

PropNex

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SINGAPORE

Q3 2022 QUARTERLY REPORT

SHOPHOUSE PROPERTY REPORT

Report prepared by PropNex Research team

Key Highlights

- The commercial shophouse market saw muted sales activity in Q3 2022 with 34 caveated transactions (valued at a combined \$330 million) amidst limited availability of shophouses put up for sale
- The decline in transaction activity, particularly in the prime Districts 1 and 2, during the quarter led to a slight softening in shophouse prices – overall average unit price on land for shophouses fell to \$4,977 psf, down by 4.4% QOQ in Q3 2022
- The rental market for shophouse space continued to buzz on reopening of economy and a rebound in the tourism industry. More than 900 rental contracts worth \$8.88 million were signed in Q3 2022. To that end, shophouse median rentals in Q3 grew to \$5.65 psf per month amid robust occupancies in the shophouse sector
- Shophouse prices and rentals will likely strengthen further given the limited stock and healthy demand. However, price resistance may set in – especially for city shophouses – as investors mull downside risks, such as rising interest rates and slowing economy



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Shophouse Property Report Q3 2022

Overview

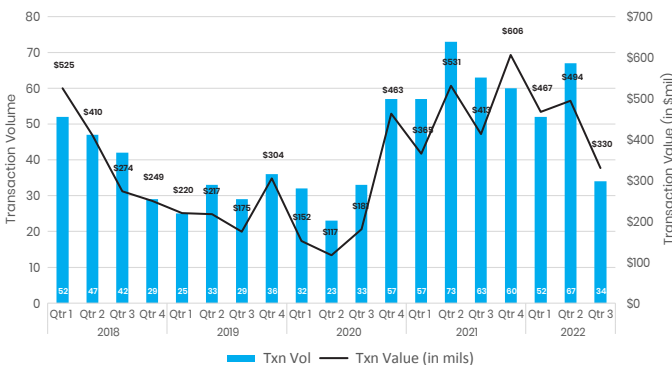
Commercial shophouse market activity was relatively muted in Q3 2022, with shophouses in fringe areas leading sales, including in Little India, Joo Chiat, and Geylang. While URA Realis caveat data showed that fewer deals have been transacted in the quarter, the number of deals is likely to be come in higher as several transactions have not been captured. The pool of shophouses put up for sale is observed to be shrinking with many owners holding onto these low-risk assets, while capitalising on buoyant occupier demand for shophouse space.

For those that were put up for sale, many have been listed with raised asking prices – fuelled by growing interest for safe haven assets amongst investors and foreigners. Market observers noted some instances of owners selling their shophouse properties after short holding periods of less than 2 years, and reaped healthy profits.

Sales Transactions in Q3 2022

- Based on caveats lodged, there were 34 shophouses transactions in Q3 2022, down by half from the 67 deals in Q2 2022. Most of the deals done during the quarter were in fringe areas such as District 8.
- Although URA Realis caveat data showed that 34 shophouses were sold in Q3 2022, the figure is likely to be higher as some caveats were not lodged by buyers. Based on caveated data, some 153 deals were done in the first nine months of 2022, falling short of the 193 deals done in the same period in 2021.
- The transaction value of deals in Q3 stood at \$330 million, which is a 33.2% drop from the previous quarter. Year-on-year, the value of transactions in Q3 2022 is down by 20% from \$413.3 million in Q3 2021.
- For the first nine months of 2022, deals worth \$1.29 billion were achieved – slightly short of the \$1.31 billion recorded in 9M 2021.

Shophouse Transactions and Total Value

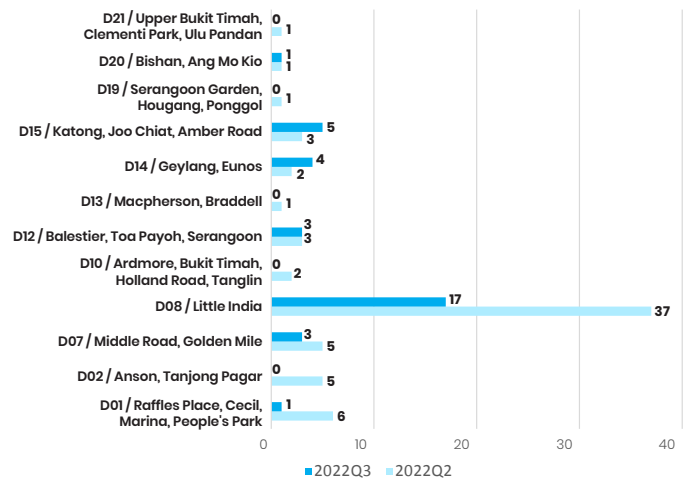


Source: PropNex Research, URA Realis

Transaction Hotspots in Q3 2022

- Of the 34 shophouse transactions in Q3 2022, District 8 (Little India, Jalan Besar) posted the highest sales at 17 units, accounting for half of total transactions in the quarter.
- In terms of transaction value, District 8 led the pack as well, achieving \$134.4 million worth of deals in Q3 2022. In the first nine months of 2022, District 8 has achieved over \$449.9 million worth of sales over 70 deals – an all-time high for the district in terms of total value of deals.
- Sales volume in the fringe areas such as Jalan Besar and Geylang are expected to remain elevated, due to their smaller price tags and availability of units for sale.

Shophouse Deals by District



Source: PropNex Research, URA Realis

Top 5 Shophouse Transactions in Q3 2022

- Based on caveats lodged, the top deal of the quarter was the \$71.3 million sale of Lavender Place along Lavender Street to a subsidiary firm of SGX-listed Hafary Holdings in July this year.
- The property consists of a row of 11 conserved shophouses that will be established as the group's new flagship store. The building has a gross floor area of over 45,000 sq ft, and comes with a 4-storey rear extension as well as a triple frontage along Lavender Street, Foch Road and Tyrwhitt Road. Based on the purchase price, it reflects a unit price of \$4,059 psf on land area.
- Another notable deal in the quarter was for the sale of four adjoining conserved shophouses in the Jalan Besar conservation area. The sale price of \$40 million reflects a unit price of \$6,075 psf on land area.

Top 5 Shophouse transactions in Q3 2022

Location	Sale Date	Postal District	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF) on Land Area	Tenure
16X LAVENDER STREET	8 Jul 2022	12	\$71,280,000	17,561	\$4,059	99 yrs leasehold
10X – 11X JALAN BESAR	29 Sep 2022	8	\$40,000,000	6,584	\$6,075	999 yrs leasehold
1X BALI LANE	1 Aug 2022	7	\$23,000,000	1,664	\$13,821	999 yrs leasehold
3X CIRCULAR ROAD	22 Aug 2022	1	\$16,800,000	1,085	\$15,484	999 yrs leasehold
70X,71X GEYLANG ROAD	12 Sep 2022	14	\$11,020,000	2,929	\$3,763	Freehold

Source: PropNex Research, URA Realis

Shophouse Prices

- In terms of unit prices on land area (\$psf), overall values have grown in Q3 compared to Q2, despite the thin transaction activity.
- The stronger average unit prices especially for shophouses in D7/D8 were largely due to many sellers raising their asking prices, fuelled by buoyant interest for shophouse assets.
- The average transacted unit price on land area* of freehold and 999-year leasehold shophouses in D1/D2 and D7/D8 grew in Q3 2022, with that of D1/D2 posting a 60.8% QOQ growth and that of D7/D8 growing by 7.5% QOQ. Prices of freehold and 999-year leasehold shophouses located in D14/D15 and the rest of Singapore fell by 12.7% and 9.6% QOQ respectively.
- Meanwhile, 99-year leasehold shophouses in D7/D8 saw the average unit price on land area in Q3 2022 grow by 24.4% QOQ, while prices in rest of Singapore surged by over 520% on the lower base in Q2. There were no caveated deals for 99-year leasehold shophouses in D1/D2 and D14/D15 during the quarter.

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, Joo Chiat, East Coast	Rest of Singapore (RCR, OCR)
99-year leasehold	3Q 2021	\$6,935	\$4,369	\$2,888	No transactions recorded
	2Q 2022	\$7,213	\$3,686	No transactions recorded	\$651
	3Q 2022	No transactions recorded	\$4,587	No transactions recorded	\$4,059
	% QOQ change	NA	24.4%	NA	523.5%
	% YOY change	NA	5.0%	NA	NA
Freehold & 999-year leasehold	3Q 2022	\$11,340	\$3,404	\$2,847	\$2,714
	2Q 2022	\$9,629	\$4,990	\$4,380	\$4,105
	3Q 2022	\$15,484	\$5,362	\$3,824	\$3,710
	% QOQ change	60.8%	7.5%	-12.7%	-9.6%
	% YOY change	36.5%	57.5%	34.3%	36.7%

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 34 shophouses sold in Q3 2022, more than half (56%) or 19 deals were priced between \$5 and \$10 million.

Price range of shophouses sold by quarter

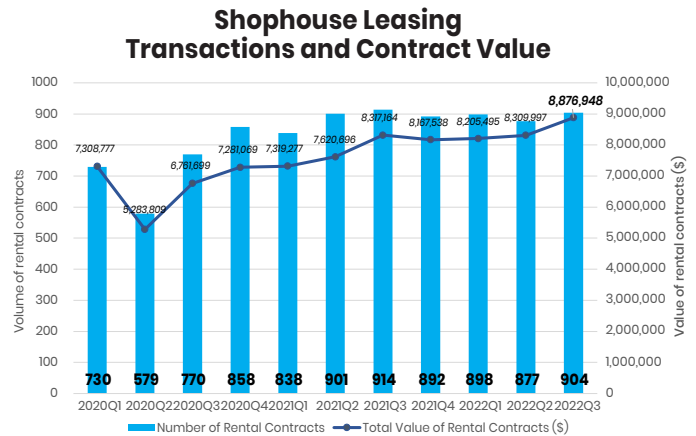
Price Range	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Under \$2.5 million	3	1	4	4	0
\$2.5 million to < \$5 million	30	28	17	19	10
\$5 million to < \$10 million	20	13	16	30	19
Above \$10 million	10	18	14	14	5
Total Transactions	63	60	51	67	34

Source: PropNex Research, URA Realis

Rents

- In Q3 2022, rental activity in the shophouse sector continued to buzz – 904 rental contracts were signed during the quarter. In 9M 2022, 2,679 contracts were signed – up from the 2,653 contracts signed in the same period last year.
- Total rent values during the quarter amounted to \$8.88 million, taking the total rental value in 9M 2022 to \$21.9 million – down from \$25.4 million in the same period last year.

- Meanwhile, shophouse rentals continued to climb in Q3 2022, with median rentals at \$5.65 psf per month – up from \$5.50 psf per month in Q2 2022.



Source: PropNex Research, URA Realis

Market Outlook

The global economy continues to grapple with high inflation, stock market volatility, and concerns over slowing growth in key markets such as China and the US. Against the backdrop of rising uncertainties and looming global recession, investors have been seeking investment safe havens and defensive assets. To that end, PropNex expects shophouses – which are limited in supply and highly prized for their heritage value – to continue to garner interest from both local and foreign buyers beyond 2022.

The reopening of international borders and resumption of travel has staged a strong comeback in the tourism industry, benefiting many F&B and retail businesses operating in shophouses in tourist hotspots. According to the Singapore Tourism Board (STB), about 3.7 million visitors arrived in Singapore in the first nine months of 2022, on track to hit STB's forecast of 4 to 6 million international visitor arrivals for the whole of this year.

Besides commercial and F&B operators, some up-and-coming demand drivers for shophouse spaces have been hotel and co-living operators. A number of them have been consistently acquiring shophouses in the city and fringe areas to capitalise on the burgeoning hospitality sector and brisk residential rental market. According to STB, the average hotel room rate has hit a 10-year high of \$256 per night as of July this year. This was the highest since September 2012, when the average room rate was \$261.66. Meanwhile, home rentals across the island have been hitting new peaks. Landlords have a strong negotiation position, amidst robust demand from both local and foreign tenants. With the recently imposed 15-month wait-out period for home owners looking to sell their private homes to downgrade to an HDB resale flat, demand for rental properties including co-living spaces, is expected to grow further in the medium-term.

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