

“The historical uniqueness of shophouses as a heritage icon remains a rarefied and sought-after gem among investors in Singapore’s modern real estate landscape.”



MARY SAI, EXECUTIVE DIRECTOR, CAPITAL MARKETS

Singapore Research

Shophouse

H2 2020

WHEN CULTURAL VALUE BECOMES COMMERCIAL VALUE AND TRANSFORMS INTO INVESTMENT GAINS

- The total shophouse transaction value amounted to S\$880.7 million in 2020, riding out the pandemic with only a slight 3.8% year-on-year (y-o-y) decline when compared to the S\$915.9 million recorded in 2019, as sales in Q4 2020 rebounded to surpass pre-pandemic levels. Gross sales value in the quarter alone accounted for almost half of 2020 shophouse sales value at S\$431.8 million.
- The shophouse sales volume was also greater in 2020 compared to the previous year, with 138 transactions lodged as compared to 123 in 2019 (Exhibit 1). The majority (88.4%) sold were freehold shophouses. Q4 2020 saw a total of 51 shophouse transactions, 19 more than in Q3 when sales started to recover.
- Aided by lower costs of borrowing and high liquidity in the market, pent-up demand from different pools of buyers such as first-time investors as well as family offices and corporates contributed to the overall recovery of the shophouse market, especially towards the last quarter of the year. Price expectations between buyers and sellers were realistically met, leading to the materialisation of sales.
- There was also greater availability of saleable inventory, with more owners putting their shophouses up for sale in the latter half of the year, ready to cash out on their investment. Owners who lost tenants or had to accept reduced rental income due to the pandemic saw it as an opportune time to capitalise on their investment, with ready buyers willing to offer reasonable prices.
- There was a notable increase in shophouse transactions in District 1 and 2 in the second half of 2020 with 10 transactions recorded in each of these districts, compared to one shophouse in District 1 and three sold in District 2 in H1 2020. As shophouses in traditionally popular

MARKET SNAPSHOT (2020)

138
TOTAL TRANSACTIONS

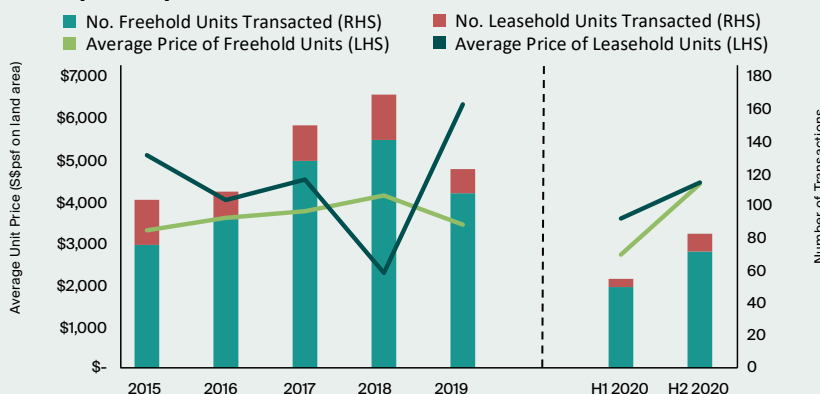
S\$880.7 MILLION
TOTAL TRANSACTION VALUE

areas that were previously tightly held by owners were put on the market, buyers readily snapped up these units.

- Unit prices of freehold shophouses averaged S\$4,426 per square foot (psf) on land in H2 2020, 62.5% greater than H1 2020 and 10.6% greater than H2 2019. After moderating by some 30.3% in the first half of 2020 on a half-yearly basis, average unit prices of leasehold shophouses gained some 24.2% compared to H1 2020 to record S\$4,459 psf on land in H2 2020.
- Comparing 2020 with 2019, unit prices for freehold shophouses averaged S\$3,697 psf on land in 2020, a 7.3% y-o-y increase from 2019. However, average unit prices decreased 32.5% y-o-y for leasehold shophouses to S\$4,278 psf on land, due to the higher base in 2019.
- More large quantum sales were observed in H2 2020, with the top five deals by sales value all located in Districts 1 or 2, transacting above S\$25 million (Exhibit 2). This was unlike H1 2020, where transactions were spread across Districts 7, 10, 15 and 19 among the five top deals, and at below S\$16 million except for a bulk sale at Teck Chye Terrace.

- Two shophouse transactions at Haji Lane (District 7) were sold with notable price increases in H2 2020 after being held for than a decade (Exhibit 3). A shophouse at 73 Haji Lane exchanged hands at more than ten times its previous sale price, while another at 11 Haji Lane benefited from a 530.5% price increase.

Exhibit 1: Transaction volume and Average Unit Prices (S\$psf on land) of Shophouse Units



Source: URA Realis, Knight Frank Research, *based on data available as of 11 January 2021

Exhibit 2: Top 5 Deals in H2 2020 by Price Quantum

BUILDING	ADDRESS	TRANSACTION PRICE (S\$ MIL)	LAND AREA (SQ FT)	UNIT PRICE (S\$ PSF ON LAND)
TELOK AYER CONSERVATION AREA	77 Amoy Street (D1)	29.8	2,773	\$10,747
N.A.	89 Amoy Street (D1)	29.8	2,854	\$10,443
N.A.	8,9,10 Craig Road (D2)	29.3	5,948	\$4,923
N.A.	42,44,46 Smith Street (D1)	28.8	2,784	\$10,346
N.A.	198 South Bridge Road (D1)	27.0	2,102	\$12,844

Source: URA Realis, Knight Frank Research, *based on data available as of 11 January 2021

Exhibit 3: Property Gains for Shophouses Transacted in H2 2020

BUILDING	ADDRESS	TRANSACTION PRICE (S\$ MIL)	LAND AREA (SQ FT)	RETURN	ESTIMATED NUMBER OF YEARS HELD
KAMPONG GLAM CONSERVATION AREA	73 Haji Lane (D7)	4.00	677	1,011.1%	16
KAMPONG GLAM CONSERVATION AREA	11 Haji Lane (D7)	3.47	525	530.5%	15
TELOK AYER CONSERVATION AREA	65 Club Street (D1)	15.70	2,083	460.7%	14
N.A.	370,370A Tanjong Katong Road (D15)	3.80	1,484	369.1%	16
N.A.	467 Geylang Road (D14)	7.15	2,213	365.2%	16

Source: URA Realis, Knight Frank Research, *based on data available as of 11 January 2021

Market outlook

- The first half of H1 2020 saw a dip in market activity owing to the uncertainty and cessation of economic activities as a result of the pandemic, but shophouse transactions quickly rebounded in the second half of the year fuelled by interest from buyers as Singapore's economy gradually reopened. The shophouse segment will remain vibrant in 2021, as these cultural icons from Singapore's past increasingly translate into commercial value with a ready pool of buyers in the market.
- While shophouse transaction volume in 2021 is expected to be greater than 2020, price increases are likely to stabilise due to buyer's resistance and present cautiousness in light of the still nascent and tentative economic recovery. Once the distribution of the vaccine is rolled out to some extent, investment sentiment will be boosted and these historical shophouses that are no longer being built will continue to be a well sought-after heritage asset for future gains in modern Singapore.

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