

Q2 2022 QUARTERLY REPORT

# SHOPHOUSE RESEARCH REPORT

Report prepared by PropNex Research



## Key Highlights

- Commercial shophouse market sales activity remained robust in Q2 2022 with 64 deals done, valued at \$481 million.
- District 8 (Little India, Jalan Besar) booked a record number of transactions during the quarter, with 34 transactions worth more than \$218 million.
- Occupier demand kept shophouse leasing activity buzzing, more than 860 rental contracts worth \$8.2 million were signed. Median monthly shophouse rentals continued to grow to \$5.50 psf in Q2 2022, from \$5.37 psf in Q1 2022.
- With looming global economic headwinds, investors are expected to continue to view commercial shophouses as a defensive asset with the ability to ride out uncertain times.



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# PropNex Research Q2 2022 Shophouse Property Report

## Overview

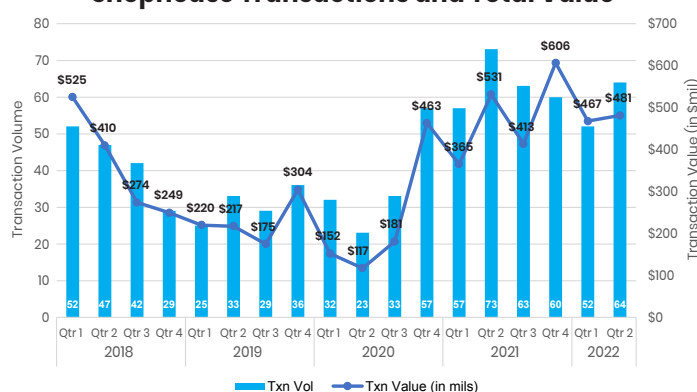
The commercial shophouse market continued to buzz in Q2 2022, with various properties – including in Chinatown, Little India, Balestier and Geylang – being put on the market. URA Realis caveat data showed that more than 60 deals were transacted in the quarter, though the number of deals is likely to be come in higher as several transactions have not been captured, including the sale of Hotel Soloha on Teck Lim Road for more than \$53 million.

Sales and rental activity in the shophouse market remained healthy during the quarter on firm demand from occupiers looking to expand and leveraging on the reopening of the economy, as well as investors seeking assets that pose relatively lower risk and have the potential to capitalise on positive leasing and rental outlook as the economy reopens.

## Sales Transactions in Q2 2022

- Based on caveats lodged, there were 64 shophouses transactions in Q2 2022, up by 23% from the 52 deals in Q1 2022. Most of the deals done during the quarter were small transactions occurring in the fringe areas such as District 8.
- Although URA Realis caveats data showed that 64 shophouse deals were done in Q1 2022, the figure is likely to be higher as some caveats were not lodged by buyers. Based on caveated data, 116 deals were done in the first half of 2022, falling short of the 130 deals done in 1H of 2021.
- The transaction value of deals during Q2 stood at \$481 million, which is a 2.9% increase from the previous quarter. Year-on-year, the value of transactions in Q2 is down by 9.4% owing to the higher base recorded in Q2 2021, where \$531 million worth of deals were done.
- For the first half of 2022, deals worth \$949 million were achieved, surpassing the value recorded in the first half of 2021 (\$897 million).

## Shophouse Transactions and Total Value

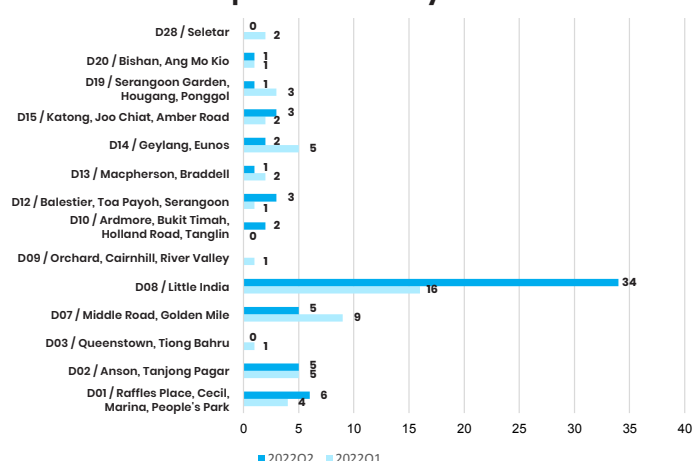


Source: PropNex Research, URA Realis

## Transaction Hotspots in Q2 2022

- Of the 64 shophouse transactions in Q2 2022, District 8 (Little India, Jalan Besar) posted the highest sales at 34 units, accounting for more than half of total transactions in the quarter.
- In terms of transaction value, District 8 led the pack, achieving a whopping \$218.3 million worth of deals in Q2 2022. This quarter's performance is the district's all-time high in terms of sales volume and value, smashing the last record in Q2 2013 where 29 deals valued at \$130 million were done.
- Sales volume in the fringe areas such as Jalan Besar and Geylang are expected to remain elevated, due to their smaller price tags and higher availability of units for sale.

## Shophouse Deals by District



Source: PropNex Research, URA Realis

## Top 5 Shophouse Transactions in Q2 2022

- The top deal of the quarter was the \$53.38 million sale of Hotel Soloha along Teck Lim Road – the sale was not reflected in the caveat data. The bespoke boutique hotel consists of 3 adjoining shophouses, located in the Bukit Pasoh conservation area. Based on the purchase price, it reflects an estimated unit price of \$12,854 psf on land area.
- Based on caveats lodged, the top transaction of the Q2 2022 was the \$28 million sale of a pair of conservation freehold shophouses along Jalan Besar in the Petain Road and Tyrwhitt Road conservation area – reflecting a unit price of \$3,267 psf on land area.
- Another notable deal in the quarter was for the sale of 5 adjoining shophouses along Club Street for nearly \$26 million, which reflects a unit price of \$7,276 psf on land area.

### Top 5 Shophouse transactions in Q2 2022

Location	Sale Date	Postal District	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF) on Land Area	Tenure
3XX, 3XX JALAN BESAR	19 May 2022	8	\$28,000,000	3,267	\$8,571	Freehold
2XX, 2XX GEYLANG ROAD	27 May 2022	14	\$26,000,000	5,564	\$4,673	Freehold
X - X CLUB STREET	10 Jun 2022	1	\$25,877,000	3,556	\$7,276	99 yrs leasehold
X JIAK CHUAN ROAD	29 Apr 2022	2	\$25,500,000	1,947	\$13,096	Freehold
5X CLUB STREET	13 May 2022	1	\$16,500,000	2,627	\$6,280	999 yrs leasehold

Source: PropNex Research, URA Realis

## Shophouse Prices

- In terms of unit prices on land area (\$psf), shophouse values in the city have softened in Q2 compared to Q1, though prices have largely grown from the previous year.
- The weaker average unit prices especially for shophouses in D1/D2 were largely due to the thin sales volume and the physical attributes of the shophouses that were sold during the quarter – skewing average unit prices.

- The average transacted unit price on land area\* of freehold and 999-year leasehold shophouses in D1/D2 and D7/D8 contracted in Q2 2022, with that of D1/D2 posting a steeper 21.9% QOQ drop. On the other hand, freehold and 999-year leasehold shophouses located in D14/D15 and the rest of Singapore grew by about 59% QOQ.
- Meanwhile, 99-year leasehold shophouses in D1/D2 saw the average unit price on land area in Q2 2022 fall by 6.9% QOQ, while that of D7/D8 slipped by 2.5% QOQ.
- Despite figures indicating price weakness, market observations suggest otherwise. A number of owners have been withdrawing their listings or tightly holding onto their assets due to the scarcity of prime shophouses – resulting in the lack of transactions in these districts.

### Average unit prices of shophouses by tenure and district

Unit Price (\$ PSF) on land area	Year	D1 & D2 Raffles Place, Tanjong Pagar	D7 & D8 Little India, Golden Mile	D14 & D15 Geylang, Joe Chiat, East Coast	Rest of Singapore (RCR, OCR)
99-year leasehold	2Q 2021	\$6,168	\$1,769	No transactions recorded	\$571
	1Q 2022	\$7,747	\$3,538	No transactions recorded	No transactions recorded
	2Q 2022	\$7,213	\$3,449	No transactions recorded	\$651
	% QOQ change	-6.9%	-2.5%	NA	NA
	% YOY change	16.9%	94.9%	NA	14.0%
Freehold & 999-year leasehold	2Q 2021	\$9,520	\$4,370	\$2,920	\$3,082
	1Q 2022	\$12,327	\$5,430	\$2,748	\$2,585
	2Q 2022	\$9,629	\$4,953	\$4,380	\$4,105
	% QOQ change	-21.9%	-8.8%	59.4%	58.8%
	% YOY change	1.1%	13.3%	50.0%	33.2%

Source: PropNex Research, URA Realis

\*Average unit price is based on land area. Transacted prices tend to be higher when they are based on gross floor area (which varies depending on the number of storeys in the shophouse property).

- Based on caveats lodged, of the 64 shophouses sold in Q2 2022, close to half (45%) or 29 deals were priced between \$5 million and \$10 million – up from the 17 transacted in Q1 2022.

### Price range of shophouses sold by quarter

Price Range	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Under \$2.5 million	6	3	1	4	3
\$2.5 million to < \$5 million	24	30	28	18	18
\$5 million to < \$10 million	26	20	13	17	29
Above \$10 million	17	10	18	13	14
<b>Total Transactions</b>	<b>73</b>	<b>63</b>	<b>60</b>	<b>52</b>	<b>64</b>

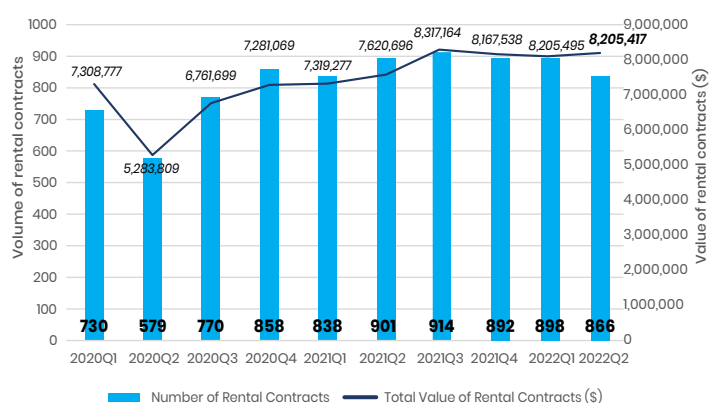
Source: PropNex Research, URA Realis



## Rents

- In Q2 2022, momentum in the shophouse rental market remained brisk as the economy reopened further and tourist arrivals picked up.
- 866 rental contracts were signed in Q2, slightly down from the 898 contracts done in Q1. While total rent values in Q2 mirrored that of Q1 with \$8.205 million worth of contracts signed.
- Shophouse rentals grew steadily in Q2 2022, with median rentals at \$5.50 psf per month – up from \$5.37 psf per month in Q1 2022.
- With the significant easing of travel restrictions, occupier interest in shophouse spaces located in tourist and nightlife districts has grown substantially as foot traffic return to these popular hotspots.

**Shophouse Leasing Transactions and Contract Value**



Source: PropNex Research, URA Realis

## Market Outlook

Although Singapore does not expect a recession or stagflation in 2023, there are still looming global economic headwinds – as central banks globally hike rates to manage decades-high inflation. Hence, investors may be looking for assets that are seen to be more defensive and have a proven track record of riding out uncertain times. Commercial shophouses, which are limited in supply and prized for their heritage charm, will be on investors' radar for the rest of the year.

In addition, the reopening of international borders and resumption of travel have led to a steady rebound in the tourism industry, largely buoyed by the pent-up demand for travel – which has largely benefited shophouse properties in tourist spots. The Singapore Tourism Board's figures showed that 543,732 visitors arrived in Singapore in June 2022, up from 418,458 in May – climbing for the 5th consecutive month. With some major tourist destinations in the Asia Pacific such as China, South Korea and Japan lagging behind on relaxing border restrictions, Singapore has been a beneficiary of the pent-up international travel demand. Tourist arrivals are expected to surpass 4 million visitors for the whole of 2022. Furthermore, the return of more workers to offices will support shophouse operators in the F&B and retail trade in the city center.

Despite the upside potential, pricing expectations and availability of suitable property for sale could curtail transactions. Would-be investors may hold off on the shophouse purchase if prices are deemed too high, amid rising interest rates.

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