

NUMBER OF MORTGAGEE SALES CONTINUES TO REACH NEW HIGHS IN Q3 2017 DESPITE IMPROVING MARKET SENTIMENTS, WITH RESIDENTIAL PROPERTIES TAKING THE BULK IN AUCTIONS' LISTINGS

Overall Auctions Performance

- In Q3 2017, the total number of properties put up for auction saw an increase of 26.7% quarter-on-quarter (q-o-q) or 14.8 % year-on-year (y-o-y), to 209 units.
- 18 properties went under the hammer, bagging a success rate of 8.6%.
- Out of the 18 properties, 12 were mortgagee sales, constituting of 10 residential properties, 1 industrial factory and 1 shophouse.
- Following an increase in the number of properties listed for auctions, total sales value followed suit with an increase of 33% q-o-q from \$29.5 million to \$39.3 million in Q3 2017; a significant increase of 85.7 % y-o-y resulting from the successful sale of 18 properties at the auctions.

Key Trends

Number of Successful Mortgagee Sales Recorded 1st Double-Digit Sales Transaction Since Q1 2015

- In Q3 2017, a total of 82 units were put up for auction under mortgagee sales. This represented 39.2% of the 209 properties placed on auction, 4.7% lower compared to the previous quarter.
- Since Q1 2011 – apart from 10 successful transactions of mortgagee sales recorded in Q1 2015 at a consolidated value of \$21.2 million – Q3 2017 presented the highest number of transacted mortgagee sales of 12 properties, valued at a total of \$25.5 million.
- Mortgagee sales made up 65% of the total sales value of properties that were successfully auctioned in Q3 2017 – the highest value recorded since Q1 2011.
- Total number of sold mortgagee auctions increased both q-o-q and y-o-y by 74.1%.
- The residential sector witnessed the highest jump in sales value of sold mortgagee auctioned units with a 183% q-o-q increase and an astounding 743.7% y-o-y spike for Q3 2017.

Residential Sector Sales Value on The Upswing in Q3 2017

- The residential sector remained the major contributor of the total number of properties put up for auction (106 units out of 209 units). This represented an increase of 24.7% from 85 units in Q2 2017 or a 6.0 % y-o-y increase from 100 units in Q3 2016.
- 15 residential units were transacted in Q3 2017, translating to a one year high of \$31.9 million of sales, or 40.3% higher from \$22.8 million of sales from 6 residential properties sold in Q2 2017; and 166.8% increase y-o-y from Q3 2016.
- Out of the 15 residential units sold in Q3 2017, 3 were landed properties and 12 were non-landed properties. 66.7 % (or 10 units) of the total residential auctioned units were mortgagee sales with a mix of 3 landed and 7 non-landed properties.



SHARON LEE
Director & Head,
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“As the overall business outlook improves, interest to acquire or sell properties is envisaged to pick up. Some sellers could be more realistic in their price expectations and create purchasing opportunities. The auctions market serves as a good platform for buyers to source for properties such as factories, whether for investment or own use”

HIGHLIGHT

Although residential owners are likely to hold back on their auctions' mode of sale amid improving property sentiments, the number of Mortgagee Sales might continue to see an increase for Q4 2017, against the **41.4%** y-o-y spike between Q3 2017 and Q3 2016.

Number of Industrial Properties Put Up for Auction in Q3 2017 Increased 32.4% Quarter-on-Quarter

- 49 industrial units were put up for auction in Q3 2017. With only 1 unit going under the hammer, the sales success rate for industrial auction sales stands at 2%.
- Despite having the second highest number of industrial properties put up for auction in a 10-year period (i.e. Q3 2007 to Q3 2017) the sales success rate stood at 1 industrial unit for the third quarter, significantly lower than the 10-year q-o-q moving average of 3 units.
- As a result, the total successful transacted auction sales value for the industrial sector stands at \$0.44 million for Q3 2017, a 71.3% dip from Q2 2017.
- Albeit a modest economic growth in Singapore, the shophouse sector saw a 31.9% q-o-q increase in sales value from 2 transaction sales valued at \$6.9 million in Q3 2017.

Outlook

- The number of properties to be put up for auction in Q4 2017 is likely to surpass that of Q4 2016, to be between 160 to 180 properties. This is amid a steadily rising interest rate set against an uncertain global economic outlook that is largely influenced by a culmination of geopolitical risks and policy uncertainties, especially from major economies.
- The number of mortgagee sales has consistently been above the 80-unit mark for each quarter since Q1 2017 – approximately 31.7 % higher than the annual average mortgagee sales of 60.1 units in 2016.
- In the event of a further deterioration of business and employment sentiments, coupled with a tightening of financing and monetary policies that could be largely influenced with the incoming Fed Chief, Jerome Powell's vision to increase Federal interest rates 3 times in 2018, more properties could be on offer in the auctions' market. This is envisioned to arise particularly from mortgagees in Q4 2017, due to the potential increase in foreclosures amidst the heightening risk of interest rate hikes.
- More industrial properties are speculated to be put up for auctions in Q4 2017, on the basis that industrial properties put up for auctions y-o-y is on an uphill trend. The total number of industrial properties already put up for auctions year to date Q3 2017 (468 units) stands 34.5% higher than the annual total in 2016 (348 units).
- Though a greater selection of industrial properties were presented at auctions, market demand remains stagnant due to:
 - Continued deflationary pressures on property rental prices, making it more economically viable for businesses to rent.
 - Most industrial properties are endowed with a myriad of guidelines and regulations for intended purchases and rentals, thereby increasing the barriers of entry for businesses to gain access to such resources.
 - Mortgage loans are increasingly difficult to attain due to the enforcement of tighter monetary policies.
- With improved residential property sentiments, residential units put up for auction under Owner sales could see a decline in Q4 2017 and into 2018. More owners could hold on to the release of their properties in the open auctions' market, in anticipation of potentially higher residential prices due to rising land costs amidst record bid prices from collective sales and government land sales.

EXHIBIT 1

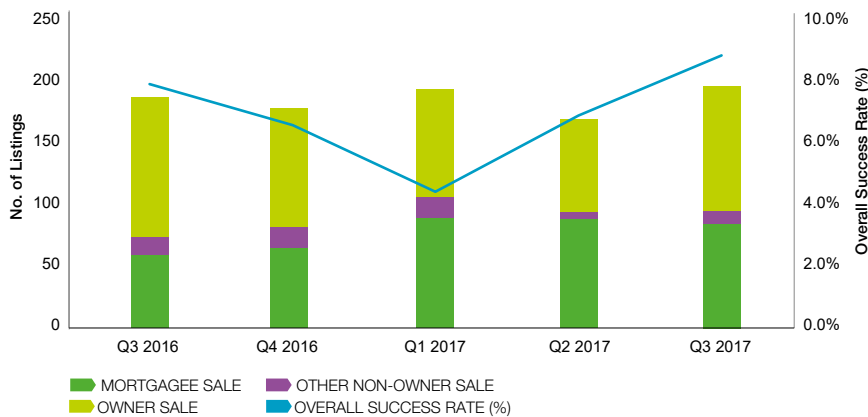
Top Ten Transactions in the Auction Market by Transaction Value, Q3 2017

Property Address (District)	Type of Listing	Type of Property	Size (sq ft)	Opening Price (S\$)	Transacted Price (S\$)	Date of Transaction
80 Telok Kurau Lorong G (D15)	Mortgagee Sale	Residential	7,502	6,500,000	6,500,000	Jul-17
57B Devonshire Road, #23-06 (D9)	Owner Sale	Residential	2,853	5,700,000	5,230,000	Jul-17
112 Kim Seng Road, #25-01(D9)	Mortgagee Sale	Residential	2,390	4,600,000	3,370,000	Jul-17
515 Serangoon Road, (D8)	Owner Sale	Shophouse	1,733	4,500,000	3,350,000	Jul-17
46 Kelulut Hill, (D28)	Mortgagee Sale	Residential	2,598	2,750,000	3,190,000	Aug-17
24/24A Geylang Lorong 11 (D14)	Mortgagee Sale	Shophouse	1,583	2,450,000	2,400,000	Jul-17
272 Upper Thomson Road, (D20)	Mortgagee Sale	Residential	1,700	2,000,000	1,900,000	Jul-17
9 Amber Gardens, #02-21 (D15)	Mortgagee Sale	Residential	1,335	1,750,000	1,850,000	Sep-17
1 River Valley Close, #09-01 (D9)	Mortgagee Sale	Residential	1,044	1,680,000	1,700,000	Jul-17
1 Lewis Road, #04-02 (D10)	Mortgagee Sale	Residential	980	1,500,000	1,395,000	Jul-17

Source: Knight Frank Auctions and Knight Frank Research

EXHIBIT 2

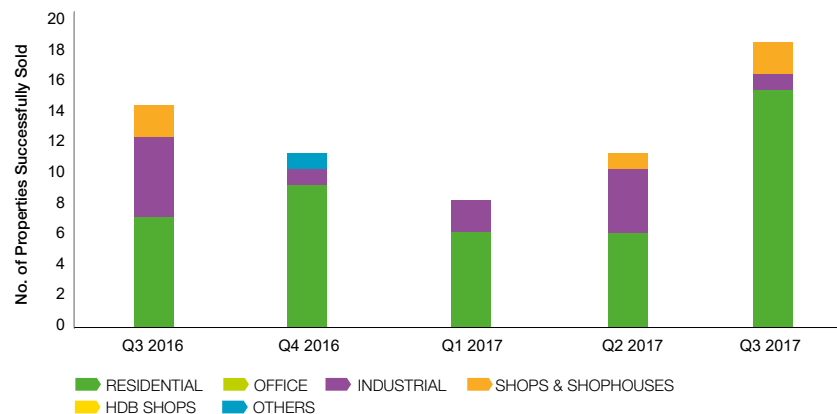
Types of Properties Put Up for Auction and Overall Success Rate



Source: Knight Frank Auctions and Knight Frank Research

EXHIBIT 3

Types of Properties Successfully Sold



Source: Knight Frank Auctions and Knight Frank Research

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