



The commercial shophouse market was not spared from the impact of the Covid-19 pandemic. In the eight months of 2020, only 74 shophouse deals have been registered, compared to 77 deals in the same period a year ago. In terms of the total investment value, the 74 deals in 2020 amounted to \$373.18 mil, 33% lower than the \$557.58 mil for the 77 deals in 2019. This shows that the deal size in 2020 were much smaller as investors and end-users turned to a cautious mode.

Caveat data from 2015 to the current shows that 2018 has the best showing both in terms of sales volume and investment value, with 169 deals worth \$1,45 billion. 2018 was the year of residential property market rebound which was cut short by the introduction of cooling measures. The government raised the additional buyer's stamp duty (ABSD) by five percentage points for Singapore citizens and permanent residents buying a second or subsequent residential property. For foreigners and entities, the ABSD was raised from 15% previously to 20% and 25% respectively. As a result, some investors who were planning to buy residential properties chose to buy commercial properties which are not subject to ABSD. Between strata office space and commercial shophouses, the latter is more flexible in their use. For example, a commercial shophouse is suitable for smaller offices who prefer to have the entire building for their own use, or special approval can also be obtained to convert it into a boutique hotel.

#### Number of Commercial Shophouse Deals by Region & Total Investment Value

	Central Region	East Region	North-east	North	West	Total	Total Investment value
2020 Jan-Aug	63	6	3	2	0	74	\$373,179,000
2019	112	2	8	1	0	123	\$915,940,887
2018	139	16	10	2	2	169	\$1,454,898,987
2017	140	1	6	1	2	150	\$1,033,063,428
2016	90	6	6	4	3	109	\$713,718,664
2015	94	5	3	1	1	104	\$657,304,688
<b>Total</b>	<b>638</b>	<b>36</b>	<b>36</b>	<b>11</b>	<b>8</b>	<b>729</b>	<b>\$5,148,105,654</b>

Source: URA, List SIR

Generally, the Central Region has the highest number of commercial shophouse deals because it has the largest concentration of shophouse stock. Yearly transactions showed that the Central Region accounted for 80-90% of the total transactions. There are four key micro-markets where the bulk of the transactions take place. They are:

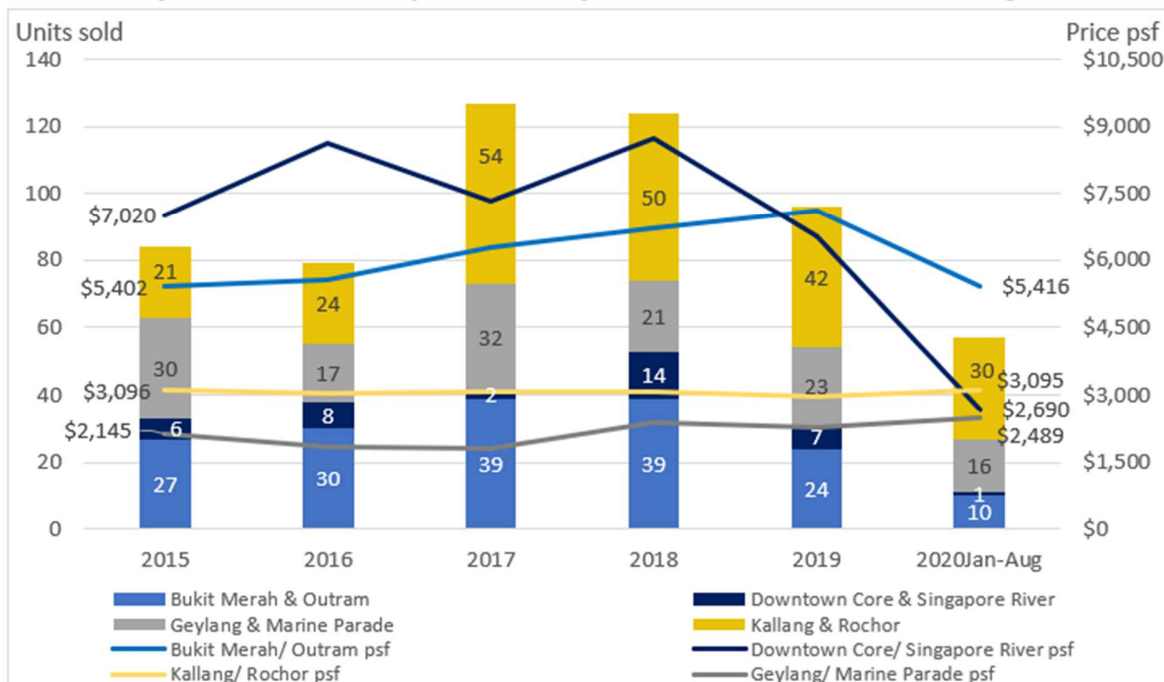
**Kallang/ Rochor:** The most popular in terms of number of shophouses transacted, prices for this micro-market remains stable at around \$3,000 psf since 2015 to the present. One of the most prominent transactions in this micro-market was the sale of 38 Sultan Gate, a standalone freehold shophouse block for \$35.5 mil in December 2019.

**Bukit Merah/Outram:** The 2<sup>nd</sup> most popular micro-market stretches from the city fringe to the centre of the Central Business District (CBD) and cover areas such as Chinatown, Telok Ayer, Tanjong Pagar, Little India and Serangoon. Prices saw a steady rise from 2015 to its peak of \$7,100 psf in 2019 before it declined to the present \$5,416 psf.

**Downtown Core/ Singapore River:** The priciest micro-market due to its prime location. However, price variances are more pronounced because of a confluence of factors such as the address, frontage, tenure, built-up area, condition of the building and availability. Average prices registered a high \$8,751 psf in 2018 anchored by the sale of 52 Boat Quay at the price of \$21.35 mil or \$19,072 psf on the built-up area of 6,300 sq ft. At the time of sale, the six-level conservation shophouse with a 999-year leasehold tenure was fully leased. The 14 transactions in that year was the highest since 2015, which could be attributed to some investors switching from residential property to commercial property due to the hike in stamp duty for purchase of residential properties. However, in 2020, the price was dragged down by the sole transaction of a shophouse at Seah Street. This was a bistro bar near Raffles Hotel, which fetched \$3.88 mil or \$2,690 psf

**Geylang/ Marine Parade:** This stretches from Geylang to Changi Road and to Joo Chiat Road. Prices of shophouses in this micro-market are generally more palatable to budget-conscious investors or end-users. Average prices generally hover around the low \$2,000s psf, and registered \$2,489 psf in 2020.

**Sales activity of commercial shophouses in key micro-markets in the Central Region**



Source: URA, List SIR

Commercial shophouses have attracted a lot of investors and developers because of their potential for redevelopment or enhanced use. One of the key players is 8M Real Estate who had been buying contiguous shophouses with the intention to refurbish and/ or redevelop them. Others could be small office set-ups or individual investors – locals and foreigners – who saw the value of shophouses.

## Shophouse Investment Sales

Property	Description	Land Area (sq ft)	Price Mil/psf	Date	Remarks
65 Club Street	3-storey shophouse with mezzanine level	2,088	\$15.70/ \$7,538	Aug 2020	Buyer: JL Family Office (ARA Asset mgt) Property holds a 999-year leasehold title and has a built-up area of 5,400 sq ft
52 Amoy Street	2-storey shophouse	952	\$8.50/ \$8,933	Aug 2020	Buyer: Hong Kong-based buyer Property holds a 999-year leasehold title and has a built-up area of 2,255 sq ft
Eu Yan Sang Building 265/267/269/271 South Bridge Road	3-storey shophouses	6,265	\$54.00/ \$8,623	Dec 2019	Buyer: 8M Real Estate Properties have a GFA of 19,885 sq ft and a 999-year leasehold tenure, but the sale was based on a 199-year leasehold land tenure.
34/36/38 Tanjong Pagar Road	2-1/2-storey shophouses	2,659	\$16.35/ \$6,150	Dec 2019	Buyer: 8M Real Estate Properties have a 99-year leasehold tenure
38 Sultan Gate	Standalone 2-storey building with five units	7,406	\$35.50/ \$4,796	Dec 2019	Buyer: Singapore-incorporated company owned by Huang Zhichao, a citizen of Cyprus. Property has a freehold title.
33-43 (Odd nos) Tanjong Pagar Road	Six 4-storey adjoining shophouses	6,480	\$80/ \$8,258	Feb 2019	Buyer: 8M Real Estate Properties are on a 99-year leasehold title with built-up area of 30,800 sq ft; with approval from URA to change to hotel use
17/45/46/61/77 Circular Road/ Boat Quay	2- and 3-storey properties	6,006	\$45.50/ \$7,581	Feb 2018	Buyer: 8M Real Estate The 5 properties have a combined GFA of 14,445 sq ft

Source: URA, List SIR

Note: GFA = gross floor area

Besides the above shophouses which come with bigger price tags, there were also a number of shophouses in the Central Region which were transacted at a more palatable price quantum of below \$3 mil each. These would come with smaller land and built up areas, and located at the fringe of the Central Business District.

Commercial shophouses appeal to investors because of their limited supply and hence, the ability to preserve value. F&B outlets choose to locate in shophouses because their cultural values and heritage will create a unique ambience. Moreover, the range of businesses found in shophouses is expanding and becoming a preferred space solution for new start-ups and small office outfits such as graphic designers, financial advisers and family offices. Besides locals, foreigners are attracted to commercial shophouses because unlike residential shophouses, they do not attract additional buyer's stamp duty (ABSD and seller's stamp duty (SSD)).

Despite 2020 being a "pandemic" year, we expect around 100 commercial shophouses to be transacted, similar to the number during the economic downturn in 2015 and 2016. Prices are softer now as some landlords need to divest their shophouses due to falling yield and rising vacancy. On the other side of the scale, bargain hunters are on the lookout for prices to fall to levels that are acceptable to them.