

H2 2023

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# A quiet year end for an active shophouse market

► “The combination of gentrified and gentrifying shophouses alongside modern buildings in Singapore’s urban landscape will continue to churn the diverse mix of human and business activity that support demand for shophouses.”

MARY SAI, EXECUTIVE DIRECTOR, CAPITAL MARKETS

The shophouse market was active for most of 2023, only to quiet down towards year-end. Sales volume declined 35.5% to S\$428.2 million in H2 2023 from S\$728.9 million in H1 2023, and as a result, the total sales value for the whole of 2023 stood at S\$1.2 billion. Similarly, the number of shophouse units sold also decreased, with 132 units sold in 2023, 30.9% lower than the previous year when 191 units were sold. On a half-yearly basis, the number of shophouse units that exchanged hands in H2 2023 declined 26.4% to 53 units from 79 units in H1 2023. At the same time, the average unit price fell by 6.1% to S\$5,116 psf on land in H2 2023 from S\$5,448 psf on land in H1 2023.

Were it not for the prevailing high interest rates and geopolitical tensions, perhaps there could have been more transactions. Some institutional

buyers, particularly those reliant on debt financing and recurring rental income for positive returns, exercised caution and withdrew to the sidelines, adopting a wait-and-see posture. In addition, there is every possibility that more shophouse transactions took place between July and December, going unreported without caveats being lodged. In the second half of 2023, it is likely that these transactions involved wealthy buyers who preferred to be low-key.

In 2023, freehold shophouse transactions comprised a 79.5% majority or 105 units, a significant decrease of 31.4% from the 2022 total of 153 transactions. The total transaction sales value for freehold shophouses was S\$948.0 million, reflecting an average price of S\$5,354 psf on land, marking a 10.1% increase from the

## 2023

Total Sales Value : S\$1.2 billion

No. of Units Sold : 132

Average Price : S\$5,325 psf on land

## 2022

Total Sales Value : S\$1.6 billion

No. of Units Sold : 191

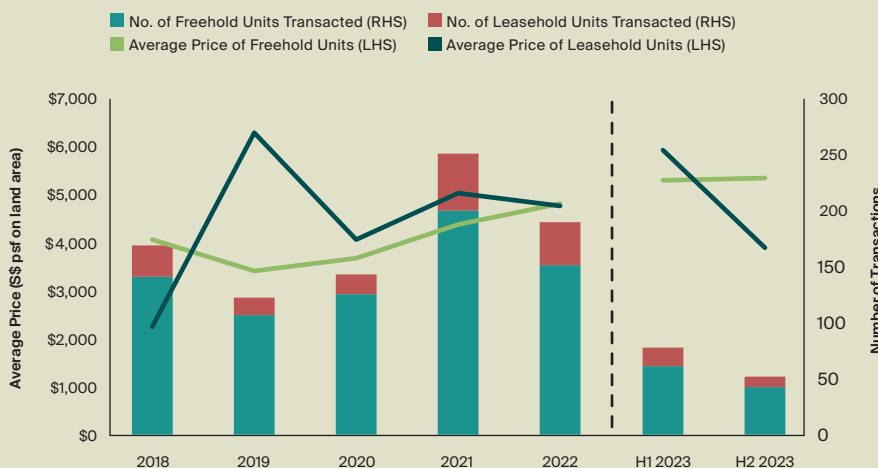
Average Price : S\$4,849 psf on land

preceding year (Exhibit 1). Private wealth individuals and families showed caution, withholding capital in anticipation of more realistic price levels and possible reductions in interest rates in 2024.

In H2 2023, out of the 53 shophouse units that were sold, 81.1% (43 units) were freehold, with the remaining 18.9% (10 units) leasehold. Transaction value for freehold and leasehold shophouse units sold in 2023 declined to S\$358.9 million and S\$69.3 million respectively. Likewise, average unit price in H2 2023 for leasehold shophouse units decreased 34.2% to S\$3,937 psf on land from S\$5,983 psf on land in H1 2023, while that for freehold shophouse units grew by 1.0% to S\$5,389 psf on land from S\$5,334 psf on land in H1 2023. Two deals in the top five in the second half of 2023 closed for more than S\$30.0 million. These two deals comprised three shophouse units along Jalan Besar that were sold for S\$38.5 million in September, and three shophouse units along Ann Siang Road that changed hands for S\$32.0 million in July (Exhibit 2).

District 8 maintained its top position with the highest number of sales, being the only district with more than ten shophouse units transacted during the period from July to December 2023. In the district, a total of 16 units were sold, translating to a total transaction value of S\$132.0 million. With the continued gentrification and the completion of Guoco Midtown located along Beach Road, Little India will continue to develop and mature as

Exhibit 1: Sales Volume and Average Unit Prices of Shophouses



Source: URA Realis (based on data downloaded as at 19 January 2024), Knight Frank Research

## Exhibit 2: Top 5 Deals in H2 2023

DEVELOPMENT NAME	ADDRESS	LAND AREA (SF)	SALES PRICE (\$ MIL)	UNIT PRICE (\$ PSF)	SALE DATE
Desker Road Conservation Area	203, 205, 207 Jalan Besar	6,378	\$38.5	\$6,037	Sep-23
Telok Ayer Conservation Area	5, 5A, 5B Ann Siang Road	1,446	\$32.0	\$22,136	Jul-23
N.A.	466 Serangoon Road	2,236	\$18.5	\$8,275	Nov-23
N.A.	1, 1A Thomson Ridge	3,482	\$17.0	\$4,882	Oct-23
Tanjong Pagar Conservation Area	120 Tanjong Pagar Road	1,683	\$16.2	\$9,623	Aug-23

Source: URA Realis (based on data downloaded as at 19 January 2024), Knight Frank Research

a hip tourist destination, maintaining demand for shophouses in the area with new owners pivoting to trendy hole-in-the-wall eateries and other eclectic uses.

Demand for conservation shophouses have been and are expected to be sought after for their historical significance, cultural attributes, and scarcity in a niche market, primarily for capital appreciation. In H2 2023, the sale of 12 shophouses chalked up returns of over 100%. A shophouse at 37 Bussorah Street in the Kampong Glam Conservation Area realised an overall return of 1,196.0% when it was sold for S\$4.8 million in July after being held for 20 years, topping the list (Exhibit 3). Other significant transactions with substantial returns included the sale of 131 Dunlop Street located within the Little India Conservation Area with a gain of 550.0% when sold for S\$3.9 million in August, and 466 Serangoon Road with a 478.1% return after having changed hands for S\$18.5 million in November.

## Exhibit 3: Property Gains for Shophouses Transacted in H2 2023

DEVELOPMENT NAME	ADDRESS	SALES PRICE (\$ MIL)	DATE OF SALE	LAND AREA (SF)	RETURN	EST. NO. OF YEARS HELD
Kampong Glam Conservation Area	37 Bussorah Street	\$4.8	Jul-23	724	1,196%	20
Little India Conservation Area	131 Dunlop Street	\$3.9	Aug-23	459	550.0%	21
N.A.	466 Serangoon Road	\$18.5	Nov-23	2,236	478.1%	15
N.A.	5, 5A Opal Crescent	\$3.8	Jul-23	1,700	387.2%	17
N.A.	184 Race Course Road	\$5.3	Oct-23	1,625	332.7%	17

Source: URA Realis (based on data downloaded as at 19 January, 2024), Knight Frank Research

## MARKET OUTLOOK

The fall in shophouse sales activity in the second half of 2023 was a result of buyers beginning to resist improbable price premiums within the wider context of the elevated borrowing environment and business uncertainty, despite demand being intact. Shophouses are a limited historical asset without any new supply. This typically leads to capital appreciation over a medium- to long-term investment horizon. However, sellers need to balance the evergreen popularity of shophouses with the higher levels of caution among buyers and moderate their profit expectations in order for a sale to materialise in the year ahead.

A sales volume of S\$1.1 billion to S\$1.2 billion in the shophouse market is projected for the whole of 2024, as price premiums that were characteristic of the market in the past few years adjust towards sustainable levels in line with market expectations. With a better economic outlook in 2024 as well as with interest rates stabilising and perhaps being adjusted downwards, the pace of transaction activity is expected to pick up. Prices should trend within more reasonable bandwidths with frothy premiums subsiding to realistic normalised levels.

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