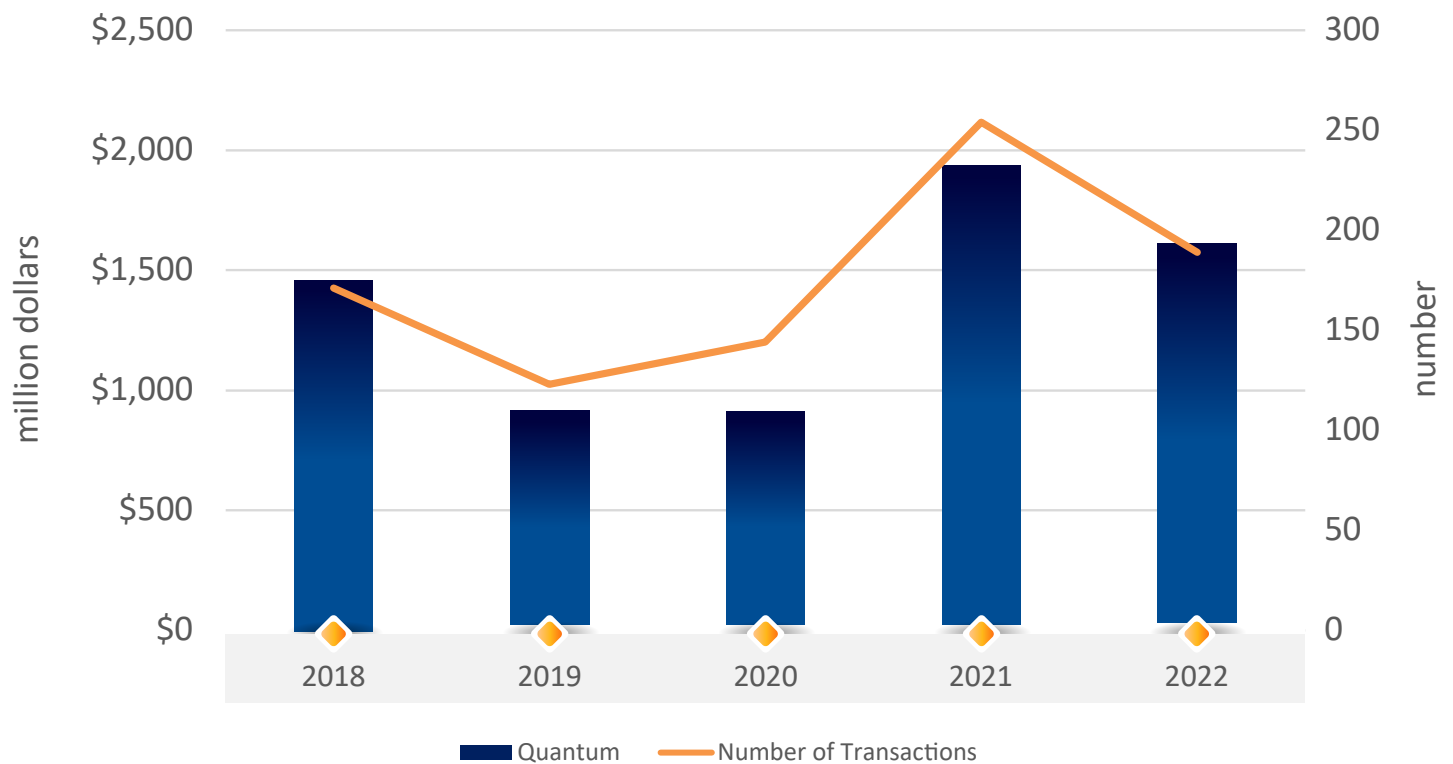


OVERVIEW

After a banner year in 2021, the shophouse market took a breather in 2022. An estimated 189 shophouses were sold in 2022, 25.6% lower year-on-year. On a quarter-on-quarter basis, 33 shophouses were transacted in 4Q 2022, 8.3% lower than 3Q 2022 and 45% lower compared to a year ago.

The total transaction value in 2022 was \$1.61 billion, 16.8% lower than 2021's transacted value of \$1.94 billion. However, the average transacted value per shophouse in 2022 was \$8.5 million, 11.7% higher than the average value per shophouse in 2021.

Figure 1: Transaction Volume and Quantum of Shophouses in 2022



Source: HDB, Huttons Research

The preference for freehold shophouses is evident among investors. An asset that is limited in supply and sits on freehold land is very appealing to investors. The Rochor planning area which encompasses Little India and Jalan Besar is the most popular area among investors. It accounted for 46% of transactions in 2022.

Table 1: Transactions of shophouses by tenure

Period	99 years	999 years	Freehold	Total
1Q 2022	12	13	27	52
2Q 2022	13	14	41	68
3Q 2022	6	5	25	36
4Q 2022	7	4	22	33

Source: URA, Huttons Research

The Top Five shophouse transactions are listed in Table 2. Hotel Clover at Jalan Sultan was acquired by SLB and Weave Living for \$74.8 million with the aim of repositioning the hotel into serviced apartments while Hafary Holdings acquired 161 Lavender Street for a consideration of \$71.3 million for their new flagship store. 8M Real Estate bought an island block of five adjoining conserved shophouses along Jalan Besar from a company.

Table 2: Top 5 Shophouse Transactions by Quantum in 2022

Address	Land Area	Quantum	Tenure	Est Gains	Years Held
17, 21, 25, 27 ETC Jalan Sultan	15,201 sq ft	\$74.8 mil	99 years	NA	NA
161 Lavender Street	17,561 sq ft	\$71.3 mil	99 years	\$15.7 mil	~6
311 to 321 Geylang Road	9,792 sq ft	\$42.6 mil	Freehold	NA	NA
109, 111, 113, 115 ETC Jalan Besar	6,584 sq ft	\$40 mil	999 years	NA	NA
82, 83, 84 Circular Road	3,611 sq ft	\$30.7 mil	999 years	NA	NA

Source: URA, Huttons Research

The median rents of shophouses have generally trended upwards in 2022.

Table 3: Median Rents of Shophouses in 2022

District	District	District	District
1	\$6.45 psf/month	\$5.80 psf/month	11.2%
2	\$6.96 psf/month	\$5.84 psf/month	19.2%
8	\$4.70 psf/month	\$4.10 psf/month	14.6%
14	\$4.13 psf/month	\$3.85 psf/month	7.3%
15	\$4.65 psf/month	\$4.18 psf/month	11.2%

Source: URA, Huttons Research (data downloaded as of 8 Feb 2023)

MARKET OUTLOOK

Interest in shophouses is likely to stay robust in 2023. It is an attractive asset class for wealth preservation and is popular among Ultra-High-Net-Worth Individuals and family offices. However, the available supply of shophouses for sale in 2023 is not as high compared to 2022. With the resumption of travel from China, demand is expected to pick up in the coming months. Hence prices and rents are likely to trend upwards in 2023.

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