

RESEARCH AUCTION



AUCTION MARKET SNAPSHOT

Total number of properties put up for auction in 2017:

747

▲ 9.5% overall yearly increase

Gross sales value

\$S103.3 million

▲ 11.3% overall yearly increase

BOTH MORTGAGEE AND OWNER SALE AUCTION LISTINGS LIKELY TO SURGE IN 2018



SHARON LEE
Director & Head,
Auction

“Against the backdrop of better economic prospects, the auction’s market could see higher activity especially from Owner Sale mode, as more owners offer their properties for sale at auction to capture rising market sentiment and fetch potentially higher prices.”

Overall Auctions Performance

- A total of 747 properties were put up for auction in 2017, a 9.5% overall yearly increase in contrast to the 682 properties put up for auction in 2016.
- A total of 46 properties went under the hammer in 2017, bringing its annual success rate¹ to 6.2%. In comparison, 41 properties were sold in 2016 with a success rate of 6.0%.
- Gross sales value increased 11.3% from \$92.8 million in 2016 to \$103.3 million in 2017.
- For the fourth quarter of 2017, the overall success rate reached 4.2% with a total of 7 properties being sold, 65% lower from the preceding quarter. (Exhibits 2 and 4).

Key Trends

Mortgagee listings increased due in part to economic changes and weakened sales and rental market

- 2017 saw an injection of 329 properties put up for auction under mortgagee sale. This represented a 35.4% increase from 2016 (243 properties) and made up 44.0% of all the properties put up for auction in 2017 – reflecting a substantial jump in recent years (Exhibit 1).

¹ Denotes total number of auctioned-properties vs. total number of properties put up for auction on an annual basis.

- The surge in mortgagee listings can be largely attributed to a softer property market and a weaker economy seen from the second half of 2016 to early-2017. First, investors experienced challenges to source for tenants amid higher competition with new home completions and rising vacancy. Second, the weaker residential market, slow transaction activities and fall in property prices have created higher barriers for some investors to divest their property especially when they have purchased their property at a higher price. Third, the structural changes to Singapore's economy has resulted in a more uncertain business and employment outlook and adversely impacted the holding power of some property owners.
- Residential properties made up the bulk of mortgagee listings with 209 properties. Non-residential property contributed another sizeable pool of 120 listings up 53.9% from a year ago. The industrial sector constituted the highest proportion in non-residential mortgage listings and saw 63 properties listed; translating to an increase of 65.8% from the 38 industrial properties that were put up for auction under mortgagee sales in 2016.
- Despite an expanding economy with Singapore's annual GDP growth at 3.5%² in 2017 that is largely supported by the manufacturing industry, there was a substantial rise in industrial mortgagee listings last year. This could be underpinned by these broader market observations: 1) many of the listings were older or smaller factories and warehouses that could not meet the high-specification requirements of industrial end-users; 2) The decline of new businesses and companies' formation under industrial-related trades by 16.7% y-o-y, as reported by the Economic Development Board as of end 2017, reflected underlying business challenges that could have impacted demand for industrial space.
- 30 mortgagee-listed properties went under the hammer in 2017, accounting for 65.2% of total transactions (46 properties) and aggregating a total transaction value of \$49.4 million, up 6.7% and 6.6% respectively from a year ago.

Residential Sector achieved the highest success rate among all sectors in 2017; fewer industrial properties sold via auction despite considerable increase in listings

- While the total number of residential properties (392 properties) put up for auction in 2017 increased by 2.6% on an annual basis, the number of industrial listings grew by a significant 78.6% (175 properties) compared to 2016.
- Amongst the property types, the success rate continued to be the highest for residential properties at 8.4%. Sales value of residential properties increased 36.3% compared to a year ago. The strong sales performance could be attributed to a range of factors such as the availability of value properties with good location and longer lease tenure attributes at reasonable prices, and a return in interest for residential property amid a price upswing for two consecutive quarters in H2 2017 after a four-year price decline.
- The number of high-end residential properties put up for auction in prime Districts 1, 9, 10 and 11 continued to be low. As compared to 2016 (73 properties), 2017 only had 90 properties listed for sale by auction, nonetheless with an uptick of 18.9%.
- A total of 46 prime residential properties were put up for auction under mortgagee sales, while owner sales trailed slightly behind at 31 properties. Mortgagee sales made up 51.1% of all prime residential listings, reflective of a softer leasing and sales market in last 2 years, and up to H1 2017.
- Over at the non-residential front, the industrial sector had a total of 175 properties put up for auction – the highest number since 2007 (149 properties). Majority of the industrial listings are congregated in District 14 (40 properties - Ubi, Kaki Bukit) and District 22 (55 properties in Tuas & Pioneer). During H2 2017, the industrial sector only bagged a success rate of 4.0%, with the transaction of seven strata-titled factories. Five of the industrial properties transacted were mortgagee sales, underscoring the weakened demand for strata-titled factories amid elevated vacancy for multiple-user factories (13.5% as of Q4 2017, reported by JTC Corporation).

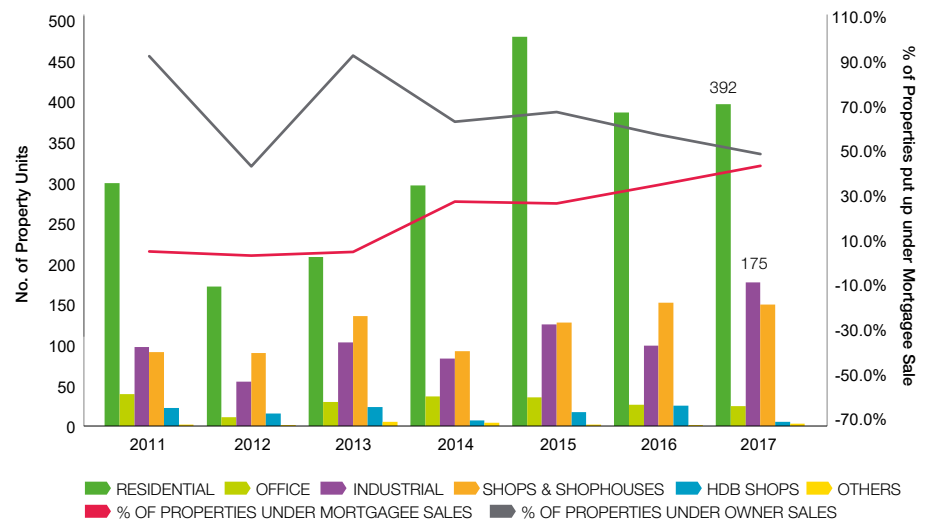
² According to advance estimates from the Ministry of Trade and Industry (as at 2 January 2018)

Outlook

- Although an optimistic property market seems likely with prospects of a ‘Goldilocks economy’ (that is moderate growth rate) for 2018, rising interest rates and projected tax increase could weigh on the property market potentially from the second half of 2018. As such, mortgagee sales listings could be expected to cross the 350-property mark for the whole of 2018. In particular, more strata-titled industrial properties are expected to be put up for auction by the banks in 2018, as the leasing market for strata-titled industrial properties is envisaged to remain soft against economic restructuring and rapid transformation in the manufacturing sector.
- Following an improved property sentiment since Q3 2017, owner sale auctions could rebound in 2018 due to expectations of residential price increase. Landed properties, in particular, are expected to take a larger proportion of such listings, as owners’ desire to increase publicity for their homes and secure more attractive selling prices.
- More buyers could be on the prowl for value residential properties in the auction market this year, amid expectations of potentially higher new sale prices and borrowing costs.

EXHIBIT 1

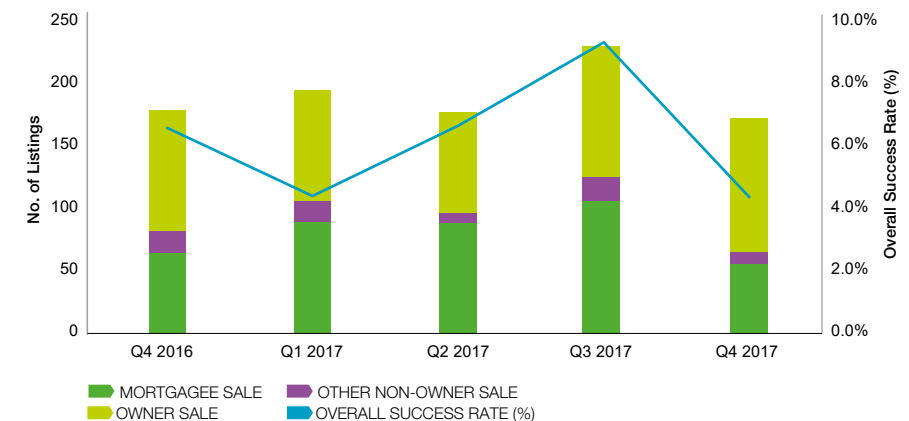
Total Number of Properties Put Up for Auction, Percentage of Properties Under Mortgagee Sales



Source: Knight Frank Auctions and Knight Frank Research

EXHIBIT 2

Types of Properties Put Up for Auction & their Overall Success Rate for Properties Sold vs. Total Listings



Source: Knight Frank Auctions and Knight Frank Research

EXHIBIT 3

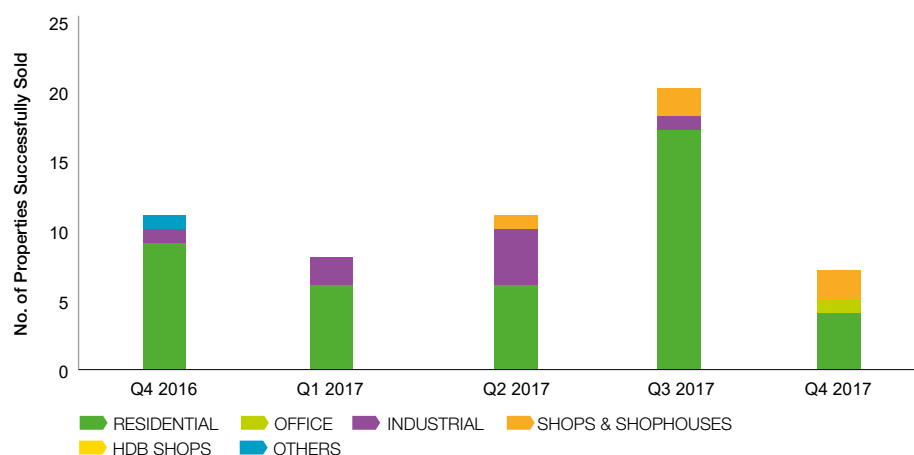
Total Transactions in the Auction Market by Transaction Value, Q4 2017

Property Address (District)	Type of Listing	Type of Property	Size (sq ft)	Transacted Price (S\$)	Date of Transaction
32 South Bridge Road (D1)	Owner Sale	Shop/ Shophouse	1,256	6,680,000	Nov-17
16 Enggor Street, #38-08 (D2)	Mortgagee Sale	Residential	861	1,650,000	Oct-17
27 Hillview Avenue, #08-06 (D23)	Mortgagee Sale	Residential	1,195	1,380,000	Nov-17
1 Rochor Canal, #B1-07 (D7)	Mortgagee Sale	Shop	344	868,000	Dec-17
224 Westwood Avenue, #08-16 (D22)	Mortgagee Sale	Residential	1,410	860,000	Dec-17
1 North Bridge Road, #20-09 (D1)	Mortgagee Sale	Office	549	845,000	Nov-17
28 Simei Street 1, #09-11 (D18)	Estate Sale	Residential	968	680,000	Dec-17

Source: Knight Frank Auctions and Knight Frank Research

EXHIBIT 4

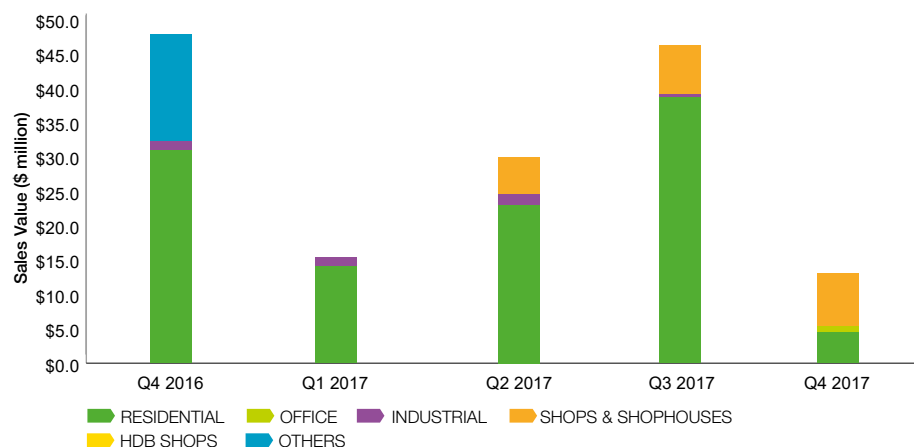
Types of Properties Successfully Sold



Source: Knight Frank Auctions and Knight Frank Research

EXHIBIT 5

Total Sales Value of Properties Sold at Auctions



Source: Knight Frank Auctions and Knight Frank Research

FOR AUCTION ENQUIRIES, PLEASE CONTACT:

Sharon Lee
 Director and Head
 Auction
 6228 6891
 sharon.lee@sg.knightfrank.com

FOR FURTHER INFORMATION, PLEASE CONTACT:

Alice Tan
 Director and Head
 Consultancy & Research
 6228 6833
 alice.tan@sg.knightfrank.com

Wong Shanting
 Assistant Manager
 Consultancy & Research
 6228 7339
 shanting.wong@sg.knightfrank.com

Jackson Tan
 Analyst
 Research
 6228 6821
 jackson.tan@sg.knightfrank.com



© Knight Frank Singapore 2018

This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Pte Ltd and its subsidiaries for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Pte Ltd and its subsidiaries in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Pte Ltd to the form and content within which it appears. Knight Frank Pte Ltd is a private limited company which is incorporated in Singapore with company registration number 198205243Z and CEA licence number L3005536J. Our registered office is at 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315.

*Based on advance estimates provided by the Ministry of Trade and Industry