

“Once the spectre of COVID-19 has abated, demand volume is expected to return among investors of shophouses as a means for wealth preservation, stable recurring income and the prospect of substantial capital appreciation over time.”



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# Shophouse

## H1 2020

### SAVVY INVESTORS LOOK TO SHOPHOUSES AS A SAFE HAVEN FOR INVESTMENT AS PRICES FALL

#### MARKET SNAPSHOT (H1 2020)

**52**

TOTAL TRANSACTIONS

**\$253.2 MILLION**

TOTAL TRANSACTION VALUE

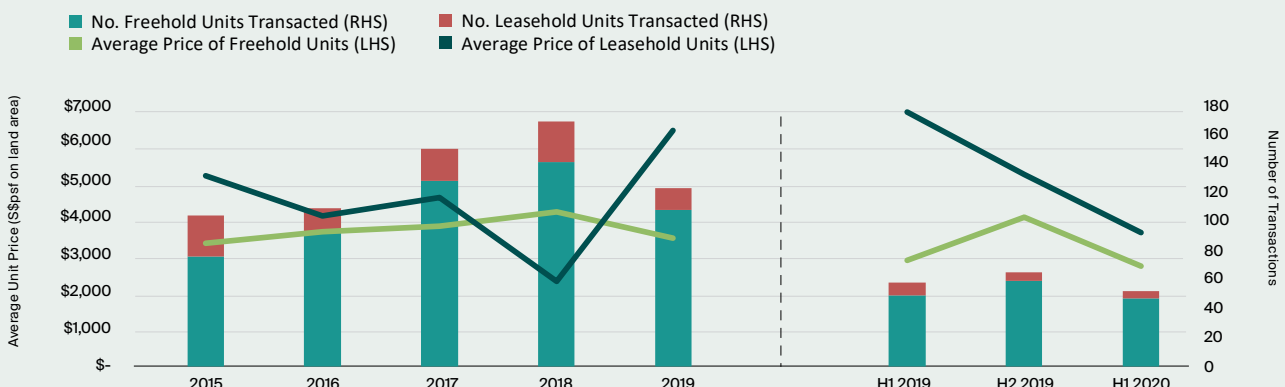
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#### Market Review

- Total shophouse transaction values amounted to S\$253.2 million in H1 2020, a 47.1% decline as compared to the second half of 2019 as the Coronavirus Disease 2019 (COVID-19) constrained economic activity and dampened sentiments.
- Average unit prices for freehold shophouses declined by 32.7% on a half-yearly basis to S\$2,692 per square foot (psf) on land in H1 2020, while prices for leasehold shophouses dropped by 30.2% year-on-year (y-o-y) to S\$3,591 psf on land (Exhibit 1). With the moderation in prices, savvy investors purchased these shophouses as a safe-haven for their investments.
- H1 2020 saw 52 shophouse transactions, a dip from the 65 lodged in H2 2019 (Exhibit 1). Transaction volume in the second quarter of 2020 fell below normal levels amid the circuit breaker with 20 recorded shophouse sales.
- Nevertheless, there was evidence of market activity despite human and business restrictions as interest in shophouses outside of the more popular conservation areas supported total sales volumes. There were four shophouse transactions at Sims Avenue in Geylang, for instance, at an attractive price of S\$2.8 million each in April.
- It was a tale of two quarters in H1 2020, as shophouse trends in Q1 and Q2 2020 differed in location and price quantum. Q1 2020 saw transactions in the more popular conservation areas such as Little India, Kampong Glam, Tanjong Pagar and Desker Road, and with almost half of the transactions priced at S\$4 million and above.
- On the other hand in Q2 2020, 85% of the transactions lodged were between S\$1 and S\$4 million as investors targeted these shophouses as safe bets, hedging against the looming economic uncertainty caused by the pandemic. Some examples included shophouse transactions at 120/A/B and 118/A/B Pasir Panjang Road, which exchanged hands for S\$3.0 million each.

- H1 2020 also saw some big-ticket transactions occurring, with the top deal being a bulk sale of ten shophouses in Teck Chye Terrace comprising some 17,700 square feet (sq ft) on land area for S\$39 million.
- Among the shophouses transacted in the first half of 2020, a few enjoyed high returns after being held for more than a decade. A shophouse unit at 41 Duxton Road, which last transacted in 2003 for S\$800,000, was sold at more than six times the initial price at S\$4.9 million (Exhibit 3).

**Exhibit 1: Transaction Volume and Average Unit Prices (\$\$psf on land area) of Shophouse Units**



Source: URA Realis, Knight Frank Research  
\*Based on data available as at 7 July 2020

### Exhibit 2: Top 5 Deals in H1 2020 by Price Quantum

BUILDING	ADDRESS	TRANSACTION PRICE (S\$ MIL)	LAND AREA (SQ FT)	UNIT PRICE (S\$ PSF ON LAND AREA)
N.A.	19/19A/ 37/37A ETC Teck Chye Terrace (D19)	39.0	17,653	2,210
N.A.	257 Holland Avenue (D10)	15.2	1,507	10,108
N.A.	297 Tanjong Katong Road (D15)	11.0	3,810	2,886
FRANKEL ESTATE	711/711A East Coast Road (D15)	9.2	2,486	3,674
N.A.	749/751/753 North Bridge Road (D7)	8.6	2,949	2,919

Source: URA Realis, Knight Frank Research  
\*Based on data available as of 7 July 2020

### Exhibit 3: Property Gains for Shophouses Transacted in H1 2020

BUILDING	ADDRESS	TRANSACTION PRICE (S\$ MIL)	LAND AREA (SQ FT)	RETURN	ESTIMATED NUMBER OF YEARS HELD
TANJONG PAGAR CONSERVATION AREA	41 Duxton Road (D2)	4.9	1,055	507.3%	17
TANJONG PAGAR CONSERVATION AREA	92 Tanjong Pagar Road (D2)	3.7	926	357.8%	17
GEYLANG CONSERVATION AREA	460 Geylang Road (D14)	4.8	1,604	300.0%	19
N.A.	481 Joo Chiat Road (D15)	3.4	1,120	204.5%	10
LITTLE INDIA CONSERVATION AREA	8/8A Mayo Street (D8)	2.7	1,066	150.0%	13

Source: URA Realis, Knight Frank Research  
\*Based on data available as of 7 July 2020

## MARKET OUTLOOK

- The COVID-19 outbreak has affected individuals, businesses, institutions; all aspects of human activity. No segment of the industry or society can be said to be unaffected, impervious or untouched by the crisis. In the same vein, the real-estate market for shophouses is also expected to go through a challenging time in 2020.
- Nonetheless, shophouses in Singapore are fixed in supply and there will always be investors on the lookout for opportunities from this limited and scarce property asset class. Once the spectre of COVID-19 has abated, demand volume is expected to return among investors of shophouses as a means for wealth preservation, stable recurring income and the prospect of substantial capital appreciation over time.

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