

# Auction

Q3 2023

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## More properties listed and sold in the auction market despite the stressed economy

► “More properties under distress may surface in the final quarter of the year, increasing the total number of listings, as higher interest rates and an uncertain economy begin to manifest in the auction market.”

SHARON LEE, HEAD, AUCTION & SALES

### AUCTION SALE LISTINGS AND SUCCESS RATES

Auction listings rose 24.4% q-o-q to 102 (including repeat listings and excluding properties sold outside of auction) in Q3 2023 from the 82 in Q2 2023, owing to an increase in both mortgagee and owner sale listings. There were 29 mortgagee and 70 owner sale listings in Q3, up from the 22 and 57 listings respectively in Q2 (Exhibit 1). Despite the quarterly gain, the total number of listings declined 17.1% y-o-y from the 123 recorded in Q3 2022.

Listings increased across all property types in Q3, with residential properties accounting for 49.0% (50) of the total, higher than the 37 in Q2. Retail properties made up 25.5% (26) of the overall listings, slightly up from the 25 in the previous quarter. Industrial and

office units comprised of 19.6% (20) and 5.9% (6) respectively of the total listings in Q3, increasing from a corresponding 15 and 5 in Q2.

Other type of sales (including estate, receiver, and bank sales) accounted for three listings in the quarter, with all three comprising residential properties. A 4-bedroom apartment at Signature Residence, which was newly listed as a sheriff sale listing in August 2023, was sold at the opening price of S\$2.9 million.

A total of 10 properties were knocked down in Q3, translating to a success rate of 9.8% and accounting for S\$17.8 million in total gross sales value. This was more than three times the S\$4.8 million accumulated gross sales in Q2. Of all the properties sold, eight were newly listed, suggesting that despite

**102** (Q3 2023)

Total Number of Auction Listings  
24.4% ▲ Q-O-Q | 17.1% ▼ Y-O-Y

**S\$17.8** MILLION (Q3 2023)

Gross Sales Value  
273.6% ▲ Q-O-Q | 5.7% ▼ Y-O-Y

the slowing economy, fresh inventory on the auction platform appealed to prospective buyers, especially those who had been following the market long enough to be able to identify opportunities.

Three out of the four industrial properties transacted were sold between 4% and 9% below opening price. Some industrial property owners might be under some pressure to either offload or right-size their assets given that their businesses might be underperforming, with interest rates remaining sticky and the manufacturing sector currently at a low point.

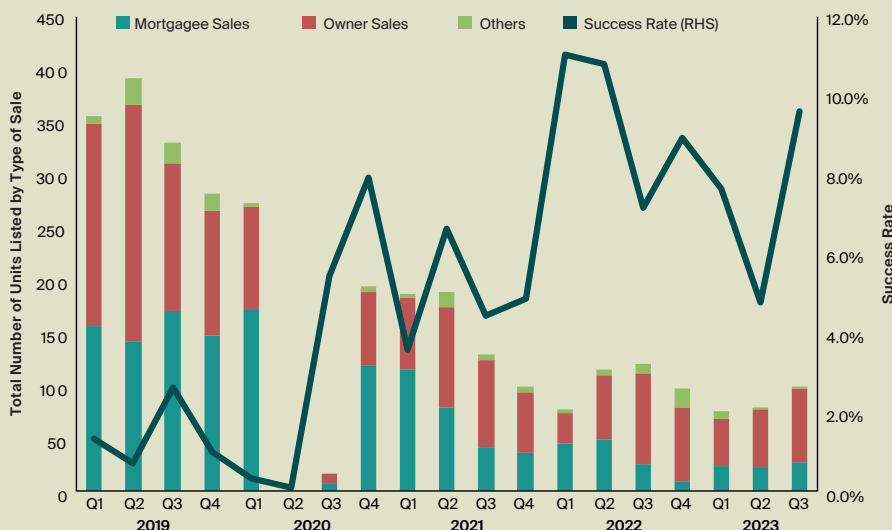
### MORTGAGEE SALES

There were 29 mortgagee listings in Q3 2023, comprising two landed homes and 20 non-landed residences. These 22 residential listings represent an increase from 12 in the previous quarter, signalling that distress properties are now surfacing in the market due to the delayed effect of the elevated interest rates throughout the year. Buyer sentiment also turned cautious with the prevailing uncertainty and the increased Additional Buyer's Stamp Duty rates.

Apart from residential mortgagee listings, there was a combined total of seven commercial and industrial properties listed for mortgagee sale, comprising of two retail, one office and four industrial properties.

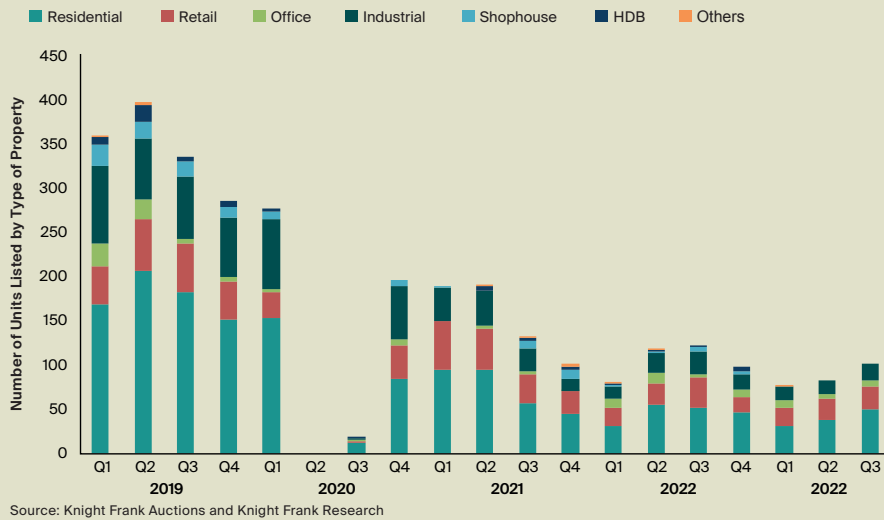
The five residential and three industrial properties which were successfully auctioned in Q3 were mortgagee sale listings. Among the five residences, four were sold at a premium of between 0.4% and 9.0% from the respective opening prices while

Exhibit 1: Total Number of Listings by Type of Sale and Percentage Success Rates



Source: Knight Frank Auctions and Knight Frank Research

## Exhibit 2: Total Number of Listings by Property Type



another sold at a discount of 1.7%. Despite the tentative sentiment exhibited by residential homebuyers observed throughout the quarter, family-sized units were still sought after as most of the residences sold were three-bedrooms or larger. A strata-titled terrace house in The Tenerife was sold for S\$3.52 million recording the highest premium of 9.0% among all properties auctioned during the quarter.

### OWNER SALES

In Q3 2023, there were 70 owner listings, a 22.8% q-o-q rise from the 57 in Q2 2023, but a 20.5% y-o-y decrease from the 88 in Q3 2022. This is the tenth consecutive quarter when owner sale listings surpassed mortgagee sale listings, with the exception of Q1 2022.

However, compared to mortgagee sale listings, only one property among the owner listings was sold in Q3. Despite the substantially lower success rate at auction, the higher proportion of owner to mortgagee sale listings suggests that owners are increasingly cognisant that the auction platform can focus wider public interest and the attention of buyers on the search for property. Many of the properties found on owner listings were sold outside of the auction process in private treaty deals after buyers had taken note of the opportunity.

The sole owner listing sold was a 60-year leasehold B2 landed factory located along Kaki Bukit Place. The industrial property was sold at S\$5.0 million, some 3.8% below an opening price of S\$5.2 million.

There were 25 residential and 24 retail owner listings in Q3, up from the 24 and 21 respectively in Q2. Office owner listings remained unchanged at five listings, with industrial listings recording the highest jump of 16 listings compared to the seven in the previous quarter. The stark jump in industrial owner listings suggest that the stressed economy compelled some industrial end-users to mitigate operational cashflows by offloading assets.

Even though rentals in malls are generally increasing, more strata-retail and ancillary retail spaces located in suburban locations are also gradually showing up in owner sale listings, with challenges in sustaining a consistent retail trading environment, especially in buildings that are not in the main thoroughfares along transport nodes, with access to a steady stream of pedestrians/shoppers. With the retail sector beset by inflation and escalating business costs, retailers

might opt to list shops for sale so as to cut their losses and pivot to other alternatives.

### MARKET OUTLOOK

In the remaining three months of the year, there would likely be a gradual increase in the total number of listings based on the current level of enquires, with more mortgagee sale listings as a symptom of the uncertain outlook, a slowing economy, high interest rates and rising inflation begin to show up as auction listings.

This presents a window of opportunity for prospective buyers who could ride on the possibility of growth in these assets when the economic situation turns more optimistic and values of real estate assets rebound. In the first nine months of 2023, an overall success rate of 7.7% was recorded. Moving into the last quarter of 2023, Knight Frank expects that the knock-down rate will improve slightly and has revised the overall success rate projection at auction upwards from 5% to 7% to between 7% and 10% for the whole of 2023.

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