

Q4 2023 SHOPHOUSE RESEARCH REPORT



Key Highlights

- The commercial shophouse market slowed down further in Q4 2023, with 15 caveated transactions (valued at \$95 million).
- Shophouse median rentals grew by 6.4% QOQ to \$6.36 psf per month in Q4 2023. Meanwhile, shophouse leasing activity appeared to remain resilient; there were 899 rental contracts worth \$9.45 million signed in Q4 2023.
- Shophouse prices are expected to grow at a moderate pace going into 2024, given the persistent market uncertainties. That being said, the projected economic recovery and potential interest rate cuts in the second half of 2024, could boost business sentiment and in turn, lend support to shophouse prices and rentals.

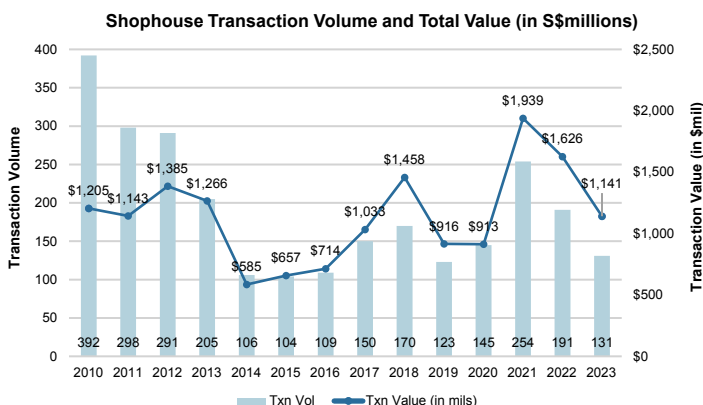
SHOPHOUSE PROPERTY REPORT Q4 2023

Overview

The shophouse market ended the year on a quiet note with muted sales and lower sales values. Against the backdrop of a soft economic outlook and heightened due diligence after the anti-money laundering blitz in August, shophouse investment sales posted one of its slowest quarters of deal flows in Q4. Leasing activity, meanwhile, remained resilient on the back of tourism recovery.

Sales Transactions in Q4 2023

- Based on caveats lodged, there were only 15 shophouse transactions recorded in Q4 2023, plummeting by 60% QOQ from the 37 deals in Q3 2023. This is the lowest quarterly sales based on transaction data since 2010. Half of transactions done during the quarter are in District 8.
- Year-on-year, the volume of shophouse transactions in Q4 was down by 58% from the 36 deals in Q4 2022. The pullback in sales could be attributed to the weaker market conditions and the time taken to conduct more extensive due diligence. In addition, the caveats for a number of deals may not have been lodged and thus not captured in the data.
- In terms of transaction value, the deals in Q4 amounted to \$95 million, marking a sharp 70% decline from the previous quarter. Year-on-year, the value of transactions in Q4 also fell by about 70% from nearly \$321 million in Q4 2022. The fall in values of shophouse deals can be attributed to fewer big-ticket acquisitions during the quarter.
- In 2023, the shophouse market has recorded 131 deals worth about \$1.14 billion, shrinking from last year's sales of 191 deals worth \$1.6 billion. It is the slowest sales volume achieved in a year since 2019 where 123 deals fetched a total of \$916 million, according to caveat data.

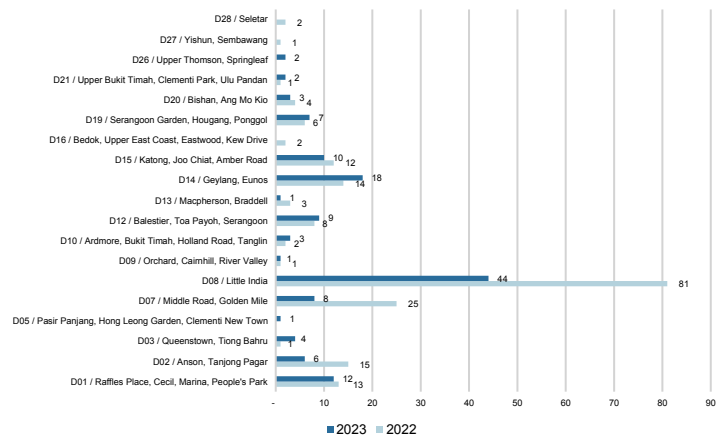


Source: PropNex Research, URA Realis

Transaction Hotspots in Q4 2023

- Of the 15 shophouse transactions in Q4 2023, District 8 (Little India, Jalan Besar) posted the highest sales with 7 deals. In terms of transaction value, District 8 also led the pack, achieving more than \$47.4 million worth of sales in Q4.
- District 8 dominated shophouse sales done in 2023 with 44 transactions – substantially higher than the next popular area, District 14 (Geylang, Eunos) where 18 deals were done in the year.
- Market observers noted that there were several transactions in the prime locations in Districts 1 and 2 in 2023 that had not been caveated.

Shophouse Deals by District (2022 vs 2023)



Source: PropNex Research, URA Realis

Top 5 Shophouse Transactions in Q4 2023

- Based on URA caveats, the top transaction of the quarter was the sale of a four-storey shophouse in Serangoon Road for \$18.5 million in November. The sale price for the 999-year leasehold shophouse spanning over 2,200 sq ft reflected a unit price of about \$8,275 psf on land area.
- The second top deal of the quarter was for two adjoining 2-storey shophouses in Thomson Ridge – on a 3,482 sq ft site - which were sold in October for \$17 million. The freehold shophouses are leased to several tenants of various trades, including retail, beauty and education.

Table 1: Top 5 Shophouse transactions in Q4 2023

Location	Sale Date	District	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF) on land area	Tenure
46X SERANGOON ROAD	6-Nov-23	8	18,500,000	2,236	8,275	999 years
X, X THOMSON RIDGE	30-Oct-23	20	17,000,000	3,482	4,882	Freehold
64X, 64X SERANGOON ROAD	21-Nov-23	14	9,200,000	2,547	3,612	Freehold
25X SERANGOON ROAD	3-Oct-23	8	7,000,000	858	8,160	Freehold
4X UPPER WELD ROAD	9-Oct-23	8	5,500,000	1,174	4,683	Freehold

Source: PropNex Research, URA Realis

Shophouse Prices

- For the whole of 2023, shophouse values in the Central Region rose compared with the previous year, while sales values in districts in the outskirts fluctuated due to inconsistent sales.
- The average transacted unit price on land area* of freehold and 999-year leasehold shophouses in D1/2, D7/D8, and the rest of Singapore grew by 23.8% YOY, 7.1% YOY and 32.1% YOY, respectively. In contrast, the average price of D14/D15 shophouses fell by 13.2% YOY.
- 99-year leasehold shophouses in D1/D2 and D7/8 saw the average unit price on land area rise by 8.4% YOY and 14.1% YOY, while prices of 99-year leasehold shophouses in the rest of Singapore fell by 69.2% YOY.

Table 2: 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, Joochiat, East Coast	Rest of Singapore (RCR, OCR)
99-year leasehold	2022	\$7,546	\$3,820	No transactions recorded	\$2,355
	2023	\$8,178	\$4,360	\$1,264	\$725
	% change	8.4%	14.1%	NA	-69.2%
Freehold & 999-year leasehold	2022	\$11,322	\$5,391	\$3,704	\$3,036
	2023	\$14,017	\$5,772	\$3,216	\$4,009
	% change	23.8%	7.1%	-13.2%	32.1%

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 130 transactions in 2023, about 67% or 88 deals were priced above \$5 million, while the remainder 33% or 43 transactions were priced at below \$5 million.

Table 3: Price range of shophouses sold by quarter

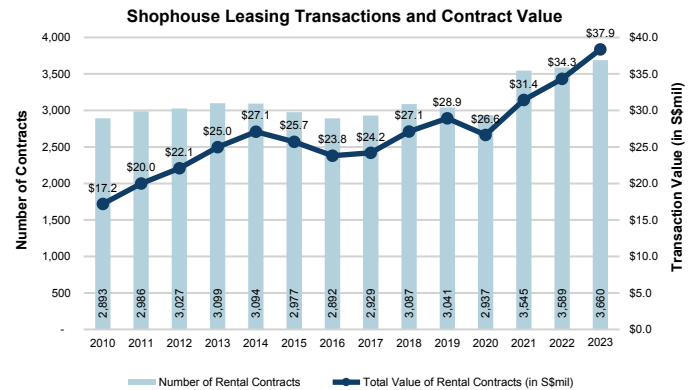
Price Range	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023
Under \$2.5 million	0	2	3	3	8
\$2.5 million to < \$5 million	8	11	12	4	35
\$5 million to < \$10 million	16	22	13	6	57
Above \$10 million	8	12	9	2	31
Total	32	47	37	15	131

Source: PropNex Research, URA Realis

Rents

- Leasing activity for shophouses in Q4 2023 was resilient. According to market observers, occupancies of shophouse space remained tight amid brisk demand, particularly for ground floor shophouse space in prime areas.
- Shophouse rentals continued to expand in Q4 after softening slightly in Q3. According to caveats lodged, monthly median rents of shophouses rebounded to \$6.39 psf in Q4, after slipping to \$5.98 psf in Q3. Prior to Q3, shophouse rentals had risen for eight consecutive quarters and peaked at \$6.21 psf per month in Q2 2023.
- Shophouse rentals are expected to remain resilient in 2024, supported by tight shophouse occupancies, and the tourism recovery.

- In Q4, 899 rental contracts valued at \$9.45 million were signed – outperforming the previous quarter in terms of rental values, where 931 contracts worth nearly \$9.3 million were signed. On a year-on-year basis, rental activity has also surpassed last year's fourth quarter, where 904 rental contracts worth \$8.9 million were done.
- For the whole of 2023, the shophouse leasing market recorded 3,660 transactions worth \$37.9 million, surpassing 2022's performance, which had 3,589 transactions valued at \$34.3 million.



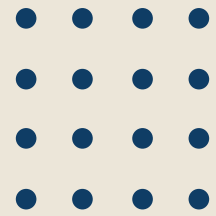
Source: PropNex Research, URA Realis

Market Outlook

Shophouse sales cooled in 2023, coming off the robust market activity in 2021 and 2022. Market uncertainties and the anti-money laundering bust in August have put a drag on sales, as prospective buyers conduct more extensive checks and market assessment. PropNex expects the demand for shophouses to stay firm, given their limited supply, heritage value, and potential for capital growth. In particular, freehold conservation shophouses in the Central Region will remain sought-after among investors.

The hike in additional buyer's stamp duty rates for residential properties in April 2023 could also channel more investment interest to the shophouse sector. These assets will continue to be coveted by buyers, including family offices and institutional investors. Meanwhile, the prospects of interest rate cuts – potentially in the second half of 2024 - could boost shophouse demand. Barring any unforeseen events, commercial shophouse sales are expected to perform better in 2024, with potential price upside.

In addition, the shophouse market could benefit from the projected economic recovery in 2024, as well as the continued improvement in the tourism sector. A positive turn in market conditions will bode well for occupiers, especially those in F&B, retail and accommodation segments. Leasing demand is anticipated to be healthy going into 2024, supported by tenants seeking trendy business locations.



Research:

Wong Siew Ying

Head of Research and Content

DID : (65) 6829 6637

Email : siewying.wong@propnex.com

Jean Choo

Senior Research Analyst

DID: (65) 6829 6619

Email : jean@propnex.com

Corporate Communications & Business Development:

Carolyn Goh

Senior Director

DID : (65) 6829 6748

Email : carolyn@propnex.com

PropNex Realty (A subsidiary of PropNex Limited)

480 Lorong 6 Toa Payoh #10-01 HDB Hub East Wing Singapore 310480

Main : (65) 6820 8000

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