COMPLIMENTS OF

JULY 2020 NEWSLETTER

CONTENTS

HOUSING MARKET

WHAT HAPPENS NEXT?

Will we have a complete housing sales recovery by the end of the year?

By Steve Murray, president

Currently, the number of showings across the country is equal to or exceeding showings on the same date a year ago, according to the ShowingTime Index. When the ShowingTime Index started trending up in most markets in early April, it rightly predicted the strong return of written contracts that have taken place since mid-April.

During the end of March and early April, written contracts predicted a substantial decline in closed sales for late April and May. The level of closings in the period from mid-May through the end of June will be off from where they were a year ago by a smaller amount than any forecasters thought just a month ago. If the Spring surge continues for another month, July and August may be down about the same level.

WHAT WILL PREVENT A HOUSING RECOVERY?

Two issues will prevent a full-scale housing sales recovery. There are nearly 40 million Americans out of work, and not all of them will be back at work soon, which means most of those will not buy a home anytime soon. Further, these are not all waiters and retail workers, as some assume. Many white-collar managerial jobs were lost and will not be quickly recovered, if at all.

This is the fifth housing recession since 1980. I've had a front-row seat to them all. One thing that occurred, anecdotally, in each downturn is that the high-priced segment of the housing market gets quiet for a period, even after a recession ends. This segment of the market tends to hibernate for 12 to 18 months after a recession. Yes, there are transactions, but historically not at the level before the start of a recession.

A COMPLETE RECOVERY?

This means a complete recovery in housing sales might not happen this year. We've reviewed several economists' forecasts, including those from NAR, Zillow, and Mortgage Bankers. Their projections for 2020 housing sales go from 4.5 percent in the rosiest prediction (MBA) to down 25 to 28 percent. While averaging these are unrealistic, it appears that housing sales units for 2020 will be down 15 to 20% for the year. The good news is that the worst is likely behind us, and the annualized level of housing sales will be better in the third and fourth quarter than it was in the second. Generally, these economists believe that full recovery will occur later in 2021.

THE GOOD NEWS is that the worst is likely behind us, and the annualized level of housing sales will be better in the third and fourth quarter than it was in the second. Generally, these economists believe that full recovery will occur later in 2021.

Economists from outside of housing believe that the general economy will get hit hard in the second quarter, with GDP falling between 25 and 30 percent in the second quarter—an unprecedented decline—while GDP will recover from growing in the double-digit ranges in the third and fourth quarters of 2020. However, none believe the loss of output from the March to June period will be made up by year-end.

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WHAT SHOULD BROKERAGE LEADERS FOCUS ON?

Now that the worst has passed, what should you focus on for success? | By Steve Murray, president

When the pandemic first hit the housing market, and few knew just how bad it might become, we stressed that brokerage firms, teams, and agents should focus on only two things.

1. Get closer to your people
2. Preserve cash

We shared this with many firms and agents in more than 100 webinars over the past ten weeks. During those webinars, we reminded real estate professionals that the desire of consumers of all ages to own homes is unabated. Housing consumers use agents at the highest levels in 20 years, and consumers value their agents' help with negotiation, navigation, and the establishment of a trusted relationship.

We based this on input from real-world data (see Against All Odds) and our experience researching leading brokerage firms through every recession of the last 40 years. These two focuses are vital for every brokerage firm, team, or agent. These two critical areas of focus are essential to the health and future success.

Now that the immediate danger of a collapse in housing sales has passed, what else should brokerage industry leaders think about and plan? There are a few that we would recommend.

- The segmentation of the market for securing the services of agents and teams is fragmenting further and will continue to put pressure on incumbents. We've written about this before, but given data we're seeing from The Thousand and America's Best Real Estate Professionals (more than 14,000 ranked in 2020), the trends are moving faster.

- The battle for supremacy through the use of technology will intensify among national real estate organizations, brokerage firms, teams, and agents. The backdrop to this trend is that there isn't proof that any single technology platform will deliver a sustainable, competitive advantage to any single realty organization. It does not mean it won't happen, only that there's no proof that any single platform will produce a clear winner. One only needs to look at the first-quarter results from five of the largest national realty organizations, it will likely be a challenging second quarter for them. Despite the investment of millions into tech platforms, none is showing that they're pulling away from the field in any meaningful metric.

- The general workforce will move away from centralized workspace requirements. How much of this short-term trend will become embedded in the economy is anyone's guess, but there will be a shift of some magnitude. Should the brokerage industry move in the same direction? Should incumbents move away from retail office environments and more towards work-at-home for their agents and staff? Should they shrink their office space? There are numerous opinions on how far this may go. There's a good counterargument that culture is hard to build without some recurring interaction between agents, staff, and leadership of a realty company. However, we can point to the growth of organizations such as eXp and Side, Inc. to suggest that having offices for agents remains a highly valued and attractive asset.

THE FUTURE OF THE BROKERAGE INDUSTRY

by Aaron Graham, National Land Realty

Virtually all businesses are now quickly pivoting to meet the expectations of their consumers amid the Coronavirus pandemic, and the land brokerage industry is no different. This industry has been impacted by technological advancements and changing consumer behavior.

TECHNOLOGY'S DISRUPTION AND THE CORONAVIRUS PANDEMIC

Before COVID-19, the impact technology was making on both our personal lives and businesses was palpable. We knew technology had forever changed us: How we receive our news and information, communicate, shop, bank, receive our education, get entertained, and now, visit with our doctors. But we didn't fully understand how quickly the benefits of technology would shift from convenience to becoming an absolute necessity.

Before the pandemic, 40% of both blue- and white-collar jobs were predicted to be lost to technology over the next 15 years. Since the onset of COVID-19 and the shutdown of our economy, it's evident that the loss of American jobs to technology is going to take place at a much faster pace than initially predicted.

DISRUPTION IN RESIDENTIAL

Real estate companies that are leveraging technology, data, Google rankings, artificial intelligence, and social media were covering ground quickly. Land brokers should learn from these residential companies, who are changing their industry's message with marketing slogans such as "Real Estate, Made Simple" and "Finally, the Way Real Estate Should Be." Some of these businesses are demonstrating how the residential real estate industry has been ripe for disruption. All companies are seeing consumers demand more transparency. Consumers expect relevant, accurate, free-of-charge data to be at their fingertips to assist them with their decision-making processes. If you're unable to give it to them, they are on to the next vendor.

THE FUTURE OF THE LAND BROKERAGE INDUSTRY

An Oxford University study predicted that 86% of real estate agents would be replaced by robots over the next 20 years. The truth to this statistic remains elusive. However, regardless of the actual number, the question is, will you be

Consumers expect relevant, accurate, free-of-charge data to be at their fingertips to assist them with their decision-making processes. If you're unable to give it to them, they are on to the next vendor.

part of the percentage pushed aside, or will you be a part of the elite portion who are taking the time to learn how to stand out, stay relevant, and remain valuable? If we can better serve clients by providing what they need on a personal, emotional, and technological level, while saving them time and money, we become invaluable.

As real estate brokers, our path ahead may not be as easy as it has been in the past, but it's essential to seek opportunity in every challenge. Do not sit victim to the changing circumstances. Be coachable and seek mentorship from others who can provide valuable tools and insight into changes and updates in our industry.

As consumers take the lead in telling us what they want from land brokers and our services, it's essential to go above and beyond to protect our brands and reputations. Take caution: Enabled by tools such as Yelp, Google, and Facebook reviews, the service industry is now placed under a microscope more than ever before. Consumers will have access to how well or insufficiently we've performed, and they'll base their buying decision on that information, and for many of them, that information alone.

THE BOTTOM LINE

There is no way to slow the pace of technology. We need to embrace the impact it's making on our industry and the changes in how we connect with consumers. Brian Buffini said it best when he said: "We are the advocate, educator, and advisor, not the decision-maker."

The consumer decides who will win and who will lose. Only those companies that can reach and provide the best consumer experience will win. Participation trophies in the brokerage business are a relic of the past.

Aaron Graham is President of National Land Realty and is a licensed real estate broker in NE, IA & KS. Since he entered the real estate business after retiring from a successful NFL career, he's brokered over $300 million of land transactions throughout the Midwest. More information at nationalland.com

LEADERSHIP

THE FLIGHT TO QUALITY

Tough markets bring out the best in us all.

by Larry Kendall, author of Ninja Selling

It's happening again! It happens every time there is a disruption in the market. Buyers and sellers flee to quality. They want sales associates with smarts, experience, and systems. Sales associates want companies with leadership, marketing, technology, and brand. Top associates build their business during times of chaos. Top companies grow market share. Tough markets bring out the best in both.

When you ask the highest producers and best companies in our industry why they're so good at what they do, they'll tell you it's because they do the basics better than anybody. Call them basics or fundamentals. I call them *universals*—the things that are important universally. Universals are the backbone of creating a strong foundation for your business. Universals work in any market.

FOCUS ON RELATIONSHIPS

The most common universal among high-performing individuals and organizations is a focus on relationships. Why? Relationships endure regardless of the market. In times of uncertainty, such as the COVID-19 crisis, having a foundation of strong, well-nurtured relationships can mean the difference between still being in business or not.

Relationships are a durable competitive advantage. They give you predictable results in every kind of market–especially tough markets. Your relationships with your sales associates and their relationships with their clients are your most valuable assets. Do you have a system for building and nurturing them?

FREQUENCY OF INTERACTION

Whether with your clients or your kids, relationships are built and maintained through the "frequency of interaction." We call it flow. Live-flow is face-to-face and voice-to-voice interaction. Auto-flow is through mail, email, text, and social media. In hot markets, it's easy to get busy and fall out of flow. It's easy to chase leads and transactions and worry about relationships later. What happens when the market softens? There is a price to be paid for neglecting your relationships.

In times of uncertainty, people turn to the professionals they know (are in flow with) and trust to deliver the goods. The key is to have a system that keeps you in flow with clients and associates in all markets. When a tough market hits, it's too late to start building relationships. Dig your well before you are thirsty.

SYSTEMS

Do your associates have a system that keeps them in flow with their clients? Just as importantly, do you have a flow system to build and maintain your relationships with your sales associates? If you're looking for guidance in building flow systems, check out *Win the Race to Be Top of Mind* in the April REAL Trends newsletter. Top sales professionals and top companies have these systems in place. In this market, they're paying big dividends.

Having the universals of strong relationships and systems that deliver predictable results in all kinds of markets does three things for your organization:

1. **You survive and thrive in the downturns.** Your people build their business, and your company builds market share.
2. **You provide certainty to your people in an uncertain time.** You have systems that produce predictable results regardless of the market. Strengthening an individual's sense of confidence and control is a fundamental of great leadership.
3. **You build a great culture.** As Peter Drucker said, "Culture eats strategy for lunch."

Keep your universals as your top priority. Focus on building relationships, implementing systems that give predictable results, providing certainty, and creating an invaluable culture. Then, prepare for the flight to quality as you attract and keep the best associates and clients.

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Keller Williams Realty Elite
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ASHLEY BOWERS
President
HomeSmart International
Arizona

BILL BULLOCK
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ANALYZING THE MARKET LEADERS' REPORT

REAL Trends breaks down the data to offer an analysis of the top residential real estate firms in various metro markets.

by Scott Wright, vice president

The REAL Trends Market Leaders report is an extension of the REAL Trends 500 Brokerage Rankings and ranks the top residential real estate firms in various metropolitan markets. The newly released 2020 Market Leaders offers a substantial expansion from previous versions, adding several dozen new markets to bring the total over 160. Below are some observations from this year's report *(Note: firms needed a minimum of 1,000 transaction sides in the calendar year 2019 to qualify):*

- Keller Williams had more of its affiliates (45) lead their markets, by transaction sides than any other brand. The independents were close behind, with 42 independents leading their markets.
- Realogy brands (Coldwell Banker, Century 21, ERA, Sotheby's, Corcoran, and Better Homes and Gardens), both owned and franchised, took the top spot in 32 markets. This was followed by Berkshire Hathaway HomeServices (owned and franchised) leading in 21 markets and RE/MAX leading in 18 markets.
- Most markets are closely contested at the top, but some have firms that dominate their closest competitors. Howard Hanna owns Cleveland, with a 20k+ transaction lead on No. 2. Berkshire Hathaway HomeServices Fox & Roach, REALTORS blows away the competition in the Philadelphia area with a 20K+ lead. In the San Francisco area, Compass is also lapping the competition, with a 7K+ lead.
- Speaking of San Francisco, it took $2.1 billion in sales volume to make the top 10. Other higher-housing-price or higher-population-density markets took at least $1 billion in volume to make the top 10. Those were: Washington D.C. ($2.3b), Atlanta ($1.9b), Dallas ($1.5b), Los Angeles ($1.4b), New York City ($1.4b), Denver ($1.2b), Phoenix ($1.1b), Boston ($1.1b), Chicago ($1.1b), and Seattle ($1.0b).
- There were 39 markets that had at least ten firms close at least 1,000 residential transaction sides.
- Regional powerhouse Howard Hanna/Allen Tate was a market leader in 14 of the ranked markets. Compass was also among the leaders in 14 different markets.
- The following markets had *multiple* 10k+ producers: Phoenix, San Francisco/San Jose/Santa Rosa, Southeast Florida, Atlanta, Greater Chicago, Minneapolis/St. Paul, New York City, Philadelphia/Wilmington (DE), Pittsburgh, and Dallas/Ft. Worth.

- The following markets, in addition to those above, had multiple 5k+ producers:

Birmingham
Tucson
Los Angeles
Orange County/Riverside County
Sacramento
Denver/Boulder
Hartford/New Haven/New London
Jacksonville
Pensacola/Panhandle
Sarasota
Tampa/St. Petersburg/Lakeland
Boise
Indianapolis
Des Moines
Baltimore
Washington D.C./Arlington/Alexandria
Boston/Nashua/Portsmouth
Detroit
Kansas City
St. Louis
New Jersey
Buffalo
Charlotte
Cincinnati
Cleveland/Akron/Canton
Columbus
Tulsa
Harrisburg/York/Lancaster
Knoxville
Greater Nashville
Austin
Houston
San Antonio
Salt Lake City/Park City/Ogden/Provo
Greater Seattle

Visit our website today to download your free copy of the 2020 REAL Trends Market Leaders report!

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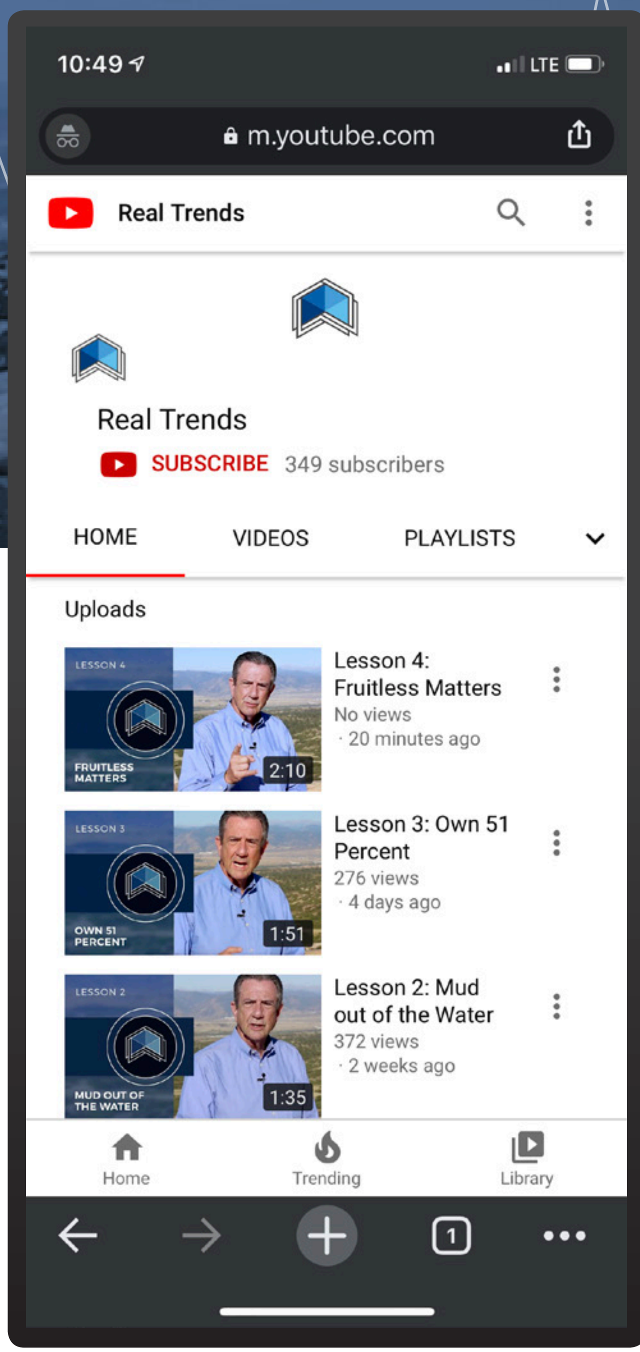
LESSONS LEARNED: A ROUNDUP OF ADVICE FOR BROKERAGE LEADERS

Steve Murray, president of REAL Trends, shares his top lessons learned from coaches, brokerage leaders and more in this series. You'll find great nuggets of information and takeaways to implement in your own business.

WATCH NOW



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MAY HOME BUYER ACTIVITY JUMPS NATIONWIDE TO EXCEED PRE-PANDEMIC LEVELS

Showing traffic sees year-over-year gains for the first time since February as the real estate industry turns to tech for virtual showings.

KEY POINTS:

- National showing traffic was up 21.4 percent nationwide in May
- All four regions tracked by the Showing Index® reported year-over-year gains; the South saw the most significant increase, with a 23.2 percent jump, followed by the Midwest's 20.1 percent increase and a 19.6 percent boost in both the West and Northeast
- ShowingTime has commenced with the rollout of its new live video showing product, ShowingTime LIVE Video, which lets agents take their clients through personalized, one-on-one interactive video showings from the comfort of their homes

Spring's pandemic-induced downturn in homebuyer traffic seems like a distant memory following May's impressive nationwide 21.4 percent year-over-year increase in showing activity, according to data from the ShowingTime Showing Index.

For the first time since February, U.S. showing activity was up year over year on the heels of increasing agent adoption of virtual showing technology to present listings. The loosening of local restrictions on showings throughout the country has also played a role in renewed buyer interest. Together, those two factors have contributed to impressive boosts year-over-year, showing activity in all four regions tracked by ShowingTime.

The South Region led the country's improving buyer activity in May, with a 23.2 percent year-over-year increase, the region's most significant jump in more than a year. The Midwest saw the second greatest increase, with a 20.1 percent spike, while the West and Northeast followed close behind with 19.6 percent year-over-year growth in both regions.

"The turnaround so far resulted in market imbalance with demand outstripping supply and pushing the prices up in many regions of the country," said ShowingTime Chief Analytics Officer Daniil Cherkasskiy. "While showing traffic typically subsides mildly after Easter when it reaches a plateau for the summer months, this year looks drastically different as the busiest time is hitting us in early June. The increased buyer demand might be creating a feedback loop, inspiring sellers who would have previously given up on selling this time of year to make another attempt instead."

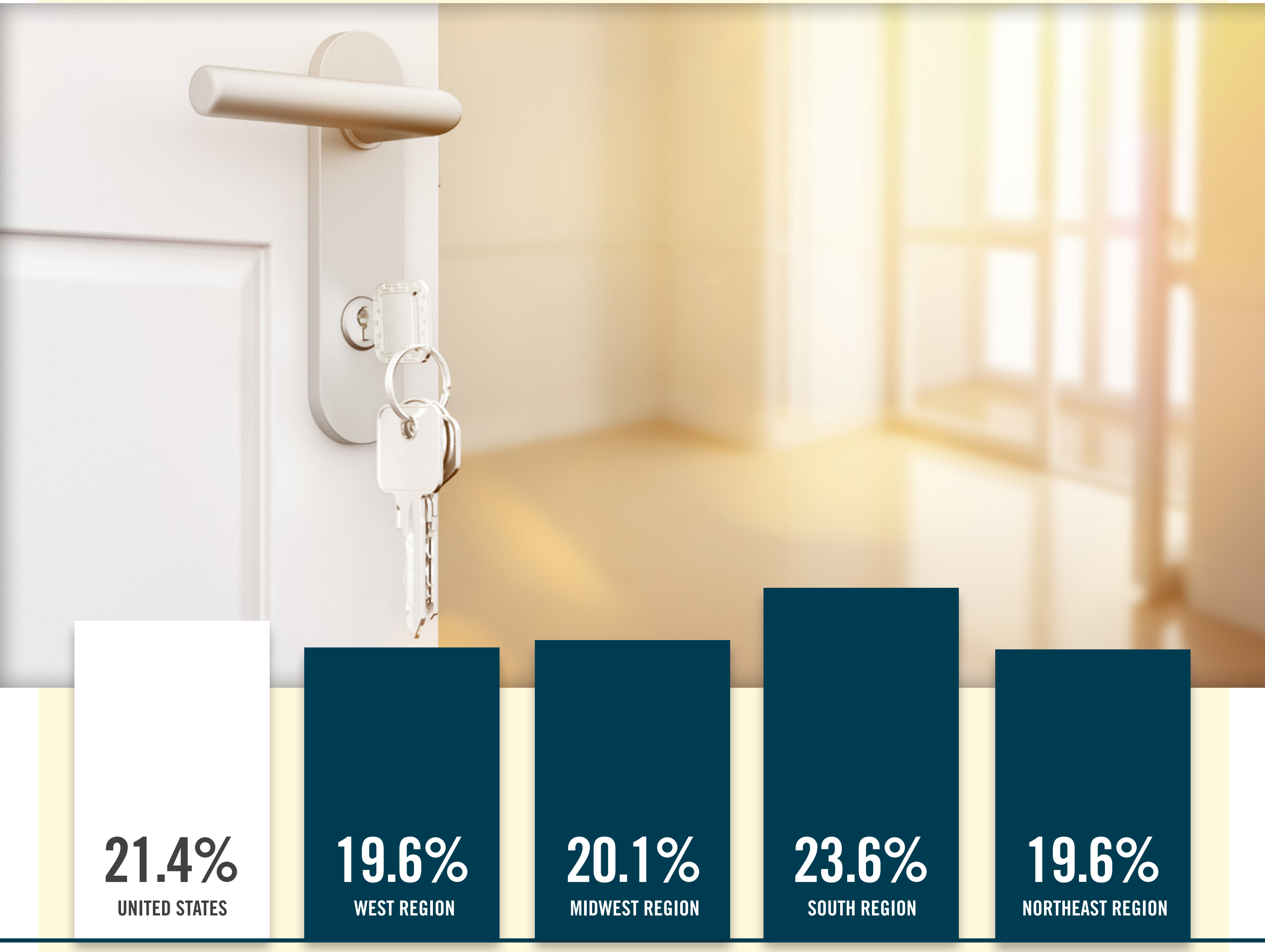
"Since it first became clear that COVID-19 would have an impact on real estate, we've been dedicating as many resources as possible to help agents operate effectively," said ShowingTime President Michael Lane. "Stay-at-home orders are forcing agents to seek out creative ways to show homes to buyers. We developed ShowingTime LIVE Video to make their jobs easier."

The ShowingTime Showing Index, the first of its kind in the residential real estate industry, is compiled using data from property showings scheduled across the country on listings using ShowingTime products and services, providing a benchmark to track buyer demand. ShowingTime facilitates more than five million showings each month. Released monthly, the Showing Index tracks the average number of appointments received on active listings during the month. Local MLS indices are also available for select markets and are distributed to MLS and association leadership.

Since it first became clear that COVID-19 would have an impact on real estate, we've been dedicating as many resources as possible to help agents operate effectively. Stay-at-home orders are forcing agents to seek out creative ways to show homes to buyers. We developed ShowingTime LIVE Video to make their jobs easier. — **ShowingTime President Michael Lane**

ShowingTime® Showing Index – May 2020

The ShowingTime Showing Index tracks the average number of buyer showings on active residential properties on a monthly basis, a highly reliable indicator of current and future demand trends.



Methodology: The ShowingTime Showing Index® measures showing traffic per residential property for sale by agents and brokers utilizing ShowingTime solutions for property-access management. A higher number means that an average home receives more buyer visits in a given month. All index values are scaled relative to initial index value set to 100 for January 2014.

ABOUT SHOWINGTIME

ShowingTime is the residential real estate industry's leading showing management and market stats technology provider, with more than 1.2 million active listings subscribed to its services. Its showing products and services simplify the appointment scheduling process for real estate professionals, buyers and sellers, resulting in more showings, more feedback and more efficient sales. Its MarketStats division provides interactive tools and easy-to-read market reports for MLSs, associations, brokers, agents and other real estate companies, as well as a recruiting tool for brokers. ShowingTime products are used in 370 MLSs representing one million real estate professionals across the U.S. and Canada. For more information, contact us at research@showingtime.com.

THE HOUSING MARKET

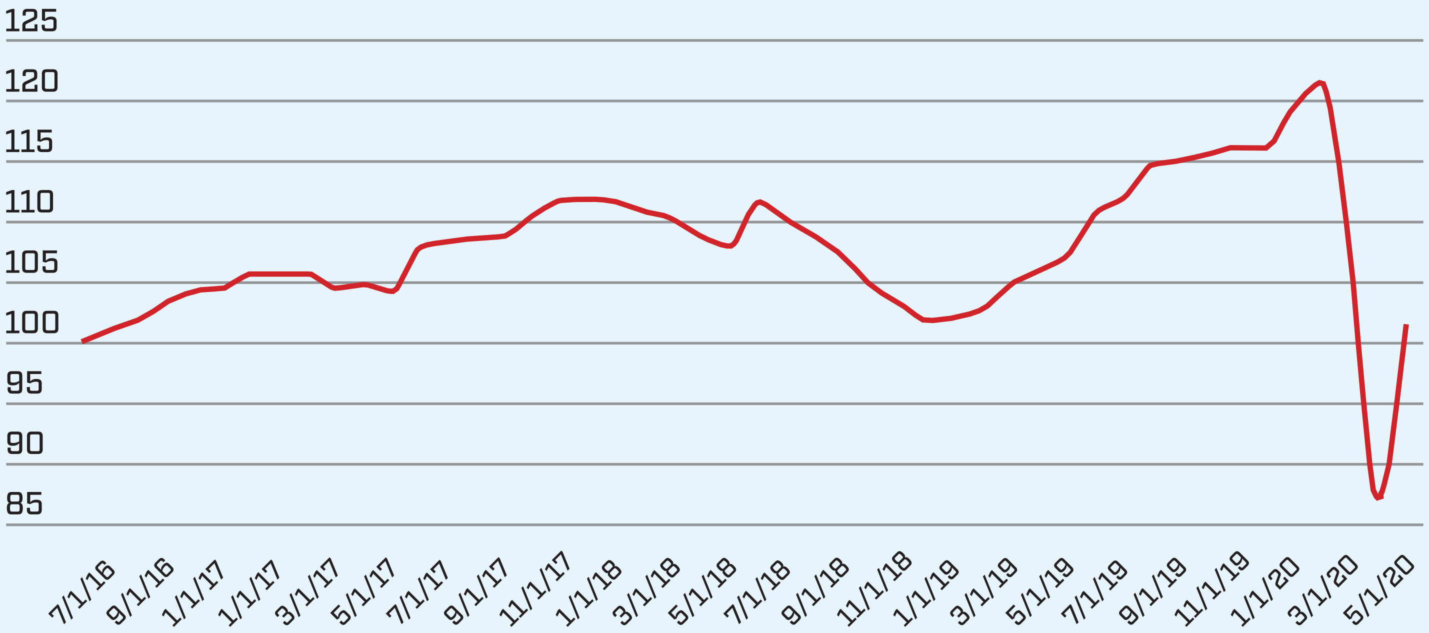
EPIC REBOUND IN MAY ACCORDING TO MEYERS RESEARCH

Consumers were quick to re-enter the housing market once the stay-at-home orders were lifted.

Meyers Research released the New Home Pending Sales Index (PSI) for May 2020. The New Home PSI, backed by data from Zonda and Metrostudy, shows pending sales decreased year-over-year but rose month-over-month across the United States. The index is a leading residential real estate indicator based on the number of new home sales contracts signed across the country.

The New Home PSI came in at 101.6 for May, representing a 5.2% decrease from May 2019. On a month-over-month basis, new home sales rose by 16.7% from April.

New Home Pending Sales Index



Source: Zonda and Metrostudy; Data is seasonally adjusted and as of May 2020

"Our homes became our sanctuary from COVID-19 during the lockdown, but in the process, many Americans realized there were things they wanted to change about their living situation," said Ali Wolf, chief economist at Meyers Research. "Buyers came out in full force as local economies reopened."

Pending new homes sales showed significant differences by market, but all but one of the select 20 markets in the country posted a month-over-month increase. Sales in Seattle were down month-over-month and year-over-year due to three main reasons: tough comps from a strong May 2019 and April 2020, a higher-than-average unemployment rate, and a lower community count. New home communities in Seattle that cater to tech workers are still selling at a strong pace.

New Home Pending Sales Index For Select Markets

METRO	MOM Change	YOY Change
Houston	18.1%	12.4%
Jacksonville	5.2%	12.0%
Tampa	10.3%	11.7%
Raleigh	29.8%	6.0%
Dallas	15.7%	5.1%
Denver	50.7%	4.0%
San Antonio	10.4%	3.7%
Austin	6.9%	2.9%
Cincinnati	19.2%	0.3%
Atlanta	16.3%	-0.7%

METRO	MOM Change	YOY Change
Phoenix	16.8%	-5.2%
Salt Lake City	9.9%	-5.7%
Orlando	14.9%	-9.7%
Washington, D.C.	16.3%	-15.3%
Philadelphia	12.8%	-24.6%
Seattle	-13.4%	-25.1%
Los Angeles/OC	30.4%	-27.8%
Las Vegas	90.5%	-29.6%
San Francisco	61.3%	-29.6%
New York	41.5%	-41.0%

Source: Zonda and Metrostudy; Data is seasonally adjusted and as of May 2020

In May, the best new home markets were concentrated in the South, led by Houston, Jacksonville, and Tampa. Houston is the standout market given the one-two punch of COVID-19 and depressed oil prices. However, builders in the market focused on pivoting their prices to better cater to first-time buyers over the past 24 months, and that bet has paid off.

"The housing market posted a substantial rebound in May that has carried on through June," said Wolf. "Low mortgage rates, pent-up demand, more flexibility of location due to the shift to work-from-home, and an elevated savings rate helping with the down payment all fueled new home purchases."

New home data is susceptible to outsized swings in contract activity based on shifts in the number of actively selling communities. As a result, Meyers Research normalizes the data to ensure consistency across the index. The New Home PSI blends the cumulative sales of active or recently sold-out projects with the average sales rate per community, adjusting for fluctuations in supply. Furthermore, the New Home PSI is seasonally adjusted based on each market's specific seasonality and removes outliers. The index is baselined to 100 for June 2016. Today's national New Home PSI is 1.6% below the base level.

METHODOLOGY

The Meyers Research New Home Pending Sales Index (PSI) is built on proprietary, industry-leading data covering 60% of the production new home market across the United States. The reported number of new home pending contracts are gathered and analyzed each month. Released on the 15th business day of each month, the New Home PSI is a leading indicator of housing demand compared to closings because it is based on the number of signed contracts at a new home community. Meyers Research monitors 18,000 active communities in the country, and the homes tracked can be in any stage of construction.

The new home market represents roughly 10% of all transactions, allowing little movements in supply to cause outsized swings in market activity. As a result, the New Home PSI blends the cumulative sales of recently sold out projects with the average sales rate per community, which adjusts for fluctuations in supply. Furthermore, the New Home PSI is seasonally adjusted based on each markets' specific seasonality, removes outliers, and uses June 2016 as the base month. The foundation of the index is a monthly survey conducted by Meyers Research. It is necessary to monitor both new and existing home sales to establish an accurate picture of the relative health of the residential real estate market.

ABOUT MEYERS RESEARCH

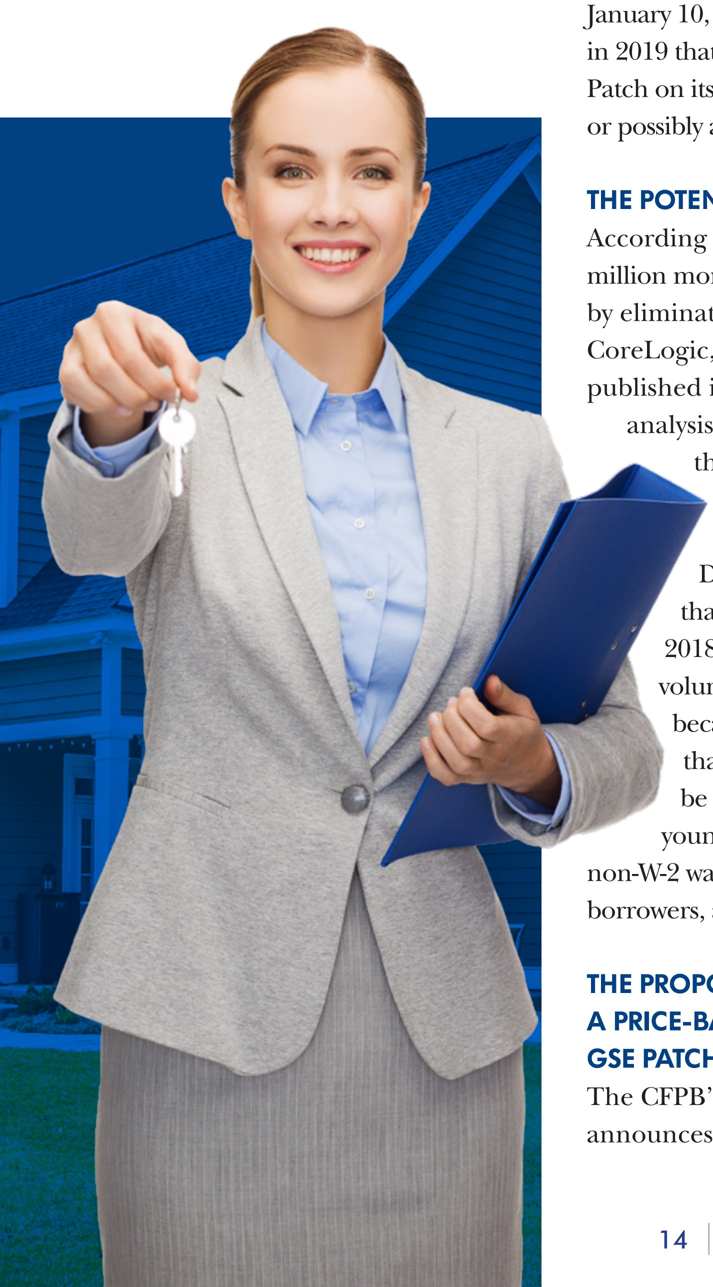
Meyers Research represents the housing industry's leading provider of rich data, backed by Zonda and Metrostudy, and the industry's top advisors for residential real estate development and new home construction. With products and services geared for homebuilders, multifamily developers, lenders, and financial institutions, we provide innovative solutions to maximize opportunities in today's real estate development landscape. To learn more, visit meyersresearchllc.com.

CFPB PROPOSES SOLUTION TO GSE PATCH EXPIRATION

By Sue Johnson, strategic alliance consultant

The Consumer Financial Protection Bureau (CFPB) announced two proposed rules on June 22 to address the Government-Sponsored Enterprises Patch (GSE Patch), which is scheduled to expire in January 2021.

Under the authority of the Dodd-Frank Act, the CFPB published a final rule in 2013 that identified factors a lender must consider when assessing the consumer's ability to repay a mortgage loan. This Ability-to-Repay rule also defined a category of loans called Qualified Mortgages (QMs) that are presumed to comply with the requirements. One of the standards needed to achieve QM status is a debt-to-income (DTI) ratio of 43 percent or less.



The rule, however, allowed mortgage loans eligible for purchase by Fannie Mae or Freddie Mac (the GSEs) to be achieve QM status even if the DTI ratio exceeds 43 percent—a safe harbor that is commonly known as the "GSE Patch." The GSE Patch is scheduled to expire on January 10, 2021. The CFPB announced in 2019 that it plans to terminate the GSE Patch on its scheduled expiration date, or possibly after a short extension.

THE POTENTIAL IMPACT

According to the CFPB, almost one million mortgage loans could be affected by elimination of the GSE Patch. CoreLogic, a housing analytics firm, published in 2019 its own three-part analysis of how the expiration of the Patch can affect credit availability, based on data involving borrowers with DTIs of over 43%. It found that approximately 16% of total 2018 mortgage origination volume was QM-eligible solely because of the GSE Patch, and that removal of the Patch would be more pronounced for younger millennials, retirees, non-W-2 wage earners, Black or Hispanic borrowers, and low-income borrowers.

THE PROPOSED RULES: A PRICE-BASED APPROACH AND GSE PATCH EXTENSION

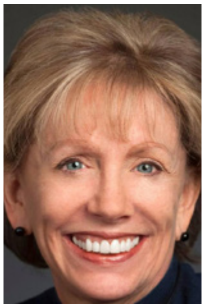
The CFPB's first proposed rule announces its intention to amend the QM definition in the Ability-to-Repay rule to replace the DTI threshold of 43% with a limit based on the loan's pricing. Specifically, a first-lien residential mortgage loan could not be a QM if its annual percentage rate (APR) exceeds the average prime offer rate (APOR) by 2% or more.

The rule also proposes higher price thresholds for smaller loans, and a special APR calculation for adjustable-rate mortgages (ARMs). While a DTI limit would not be included as a QM factor, lenders still would be required to consider DTI or residual income and verify the consumer's income and debts using "reasonably reliable" third-party records.

In a second proposed rule, the CFPB said that it intends to extend the GSE Patch until the effective date of its revisions to the QM loan definition rule. It says that it does not intend for this effective date to be prior to April 1, 2021, and therefore does not intend for the GSE Patch to expire prior to April 1, 2021.

The public has up to 60 days after Federal Register publication to comment on the proposed QM rule, and 30 days after publication to comment on the extension of the Patch.

Sue Johnson is the former executive director of RESPRO, the Real Estate Services Providers Council Inc. She retired in 2015 and is now a strategic alliance consultant.



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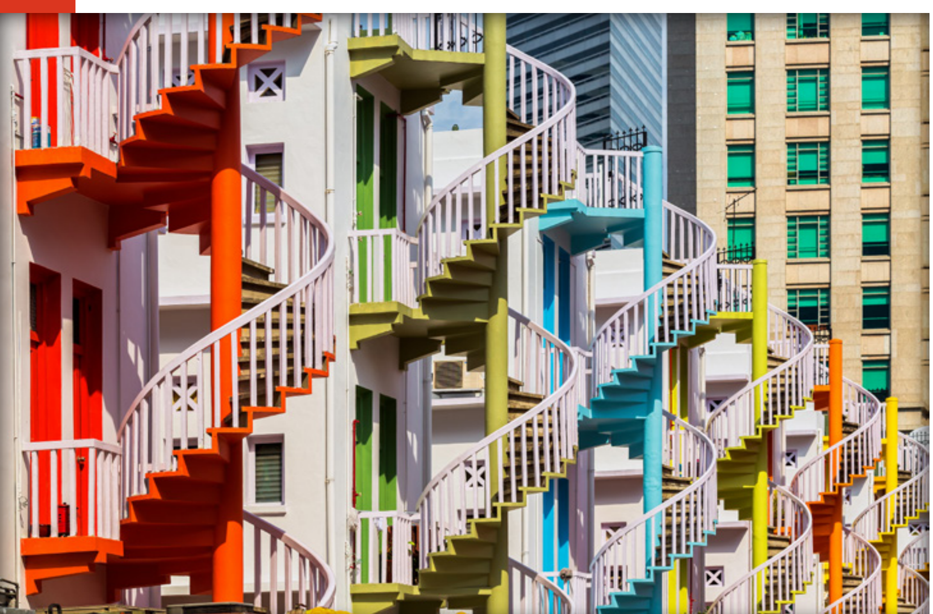
SINGAPORE REAL ESTATE MARKET

SLOW BUT STEADY RECOVERY AFTER LOCKDOWN LIFTED

After containing COVID-19, Singapore is now opening up. Here's how the real estate market is doing.

By Peter Gilmour, chief foreign correspondent

Singapore, a country of over 6 million people, has been praised for how it contained COVID-19 due to the firm, decisive leadership, and a well-prepared healthcare system. Tough sanctions were imposed early to prevent community transmission. Most workplaces, including real estate offices and property showrooms, were closed and stay-at-home orders put in place. This resulted in less than 15,000 active COVID-19 cases, about 500 patients in hospitals, and 23 deaths as of May 2020. The majority of new cases are in foreign worker dormitories where migrant work permit holders reside, and very few cases were recorded amongst Singaporeans and permanent residents.



Singapore's Bugis Village

Like most countries around the world, real estate was restricted in its activities, show units were closed, viewings postponed, and many activities went virtual, causing home sales to slump by approximately 40% over the last March and April. In the first quarter, home prices fell to a three-year low. Border closures and travel bans led to a decline in foreign buyers; thus, luxury home sales dropped dramatically in the absence of wealthy Chinese buyers who propped up the top end of the market in 2019.

Lockdown, or *circuit breaker,* as it's known in Singapore ended June 1 with the economy being opened in several stages. The government paid out over $6 billion over the last 60 days as a support measure for the 1.9 million local Singapore workers. Levy wavers and rebates were also provided to help firms meet their obligations to foreign employees.

RESIDENTIAL HOUSING

Over 80% of residential housing developments in Singapore are developed by the government and managed by the Housing Development Board to provide affordable housing for Singapore citizens. The other 20% is privately developed and consists of mostly upmarket apartments and homes owned by foreign investors and rented to ex-pats. Local homeownership is over 80%—one of the highest rates in the world.

In April and May, home sales were low, but not as low as some months in 2008-2009 during the global financial crisis. Luxury new homes are still being sold. An example being a condominium of 4,700 sq. ft. in Hollard Hill sold for $8 million last month—just over $1,800 per sq. ft.

The mood is expected to be cautious with buyers being price sensitive and focusing on completed home projects with unsold units. Sales of projects under construction feel the pressure from building suspension and may provide an opportunity for savvy investors to purchase units at favorable prices. The relatively safe health environment is expected to lead an influx of foreign buyers once borders are opened, leading to a projected real estate recovery in 2021.

Peter Gilmour is REAL Trends chief foreign correspondent and Chairman Emeritus and co-founder of RE/MAX of Southern Africa.