

**AUCTION
MARKET
REVIEW**

MAY 2020



SINGAPORE Q1 2020

Mortgagee sales increasing amid economic uncertainties and tick-shaped recovery expected for 2021

Auction and mortgagee sale listings rose in 2019 amid economic uncertainties

Even before the onset of the COVID-19 outbreak, there was already an increase in the number of properties put up for auction in 2019. A protracted trade war between the US and China, and other geopolitical uncertainties such as Brexit, had led to a subdued global economy, which in turn affected businesses, threatened job security and caused financial hardship among those affected.

As such, auction listings (including re-listings) rose by 32.4 per cent year-on-year (y-o-y) to 1,320 in 2019 from 997 in 2018. Among the various types of sales, mortgagee sale listings grew the most by 58.8 per cent y-o-y to 624 listings and the proportion of mortgagee sales against total listings similarly increased by 7.0 percentage points from 40.0 per cent in 2018 to 47.0 per cent in 2019 (Figure 1).

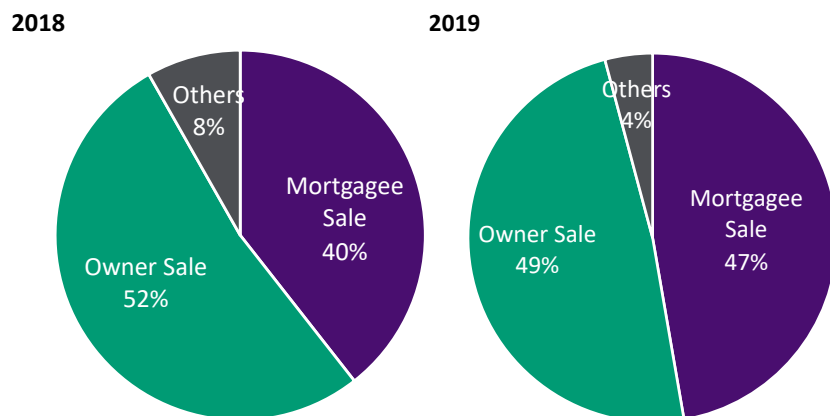
While listings have increased, success rate has fallen from 3.8 per cent in 2018 to 1.6 per cent in 2019, with 21 properties knocked down during auctions. A total of 45 properties were sold before or after auctions last year, similar to that in 2018. Among the 21 properties sold through auctions in 2019, 12 (57.1 per cent) were mortgagee sales. Seven of these deals were non-landed residential properties, mostly from District 10, two of which were sold during EDMUND TIE auctions (Table 1).

Non-landed residential properties made up most of the mortgagee sale listings in 2019

Out of the mortgagee sale listings in 2019, 356 listings (57.1 per cent) were residential properties (Figure 2), which was a y-o-y increase of 61.1 per cent. The bulk of these residential listings were non-landed properties (258 listings), with the listings almost doubling from 140 in 2018. The top three districts with the highest number of listings in 2019 were Districts 9 (41 listings), District 15 (27 listings) and District 19 (21 listings), out of which only two non-landed properties from District 15 were sold.

The property sector with the second largest proportion of mortgagee sale listings last

Figure 1: Types of sale listings in 2018 and 2019



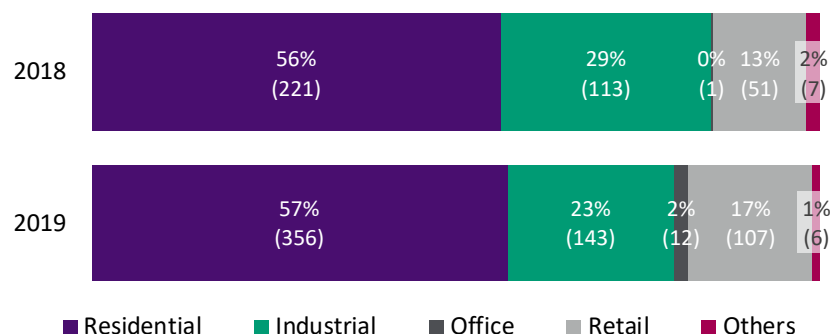
Source: EDMUND TIE Research

Table 1: Properties sold during EDMUND TIE auctions in 2019

Development name/ Location	Property type	Tenure	Type of sale
#17, Grange Residences	Residential (non-landed)	Freehold	Mortgagee Sale
#2, Premier@Kaki Bukit	Industrial (non-landed)	60-year leasehold	Mortgagee Sale
#19, Chuan Park	Residential (non-landed)	60-year leasehold	Trustee Sale
#13, Wing On Life Garden	Residential (non-landed)	Freehold	Mortgagee Sale

Source: EDMUND TIE Research

Figure 2: Mortgagee sale listings by property type in 2018 and 2019



Source: EDMUND TIE Research

year was the industrial sector, comprising 22.9 per cent of total listings (143) in 2019. While there was an increase in listings of strata-titled industrial units, there was also a growth in listings of landed-type industrial buildings in 2019. This was in contrast to a slight decline in landed industrial listings in 2018. Nevertheless, bulk of the industrial listings (128) in 2019 were strata-titled units.

The sector with the largest y-o-y increase in mortgagee sale listings was the office sector (due to a low base in 2018). From only one office listing in 2018, it rose to 12 in 2019. Similarly, retail listings more than doubled from 51 listings in 2018 to 107 listings in 2019. For the commercial sector, there is greater interest as, unlike residential properties, the Additional Buyer's Stamp Duty and Seller's Stamp Duty were not applicable.

Higher proportion of mortgagee sale listings in Q1 2020

In Q1 2020, total auction listings amounted to 235, a 31.1 per cent decline from the same period in 2019. However, mortgagee sales grew slightly by 2.6 per cent y-o-y to 160 listings. Similar to 2019, there was a significant y-o-y growth in the proportion of mortgagee sales in Q1 2020, from 46.0 per cent in Q1 2019 to 68.0 per cent (Figure 3). The higher proportion of mortgagee sale listings came amid an already gloomy economic outlook made worse by the onset of the COVID-19 pandemic, which resulted in owners defaulting on mortgage payments.

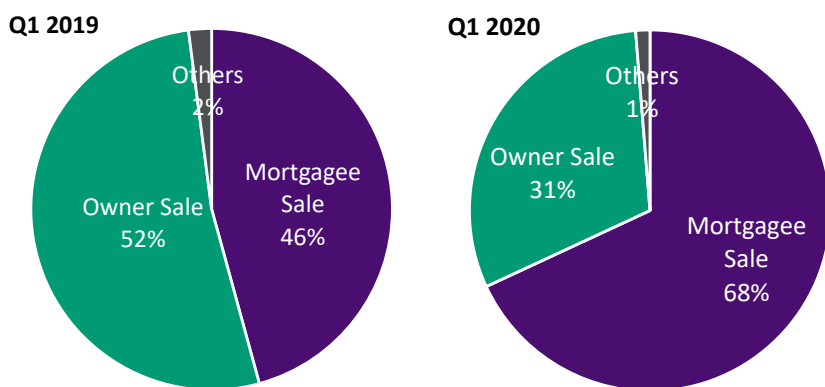
Across the various property sectors, only the industrial sector registered an increase in mortgagee sale listings from 35 in Q1 2019 to 50 in Q1 2020 (Figure 4). It was also observed that banks are now increasingly more reasonable with price expectations, particularly for industrial properties which generally have lower tenures compared to residential properties.

Outlook

Due to the financial burden on individuals arising from the COVID-19 pandemic, the Monetary Authority of Singapore (MAS) announced, on 31 March 2020, a deferment on principal payment or both principal and interest payments for cash-strapped homeowners with residential property loans up to 31 December 2020.

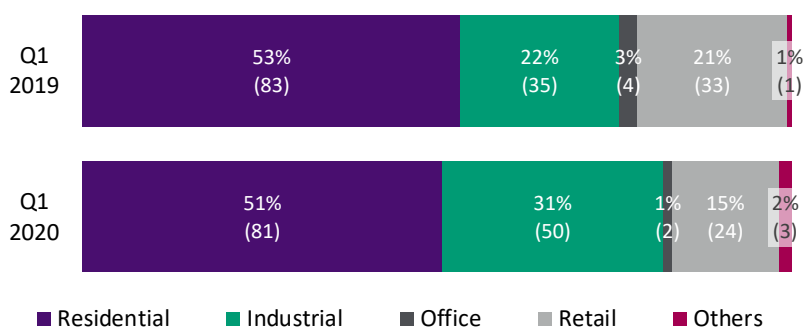
Most financial institutions have also extended payment deferrals to individuals with commercial or industrial property loans. These borrowers are not subjected to the Total Debt Servicing Ratio (TDSR) as well. Additionally, the COVID-19 (Temporary Measures) Act 2020 which came into force on 8 April 2020 was enacted to ensure that landlords pass on property tax rebates in full to their tenants. With such government measures in place, this may ease some financial pressure off individuals and businesses, tempering a potential spike in mortgagee sale listings. However, mortgagee sales listings are likely to increase after the removal of these government measures.

Figure 3: Types of auction listings in Q1 2020 and Q1 2019



Source: EDMUND TIE Research

Figure 4: Mortgagee sale listings by property type in Q1 2019 and Q1 2020



Source: EDMUND TIE Research

The location of a property is still the most important factor in closing a deal, regardless of the economic situation, and this phenomenon was observed across various significant global events. While there are more ready buyers with increased liquidity in the auction market, there are properties available in the auction market that are not available in the resale market (properties under trustee/liquidator/sheriff sales).

For the remainder of the year and even heading into early 2021, EDMUND TIE head of auction and sales Joy Tan projects that the mortgagee sale outlook will follow a tick-shaped recovery, also popularly known as the Nike swoosh.

Joy Tan said: “The drop is expected to be rather gentle, given the three packages implemented by the Government. As a result, homeowners would not be anxious to liquidate their assets at a lower price as the packages will tide most of them over this crisis.”

“This ‘Nike Swoosh’ scenario also allows for limits set by the Government to be eased gradually. Furthermore, prospects will remain cautious with taking long-term loans and would choose to adopt a wait-and-see approach. Hence, the upturn in mortgagee sales will follow a slightly gentler curve stretching into early 2021 before reaching pre-coronavirus levels,” she added.

CONTACTS

Ong Choon Fah
Chief Executive Officer
+65 6393 2318
choonfah.ong@etcsea.com

PROFESSIONAL SERVICES

Valuation Advisory

Poh Kwee Eng
Executive Director
Regional Head of
Valuation Advisory
+65 6393 2312
kweeeng.poh@etcsea.com

Nicholas Cheng
Executive Director
+65 6393 2317
nicholas.cheng@etcsea.com

Property Tax Advisory & Statutory Valuation

Ng Poh Chue
Executive Director
+65 6393 2515
pohchue.ng@etcsea.com

Research & Consulting

Ong Choon Fah
Chief Executive Officer
+65 6393 2318
choonfah.ong@etcsea.com

Alice Tan
Senior Director
+65 6393 2329
alice.tan@etcsea.com

Hospitality

Nicholas Cheng
Executive Director
+65 6393 2317
nicholas.cheng@etcsea.com

Heng Hua Thong
Senior Advisor
+65 6393 2398
huathong.heng@etcsea.com

Tay Hock Soon
Senior Director
+65 6887 0088
tayhs@treetops.com.sg

Property Management

Kwok Sai Kuai
Executive Director
Regional Head of
Property Management
+65 6417 9229
saikwai.kwok@etcsea.com

Paul Wong
Senior Director
+65 6417 9225
paul.wong@etcsea.com

AGENCY SERVICES

Investment Advisory

Ong Choon Fah
Chief Executive Officer
+65 6393 2318
choonfah.ong@etcsea.com

Poh Kwee Eng
Executive Director
+65 6393 2312
kweeeng.poh@etcsea.com

Edmund Tie
Senior Advisor
+65 6393 2386
edmund.tie@etcsea.com

Yam Kah Heng
Senior Advisor
+65 6393 2368
kabheng.yam@etcsea.com

Heng Hua Thong
Senior Advisor
+65 6393 2398
huathong.heng@etcsea.com

Swee Shou Fern
Executive Director
+65 6393 2523
shoufern.swee@etcsea.com

Tan Chun Ming
Executive Director
Regional Investment Advisory
+65 6393 2360
chunming.tan@etcsea.com

Business Space & Retail

Chua Wei Lin
Executive Director
Regional Head of
Business Space
+65 6393 2326
weilin.chua@etcsea.com

China Desk

Yam Kah Heng
Senior Advisor
+65 6393 2368
kabheng.yam@etcsea.com

Heng Hua Thong
Senior Advisor
+65 6393 2398
huathong.heng@etcsea.com

Tan Chun Ming
Executive Director
+65 6393 2360
chunming.tan@etcsea.com

Auction & Sales

Nicholas Cheng
Executive Director
+65 6393 2317
nicholas.cheng@etcsea.com

Joy Tan
Senior Director
+65 6393 2505
joy.tan@etcsea.com

Residential

Margaret Thean
Executive Director
Regional Head of Residential
+65 6393 2383
margaret.thean@etcsea.com

Karen Ong
Senior Director
+65 6393 2366
karen.ong@etcsea.com

REGIONAL OFFICES

Malaysia

Eddy Wong
Managing Director
+603 2024 6380
eddy.wong@ntl.my

Thailand

Ong Choon Fah
Chief Executive Officer
+65 6393 2318
choonfah.ong@etcsea.com

Punnee Sritanyalucksana
Chief Operating Officer
+66 2257 0499 ext 101
punnee.s@etcthailand.co.th

Editor:

Ong Choon Fah
Chief Executive Officer
+65 6393 2318
choonfah.ong@etcsea.com

Authors:

Alice Tan
Senior Director
Research & Consulting
+65 6393 2329
alice.tan@etcsea.com

Leong Kin Mun
Assistant Manager
Research
+65 6393 2548
kinmun.leong@etcsea.com

Isabelle Seto
Senior Research Analyst
Research
+65 6393 2382
isabelle.seto@etcsea.com

For more information, please contact us at research.sg@etcsea.com.

Disclaimer: The information contained in this document and all accompanying presentations (the "Materials") are approximates only, is subject to change without prior notice, and is provided solely for general information purposes only. While all reasonable skill and care has been taken in the production of the Materials, EDMUND TIE (the "Company") make no representations or warranties, express or implied, regarding the completeness, accuracy, correctness, reliability, suitability, or availability of the Materials, and the Company is under no obligation to subsequently correct it. You should not rely on the Materials as a basis for making any legal, business, or any other decisions. Where you rely on the Materials, you do so at your own risk and shall hold the Company, its employees, subsidiaries, related corporations, associates, and affiliates harmless to you and any third parties to the fullest extent permitted by law for any losses, damages, or harm arising directly or indirectly from your reliance on the Materials, including any liability arising out of or in connection with any fault or negligence. Any disclosure, use, copying, dissemination, or circulation of the Materials is strictly prohibited, unless you have obtained prior consent from the Company, and have credited the Company for the Materials.

© EDMUND TIE 2020