



Q1 2022 QUARTERLY REPORT
**SHOPHOUSE
PROPERTY REPORT**



ADNIC LEE
CEA No. : R012847G

Shophouse Property Report Q1 2022

Overview

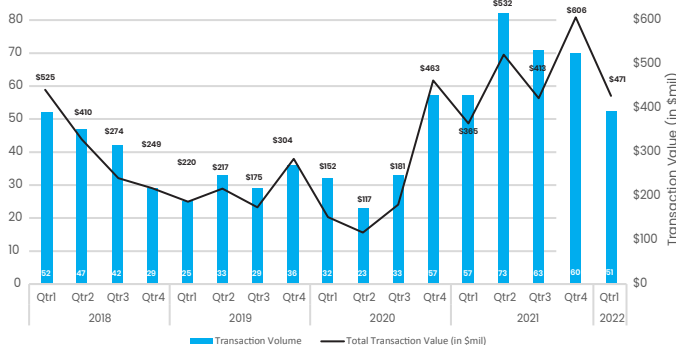
The shophouse property market has had a remarkable year in 2021, with 251 transactions amounting to a total of \$1.9 billion – a record value of annual sales. Commercial shophouses in Singapore are expected to continue to be well sought after by investors in Q1 2022 as a form of safe-haven asset as global uncertainties rose considerably during the quarter amid escalating geopolitical tensions in Eastern Europe and rising inflation.

In addition, following the latest round of cooling measures which were introduced to tame the buoyant residential property market in December 2021, some investors have been looking at shophouse opportunities, adding to the robust demand for shophouses. Furthermore, as Singapore moves toward living with Covid-19, with the easing of travel restrictions and safe management measures, prospects for the shophouse sector has brightened considerably.

Sales Transactions in Q1 2022

- Based on caveats lodged, there were 51 shophouses transactions in Q1 2022, down by 15% from the 60 deals in Q4 2021, the decline in sales volume was likely due to the limited supply of shophouses that were available for sale.
- Although URA Realis caveats data showed that 51 shophouse deals were done in Q1 2022, the figure is likely to be higher as some caveats were not lodged by buyers.
- The transaction value of deals during the quarter stood at a whopping \$471 million, which is a 22% drop from the previous quarter. Year-on-year, the value of transactions is up by 29%.

Shophouse Transactions and Total Value



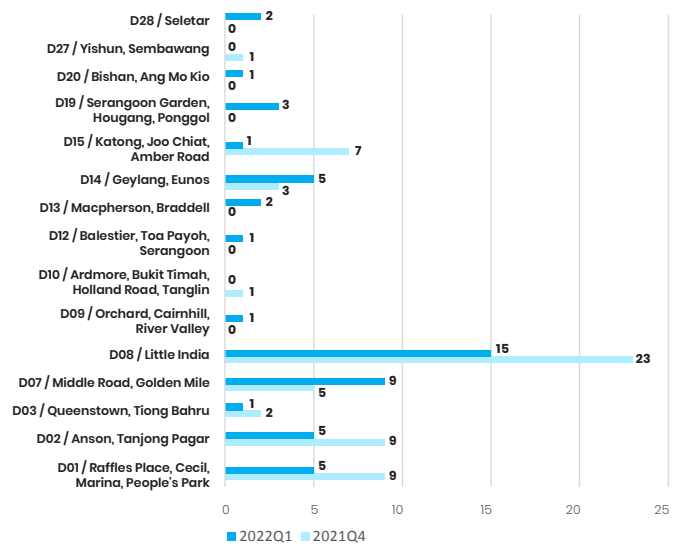
Source: PropNex Research, URA Realis

- Sales volume in the prime districts (D1 & D2) will likely be muted in the near-term due to the limited supply of shophouses available for sale, as a result of the surge in buying activity in 2021.
- Meanwhile, PropNex expects sales volume in the fringe areas such as Jalan Besar (District 8) and Geylang (District 14) to remain elevated, due to their smaller price tags and higher availability of units for sale.

Transaction Hotspots in Q1 2022

- Of the 51 shophouse transactions in Q1 2022, most were located in the city fringe and outlying areas. District 8 (Little India, Jalan Besar) posted the highest sales at 15 units. This was followed by the shophouses in District 7 (Kampong Glam) with 9 deals and District 14 (Geylang, Eunos) with 5 deals.
- In terms of transaction value, District 7 led the pack, achieving \$145 million worth of deals in Q1 2022, followed by District 1 which recorded \$92 million in deal value. District 7's transaction value was largely boosted by the Hotel Clover sale for \$74.8 million, accounting for nearly half of the district's transaction value for the quarter.

Shophouse Deals by District



Source: PropNex Research, URA Realis

Top 5 Shophouse Transactions in Q1 2022

- Based on caveats lodged, the top transaction of Q1 2022 was the \$74.8 million acquisition of Hotel Clover along Jalan Sultan in the Kampong Glam area – reflecting a unit price of \$4,921 psf on land area.
- This deal marks the most expensive shophouse deal of all time in terms of price quantum – the last record was for the sale of the Porcelain Hotel for \$64.8 million in March 2018.
- Hotel Clover comprises a row of 17 conservation shophouses. The buyer is an entity largely owned by Weave Living, a rental accommodation company based in Hong Kong.

Top 5 Shophouse transactions in Q1 2022

Location	Sale Date	Postal District	Transacted Price (\$)	Area (SQFT)	Unit Price (\$ PSF) on Land Area	Tenure
HOTEL CLOVER 17,21,25,27 ETC JALAN SULTAN	8 Mar 2022	7	\$74,800,000	15,201	\$4,921	999 yrs leasehold
82,83,84 CIRCULAR ROAD	17 Jan 2022	1	\$30,668,300	3,611	\$8,492	999 yrs leasehold
14 PURVIS STREET	24 Jan 2022	7	\$28,000,000	2,017	\$13,881	999 yrs leasehold
211,213 GEYLANG ROAD	7 Mar 2022	14	\$25,000,000	5,336	\$4,685	Freehold
6 JIAK CHUAN ROAD	22 Mar 2022	2	\$23,200,000	1,831	\$12,671	Freehold

Source: PropNex Research, URA Realis

Shophouse Prices

- In terms of unit prices on land area (\$psf), shophouse values in the hotspots of Singapore (District 1, 2, 7, 8, 14, 15) have increased to varying degrees during the first quarter, while prices for shophouses in the rest of Singapore contracted significantly.
- The average transacted unit price on land area* of freehold and 999-year leasehold shophouses in D1/D2, D7/D8 and D14/D15 grew in Q1 2022, with the largest quarterly increase in D7/D8, which grew 23.3% QOQ.
- Meanwhile, freehold and 999-year leasehold shophouses located in the rest of Singapore contracted by nearly 36% QOQ.
- 99-year leasehold shophouses in D1/D2 saw the average unit price on land area in Q1 2022 went up by 14.6%, while prices of 99-year leasehold were down by 12.7% in D7/D8.
- Capital appreciation for shophouses will remain firm as investors compete for the limited supply of properties available for sale; and with more owners reviewing their asking prices, especially for those in the prime districts.
- Of the 51 shophouses sold in Q1 2022, about 31% or 16 transactions were priced between \$5 million and \$10 million – up from the 13 transacted in the previous quarter. Based on caveats lodged, there were fewer large quantum transactions of over \$10 million in Q1 2022 at 14 deals compared with 18 deals in Q4 2021.

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	1Q 2021	\$6,589	\$3,516	No transactions recorded	\$571
	4Q 2021	\$7,588	\$4,053	No transactions recorded	No transactions recorded
	1Q 2022	\$8,698	\$3,538	No transactions recorded	No transactions recorded
	% QOQ change	14.6%	-12.7%	NA	NA
	% YOY change	32.0%	0.6%	NA	NA
Freehold & 999-year leasehold	1Q 2021	\$7,916	\$3,483	\$2,672	\$3,075
	4Q 2021	\$10,147	\$4,255	\$2,638	\$4,023
	1Q 2022	\$12,327	\$5,246	\$2,865	\$2,585
	% QOQ change	21.5%	23.3%	8.6%	-35.8%
	% YOY change	55.7%	50.6%	7.2%	-16.0%

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).

Price range of shophouses sold by quarter

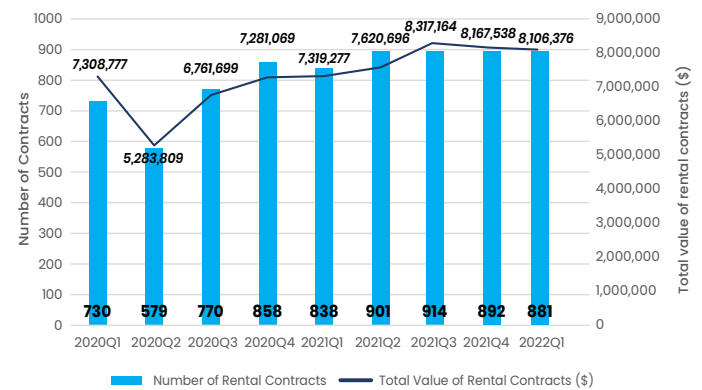
Price Range	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Under \$2.5 million	7	6	3	1	4
\$2.5 million to < \$5 million	21	24	30	28	17
\$5 million to < \$10 million	18	26	20	13	16
Above \$10 million	11	17	10	18	14
Total Transactions	57	73	63	60	51

Source: PropNex Research, URA Realis

Rents

- In Q1 2022, the rental market remained muted, in part due to the festive season. 881 rental contracts were signed, down from 892 contracts signed in Q4 2021, while total rental value slipped to \$8.11 million from \$8.17 million in Q4 2021.
- Despite the muted rental activity during the quarter, shophouse rentals continued to grow in Q1 2022, median rentals grew to \$5.38 psf per month from \$5.04 psf per month in Q4 2021.
- With the significant easing of travel restrictions and community safe management measures, tenant interest in shophouse spaces located in tourist and nightlife districts is expected to grow substantially as visitors and workers return to these hotspots that were largely battered by the pandemic restrictions.

Shophouse Leasing Transactions and Contract Value



Source: PropNex Research, URA Realis

Market Outlook

Demand for and prices of commercial shophouses are expected to remain strong in the near- to medium-term. The further reopening of the economy and borders, the removal of group size limit, as well as more workers returning to their offices will bolster the business of many shophouse tenants, particularly those in tourist spots and the central business district. With improved sentiment, there is also an upside potential for rental growth.

As commercial shophouses do not attract additional buyer's stamp duty and the seller's stamp duty, they will be popular with family offices and high net worth individuals, both from Singapore and abroad.

However, with the limited supply of shophouses that are available for sale, the robust demand will unlikely be met, thereby keeping prices elevated this year, especially for prime shophouse units.

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