

Q1 2024

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Auctions remain popular among property owners

► “More enquiries are surfacing from owners and creditors with distressed properties. These are likely to translate into listings eventually, especially if interest rates remain higher for longer before rate cuts come into effect.”

SHARON LEE, HEAD, AUCTION & SALES

AUCTION SALE LISTINGS AND SUCCESS RATES

Auction listings fell 9.1% q-o-q to 90 listings (including repeat listings and excluding properties sold outside of auction) in Q1 2024, affected by the Chinese New Year festivities which resulted in the postponement of some auction activities and properties being put up in the listings. Nevertheless, total auction listings climbed 16.9% y-o-y from the 77 in Q1 2023, with the bulk of the increase contributed by owner sale listings, signalling that auctions continued to be a trending choice among owners.

In the quarter, residential properties made up 47.8% (43) of the total listings in Q1 2024, lower than the 50 residential properties in the previous quarter. Office and industrial properties

comprised of 8.9% (8) and 20.0% (18) of the total listings respectively in Q1 2024, down from the corresponding 10 and 20 in Q4 2023. Meanwhile, retail properties made up 21.1% (19) of the overall listings, increasing slightly from the 18 three months ago.

Five properties comprising of two residential and three industrial properties were sold in Q1 2024, contributing to the success rate of 5.6%. This was higher than the 4.0% success rate recorded in the previous quarter when four properties (out of 99 total auction listings) were sold. Of the five properties sold, four were freehold properties suggesting buyers’ strong preference for a longer runway whether for investment or for self-use. Overall, the sale of the five properties translated to S\$13.2 million in gross

90 (Q1 2024)

Total Number of Auction Listings
9.1% ▼ Q-O-Q | 16.9% ▲ Y-O-Y

\$13.2 MILLION (Q1 2024)

Gross Sales Value
63.2% ▲ Q-O-Q | 220.4% ▲ Y-O-Y

sales value.

Typically, most properties in auction listings are sold either before or after auction, with various aspects of the sale being negotiated offline, as this can facilitate greater flexibility.

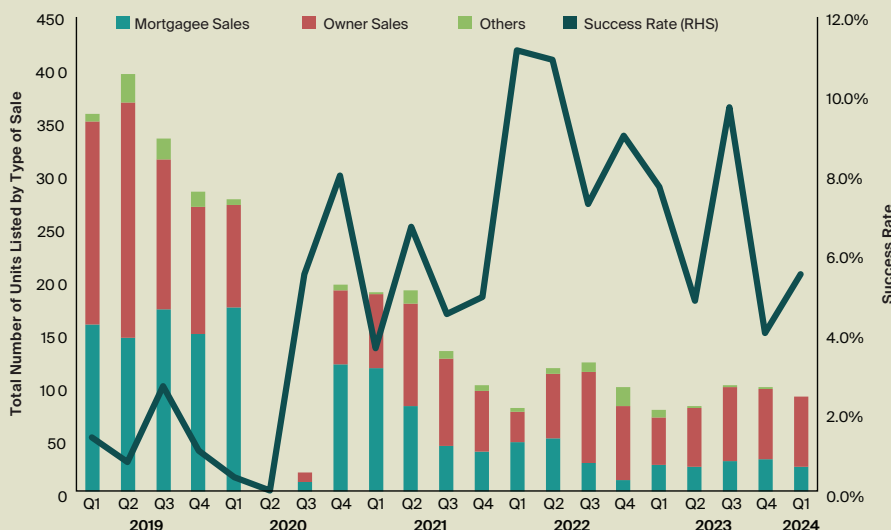
MORTGAGEE SALES

There were 22 mortgagee listings in Q1 2024, a 29.0% decline from the 31 in Q4 2023. On a yearly basis, this was two less than the 24 in Q1 2023. The number of mortgagee listings in the first quarter of 2024 was nowhere near the highest ever in a quarter at 176 recorded in Q1 2020. Previously, mortgagee listings from 2018 to 2019 were typically more than 100 each quarter, in tandem with rising interest rates then. In the current environment where interest rates have been elevated and are expected to remain so for a substantial duration before rate cuts are implemented, more distressed properties could be introduced.

During the quarter, there were 12 residential mortgagee listings, 45.5% less than the 22 listings in the previous quarter. Retail mortgagee listings rose slightly to four in Q1 2024, compared to Q4 2023 when three shops were listed. Meanwhile, there was one office and five industrial mortgagee listings in the quarter, unchanged from Q4 2023.

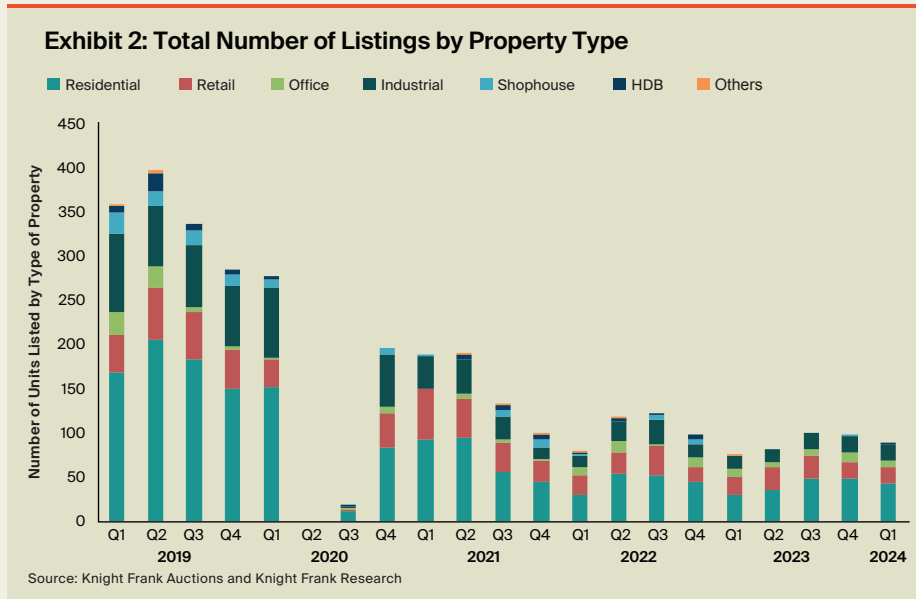
Two newly listed mortgagee properties were sold at premiums ranging between 2.9% and 4.3%. A non-landed home located in The Sea View was listed just once in the quarter, with an opening price of S\$3.5 million and was eventually sold at S\$3.6 million. The other property sold at a premium

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



Source: Knight Frank Auctions and Knight Frank Research

was a 60-year leasehold industrial unit in Vertex which was listed for mortgagee sale with an opening price of S\$925,000 and was knocked down at S\$965,000.



OWNER SALES

There were 68 owner listings in Q1 2024, 3.0% higher than the 66 in the previous quarter, and 47.8% more than the 46 in Q1 2023. This also marked an eighth consecutive quarter when owner listings exceeded mortgagee listings. While the auction platform continued to appeal to owners in order to garner more interest to their properties, some owner listings could have arisen out of distress, where in certain cases financial institutions might encourage owners to dispose these assets before repossession proceedings are initiated.

There were 31 residential owner listings in Q1 2024, higher than the 26 in the previous quarter, and higher than the 12 in the same period last year. Office and industrial owner listings numbered seven and 13 respectively in Q1 2024, a decline from the nine and 15 listings in Q4 2023. At the same time, retail owner listings remained unchanged from the previous quarter with 15.

Of the 13 industrial owner listings, 11 industrial properties were freehold while the remaining two were leasehold. Two freehold B2 factories situated in M-Space along Mandai Estate were sold at their opening price of S\$1.33 million and S\$1.89 million respectively. Despite the rarity of freehold industrial properties island wide, business owners are selective as well when it came to choosing properties with the right mix of attributes for business operations as well as for investment.

MARKET OUTLOOK

According to the Ministry of Law, there were 1,125 bankruptcy applications made between January and March 2024, some 11.8% higher than the combined applications from October to December 2023, and 17.3% higher than the sum of applications in the same period a year ago. Business cessation figures rose by 0.8% to 14,205 entities between January and March 2024 from the 14,091 business that closed between October and December 2023. However, there was an increase of 23.5% in the number of business closures between Q1 2023 and Q1 2024. With the increase in bankruptcy applications as well as business cessations, more private homes by individuals and workplace properties by companies are likely to

surface in the auction listings in the second half of the year.

Additionally, notwithstanding the minimal number of mortgagee listings, residential property owners especially those who had commenced housing loans in 2021 when the interest rate was at its lowest, would have their cost of borrowing rise substantially after three years of fixed rates. The heavier cost of financing coupled with a downward trend in the private home rental market might result in more owners increasingly gravitating towards disposal should this double whammy compromise affordability levels.

Even though the auction platform will continue to collect and accumulate distressed properties for sale, discerning, watchful and opportunistic investors and buyers might comb the listings with a view to acquire these properties at more affordable levels. Therefore, Knight Frank maintains overall success rates to be around 5% to 7% for the whole of 2024.

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