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Realogy Holdings Corp. (RLGY)

Q3 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Realogy Holdings Corp. Third Quarter 2021 Earnings Conference Call via webcast. Today's call is being recorded and a written transcript will be made available in the Investor Information section of the company's website tomorrow. A webcast replay will also be made available on the company's website.

At this time, I would like to turn the conference over to Realogy Senior Vice President, Alicia Swift. Please go ahead, Alicia.

Alicia Swift

Senior Vice President-Financial Planning and Analysis & Investor Relations, Realogy Holdings Corp.

Thank you, Mary. Good morning and welcome to Realogy's third quarter 2021 earnings conference call. On the call with me today are Realogy's CEO and President, Ryan Schneider and Chief Financial Officer, Charlotte Simonelli. As shown on slide 3 of the presentation, the company will be making statements about its future results and other forward-looking statements during this call. These statements are based on the current expectations in the current economic environment. Forward-looking statements and projections are inherently subject to significant economic, competitive, and other uncertainties and contingencies, many of which are beyond the control of management, including among others the ongoing COVID crisis, inventory levels, and uncertainties related to the continued strength of the housing market.

Actual results may differ materially from those expressed in the forward-looking statements. For those who listen to the rebroadcast of this presentation, we remind you that the remarks made herein are as of today, October 28, and have not been updated subsequent to the initial earnings call. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in our earnings release issued today, as well as in our annual and quarterly SEC filings.

Also, certain non-GAAP financial measures will be discussed on this call and per SEC rule, important information regarding these non-GAAP financial measures is included in our earnings press release. NAR data referenced during today's call is based on NAR's most recent public estimate which are subject to review and revision. Factors that may impact the comparability of our homesale statistics to NAR are outlined in our annual and quarterly reports filed with the SEC.

Last, the references made to October month-to-date in these remarks reflect data through October 22, 2021. For closed transaction volume, October 2021 will have one less business day than October 2020. However, our discussions on both open and closed volumes on a month-to-date basis have been adjusted to reflect like-for-like number of business days.

Now, I will turn the call over to our CEO and President, Ryan Schneider.

Ryan M. Schneider

Director, Chief Executive Officer & President, Realogy Holdings Corp.

Thank you, Alicia. Good morning, everyone. Realogy delivered excellent top and bottom line results this quarter as we innovate the future of real estate. We are driving outsize growth with Q3, our fifth consecutive quarter of market share gain. We are simplifying the homesale transaction for consumers, both in our existing business and with RealSure. We are strengthening our capital structure with debt reduction and a very strong cash position. And we entered into a title underwriting venture designed to unlock future growth upside and return capital to reinvest in our strategic priorities.

So, let's dive straight into our terrific financial results and strategic proof points demonstrated in Q3. Realogy delivered 12% transaction volume growth year-over-year. We outpaced NAR's 9% volume growth again in Q3, and gained market share for the fifth quarter in a row. We saw even higher transaction volume growth in our owned brokerage business at plus 17% year-over-year, driven in part by an exciting comeback in the New York City market, one of our largest markets where we have the market-leading position with Corcoran and Sotheby's International Realty and now Coldwell Banker.

Revenue grew $277 million to $2.2 billion with strong momentum across our brokerage, franchise, and title businesses. We generated $273 million operating EBITDA in the quarter, and this is flat to last year after excluding $40 million of 2020's temporary cost savings and is up $50 million, five-zero, versus Q3 of 2019. We produced significant free cash flow, $282 million. And finally, we made continued progress strengthening our capital structure. We ended the quarter with a 2.3 times net leverage ratio and $700 million of cash even after repaying $435 million of debt in September.

Now, these accomplishments would not be possible without Realogy's strong culture and talent. We are demonstrating incredible agility in how we operate our workforce, supporting hundreds of thousands of agents in the field, shifting to remote work, and transitioning our corporate offices into collaboration and innovation hubs.

We continue to be recognized for attracting and retaining great talent. Forbes just named Realogy to its list of World's Best Employers earlier this month, which follows LinkedIn's Top 50 Company recognition earlier this year, and Realogy was just awarded Great Place to Work designation for the fourth consecutive year.

Now, let me update you on some of our exciting growth vectors. First, we are enthusiastic about our RealSure progress. Remember, RealSure is our joint venture with Home Partners of America. Our current product is in 24 cities today. It's RealSure sell and simply put a homeowner can get a guaranteed 45-day offer with the option to also list their home on the open market with one of our amazing agents. The consumer can accept the offer they prefer, giving them the best of both worlds and putting them in control of how they sell their home.

Excitingly, 70%, 7-0, of customers who request a RealSure offer are actually listing their homes with one of our agents. Now, we recently appointed Katie Finnegan as RealSure CEO. Named one of Fast Company's Most Creative People, Katie has a successful background launching and scaling consumer-centric companies including companies that she founded. Katie also has experience incubating innovation and driving growth within much larger corporate enterprises such Walmart. And we're incredibly excited to have Katie leading RealSure.

We are launching our next RealSure product in five cities later this year. It's called RealSure Buy and it helps a buyer provide a cash offer when bidding on the home, something increasingly important in today's very competitive market. And like our sell product, our buy offering has mortgage and title integration as a core component to the value proposition. Finally, our RealSure investment will step up meaningfully in Q4 as we continue to scale, launch this new product, expand our direct-to-consumer marketing, and substantially build out the business and the team even more under Katie's leadership.

Shifting to another strategic growth vector, we continue to invest in and love the growth results we're gaining from our luxury leadership position. Sotheby's International Realty volume is up over 50% this year, with its international business growing even more with royalties up over 80% year-to-date. Corcoran has doubled its volume from where it was a year ago, driven by strong growth in our owned business especially as New York City rebound. And even more importantly, driven by the substantial growth in a franchise business we launched last year.

And finally, we recently made a luxury brokerage acquisition. We acquired the iconic Warburg Realty company in the important New York City market. Strategically, we are excited to operate this new part of our company under the Coldwell Banker Global Luxury brand. This strengthens our luxury network and enhances the Coldwell Banker brand with its New York City presence.

Now, similarly, we remain incredibly focused investing in technology and product innovation. Our open architecture approach to technology is a competitive differentiator, and one proof point is how it enables our agility. Since we last spoke, we've taken a new product in our open ecosystem, MoxiWorks, and deployed it to hundreds of companies and tens of thousands of agents in just a few months. And, clearly, our continued focus delivering great and new technology, marketing and data products to our agents and franchisees is helping drive our growth.

Finally, as you know, we operate a national title settlement and escrow business, which works directly with customers and agents to close real estate transactions. This business is very strategic and is a core part of creating a more seamless consumer and agent experience as we innovate the real estate transaction, both in our existing business and with realtor.

Now separate though from our title settlement business, we also have a title underwriter that provides the actual title insurance behind customer-facing home transactions. We were very excited to announce a new underwriter venture this month. We found a great partner in Centerbridge, which is purchasing a 70% stake in our underwriter business, especially given Centerbridge's track record driving growth. This lets us maintain a meaningful stake in this business to capitalize on future growth while at the same time freeing up capital to invest in our strategic priorities.

Now, let me close with what we're seeing in the housing market. Housing demand remains very strong, driven by remote work, strong relocation especially to attractive tax and weather geographies, low mortgage rates, and positive demographic trends. Lack of supply is increasingly an issue given the strong demand. And you can see that in both the substantial price appreciation and the unit sale declines in our business and in the market.

Now looking forward, our September open volume and October month to date open and closed volume data are all basically flat versus 2020. But it's a little too early to extrapolate the whole quarter from those numbers. The Q4 2020 comparison was extremely strong. We were up 45% year-over-year in volume last year, substantially above the market. So, given the supply and the unit pressures in the market – that the market is seeing today, we would expect like NAR is forecasting that overall Q4 2021 volume is likely to be slightly down versus the extremely strong Q4 of 2020.

So, as we near the end of 2021, look – let's just look back and remember, housing has been about a 5 million to 5.5 million resale unit transaction market for basically the last decade. 2020 had 5.6 million unit sales, but those were largely concentrated in the second half of the year. But here in 2021, the markets are trending to about 6 million units, which is great for Realogy given our market leading position and our meaningful share gain during this time.

And so while heading into Q4 unit sales as the market seemed to be trending a little lower than the surge in the second half of 2020, both for Realogy and the market, units are still settling in at a higher and healthier number than the past decade, which we like a lot. So, between the high demand and that fact, we remain very excited about the housing market and our growth potential. And so pulling up, it was a terrific quarter both financially and in strategic progress. And we're very excited to drive further innovation and growth.

With that, I'm going to hand it over to Charlotte to discuss the financials.

Charlotte C. Simonelli

Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

Thank you, Ryan. Good morning. Realogy delivered strong financial performance in the third quarter with $273 million in operating EBITDA and $282 million in free cash flow. We delivered operating momentum in our core business and aggressively executed against our strategic priorities.

In September, we proactively repaid $435 million of debt, including all outstanding Term Loan B and the non-extended portion of the Term Loan A. We are focused on driving value creation and announced plans to form a strategic partnership in title underwriting, which enables us to focus on our core business while also unlocking capital and future growth upside. The team has done a remarkable job and I feel great about our progress and where our business is positioned right now.

With that, I will cover our Q3 results in more detail. Third quarter revenue was $2.2 billion, an increase of $277 million versus 2020. Year-to-date revenue was just above $6 billion, which showcases continued momentum across our business. Volume was up an impressive 12% year-over-year in the quarter and outpaced the market again in spite of lapping very substantial volume growth last year.

Remember, we grew volume 28% in Q3 and 45% in Q4 last year, and we expect this year to have more normal seasonality. Third quarter operating EBITDA was $273 million, down $40 million versus prior year. This would be flat to prior year after excluding the benefit of the $40 million in temporary cost savings taken last year.

We also faced an additional $40-million headwind from outsized prior year mortgage JV earnings, which benefited from higher gain on sale margins and a sizable portfolio mark-to-market adjustment. All things considered, year-to-date operating EBITDA was an impressive $745 million, up $225 million versus last year.

Additionally, I am pleased with our continued focus on managing expenses, especially in a business that is thriving and driving above market growth. We are delivering on the $80 million in permanent cost savings we outlined for 2021, with $78 million of this target already actioned and $70 million realized year-to-date. We are also aggressively working on our savings programs for 2022, and I will share more detail on what you can expect next quarter.

We continue to improve our capital structure and I am thrilled with all of the progress we have made on our balance sheet. We ended the quarter with approximately $700 million of cash even after deploying $435 million to retire secured debt last month. Net leverage was 2.3 times and our senior secured leverage ratio was below 0 times as of September 30, which are both historic lows, and we have had zero borrowings on our revolver for a year now.

We generated impressive free cash flow of $282 million in the quarter and $458 million year-to-date. And the underwriting venture we announced, when closed, will provide additional benefits

by bringing capital back into the core business that we can deploy against our strategic priorities and towards delevering.

Now, I will talk about our business unit results in more detail. Realogy Brokerage Group revenue was $1.7 billion, up $226 million versus prior year. Transaction volume growth was up 17% year-over-year, with size flat and price up 17% led by the power of our luxury position. RBG operating EBITDA was $51 million, a decrease of $10 million versus prior year, which was largely driven by the absence of temporary cost savings taken amid COVID last year. RBG generated substantial operating EBITDA of $162 million before the transfer of inter-company royalties and marketing fees paid to our franchise business.

We grew our owned brokerage agent base 5% year-over-year, with Q3 our fifth consecutive quarter of sequential agent growth and retention, remains very strong. Commission split increases moderated sequentially in the third quarter, up 171 basis points year-over-year, in line with our expectations.

Continued increases in transaction volume and ongoing investment in recruiting and retention drove splits up 143 basis points in the quarter. Business mix drove the remaining 29 basis points increase, which was lower than in Q2 as we began to lap the sale of our property management business. We are happy with the agent success we are delivering and we are deliberate with the investments we are making.

Realogy Franchise Group revenue, which includes leads and relocation, was $342 million, up $28 million versus prior year. The franchise business delivered transaction volume growth of 9% versus prior year with units down 6% year-over-year and price up 16% year-over-year. And net royalty per side of $401 was up $34 versus prior year.

RFG operating EBITDA was $211 million, an increase of $11 million versus prior year due to growth in the core franchise business. We are also pleased to be hosting in-person conferences and meetings with all of our franchisees and agents which energize our brands and drive growth and sales. These important gatherings have been on hold for the last 18 months and we are catching up in Q3 and Q4 to ensure a strong start to 2022, which will be a bit of a cost headwind versus prior year.

Realogy Title Group revenue was $250 million, up $37 million versus prior year, driven by growth in both the agency and underwriter businesses. Higher purchase unit fees and unit volume more than offset the decline in refinance units. Title operating EBITDA was $54 million, a decrease of $41 million versus prior year, primarily due to a decline of $40 million in mortgage JV earnings.

Excluding the mortgage JV, operating EBITDA was flat versus last year as we continue to invest in the growth of this business. Mortgage joint venture earnings were $11 million in the quarter versus prior year. Strong purchase volumes up approximately 20% year-over-year were more than offset by the impact of mark-to-market adjustments on the mortgage loan pipeline, lower gain on sale margins, and declines in refinance volumes, which will all be a headwind in Q4 as well.

We continue to invest in this business for future growth and have almost doubled the number of loan officers recruited since the end of last year versus what we recruited in 2020 year to date. As I said earlier, we have unleashed a tremendous amount of flexibility in the balance sheet to drive growth in our business.

Looking back, since the end of 2019, we have reduced gross debt by approximately $430 million and reduced net debt by $875 million, repaid all outstanding Term Loan B and not Term Loan A, and changed the debt mix with the majority now unsecured. We lengthen the maturity profile and we only have approximately $400 million of debt due before 2025. And looking forward, we will continue to be opportunistic in the capital market to enhance our balance sheet and expect to be in an even healthier position by mid-2022.

We have ample cash on hand we will use to invest in the business and satisfy our near term maturities, and we remain committed to debt reduction. Realogy's third quarter results are a continuation of the strong momentum we have been delivering. We are competing effectively and gaining share, and our strong execution has led to quality financial results which are flowing through to the bottom line. We are positioning our core business for growth longer term while pursuing value accretive transactions and partnerships to drive shareholder value.

I believe Realogy is in a great position because we have the right resources and unique capabilities to continue leading the market. We are positioned to enter 2022 with solid momentum and I look forward to what the future holds.

Let me turn it back to Ryan for some closing comments.

Ryan M. Schneider

Director, Chief Executive Officer & President, Realogy Holdings Corp.

Thank you, Charlotte. I'd like to wrap up with a personal story. Tomorrow, I'll actually be closing the sale of a family member's home. Like many of you, I bought and sold a few homes over the years. But this time, the increased seamlessness of the transaction, combined with our technology and products, are making our great agents and myself as a customer even more successful with striking.

I watched my great Coldwell Banker agent utilize one of Realogy's open ecosystem technology products and our real-time data to create a phenomenal listing presentation and powerful pricing analysis incredibly quickly. I watched the agent utilize our RealVitalize program that we offer in partnership with Angi to do some much needed renovation on this frankly older home, including painting, many repairs, bathroom renovations, landscaping and staging.

It was an amazing customer experience. I didn't have to do a single thing. My agent deployed our Listing Concierge custom marketing program to do an incredible job marketing the property across multiple channels, generating a huge amount of interest as the property came to market. And he utilized our virtual technology, including virtual tours, to substantially increase the exposure of the home. And all of this came together and we were blessed to get 10 offers, with 9 of them above list price.

And living this experience in the past eight weeks had – has me especially excited about the progress Realogy is making to simplify and transform the home transaction experience, both for our customers and our agents. And beyond my anecdote, the proof of Realogy's transformation success is showing up in our financial numbers and above market growth. Our momentum and strong results have me and all of Realogy even more committed to keep innovating both in our existing business and with new growth vectors like RealSure, all to drive change and lead into the future.

With that, Charlotte and I will take your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Ryan McKeveny from Zelman & Associates. Your line is open.

Ryan McKeveny
Analyst, Zelman & Associates

Q

Hey, good morning. Nice job on the quarter and thanks for taking my question. I wanted to start with RealSure. Obviously, you guys sound very excited about it. And something we've been focused on in our research are aspects of the model that can have more of a direct-to-consumer approach where there's tangible value to both the agents as well as the consumer. And it certainly seems that RealSure is checking those boxes. But I was hoping you can talk to the go-to-market strategy with that.

Is this being or going to be pushed from a marketing perspective more in that direct-to-consumer angle? Or is this agents bringing this to the listing presentation and saying, hey, we have this available? And I guess what I'm kind of getting at is, is this product helping win the listing when that listing appointment is already in place? Or is this actually spurring more listing appointments to even have that initial discussion? Thank you.

Ryan M. Schneider
Director, Chief Executive Officer & President, Realogy Holdings Corp.

A

So, Ryan, good to hear your voice. Thanks for the question. The beauty of it and part of the reason we think it's a competitively advanced model and we're competitively advantaged with our agent distribution is both, right? So, this is a product that we're distributing through agents. It's at the listing for them to help win listings and it's doing that. But it's also a product where we're increasingly doing direct-to-consumer marketing. And for consumers who are interested, part of the value proposition is the connection with the agent to list their house. And if they get a better offer in the market, they can take it and make even more money for themselves.

And so, it's also going to generate more listings for Realogy and our agents, so the direct-to-consumer side. So, we're really excited about both. And like I told you in the script, this was new information, 70% of the people who actually request one of these offers list with us. Now, they don't all take the RealSure offer. But even if they don't take the offer, they typically list with us. And so we're finding a powerful both in the RealSure business and in just generating additional listings that show up in our brokerage business.

So, we're excited about it. We're stepping up our investment again here in Q4. We got a great CEO we think in Katie and we're launching a new product on the buy side to help buyers later in this quarter. So, we're big fans. We're excited. We think it's part of us innovating to where the future real estate is going. And we think Home Partners of America's history and data combined with our data and our agent distribution is a really powerful combination.

Ryan McKeveny
Analyst, Zelman & Associates

Q

That's great. It sounds exciting. Thank you for that, Ryan. One on mortgage and title. So, Charlotte, I believe your comment was that the mortgage JV saw purchase volume up about 20% and that would be ahead of 12% overall volume growth, 17% brokerage volume growth. And even on the title side, it looks like the purchase closings growth was ahead of brokerage sites growth.

So, it would seem the math suggests the capture rate or the attach rate is picking up. And I guess my question is as we look going forward, how much of that is geographic expansion, adding more LOs, adding more markets where this is available? And how much is just deeper integration with your agents to drive that attach rate higher on both the title and the mortgage side of things? Thank you.

Charlotte C. Simonelli
Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

A

Sure. So, what I would say is you picked up on a good point. We have been aggressively recruiting loan officers. And so the fact that we've almost doubled our recruiting this year versus last, it's what's really driving the increase in volumes versus what we're seeing in the other parts of our business. It's a little bit of a combination of both geographic expansion as well as just beefing up certain markets. So, it's a little bit of both and we'll continue to do a little bit of both going into next year as well.

We don't disclose anything on attach rates, so there's not much more I can tell you there. But I think the majority of it anyway is really being driven by the geographic expansion, as well as just overall loan officer increase, which is sizable. But thank you for your question.

Ryan McKeveny
Analyst, Zelman & Associates

Q

Got it. Thanks very much.

Operator: Our next question comes from the line of Tommy McJoynt from KBW. Your line is open.

Thomas McJoynt-Griffith
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hey. Good morning, guys. Thanks for taking my question. So, the sale of the title underwriter JV, I want to ask about that. The unlocking of capital is clear. There's benefits there. Could you add some more details on what you think some of the strategic benefits of are partnering with Centerbridge? And then could you also comment on what led you to keep the agency and settlement business separate?

Ryan M. Schneider
Director, Chief Executive Officer & President, Realogy Holdings Corp.

A

Absolutely. So, let me just start with your second one because it's easier. Look, the agency and settlement business, Tommy, is incredibly critical to the transaction, right? Tomorrow, I'll be doing a house closing, and it's the agency and the settlement and escrow part. And owning and running that business is a critical thing as we seamlessly integrate that with the brokerage transaction, integrate it with mortgage and make it much simpler for customers, capture more, grow our title and mortgage business like we've been doing.

So, that is just as strategically core as it gets. We got to keep it. There's no scenario where that isn't and shouldn't be a huge part of our future. That's true in our current business as we're innovating for simplicity. It's also a big part of RealSure as I talked about, title and mortgage being part of the core value proposition and the economics. So, that we got to keep.

I think we're the only player in real estate who owns their own title underwriter. And Centerbridge as a company and their track record as an owner and investor in businesses speaks for itself. And it's clearly a good track record of driving a lot of growth. And we like the partnership and the venture because we think it can unlock a lot of growth.

Again, the underwriting side isn't core to the transaction the way the agency and settlement business is. And we probably been paying a little bit of a penalty in terms of maybe some people who don't want to work with Realogy on the underwriting side because we're more of a competitor to them. Whereas this new venture kind of owned by Centerbridge will, I think, be able to unlock a lot of growth potential above and beyond the growth vision that they even had when they came into the business. So, we're really excited about it and look forward to closing the transaction hopefully early in 2022.

Thomas McJoynt-Griffith
Analyst, Keefe, Bruyette & Woods, Inc.

Q

That's great. It all makes sense. Thank you. And just switching over real quick. Could you guys remind us of the availability and your appetite to take out some additional debt either in the fourth quarter or kind of as we look out in the next year?

Charlotte C. Simonelli
Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

A

Absolutely. It's obviously something we continue to monitor. And rates in the market today are still really strong. So, it is something we look at. We have some higher cost debt that we're evaluating in the future to do something with. We have a bit of a lag here though because a lot of our higher cost debt is not actually callable until sort of like the end of the first quarter next year and the beginning of the second quarter.

And so, that's why I made reference to even healthier position before the first half of 2022. But it's definitely something we're looking at. And obviously we have enough cash on the balance sheet to take out the 2023 notes at any point. Again, they're not callable as well until the future year, but – so we're looking at all of it.

Thomas McJoynt-Griffith
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Makes sense. Thanks, Charlotte.

Charlotte C. Simonelli
Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

A

Sure.

Operator: Our next question comes from the line of Matthew Bouley from Barclays. Your line is open.

Matthew Bouley
Analyst, Barclays Capital, Inc.

Q

Good morning, everyone. Thank you for taking the questions and congrats on the results; and, Ryan, congrats on your upcoming closing tomorrow. So, back on RealSure, it sounds like you're going to offer a buy product now so folks can buy with cash. I guess, just curious if you can expand a little bit on that part of the model. Is this like a buy-before-you-sell type of product or what else differentiates that? How big can that be as part of the whole platform? Thank you.

Ryan M. Schneider
Director, Chief Executive Officer & President, Realogy Holdings Corp.

A

Well, you can see in the market today with the strong demand I talked about that frankly there's a lot of price appreciation, but there's also the phenomenon of sellers like cash offers a lot better than they like more complicated offers. And that's always been true. It's probably even more true right now. And we think there's a real opportunity to both help people who are trying to buy for the first time be cash buyers but also do what you said, which is let people make a cash offer without having yet sold their previous house.

And the power of what we and Home Partners are doing is if we help people make a cash offer and then for some reason something falls through, we can step in and be the buyer of the house, and then either rent it, lease it, do something else with it. We'll let Katie tell you all of our strategic plans on that stuff. But there's a real market opportunity and the fact that we've got the sell side up and running in 24 markets is powerful and we're excited to keep growing that.

Getting the buy side go in, five markets feels like a good step for us. And then remember, both of these things get supported by our mortgage and title, right? So, when we help people buy a house, it's not just to help them do the house buying part and help our agents and things like that, it's actually also to capture the mortgage with that buyer, do the title with that buyer, and you can see in our financials that's increasingly important.

And again, all of this is about integrating and creating a more seamless transaction, right? And I think that's something that is really critical for the future of real estate. And we're doing that both in our existing business as frankly kind of my anecdote hopefully gave people a sense of some reality on that but also with RealSure. And we're really excited about that kind of innovation and we think it's a big part of the future. And we think we're competitively advantaged in it because, again, we have some competitive advantages vs. other ibuying models back to Ryan's question on our distribution, both direct-to-consumer and the agent distribution. We also have some advantages on title and mortgage that many of our competitors don't have. So, we're excited about it and that's the path we're taking now.

Matthew Bouley
Analyst, Barclays Capital, Inc.

Q

No. That's great color. Thank you for that, Ryan. Second one on the market share, obviously the headline is that Realogy outperforms NAR and certainly you highlighted New York City and the brokerage footprint was a big piece of that. Can you tell within the brokerage footprint or maybe even if you could tell within New York City because of how strong it was just kind of how Realogy share is trending within your own footprint, simply because New York was that strong and clearly with a big tailwind? Thank you.

Ryan M. Schneider
Director, Chief Executive Officer & President, Realogy Holdings Corp.

A

We would've – yeah, so, great question, Matt. I've looked at the numbers, we outperformed NAR even without the New York City so – in our brokerage business. So, our brokerage business is up 17%. I'm not going to give you the numbers. But even without the New York City growth, our brokerage would still outperform NAR.

So, we're excited about that. We obviously were excited about New York City being a little extra strong as that's an important market for us. And frankly, it's been kind of a drag on our results, even though our results have been great. So, we were excited about the share gains, especially in our owned business. And we had them – again, New York City drove a chunk of those. But we also outperformed NAR even without New York City's numbers.

Matthew Bouley
Analyst, Barclays Capital, Inc.

Q

Perfect. Thank you very much.

Ryan M. Schneider
Director, Chief Executive Officer & President, Realogy Holdings Corp.

A

Yeah. Thank you, Matt.

Operator: Our next question comes from the line of John Campbell from Stephens, your line is open.

James Hawley
Analyst, Stephens Inc.

Q

Hey. Good morning. This is James Hawley stepping in for John Campbell. Appreciate the time for taking the question. So, yeah, you had a few moving pieces within the title segment around refi, gain on sale and upcoming swings in the title JV. You put up about $126 million last year and that's coming down a bit. Broadly speaking, can you frame up your expectations around title segment EBITDA in the quarters ahead given all the moving parts?

Charlotte C. Simonelli
Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

A

You mean for Q4?

James Hawley
Analyst, Stephens Inc.

Q

Yeah. Sorry, Q4.

Charlotte C. Simonelli
Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

A

Yeah. Yeah. So, what I can tell you is the drivers that impacted this quarter will remain an impact next quarter because of what we're lapping. So, it's not really what's happening today. It's more what we're lapping from last year. So, relatively speaking, it's somewhat similar.

James Hawley
Analyst, Stephens Inc.

Q

Okay. Yeah, thank you.

Charlotte C. Simonelli
Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

A

It's the gain on sale and the mark-to-market. Those are the big drivers.

Ryan M. Schneider
Director, Chief Executive Officer & President, Realogy Holdings Corp.

A

And while we're on this, there's one thing I've kind of always wanted to do, which is let's talk on the mortgage side just to be – this is a business we love and we're having a lot of success integrating it in the different transactions that I talked about.

Two years ago, we made about $15 million in our mortgage business. Last year, we made $126 million as you kind of cited on the mortgage side. And this year, it's got us clearly settled between those two things. And I think that's a good thing. And I think that's helpful to all of you from a more of a run rate kind of standpoint because I think early on when we lost money in 2018 and in 2019 and when we made a few bucks, we were investing a ton to grow this thing. And I think last year had some real tailwinds, as Charlotte has talked about with margin and gain on sale.

And so, we're excited to have kind of a pretty solid mortgage result this year and then we'll continue to grow that title and mortgage as we keep investing, as Charlotte talked about. And so, the investment we made at the start, the extra kind of juice we got last year in the mortgage market, and then kind of a more growing thing that we want to start building off of this year was just a little bit of context I've always had at the back of my mind to share if I ever got a question like yours.

James Hawley
Analyst, Stephens Inc.

Q

Got you. And then just a second one here, you've clearly made a ton of progress in the cost save initiatives. Do you think you've captured most of the lowest hanging fruit there? And are there any areas you would continue to find more efficiencies in? And if so, like what areas do you think you would point to there?

Charlotte C. Simonelli
Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

A

Sure. It's interesting what you just determined as low-hanging fruit. Like yesterday's low-hanging fruit, you still have to go back and get some additional. So your bar may change on what is low hanging.

My philosophy on this is well run companies will always continue to look for cost savings in good times and in bad. It's just what's necessary to drive both efficiency from a cost perspective but also simplification for how you work. So, this business remains highly manual still, highly manual, and the teams are really looking into what we're going to do next year. But rest assured, this is not something I'm giving up on. I think we have a ton of headspace here and this is something that will continue to be on my agenda for years to come.

So, as far as like areas, I've referred to the manual nature of this business. So, just in how operating expenses, G&A, things like that, we'll still continue to find savings there which comes – it can either come through people, through footprint. And because it is manual, the more we can automate, that's just really going to help us.

James Hawley
Analyst, Stephens Inc.

Q

Appreciate the time. Thanks, Ryan. Thanks, Charlotte.

Charlotte C. Simonelli
Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

A

Thank you.

Ryan M. Schneider
Director, Chief Executive Officer & President, Realogy Holdings Corp.

A

Thanks, James.

Operator: Our last question comes from the line of Justin Ages from Berenberg. Your line is open.

Justin Ages
Analyst, Berenberg Capital Markets LLC

Q

Hi. Thanks for taking the question, guys. I'm sorry if I missed it. Could you – or could you expand on what's kind of driving the average broker commission rate ticking down in the franchise and the brokerage groups?

Charlotte C. Simonelli
Executive Vice President & Chief Financial Officer, Realogy Holdings Corp.

A

Yeah. So, this is something that tends to move around a couple of bps here or there. Sometimes it's up, sometimes it's down. Usually, in times where – in the prior year, we had tons of price appreciation which helped drive it up. So, while it is down a couple of basis points, it's not something that I'm super alarmed about because it's pretty common, especially if you're lapping at such a high period of price appreciation.

Justin Ages
Analyst, Berenberg Capital Markets LLC

Q

All right. That makes sense. And then, one more if I could. Just expanding on the market share question. Based on the global luxury report that you guys put out, it seems like you're doing well there and outperforming there. But has it been market share gains like across the board on kind of some of the lower tiers just below the luxury?

Ryan M. Schneider
Director, Chief Executive Officer & President, Realogy Holdings Corp.

A

I mean if you say – if you mean just in luxury I'm not sure where you're drawing the line. But we're both architected to do a little bit more kind of as the $500,000 and up, right, across multiple brands and geographies. And we've been gaining share there obviously from the numbers. The place where I'd say we've been a little more with the market is clearly at the lower price points. That's more on the franchise side.

And you can see that a little bit in our numbers this quarter where our franchise numbers were a little bit – were a lot more like frankly kind of the overall market. And a chunk of that just driven by the kind of bottom half of the market. And our kind of market comparable position there, but not a big advantage, whereas where I think have been getting more market share gain and growth in the luxury side, which again, we're really excited about. And we do that purposely like we make investments there...

Justin Ages
Analyst, Berenberg Capital Markets LLC

Q

Right.

Ryan M. Schneider
Director, Chief Executive Officer & President, Realogy Holdings Corp.

A

...we over index on it. We did an acquisition this quarter on that. And so we're just excited about the overall share gains for now five quarters in a row. We're excited by the strength of the luxury business. We gave you some data on some individual brands that was pretty exciting that we haven't really shared before. And we just think we're very well-positioned in a lot of where the world is going.

Justin Ages
Analyst, Berenberg Capital Markets LLC

Q

Understood. Thanks for taking my question.

Operator: There are no further questions at this time. That concludes today's conference call. Thank you, everyone, for participating. You may now disconnect.