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HUTTONS DATA ANALYTICS

SHOPHOUSE UPDATES 1Q 2024

OVERVIEW

Activities in the shophouse market picked up in 1Q 2024.

Huttons Data Analytics estimated that 21 shophouses were sold in 1Q 2024. This is 31.3% higher than 4Q 2023 although 34.4% lower than a year ago.

The revival of interest in the shophouse market may be due to the Singapore Police Force initiating the process to sell shophouses linked to the money laundering probe. There was some uncertainty over how and when these shophouses will be disposed.

The clarity over the process and prices brought buyers back to the market. There was much buzz and that injected confidence in the shophouse market. This led to slightly more transactions in 1Q 2024.

The total value of transactions in 1Q 2024 was \$180.3 million, 62.3% higher than the previous quarter but 39.2% lower than 1Q 2023. The average price paid for a shophouse in 1Q 2024 was \$8.6 million, close to the pre-money laundering probe price level of around \$9.0 million.

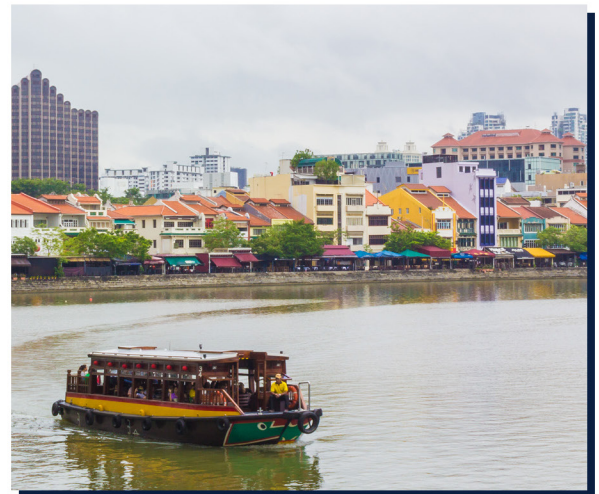
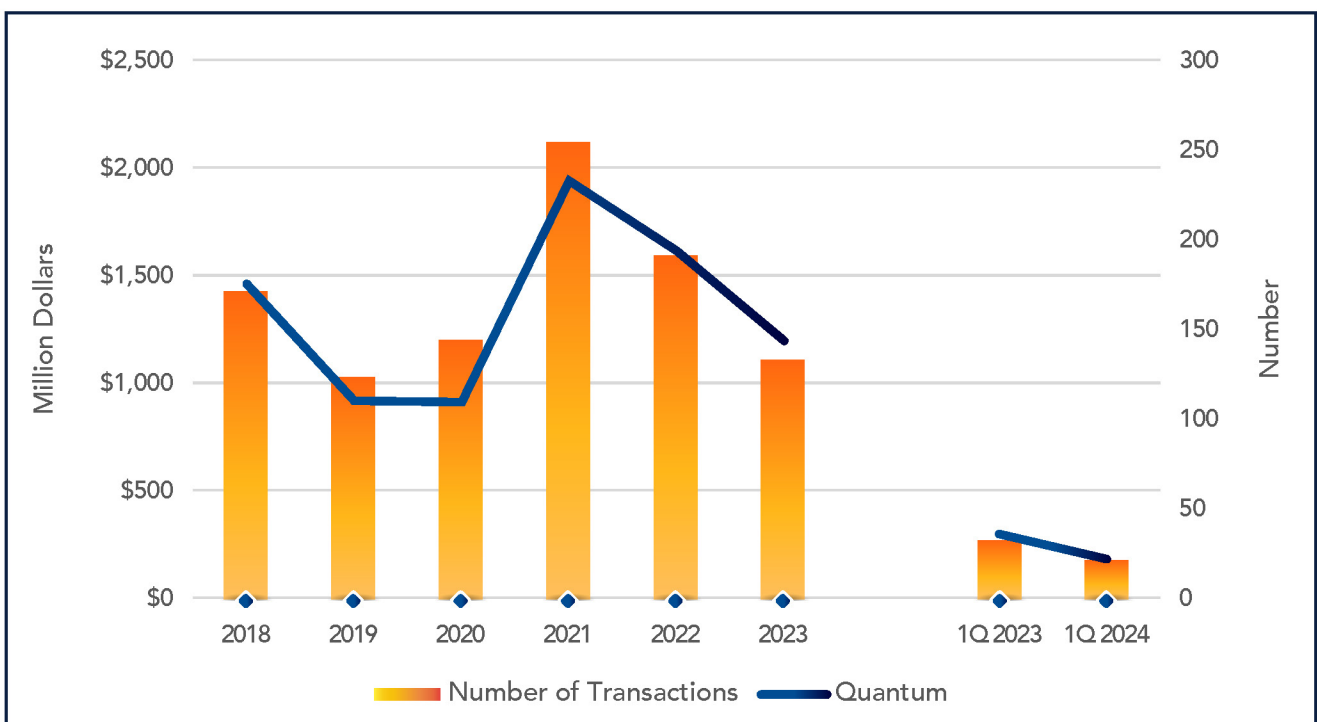


Figure 1: Transaction Volume and Quantum of Shophouses in 1Q 2024



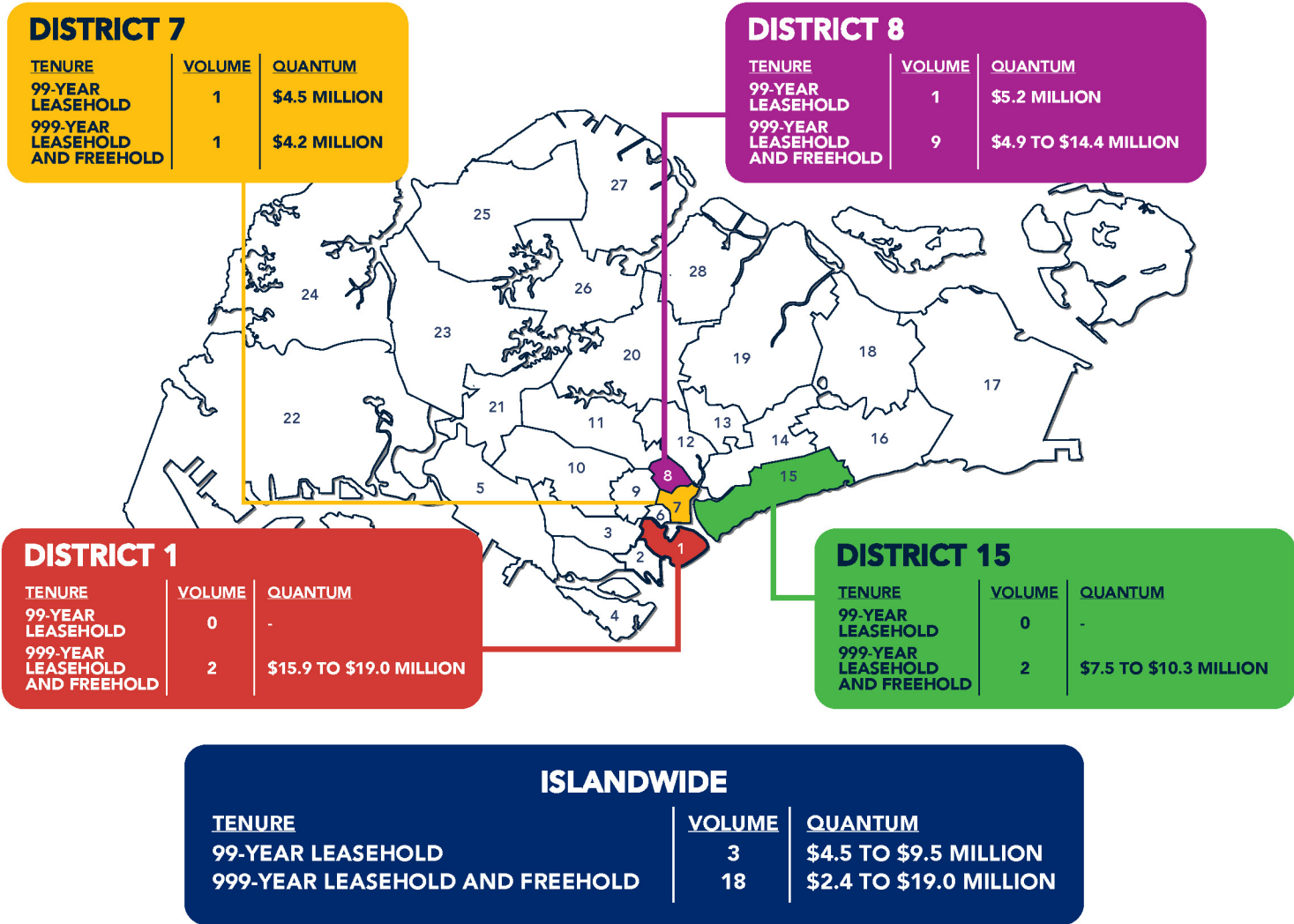
Source: URA, Huttons Data Analytics (data downloaded as of 2 May 2024)

Almost half of the shophouse transactions in 1Q 2024 were in District 8. The quantum of these deals ranged between \$4.9 and \$14.4 million.

District 1 and 2 saw the return of buying interest in 1Q 2024 after a quiet 4Q 2023. Buyers paid between \$9.5 and \$19.0 million for the shophouses in District 1 and 2 in the first quarter of 2024.

Investors continued to acquire 999-year leasehold and freehold shophouses for wealth preservation.

Map 1: Transactions of Shophouses by District, Tenure and Price Range in 1Q 2024



Source: URA, Huttons Data Analytics (data downloaded as of 2 May 2024)



The biggest deal in 1Q 2024 was the sale of a freehold shophouse at Pagoda Street in District 1 for \$19.0 million. The seller made an estimated \$2.75 million after holding it for around 5 years.

The row of shophouses along Geylang Road was sold by Shincon Industrial, a civil engineering and building contractor company for \$18.7 million. The estimated profit was \$8.4 million with a holding period of around 4 years.

The largest profit in 1Q 2024 was probably the sale of a freehold shophouse at Syed Alwi Road. After holding it for around 18 years, the seller cashed out for a gain of more than \$11 million.

The Top Five shophouse transactions in 1Q 2024 are listed in Table 1.

Table 1: Top 5 Shophouse Transactions by Quantum in 1Q 2024

| ADDRESS | LAND AREA | QUANTUM | TENURE | EST GAINS | YEARS HELD |
|----------------------------|-------------|------------|----------|-------------|------------|
| 31 Pagoda Street | 1,310 sq ft | \$19.0 mil | Freehold | \$2.75 mil | 5 |
| 223, 225, 227 Geylang Road | 4,319 sq ft | \$18.7 mil | Freehold | \$8.4 mil | 4 |
| 35 Mosque Street | 1,202 sq ft | \$15.9 mil | Freehold | \$7.63 mil | 7 |
| 76 Syed Alwi Road | 2,709 sq ft | \$14.4 mil | Freehold | \$11.18 mil | 18 |
| 8 Sixth Avenue | 2,451 sq ft | \$13.8 mil | Freehold | NA | NA |

Source: URA, Huttons Data Analytics (data downloaded as of 2 May 2024)

The number of rental contracts for shophouses in 1Q 2024 was 5.6% lower quarter-on-quarter and 7.2% lower year-on-year. Median rents continued to hold firm, inching up by 1.9% in 1Q 2024.

Table 2: Median Rents of Shophouses in 1Q 2024

| District | 1Q 2024 | 4Q 2023 | Change |
|------------|------------------|------------------|--------|
| 1 | \$7.44 psf/month | \$7.83 psf/month | -5.0% |
| 2 | \$7.61 psf/month | \$7.68 psf/month | -0.9% |
| 8 | \$5.85 psf/month | \$5.70 psf/month | 2.6% |
| 14 | \$4.85 psf/month | \$4.39 psf/month | 10.5% |
| 15 | \$5.65 psf/month | \$5.36 psf/month | 5.4% |
| Islandwide | \$6.48 psf/month | \$6.36 psf/month | 1.9% |


Source: URA, Huttons Data Analytics (data downloaded as of 2 May 2024)

MARKET OUTLOOK

With the uncertainty over the shophouses implicated in the money laundering probe removed, confidence has gradually returned to the market.

The shophouse market is expected to see steady interest from investors in the coming quarters. The rarity of shophouses, the lower barrier to entry for foreign investors compared to the residential market and the potential for capital appreciation will support prices in the market.

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