

Q3 2024

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# More MCST sales at auctions

“Distressed sales on the auction platform appear to be few despite the current economic cost pressures. Nonetheless, many owners are increasingly realising and harnessing the auction platform to test the market and attract buyers, with hopes of a favourable private treaty deal.”

SHARON LEE, HEAD, AUCTION & SALES

## AUCTION SALE LISTINGS AND SUCCESS RATES

The number of auction listings declined 25.2% q-o-q to 86 (including repeat listings and excluding properties sold outside of auction) in Q3 2024, with an almost equal amount of mortgagee and owner sale listings at 40 and 41 respectively. At the same time, there were five listings of other types in Q3, consisting of three industrial units listed as MCST sales, one non-landed home listed as an Estate sale and one shophouse listed as a Trustee sale.

Residential properties made up 51.2% (44) of the total listings, lower than the 73 residential homes listed in the previous quarter. There were 16 commercial properties listed in Q3 made up of 14 retail units (16.3%) and two office units (2.3%), up from the 12 retail shops and one

office that were listed in Q2. Meanwhile, industrial properties comprised 26.7% (23) of the overall listings, decreasing from the 27 three months ago. There were three shophouses listed in the quarter, or 3.5% of the total listings.

Compared to a year ago when no properties were listed as an MCST sale, there were four MCST sale listings recorded in the first nine months of 2024, a rare sight as there were more non-residential than residential property MCST listings. Likely, these properties were listed due to unavailable owners, feuding owners and/or owners who left the country and efforts to trace them have been futile.

As it is usually not possible to view properties listed under MCST sale due to a lack of access, these units are typically priced lower when compared

# 86

(Q3 2024)

Total Number of Auction Listings  
25.2% ▼ Q-O-Q | 15.7% ▼ Y-O-Y

# S\$6.0

(Q3 2024)

Gross Sales Value  
16.4% ▼ Q-O-Q | 66.2% ▼ Y-O-Y

to mortgagee and owner listings.

Nevertheless, a property being auctioned as an MCST sale can still present an opportunity for buyers. In Q3 2024, two freehold industrial properties in Mactech Building listed as MCST sale listings were sold for S\$1.78 million and S\$2.68 million, a premium of around 20% to 34% from the opening price of S\$1.48 million and S\$2.0 million. At the same time, a 60-year leasehold industrial unit at Gordon Warehouse Building was sold with a 9% discount from its opening price of S\$330,000.

Two properties that were listed as mortgagee sale listings sold in the quarter as well, making for a total of five properties (out of a total of 86 auction listings) knocked down at auction. This translated to a success rate of 5.8% and a total gross sale value of S\$6.0 million in Q3 2024. In the past nine months of 2024, 13 properties were knocked down with a total transaction value of S\$26.4 million, representing a success rate of 4.5% to-date.

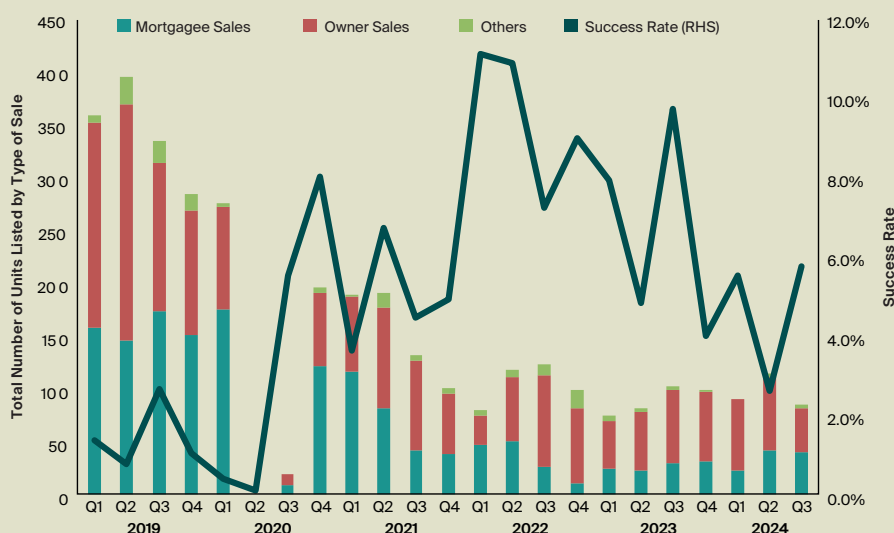
## MORTGAGEE SALES

During the quarter, residential mortgagee listings decreased from 24 to 19, with these listings stemming from non-landed homes only against the previous quarter when 20 non-landed homes and four landed residences were listed.

There were nine commercial mortgagee listings in Q3, all comprising of retail shops with no office units. This was four more than the five retail shops listed but one fewer than the sole office mortgagee sale listing in Q2.

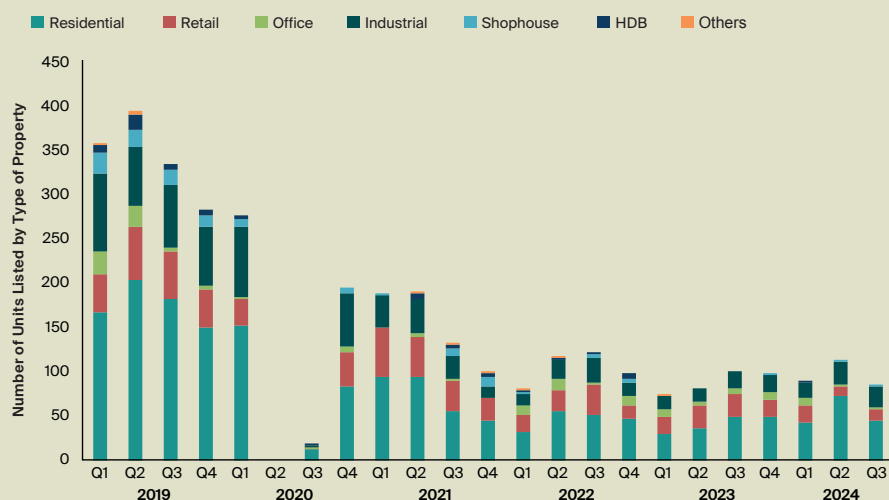
Meanwhile, there were 12 industrial mortgagee listings in Q3, unchanged from the previous quarter.

**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



Against the run in expectations, mortgagee listings eased despite the prevailing credit stress on underperforming properties given the high interest rates. Perhaps with the arrival of a long-awaited interest rate cut by the US Federal Reserve (Fed) and the likelihood of reducing interest rates in the months ahead, property owners were motivated by a knee-jerk reaction to make good on non-performing loans with the promise of relief in sight.

### OWNER SALES

There were 24 residential owner listings in Q3 2024, almost half the 47 in the previous quarter. The 24 listings comprised of 14 non-landed residences and 10 landed homes. More than half the non-landed residential owner listings were freehold units. The decrease in residential owner listings could be attributed to some homeowners trying to hold out until the impact of the interest rate cuts materialises in the home loan market, in hopes that there will be more buyer interest in their property when the financing environment becomes more benign.

There were five retail and two office owner listings in Q3 2024, two fewer retail and two more office owner listings recorded in Q2 2024. The retail units were mostly from Hoa Nam Building and Sim Lim Square.

There were also eight industrial owner listings between July and September 2024, lower than the 15 between April and June 2024. The eight listings comprised of five freehold industrial units and three 60-year leasehold factories. Despite the fall in industrial owner listings, these assets continued to be highly sought after, especially the freehold ones, as owners can purchase with options either for own-use or for investment, or a combination of both.

### MARKET OUTLOOK

According to the Ministry of Law, there were 3,227 bankruptcy applications made in the first eight months of 2024, 23.3% higher than the 2,617 applications made between January and August 2023, as the number of bankruptcy applications remained elevated. However, business cessation figures fell 3.3% to 14,975 entities in Q3 2024 from the 15,487 business closures in Q2 2024. On a yearly basis, the number of business closures between Q3 2023 and Q3 2024 rose by 12.3%, slower than the 20.6% y-o-y increase in Q2 2024. Although the number of business closures appears to be abating, industrial and commercial listings will continue to

make the auction listings in the remaining months of 2024 and into 2025. Hopefully, the reduction of interest rates and with Singapore's economy growing by 4.1% in Q3 2024 based on advanced estimates, a turn in fortunes is around the corner where investors and owners can offload underperforming assets and reinvest the freed up capital in new opportunities in the year ahead.

Despite the fall in Q3 2024, mortgagee listings might increase in the next few quarters before diminishing numbers became a trend, 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 especially in a time when interest rates are coming down. With more activity expected in the real estate market in the remaining months of 2024, Knight Frank envisages a success rate for the whole year to come in just under 6%, at the lower end of the 5% to 7% range originally projected at the start of the year.

\* All statistical information described in this report represent the entire auction market in Singapore, and not merely those under the purview of Knight Frank Singapore.

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