

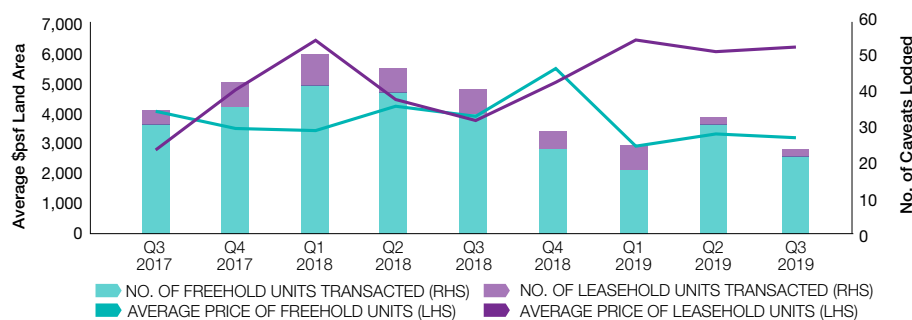
Address	Price Sold in Q3 2019 (S\$ million)	Land Area (sq ft)	Return	Estimated Number of Years Held
29 Norris Road	3.1	1,410	148.0%	9
76 Pagoda Street	13.3	1,378	136.4%	7
56 Upper Weld Road	4.8	2,045	96.7%	9
2A Veerasamy Road	5.0	1,948	76.7%	9
25/25A Tai Thong Crescent	4.2	1,561	25.8%	6
51 South Bridge Road	8.7	1,399	20.8%	7
469/471 Joo Chiat Road	5.0	2,067	16.3%	7
14 Dalhousie Lane	2.4	904	10.1%	6

Source: REALIS, Knight Frank Research

Prices of leasehold shophouses inched up by 2.5% q-o-q in Q3 2019, boosted by the sales of prime leasehold shophouses. Prices of freehold shophouses dipped slightly following an increase in the previous quarter.

EXHIBIT 4

Number of Transactions and Average Price Psf of Freehold and Leasehold Shophouse Units



Source: REALIS, Knight Frank Research

Market Outlook

- Given the uncertain economic environment, the demand for shophouses is likely to remain keen, albeit cautious. The limited supply of shophouses, especially the heritage shophouses, will help support long term capital appreciation.
- In the short to medium term, prices are expected to stabilise. The price gap between buyers and sellers is likely to widen as they form different expectations of the market. Buyers are unlikely to accept higher prices that will compress the yields further, and owners are unlikely to budge from their asking prices as most have strong holding power.

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Annex A

EXHIBIT 1

Total Value of Shophouse Transactions by Planning Area

Shophouse Transaction Volume

