

Q4 2023

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More auction listings expected in 2024

► “While the knock down rate of 5% to 10% in any given year is normal at auctions, even more deals are closed outside the auction. Knight Frank typically closes 45% to 50% of its own listings outside of auction each year.”

SHARON LEE, HEAD, AUCTION & SALES

AUCTION SALE LISTINGS AND SUCCESS RATES

Auction listings fell 2.9% q-o-q to 99 (including repeat listings and excluding properties sold outside of auction) in Q4 2023, rounding off the year with a total of 360. While overall auction listings in Q4 2023 remained unchanged from the last quarter of 2022, mortgagee sale listings rose more than three times to 31. At the same time, owner sale listings shrank 8.3% y-o-y to 66 (Exhibit 1).

During the year, 24 properties were knocked down, totalling S\$34.8 million in gross sales value, translating to a success rate of 6.7%. This is substantially fewer than the 40 in the previous year when the combined gross sales value amounted to S\$90.3 million, and a

success rate of 9.5%. Nevertheless, the success rate of 6.7% in 2023 is historically typical for the auction market, considering the pre-pandemic range of 1% to 6% success rates recorded from 2015 to 2019.

During the quarter, four properties exchanged hands at the first time of asking, setting an overall success rate of 4.0%, as transaction value declined 54.7% q-o-q to S\$8.1 million.

Listings from other type of sales (including estate, receiver, and trustee sales) fell 33.3% q-o-q to a mere two in Q4 2023.

MORTGAGEE SALES

Mortgagee sale listings rose 6.9% q-o-q to 31 in Q4 2023, comprising of 22 residential and nine non-residential

listings.

For the whole of 2023, residential properties made up 64.2% (68) of the total mortgagee listings, with about 86.8% (59) comprising non-landed properties. Most of the non-landed listings sold were 1 to 2-bedrooms apartments located in the fringe and suburban regions, suggesting that private homes in these areas continued to offer a more palatable entry price.

In the luxury class of homes, there were 11 mortgagee listings of prime residential properties auctioned in Districts 9 and 10 in 2023, comprising of nine non-landed residential properties while the remaining two were landed homes. An apartment from Sommerville Park in District 10 was sold at its opening price of S\$4.45 million in Q4.

In the commercial (office and retail) and industrial sectors, the combined listings fell to 38 in 2023, with 11 retail, five office and 22 industrial listings. Among these, there were 13 industrial properties and one office unit sold in the year amid the bearish economy. While the stressed economy might have caused some distressed commercial properties to be put up for sale, it did not deter others from entering the commercial or industrial space to set up new businesses. Two newly listed industrial properties were sold in the quarter. A B1 flatted factory located in Hola Centre with a floor area of 1,668 sf was sold at S\$780,000 while a two-level B2 Ramp-Up Factory at T99 in Tuas South Avenue 10, spanning 6,555 sf in floor area, was sold at S\$1.0 million.

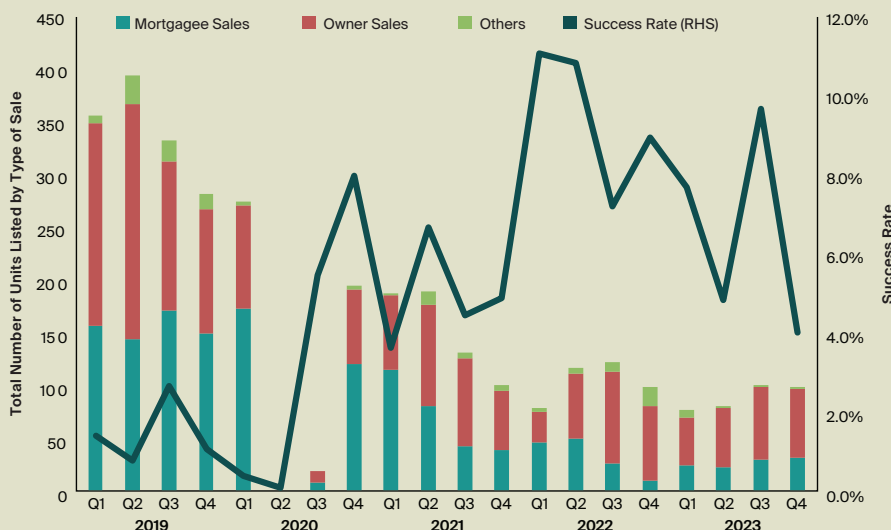
99 (Q4 2023) **360** (2023)

Total Number of Auction Listings
2.9% ▼ Q-O-Q | 14.3% ▼ Y-O-Y

S\$8.1 MILLION (Q4 2023) **S\$34.8** MILLION (2023)

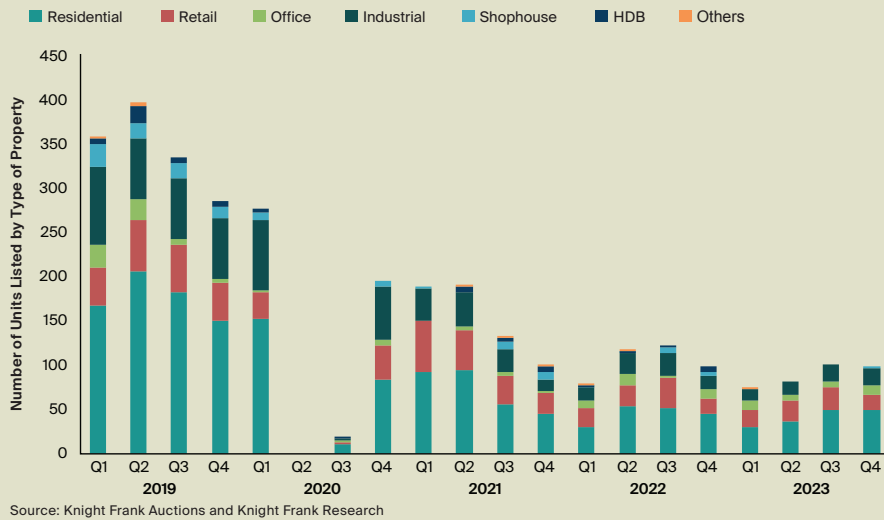
Gross Sales Value
54.7% ▼ Q-O-Q | 61.4% ▼ Y-O-Y

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



OWNER SALES

Owner sale listings decreased 5.7% q-o-q and 8.3% y-o-y to 66 listings in Q4 2023. In the quarter, residential listings rose 4.0% to 26 while listings in retail, office and industrial sectors all declined to 15, nine and 15 respectively. There was also one shophouse listing during the quarter. A 3-bedroom and study condominium at Tree House, located along Chestnut Avenue was the sole owner listing that was knocked down in Q4 2023, at its opening price of S\$1.85 million.

In 2023, there were 239 owner sale listings, a 4.4% decrease from the 250 listings a year ago. Residential properties made up 36.4% (87) of the total owner listings, followed by retail, industrial and office which comprised 32.6% (78), 19.2% (46), 10.5% (25) of the total owner listings. While the overall owner sale listings dipped compared to a year ago, listings rose across several property types. Although most owners of residential properties held onto their investments as household balance sheets remained healthy overall, some might have been compelled to use the auction platform to dispose of assets. Especially if these individuals were stretched to the limits of their financial tolerance envelop in the event of rental incomes stagnating against the elevated interest rates throughout 2023.

In the commercial and industrial sectors, the tight business environment might have proven too challenging for some business owners, resulting in the offloading of these assets to recoup some capital and to consider other enterprises to venture into.

MARKET OUTLOOK

Distressed properties did not materialise in 2023 despite the uncertain economy. However, given the time lag for economic stress to be reflected in the property market and subsequently the auction market, the poor business climate of 2023 is likely to be revealed in 2024 in the form of mortgagee listings. More listings from the commercial and industrial sector would likely surface on the auction platform as investors and owners seek to dispose of underperforming assets in exchange for recycled capital to commence new investments in 2024. Especially so, if

opportunities from better performing properties, where prices have trended towards more realistic levels, present themselves.

Therefore owner listings as well as under stress properties that did not make the listings in 2023 are likely to appear on the auction platform in 2024. With more listings expected, Knight Frank projects a success rate of between 5% and 7% for the whole of 2024.

Out of the 24 properties sold at auction in 2023, 21 comprised mortgagee sales, a success rate of 19.8% from the 106 mortgagee listings. In the same year, there were only two successful owner sales, a return of barely 0.8% from the 239 owner listings.

Yet, this does not discourage owners from using the auction platform. An estimated 45% to 50% of listings are typically sold by private treaty outside of the auction, based on a scan of the properties listed by Knight Frank.

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