

RESEARCH AUCTION



Q4 AUCTION MARKET SNAPSHOT

Total number of auction listings
in Q4 2018:

380

▲ 119.7% increase y-o-y

Gross sales value

S\$5.2million

▼ 59.6% decrease y-o-y

AUCTION LISTINGS UNDER MORTGAGEE SALE INCREASED IN 2018 AMID RISING COST OF FINANCING AND SOFT LEASING MARKETS



SHARON LEE
Senior Director & Head,
Auction

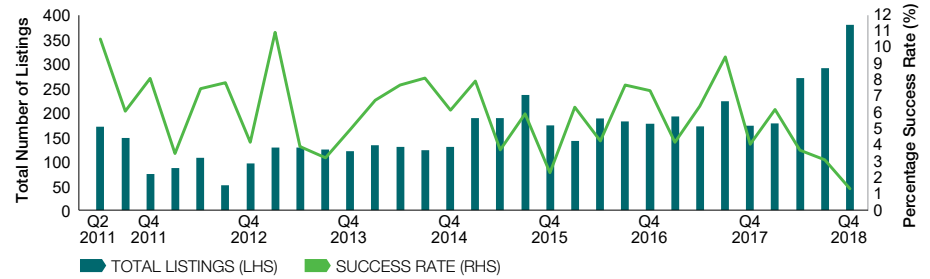
“Buyers are more discerning and cautious after the cooling measures and we expect this to continue in 2019. Hence, more buyers will likely seek auctions for good buys in the market.”

Overview

- **For the whole of 2018, the number of auction listings (excluding properties sold before and after auctions) amounted to 1120, a 47.4% year-on-year (y-o-y) increase.**
- **The number of auction listings in Q2 2018 and Q4 2018 rose 52.2% and 30.6% quarter-on-quarter (q-o-q) respectively.** Increase in auction listings in the second quarter was driven by strong residential market outlook, while the slowing manufacturing sector and challenges in the retail landscape drove the auction market in the last quarter of 2018.
- **There were five properties sold under the hammer in Q4 2018, bringing the total number of properties successfully auctioned in 2018 to 35 properties.** This was lower than the 47 properties sold via auctions in 2017. More than half, or 26 properties, of the successfully auctioned properties were residential properties.
- **The success rate (based on total number of listings) in 2018 was 3.1%,** half the 6.2% success rate achieved in 2017. The success rate dipped to 1.3% in Q4 2018, as buyers became more cautious post cooling measures.
- **The total value of properties transacted via auction in 2018 declined 46.5% y-o-y to S\$55.3 million,** as fewer big-ticket items were sold via auction.

EXHIBIT 1

Total Number of Listings Put Up for Sale and Percentage Success Rate



Source : Knight Frank Singapore

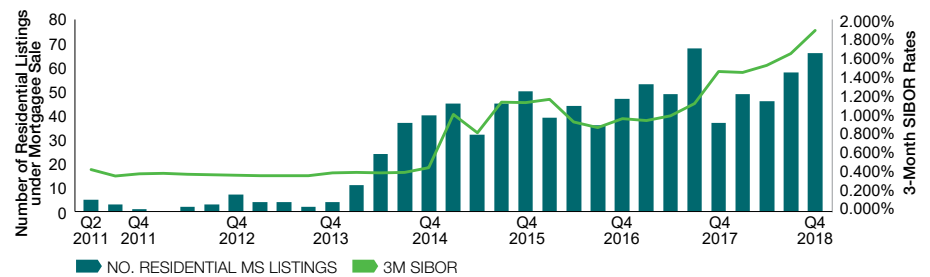
*Total listings based on number of units and excludes units sold before and after auctions

Mortgagee Sale

- **Total auction listings under mortgagee sale in 2018 rose 17.4% y-o-y to 391 listings**, supported by increased listings across residential, industrial, and retail segments.
- **Residential property listings continued to account for the bulk of mortgagee sale listings in 2018 at 219 listings.** Residential listings under mortgagee sale increased 5.8% y-o-y, as higher interest rates pushed cost of financing homes up after the Federal Reserve hiked interest rates. The 3M SIBOR rate rose from 1.457% in Q4 2017 to 1.522% in Q2 2018, to 1.886% by Q4 2018. The subdued rental market also contributed to higher number of listings under mortgagee sale. While the pickup of the secondary market between Q4 2017 and Q2 2018 helped push down the number of mortgagee listings under auction, the number of listings recovered after the cooling measures.
- **Districts 14 (Geylang, Eunos), 15 (Katong, Joo Chiat, Amber Road), and 16 (Bedok, Upper East Coast, Eastwood, Kew Drive) formed 26.9% of total residential listings under mortgagee sale this year.** There were 23 landed and 35 non-landed residential listings under the three districts.
- **Landed homes above S\$3.0 million continued to take up a larger proportion of landed homes listed under mortgagee sale in 2018.** There were 78 total listings from landed homes under mortgagee sale, out of which 62.8% had an opening price above S\$3.0 million.

EXHIBIT 2

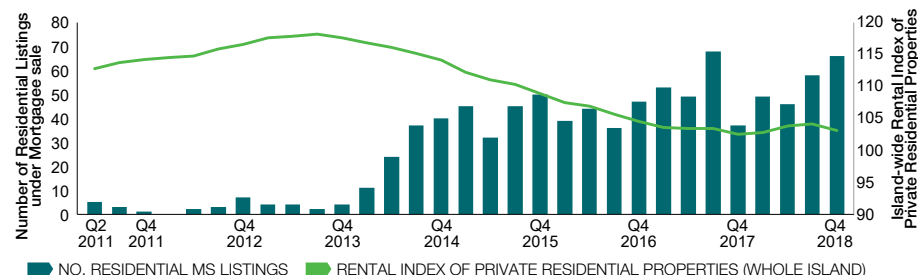
Number of Residential Listings Under Mortgagee Sale and 3M SIBOR Rates



Source: Citibank, Knight Frank Singapore

*Total listings based on number of units and excludes units sold before and after auctions

EXHIBIT 3

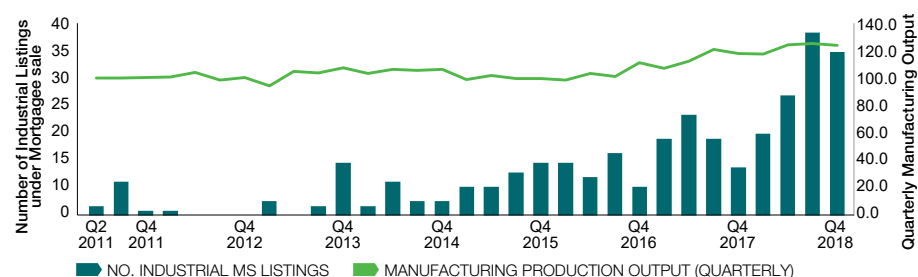
Number of residential listings under mortgagee sale and Island-wide rental index


Source: Knight Frank Singapore

*Total listings based on number of units and excludes units sold before and after auctions

- **A slowing manufacturing sector, coupled with dampened outlook due to on-going global trade tensions, largely attributed to the 81.0% increase in industrial listings in 2018.**
- **Majority, or 74.6%, of industrial properties under mortgagee sale in 2018 had a lower price quantum that is less than S\$1.0 million.** A high proportion of the units (71.8%) are located on higher floors.
- **Listings from Pioneer Junction Prestigio @ Innovation Place, WCEGA Plaza, Ace@Buroh, and Woodlands Horizon accounted for 48.8% of total industrial listings under mortgagee sale.** These projects are completed after 2010, and likely to have re-surfaced into the market due to a soft leasing market.
- Notwithstanding the cautiously optimistic outlook in the manufacturing sector, industrialists remained keen in industrial properties that meet their specifications with sweet spot prices. The total value of industrial properties sold during auction rose 42.6% in 2018.

EXHIBIT 4

Number of industrial listings under mortgagee sale and manufacturing output


Source: Economic Development Board, Knight Frank Singapore

*Total listings based on number of units and excludes units sold before and after auctions

- **Retail listings under mortgagee sale increased y-o-y in 2018, albeit at a slower pace of 12.2%.** This is largely attributable to subdued demand from retailers and the challenging retail landscape.
- About 81.8% of the retail listings under mortgagee sale are less than 500 sq ft, while 92.7% of the retail units listed are priced S\$2.0 million or lower.
- Districts 14 (Geylang, Eunos), 15 (Katong, Joo Chiat, Amber Road), 19 (Serangoon Garden, Hougang, Ponggol), and 21 (Upper Bukit Timah, Clementi Park, Ulu Pandan) formed a major share of retail units listed under mortgagee sale.
- **Given the challenging retail landscape in 2018 with cautious consumer sentiments,** buyers demand for retail units have been tapered. In 2018, there were no retail units under mortgagee sale sold under the hammer, compared to 3 in the previous year.

Owner Sale

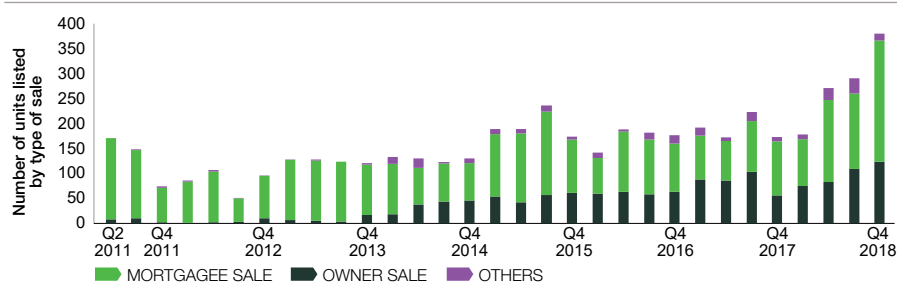
- **Total number of auction listings under owner sale climbed 72.7% in 2018.** The 651 listings under owner sale were the highest since 2011 when Knight Frank started compiling data.
- **Of which, residential listings put up by owners made up 32.1% of total listings put under owner sale.** Residential listings put up by owners increased 41.2% to 209 listings in 2018, largely supported by owners of landed properties.
- The increase in owner sale listings of private residential properties in 2018 were due to rising market in H1 2018, and subsequently the gap in price expectations after the announcement of cooling measures. In Q2 2018, the sellers were encouraged by the rapid increase in prices and were hoping to sell their homes at higher prices through auction. However, the market momentum slowed due to the announcement of cooling measures on 5 July 2018. More owners sought auction as a preferred mode of sale to expedite their disposal of properties.
- **Number of landed residential property listings under owner sale rose 82.4% in 2018 compared to the previous year,** surpassing non-landed residential listings under owner sale for the first time since 2011. Non-landed residential homes remained unchanged over the same period at 74 listings.
- **Correspondingly, the proportion of residential listings priced above S\$5.0 million put up by owners increased.** Out of the 209 residential listings under owner sale, about 37.8% of properties listed were above S\$5.0 million as compared to 20.3% in 2017.
- **Residential homes from District 9 (Orchard, Cairnhill, River Valley) and 15 (Katong, Joo Chiat, Amber Road) formed a large proportion of residential listings under owner sale in 2018.** The listings in District 15 comprises mainly landed properties put up by owners with an average price quantum of S\$7.0 million.

Market Outlook

- **Knight Frank envisages the number of listings under owner and mortgagee sale to increase in 2019.**
- **The success rate for residential listings is likely to ease further in 2019 till buyers and sellers narrow the gap.** However, choice properties and rare asset classes, such as good class bungalows, will remain in demand.
- **The uncertain economy and rising interest rates are likely to continue to drive listings under mortgagee sale,** given rising cost of financing coupled with tapered business sentiments. Nevertheless, it presents an opportunity for investors who are looking for value buys.

EXHIBIT 5

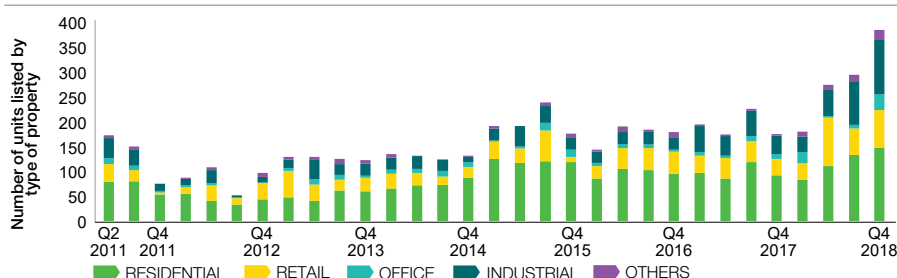
Number of Auction Listings by Type of Sale



Source: Knight Frank Auctions and Knight Frank Research

EXHIBIT 6

Number of Auction Listings by Type of Property



Source: Knight Frank Auctions and Knight Frank Research

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