

Q2 2024

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More mortgagee sale listings starting to surface

► “More properties in the form of mortgagee sale listings would likely appear in the remaining months of 2024, having borne the brunt of escalated interest rates for almost two years now.”

SHARON LEE, HEAD, AUCTION & SALES

115 (Q2 2024)

Total Number of Auction Listings
27.8% ▲ Q-O-Q | 40.2% ▲ Y-O-Y

S\$7.2 MILLION (Q2 2024)

Gross Sales Value
45.4% ▼ Q-O-Q | 50.8% ▲ Y-O-Y

AUCTION SALE LISTINGS AND SUCCESS RATES

The number of auction listings rose 27.8% q-o-q to 115 (including repeat listings and excluding properties sold outside of auction) in Q2 2024, with bulk of the increase contributed by mortgagee sale listings almost doubling to 42 during the quarter. At the same time, there were 69 owner sale listings in Q2, similar to the 68 in Q1.

There were also four other listings, with one shophouse listed twice as a trustee sale in April and June 2024. In addition, there was one MCST and one Receiver sale listing where both comprised a non-landed residence.

Residential properties made up 63.5% (73) of the total listings, higher than the 43 residential homes listed in

the previous quarter. There were 13 commercial properties listed in Q2, made up of 12 retail units (10.4%) and one office unit (0.9%) of the total listings respectively. These were down from the 19 retail shops and eight offices listed in Q1. Meanwhile, industrial properties made up 23.5% (27) of the overall listings, increasing from the 18 three months ago. The sole shophouse which was listed twice in the quarter made up 1.7% of the total listings.

Three properties were sold in Q2 2024, comprising one industrial and two residential properties, with a combined gross sales value of S\$7.2 million that translated to a success rate of 2.6%. This was lower than the 5.6% success rate recorded in the

previous quarter when five properties (out of a total of 90 auction listings) were sold. An apartment in Dover Parkview was sold for S\$1.82 million, 7.1% higher than the opening price of S\$1.7 million. As this was an MCST sale, the unit was knocked down without any viewing.

MORTGAGEE SALES

During the quarter, residential mortgagee listings doubled from 12 to 24, comprising 20 non-landed homes and four landed residences. The jump in listings was likely due to distressed residential assets surfacing onto the auction platform after having endured a higher-and-for-longer interest rate environment for almost two years, with some homeowners finding it increasingly challenging to service a monthly mortgage against a backdrop of weakening rents.

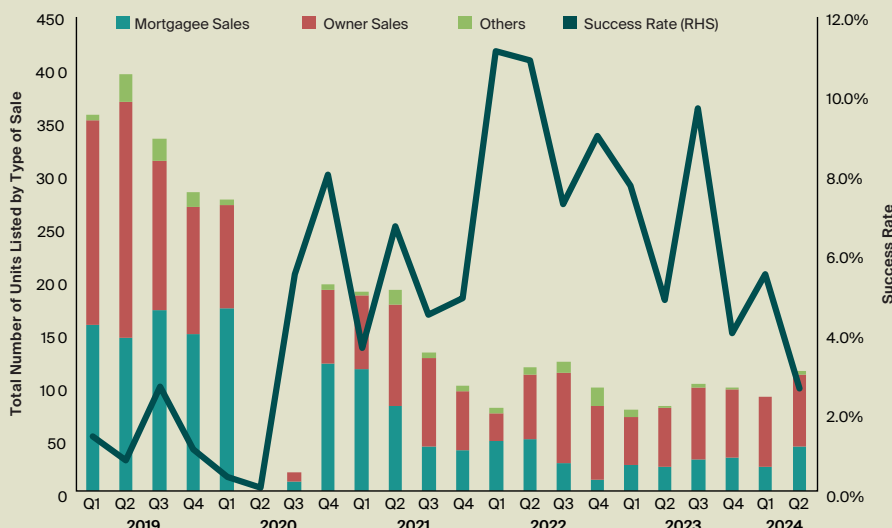
There were five retail mortgagee listings in Q2, slightly more than the four listed in Q1. There was one office mortgagee listing in the quarter, unchanged from the previous quarter.

Similar to the residential sector, industrial mortgagee listings more than doubled to 12 in Q2 from the five in Q1. The rise in listings was in part contributed by business owners who were unable to sustain operations in a tough climate as the manufacturing sector contracted 4.3% in 2023.

OWNER SALES

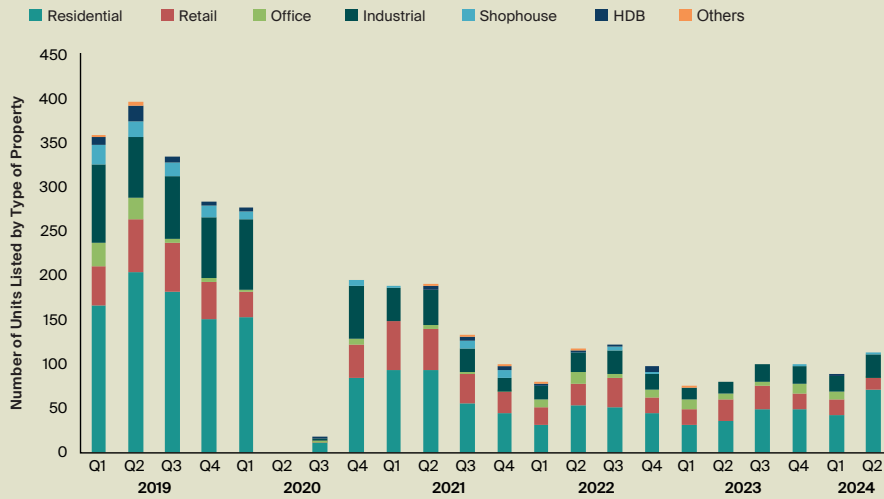
There were 47 residential owner listings in Q2 2024, a 51.6% increase from the 31 in Q1 2024. The 47 listings

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



Source: Knight Frank Auctions and Knight Frank Research

Exhibit 2: Total Number of Listings by Property Type



Source: Knight Frank Auctions and Knight Frank Research

comprised 12 landed homes and 35 non-landed residences. Almost half the non-landed residential owner listings were freehold units located in prime postal districts 9 and 10. In the past year, owners faced difficulty selling homes in prime areas due to the prohibitive 60% Additional Buyer's Stamp Duty (ABSD) rate for foreign buyers. Therefore, many have increasingly turned to the auction platform to market their properties.

There were seven retail and no office owner listings in Q2 2024, a 68.2% q-o-q drop from the combined 22 commercial owner listings recorded in Q1 2024. The retail units were mostly from Sim Lim Square and Sultan Plaza. Experienced real estate investors who appreciate the present impasse in the residential collective sales market, turned their attention to commercial assets and target projects with enbloc potential.

There were 15 industrial owner listings between April and June 2024, slightly higher than the 13 between January and March 2024. The increase could be a result of some business owners right-sizing, relocating or winding up operations in the aftermath of a manufacturing slowdown vis-à-vis the high interest rate environment. However, with the manufacturing sector showing nascent signs of improvement in the first half of 2024 and interest rates expected to cut in the second half of the year, the listing of industrial properties in the auction arena might start to ease in the months ahead.

MARKET OUTLOOK

According to the Ministry of Law, there were 1,209 bankruptcy applications made between April and June 2024, some 7.5% higher than the combined applications of January and March 2024, and a 32.6% jump from the same period a year ago. Furthermore, business cessation figures increased 9.0% to 15,482 entities in Q2 2024 from the 14,202 business closures in Q1 2024. More significantly, there was a rise of 20.6% in the number of business closures comparing Q2 2023 and Q2 2024. The increase in bankruptcy applications and business cessations could likely translate to more listings surfacing in the remaining six months of the year, comprising private homes by individuals as well as commercial/industrial properties by companies.

More MCST sales could also show up in auction lists in the remaining months of 2024. It has been observed recently that more owners of all types of properties amassed chronic maintenance fees in arrears over a substantial number of years for many varied reasons. For example, owners having died intestate, or when owners have left the country and all efforts to contact them have failed.

The auction platform is expected to continue accumulating both distressed properties for sale as well as individual owners putting up their own properties. Mortgagee listings are envisaged to increase before the numbers begin to ease, with the count of distressed properties getting worse before getting better. This can favour buyers and investors on the lookout for opportunities at more affordable levels in a time when most segments of the real estate market have been quiet. Knight Frank maintains an overall success rate of around 5% to 7% for the whole of 2024.

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