MARKET INSIGHTS | 2H 2023

LANDED SHOPHOUSE

Maintains Momentum with Resilient Growth in 2024

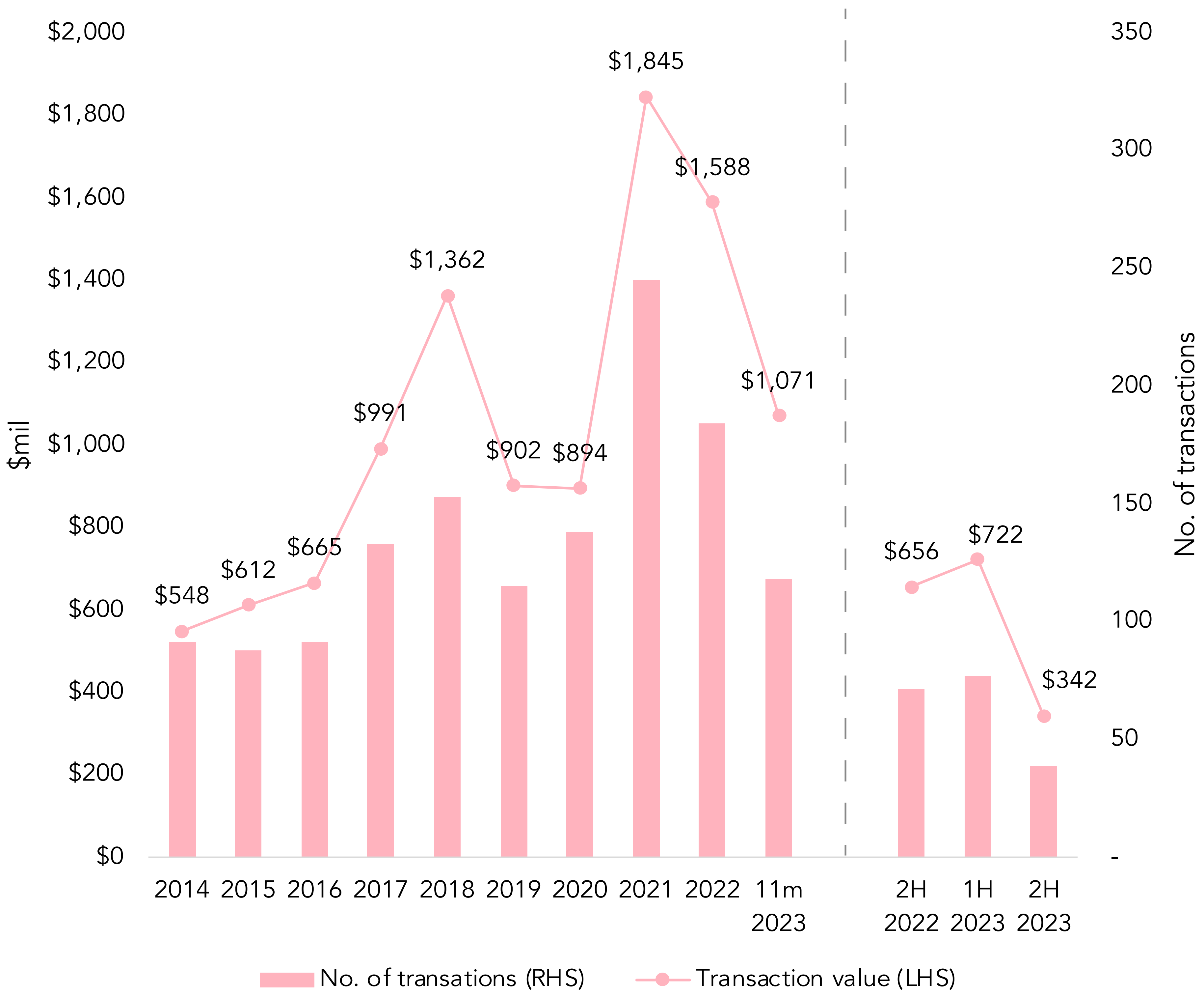
Landed shophouse maintains momentum with resilient growth in 2024

The landed shophouse segment had some banner years but saw notable moderation in demand in 2023.

As at 20 December 2023, a total of 118 landed shophouses were transacted, amounting to a transaction value of $1.07 billion. Transaction volume and value have moderated by 35.9% and 32.6% year-on-year (y-o-y) respectively. At the peak in 2021, some 245 landed shophouses exchanged hands, totalling $1.84 billion.

Shophouse transactions have moderated in the second half of 2023 following rising prices and softer yields. Furthermore, the spate of high-profile money laundering cases uncovered in August led to heightened anti-money laundering checks on foreign buyers. The total landed shophouse market saw only 41 landed shophouse caveats, amounting to $349 million, lodged in 2H 2023.

Transaction volume and transaction value of landed shophouses



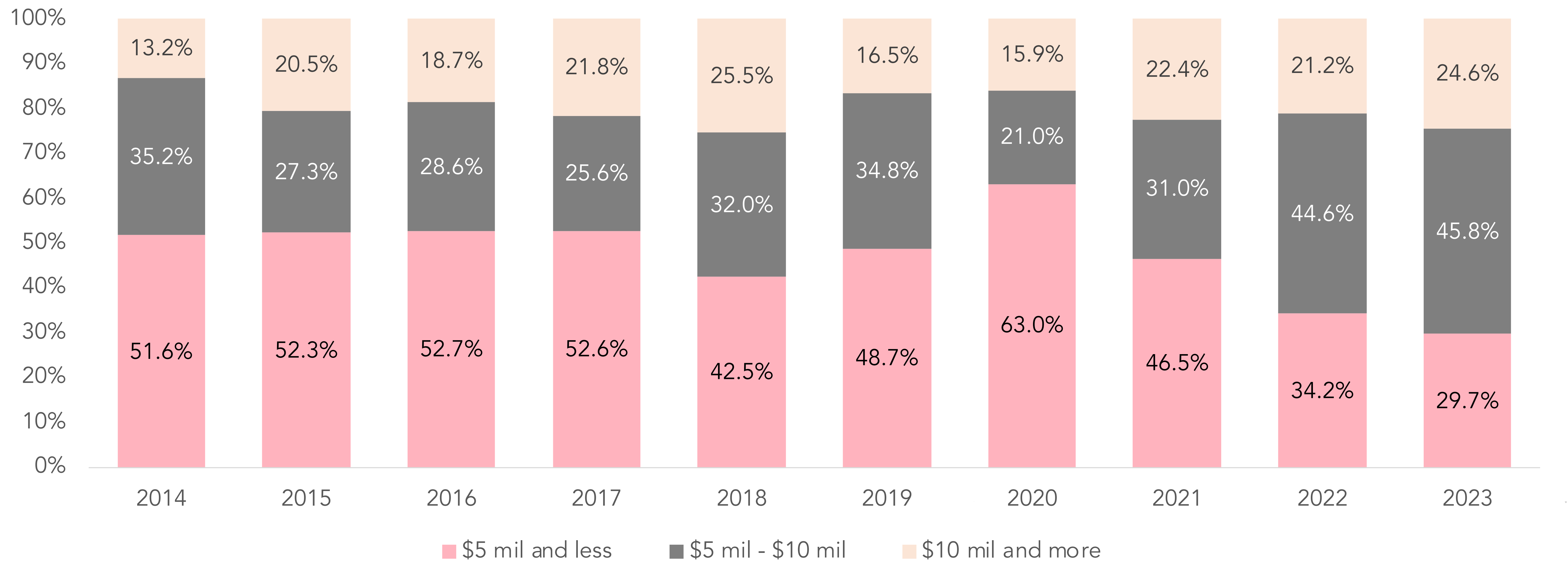
Source: URA as at 20 Dec, ERA Research and Market Intelligence

Steady rise in proportion of shophouses transacted in the $5mil and above price quantum

Some 45.5% of landed shophouses transacted between $5 mil and $10 mil, and another 24.6% of the landed shophouse transactions were more than $10mil in 2023.

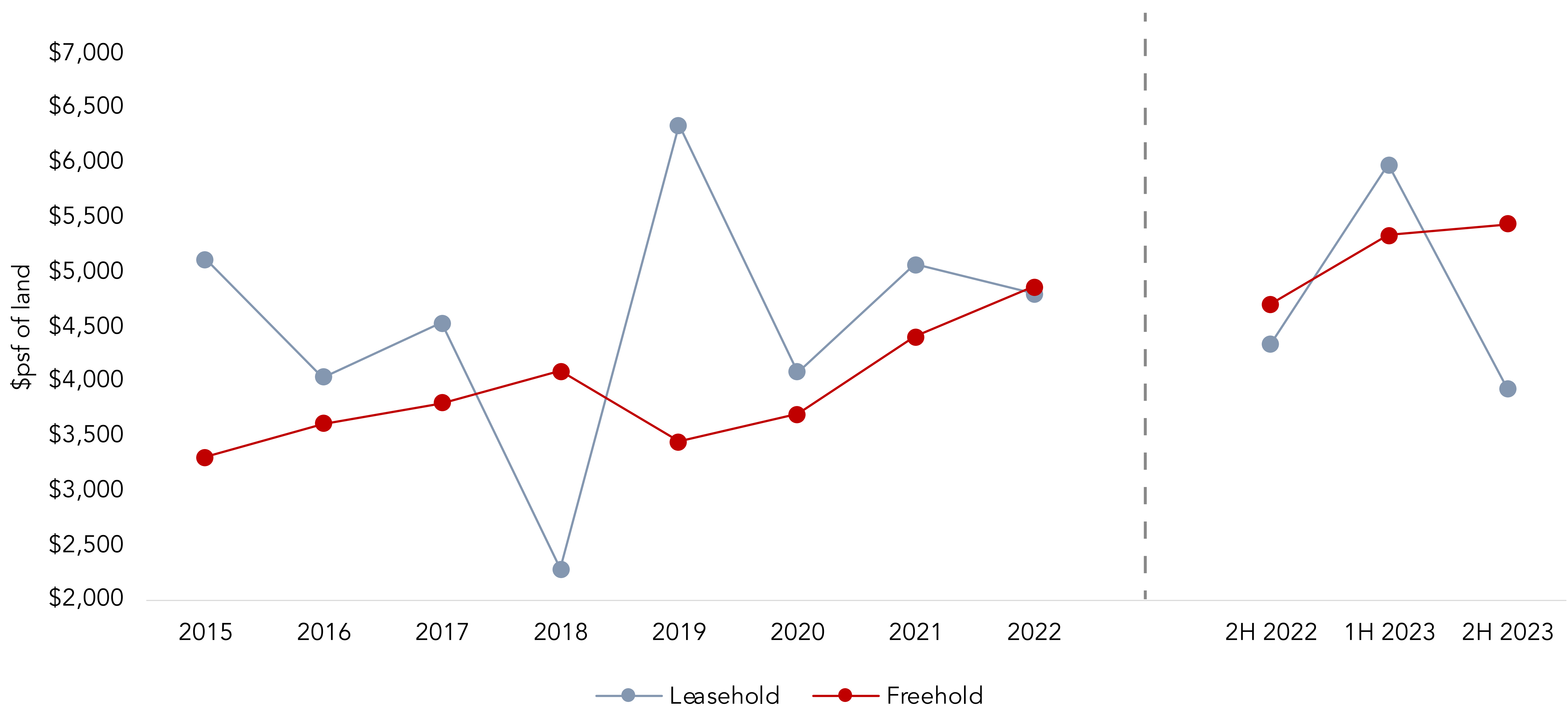
The limited supply of landed shophouses has kept demand resilient over the years, supporting price growth. Based on caveats lodged, the average price of freehold landed shophouse has risen 57.8% since 2019. Freehold and 999-year leasehold shophouses accounted for 94% of landed shophouse transactions in 2023.

Price quantum of landed shophouse in the last ten years



Source: URA as at 20 Dec, ERA Research and Market Intelligence

Landed shophouse average price ($psf)



Source: URA as at 20 Dec, ERA Research and Market Intelligence

Singapore shophouse: An asset class that captivates foreign investors

Approximately 6,500 units of these landed shophouses fall under the conservation status, and owners of these properties must comply with strict guidelines around maintaining their façade and structure. Due to their scarcity, these shophouses are highly sought after by institutional investors and family offices.

Furthermore, the strong Singapore dollar, relatively low tax rates, and political stability make Singapore an attractive market for investors. For these reasons, the landed shophouses are coveted by institutional investors and family offices for capital appreciation and wealth preservation.

The most notable deal in 2023 would be the divestment of the remaining stake of the founder of 8M Real Estate to his partner, Crane Capital. Crane Capital is a Hong Kong-based real estate investment company with an international investor base. 8M Real Estate's portfolio consists of shophouses in Singapore and is valued at $1.3 billion.

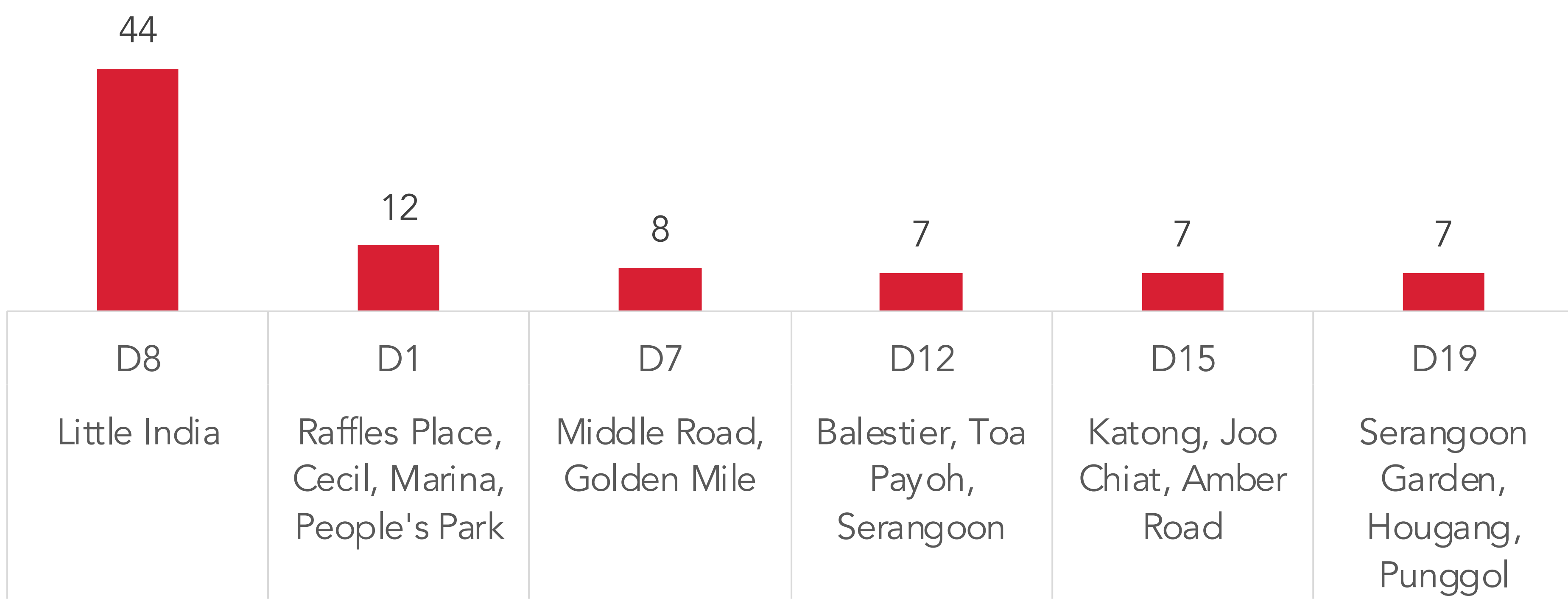
Popularity of Central Region shophouses


Shophouses in Little India

Freehold shophouses in Districts 1, 7 and 8, continue to see evergreen demand from investors largely due to its resilient rental demand.

These districts are popular for their eateries and bars that can command higher rents. Meanwhile, Districts 12, 15 and 19 tie for the fifth place, with seven transactions for each of the districts. Conservation shophouses are also popular among budding retailers drawn by their unique and eclectic charm.

Top five districts by transactions volume in 2023



Source: URA as at 20 Dec, ERA Research and Market Intelligence

Top five landed shophouse transactions in 2023

	Address	District	Transacted Price ($)	Land Area (sqft)	Unit Price PSF ($)	Transaction Date
N.A.	322,324,330 ETC SERANGOON ROAD	8	$62,500,000	9,042	$6,912	19-Jan-23
DESKER ROAD CONSERVATION AREA	203,205,207 JALAN BESAR	8	$38,500,000	6,378	$6,037	27-Sep-23
TELOK AYER CONSERVATION AREA	5, 5A, 5B ANN SIANG ROAD	1	$32,000,000	1,446	$22,136	14-Jul-23
BOAT QUAY CONSERVATION AREA	37 BOAT QUAY	1	$30,000,000	1,426	$21,034	19-May-23
N.A.	433,435 GEYLANG ROAD	14	$30,000,000	4,518	$6,641	27-Jun-23

Source: URA as at 20 Dec, ERA Research and Market Intelligence


Shophouses in Boat Quay

Tighter land use regulation for landed shophouse since July 2023

The Ministry of Law and Singapore Land Authority removed 'Commercial & Residential' zoning in July 2023. Going forward, foreigners and companies with foreign directors will require approval under the Residential Property Act to purchase landed shophouses. This change will not impact demand for shophouses zoned under 'Commercial'.

Nonetheless, this amendment is expected moderate some foreign investors from diversifying into the shophouse segment from the residential market. Since April 2023, the Additional Buyers' Stamp Duty (ABSD) for foreign buyers looking to buy residential properties doubled to 60%. This drove foreign buyer demand to the shophouse segment which is not subject to ABSD.

Shophouse demand to hold firm 2024

Shophouse demand is expected to hold firm despite rising prices and softer yields. Sustained interest from investors and strong holding power of shophouse owners will continue to support price growth, albeit at a moderated pace in 2024. The removal of 'Commercial & residential' zone will redirect foreign investors towards shophouses under the 'Commercial' zone instead.

The total landed shophouse transaction volume is projected to reach approximately $1.1 billion in 2023, and ERA projects the total transaction value to range between $1 billion – $1.2 billion in 2024.

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