

RESEARCH AUCTION



Q4 2019 AUCTION MARKET SNAPSHOT

Total number of auction listings
in Q4 2019:

1,387

▲ 23.9% y-o-y increase

Gross sales value

S\$48.8 million

▼ 11.7% y-o-y decrease

MORE PROPERTY LISTINGS UNDER MORTGAGEE SALES AMID SUBDUED ECONOMIC GROWTH IN 2019

Overview

- **The number of auction listings, which include repeat listings, increased 23.9% year-on-year (y-o-y) to 1,387 listings in 2019.** Besides witnessing more properties listed, the properties underwent more rounds of auction, supporting the surge in overall auction listings.
- **The success rate (based on auction listings) in 2019 stood at 1.4%, lower than the 3.1% achieved in 2018.** The time taken to sell a property lengthened as prospective buyers preferred to 'wait-and-see' before registering a bid that met the reserve price.
- **Compared to a year ago, the number of listings under mortgagee sale in 2019 increased 61.1% y-o-y,** boosted by more listings by industrial, retail and residential properties. The increase in mortgagee sale listings coincided with weaker economic growth in 2019.



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“The industrial properties under mortgagee sales are priced to sell, and they will appeal to end-users who are seeking industrial properties on a short-term lease.”

EXHIBIT 1

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



Source : Knight Frank Auction, Knight Frank Research

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

Mortgagee Sale

- **Mortgagee sale listings in 2019 increased to 630 listings from 391 listings in 2018.** The number of mortgagee sale listings has increased steadily since 2014, although drivers for the increase have changed.
- From 2014 to 2017, the surge in mortgage sale listings was due to higher retrenchments, hikes in interest rates, and drop in rental payments. However, from 2018 to 2019, the rise in listings seemed to correlate with more applications for bankruptcies and increased volatility within the equity markets. Slowing economic growth and the trade war between China and United States also led to an accumulation of bad debts and a fall in top-line growths, pressurising some owners to default on mortgage payments.

Residential

- **The number of residential listings under mortgagee sale saw its third consecutive year of increase in 2019,** surging by 62.6% y-o-y to 356 listings.
- **Landed residential property listings under mortgagee sale increased steadily from 18 listings in 2014 to 99 listings in 2019.** The increase was primarily due to more listings by properties located in prime districts 4 (Telok Blangah, Harbourfront), 9 (Orchard Cairnhill, River Valley) and 10 (Ardmore, Bukit Timah, Holland Road, Tanglin). In 2014, owners of landed properties located in prime districts were less affected by macroeconomic events and slowing rental market, as seen by the absence of such listings. Yet from 2016 to 2018, the number of listings from prime districts consistently exceeded the number of listings from districts 19 (Serangoon Garden, Hougang, Ponggol) and 21 (Upper Bukit Timah, Clementi Park, Ulu Pandan). The shift in listings to prime district suggested that a larger spectrum of owner-occupiers were affected by the slowdown in growth in several sectors, such as construction and manufacturing, and the trade dispute between China and United States.
- This trend continued into 2019 with the landed listings from prime districts 9 and 10 nearly doubling y-o-y to 23 landed listings. There were also 13 landed residential listings in district 4, a sharp hike from 3 listings in 2018.
- **The increase in number of landed residential listings was also partly due to a slower residential market.** Higher additional buyers' stamp duties and tighter loan-to-value ratio held back potential buyers, especially those looking for residential properties that commanded higher price quantum. Thus, the time needed to sell properties lengthened, which led to more properties being transferred from owner sale to mortgagee sale.
- Moreover, these properties underwent more rounds of auctions before they were transacted via private treaty. As a result, the number of landed residential listings under mortgagee sale with asking price above S\$5.0 million increased to 42 listings in 2019 from 30 listings in 2018.
- **Non-landed residential listings under mortgagee sale also increased significantly to 257 listings in 2019 from 139 listings in 2018.** From 2014 to 2019, districts 4, 9, and 15 (Katong Joo Chiat, Amber Road) have consistently accounted for a significant proportion of non-landed residential listings under mortgagee sale as these districts have a larger stock of private homes. In 2019, however, listings from district 9 eclipsed other districts, a contrast to the trend from 2016 to 2018. With interest rates staying flat and private rents picking up in 2019, the hike in mortgage sale listings seemed to be a result of slower economic growth. The slower economic growth not only impacted owners of upper-middle-income, but also adversely affected high net worth individuals who owned firms that suffered a contraction in orders.
- The number of listings for penthouses not limiting to prime districts, that were under mortgagee sales, also increased from 23 listings in 2016 to 68 listings in 2019. The penthouses also underwent more rounds of auctioning, averaging 2.6 rounds in 2019 compared to an average of 2.2 rounds in 2018.

EXHIBIT 2

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



Source: Citibank (as at 13 December 2019), Knight Frank Auction, Knight Frank Research
 *Total listings based on number of units and excludes units sold before and after auctions

Industrial

- **Industrial listings under mortgagee sale increased by 34.2% y-o-y to 153 listings in 2019, as industrialists faced higher financial pressure.** An uncertain external environment and contraction of the manufacturing sector affected the financial cashflows of end-users. Investors also faced greater difficulty in leasing out the units.
- **Only seven industrial listings under mortgagee sale were freehold in tenure in 2019.** These listings have a floor area below 5,000 sq ft. Separately, majority of the leasehold industrial properties listed under mortgagee sale were smaller than 10,000 sq ft in floor area, with only ten listings exceeding 10,000 sq ft. Larger industrial units listed under mortgagee sale tend to have shorter leases and are more suitable for end-users.

Retail

- **The number of retail property listings under mortgagee sale in 2019 more than doubled to 103 listings.** Slower retail sales in 2019 exacerbated the challenges faced by the retail market. The retail sales index fell for the ninth consecutive month in October 2019 according to the Department of Statistics in Singapore.
- **All the retail properties listed under mortgagee sale have floor areas smaller than 1,000 sq ft and opening prices below S\$1.8 million.** The owners of these properties probably purchased these units around the peak of the market cycle. However, the retail rental market has softened since end 2014 with rental index now 16.6% below the peak. This placed further stress on distressed owners who needed to service expensive mortgages.
- **Given a slower rental market in the strata-retail segment, retail properties also underwent more rounds of auctions as buyers were more conservative.** In 2019, a retail unit went through about 3.4 rounds of auctions on average, higher than the average 2.7 round in 2018.

Owner Sale

- **In 2019, listings under owner sales rose to 687 listings from 650 listings in 2018.** Notwithstanding such, the number of listings declined for the second consecutive quarter in Q4 2019 to 121 listings, decreasing by 15.4% quarter-on-quarter (q-o-q) or 50.0% y-o-y.
- **The decline in owner listings in Q3 and Q4 2019 emanated from a drop in listings of industrial and retail properties.** The number of industrial and retail property listings declined from 114 and 60 listings in H2 2018 to 43 and 40 listings in H2 2019 respectively. Some of the retail and industrial listings became mortgagee sales as owners were unable to sell the property before foreclosure.
- **Residential listings under owner sale went up to 338 listings in 2019 from 209 listings in 2018.** The price gap between buyers and sellers widened, and it took longer for property transactions to conclude. The properties also went through more rounds of auctions as buyers took a wait-and-see approach.

- Landed residential property listings under owner sale grew from 137 listings in 2018 to 142 listings in 2019.** In 2018, there were 43 listings from district 15 and 22 listings from district 10. In 2019, however, both districts witnessed a decline in listings to 12 and 4 listings respectively. The number of landed home listings under owner sale in districts 11 (Watten Estate, Novena, Thomson), 19 and 28 (Seletar) increased significantly to 24, 18 and 13 listings respectively. In 2018, there were only 4, 5, and 3 listings in Districts 11, 19 and 28 respectively.
- The number of non-landed residential listings in 2019 also more than doubled to 196 listings in 2019 from 72 listings in 2018.** The number of listings in districts 15, 19, 4 and 10 rose significantly to 45, 24, 24 and 19 listings in 2019 from 8, 0, 12 and 2 listings in 2018 respectively. Besides district 4, these districts incidentally also had more new property launches in 2019, and the launches may have diverted demand away from auction sales and the properties listed took more rounds to sell.

Market Outlook

- Knight Frank envisages the number of mortgagee sale listings to increase in 2020, as the economic outlook remains subdued.** Notwithstanding such, the pace of increase in mortgagee sales may slow if trade tensions subside and the pick up in private residential sales remains sustainable.

EXHIBIT 3

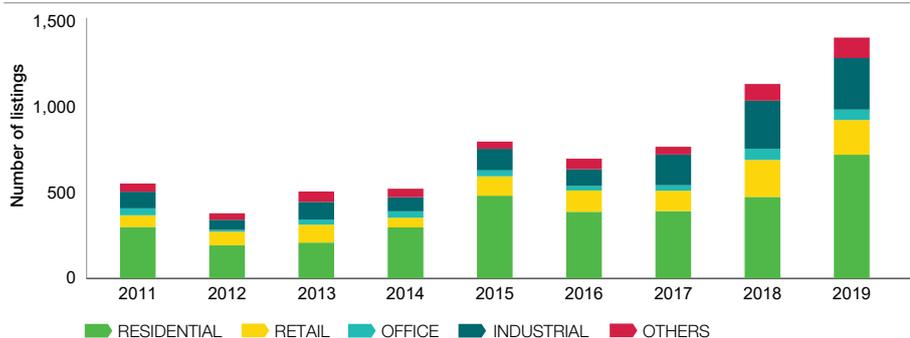
Number of Auction Listings by Type of Sale



Source: Knight Frank Auction, Knight Frank Research

EXHIBIT 4

Number of Auction Listings by Type of Property



Source: Knight Frank Auction, Knight Frank Research

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