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RDFN.OQ - Q2 2017 Redfin Corp Earnings Call

EVENT DATE/TIME: SEPTEMBER 07, 2017 / 8:30PM GMT

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PRESENTATION

Operator

Good day and welcome to the Redfin Corporation Q2 2017 earnings call. Today's conference is being recorded. At this time I would like to turn the conference over to Ms. Elena Perron. Please go ahead, ma'am.

Elena Perron *- Redfin Corporation - Head of IR*

Thank you, Cody. Good afternoon and welcome to Redfin's financial results conference call for the second quarter ended June 30, 2017. Joining me on the call today are Glenn Kelman, our CEO, and Chris Nielsen, our CFO. You can find the press release on our website at investors. Redfin.com.

Before we start, know that some of our statements on today's call are forward-looking. We believe our expectations related to these forward-looking statements are reasonable, but our actual results may turn out to be materially different.

Please read and consider the risk factors in our SEC filings together with the contents of today's call. Any forward-looking statements are based on our assumptions today and we don't undertake to update those statements in light of new information or future events.

During this call the financial metrics will be presented on a GAAP basis. All comparisons made in the course of this call are against the same period in the prior year unless otherwise stated. With that let me turn the call over to Glenn.

Glenn Kelman *- Redfin Corporation - CEO*

Hi, everyone. The news in the second quarter of 2017 is that Redfin accelerated our market share gains and advanced new technologies for giving our customers a competitive advantage at buying or selling a home. Our revenue for the quarter increased 35% year-over-year to $105 million, which includes the first $2 million in revenue from an experimental new service called Redfin Now.

Our core business is brokerage services to buyers and sellers via Redfin agents and our partner agents. That core business grew 33% year-over-year. Our net income was $4.3 million compared to $1.4 million in the second quarter of 2016, but these profits are seasonal as we expect to lose money for the full year.

The second quarter's net income includes $2.6 million in stock-based compensation and $1.6 million in depreciated or amortized expenses. Although revenue grew faster in the first quarter of 2017 at 44%, our market share gains actually accelerated in the second quarter from a year-over-year gain of 10 basis points in the first quarter to a gain of 11 basis points in the second quarter.

Focusing on our market share accounts for the market's ups and downs and excludes contributions from new businesses to give us and our shareholders the clearest picture of Redfin's core competitive position. Redfin's US market share by value for the quarter was 0.64%, an all-time high.

Compared to a 5% commission, we saved customers more than $36 million in fees in the second quarter all while delivering a level of customer satisfaction that market research firms have concluded is significantly higher than traditional brokers. This ability to deliver better service at a lower fee is the fundamental source of our long-term competitive advantage and that advantage comes from technology.

Average monthly visitors to our website and mobile application grew 43% in the second quarter compared to the same period last year. We saw higher year-over-year visitor growth in the past three quarters than we had in any prior quarter over the past three years, bolstering our position as the US' number one brokerage site.

We expect this growth rate to moderate over the coming quarters as other sites respond to our gains and as we compare our current traffic to periods of high traffic growth from last year. We will still likely be the fastest-growing top 10 real estate site and our gains so far have already enhanced our competitive position, giving us a much better platform for selling homes than our brokerage competitors and a broader audience of potential customers.

Our site is how we meet the overwhelming majority of our new customers with more online traffic historically leading to more market share gains. It also frees our agents to spend their time serving customers rather than searching for customers so we can deliver better service at a lower cost.

One reason so many people are coming to our site is because we often show homes for sale first. A Redfin commissioned study completed in the second quarter shows that Redfin notifies consumers about homes for sale 3 to 18 hours faster than other leading real estate sites. More people are coming directly to Redfin.com as a result and more are coming via Internet search engines which favor sites that show new listings first.

We are also broadening our appeal beyond homebuyers to include homeowners, many drawn to Redfin.com by the accuracy of the home value estimate we launched in December 2015. Research from February 2017 compared the Redfin Estimate to two other leading home value estimates and found our estimate to be more than twice as likely to be within 3% of a listing's final sale price.

Built from the beginning to draw on the full power of cloud computing, the Redfin Estimate is able to make far more comparisons between each home on our site and nearby similar sales than would be practical using company owned servers. And this estimate uses machine learning to adapt to local property data and to local variations in how properties are valued with waterfront access being more important in Seattle, for example, and basements more important in Atlanta.

Many of the homeowners who visit Redfin.com for the Redfin Estimate become subscribers to our monthly report estimating what their home is worth. We've been accumulating subscribers through this report since 2011, but just from April to June our cumulative subscriptions increased 26%, a whopping one time gain driven by new software for automatically subscribing Redfin.com visitors based on their identity, location and browsing history.

It will be years before many of these subscribers buy or sell a home, but we are glad to start a relationship with so many homeowners so early.

Our technology lets us meet homeowners and homebuyers without paying for ads or traditional sales force, but it also makes our service better at every turn. In the second quarter we extended our technology for on-demand home tours which lets a customer schedule a tour from a mobile application in much the same way you might ask to be picked up by a ridesharing service.

While 41% of tours in March were scheduled automatically, 51% of those in June were. Over the next year we expect nearly all tours to be scheduled in this way with human beings reserved only to call listing agents as needed to confirm a home can be shown or to explain our service to customers before the tour starts.

Automatically identifying which Redfin agent should host the tour, how long it should last, which homes to show and in what order not only lowers our labor costs but also makes it easier for more customers to try Redfin service driving growth.

Our challenge in rolling out free automatically scheduled home tours is ensuring each tour is worth our agent's time. In some case a traditional agent has encouraged its customers to tour with us when that agent is busy. In others the tour request has come from someone just wanting to see the home she grew up in.

The quality of online sales inquiries is we believe a challenge real estate agents have with virtually every real estate website. We view ourselves as uniquely capable of addressing that challenge.

Because every inquiry costs us money we naturally focus on the quality of the opportunities we generate for our agents, not just the quantity. Our integrated approach to generating demand and delivering service motivates us to balance growth with margin and personal service with immediate property access.

This is why our process for automating tour scheduling has been deliberate rather than headlong. The goal over time is higher gross profit per visitor, offsetting declines that naturally result as our site's audience broadens to more casual visitors. We also want to offer the best combination of speedy personal service.

We are pursuing other initiatives to let our customers move faster. After a successful Boston trial, our Chicago agents began using a new technology in the second quarter for generating offer paperwork, so that a process that used to take an hour back at the office can be completed in a few minutes on the front steps of a listing. The localization effort for Chicago involved building a framework that should let us expand more easily to other markets over the next year.

Technologies for scheduling tours and generating paperwork make Redfin more efficient, but also make our home buying customers more competitive; letting buyers the home's first online and then in person immediately followed by an offer so that our customers have the best chance at beating other buyers to the punch.

We are also moving aggressively to deliver more value to our home selling customers. After a successful trial in Baltimore, Chicago, Denver, Seattle, Washington DC and Virginia we lowered our own fee for selling a home in San Diego from 1.5% to 1%, which we offset by reducing the amount of money we save homebuyers. The offset is designed to keep revenue per transaction averaged across buyers and sellers the same.

Years of experimentation in these other markets have demonstrated that saving sellers more money and buyers less money increases share overall. We thus believe that Redfin's pricing in the rest of the country is simply inefficient and expect that by year end we'll offer 1% pricing to more than 80% of our own agents' home selling customers, offset again by a price increase for homebuyers.

Redfin mortgage underwrote a single mortgage, our first in the first quarter of 2017 and 8 in the second quarter. The premise of our mortgage and title businesses is that when a real estate agent, a title officer and a loan officer all work for one company and use one software system to close the sale the whole process is easier, faster and more efficient.

We spent two years building from scratch the basic software for underwriting loans, integrating it from the start with our brokerages customer database and workflow system. This underwriting software will take many more years to perfect, but already our first nine mortgage customers closed a loan have been thrilled with our service giving us perfect customer satisfaction marks.

Now we're starting to scale the business, encouraging our agents to invite all of our brokerages homebuying customers in Texas to apply for a Redfin loan. By the end of 2017 we expect to expand to Virginia and possibly Illinois with plans to reach other Redfin markets after that.

We don't know yet what fraction of our homebuying customers will borrow money from Redfin. Our first challenge is just reassuring real estate agents at Redfin and in the industry at large that a buyer preapproved by Redfin will close on schedule.

No matter how good we claim to be in theory, it takes time to develop a track record. It will as a result be years before this business contributes meaningfully to our revenue, but we believe its contribution over time should be large, defensible and durable.

Redfin Now is our experimental business to buy homes outright from our customers. If there is a new way to help our home selling customers, we want to understand it better than anybody else. The customer typically nets lower proceeds than she would in a conventional sale but gets the money sooner with more certainty and less hassle. We bought five homes in the first quarter and another five in the second quarter selling all of the first five in the second quarter.

Redfin Now accounted for less than 0.05% of Redfin's total transactions in the second quarter, but has an outsized impact on our financial statements because we have to recognize the entire value of a Redfin Now home sale as revenue. Through the end of the year we remain committed to risking less than $10 million at any one time on homes we've bought from our customers.

What we seek to learn through this experiment is the price we'd have to charge for Redfin Now capital and labor and how many home sellers would at that price prefer Redfin Now to a conventional sale. If we conclude that Redfin Now likely appeals to say 1 in 20 home sellers we'd probably refer those folks to another company. But if say 1 in 5 customers would prefer Redfin Now, we'd probably develop this business ourselves using partners only for the capital to fund the majority of each home purchase.

It's too early to say what percentage of home sellers prefer this service. What we've learned so far is that Redfin Now customers are sensitive to small changes in the price difference between Redfin Now and what a broker charges. Since price matters so much our online buyer audience, our pricing expertise and our agent network would have to give us meaningfully lower costs than our competitors before we decided to pursue this business in earnest.

We'll continue to be clear with you about what we learn from Redfin Now customers and how we plan to proceed. Now before hearing from Chris on more financial details let's discuss the US real estate market.

For years US sales volume has been limited by the supply of homes for sale, not by demand. Low mortgage rates and better websites for renting out homes have made it easier for homeowners to get renters to pay their mortgage. More move-up buyers are renting out their old home rather than selling it. Over the past decade the median number of years a home is owned before it's sold has doubled from four years in 2006 to nine years in 2016.

The real estate market still favors sellers with strong demand and rising prices, but perhaps less so now than earlier in the year. Newly listed homes are selling faster in 2017 than in 2016 but whereas in April the 2017 market was nine days faster than the 2016 market, by late July and mid-August that was five days. The gap between 2016 and 2017 is narrowing slightly.

Normally such differences wouldn't be worth mentioning, but Redfin managers of coastal markets where demand has been strongest are now reporting that some buyers are stepping back from higher prices. For July the National Association of REALTORS reported a year-over-year gain in national sales volume of 2.1%, but also said the seasonally adjusted pace of sales was the lowest of the year.

Our own data on the overall market for early August suggests that US sales volume will decelerate more. This deceleration does not even account for flooding in Houston, America's fourth-largest city, which will further lower nationwide sales for weeks and probably months to come.

The flood's effect on Redfin's growth rate will be measurable as Houston accounted for between 1% and 2% of Redfin's overall revenues in the first half of 2017, but it will not be large. Our agents in Houston have reported surprisingly high activity levels there which is a tribute to that city's resilience. With that I'll turn it over to Chris.

Chris Nielsen - *Redfin Corporation - CFO*

Thanks, Glenn. Redfin second quarter was solid with 35% revenue growth. Real estate revenue, which includes commissions we earn from helping customers buy and sell homes and excludes Redfin Now, mortgage or other services, was $101 million. They grew 33% year-over-year.

Most of our real estate revenue comes from home sales closed by our own agents, but we also refer some customers to partner agents who pay us a portion of their commission when closing a sale from a customer referred by our site. The $95 million in Redfin's second-quarter revenue from our own agents, known as brokerage revenue, was up 33% over last year. This was based on a 36% increase in real estate transactions.

Despite the overall strength of our business, Redfin's revenue growth decelerated from 44% in the first quarter to 35% in the second quarter for three reasons.

First, as Glenn already discussed, US home sales growth slowed. Even as Redfin's second-quarter market share gains accelerated our year-over-year growth in brokerage transactions dipped from 42% in the first quarter to 36% in the second quarter.

Second, revenue for brokerage transactions declined 2% as more of our growth came from serving home sellers, which generates lower revenue per transaction than from serving home buyers.

And last, revenue per partner transaction grew faster in the first quarter than in the second due to a one-time price increase that began in the first quarter of 2016.

Let's discuss revenue per brokerage transaction in more detail. This number declined 2% year-over-year due to an increasing portion of sales coming from sellers rather than buyers with sellers generating lower fees. We regularly evaluate the fees we charge home buyers and home sellers. We are now raising fees for homebuyers to account for the growth in our listing business and you should see that reflected in revenue per brokerage transaction as we enter the fourth quarter.

Revenue from our partner agents was $6 million driven by a 10% year-over-year growth in partner transactions and a 19% increase in revenue per partner transaction. As a reminder, we raised partner program prices in the first quarter of 2016. The last partner program customers to get the lower pricing closed in the second quarter of 2016, so revenue per partner transaction should be roughly the same year-over-year starting in the third quarter of 2017.

The final $4 million in second-quarter revenue comes from originating mortgages, from title services and the $2 million and Redfin Now sales that Glenn just discussed. This is revenue that's included in our Other segment disclosure.

Gross profit was $37 million, up 35% year-over-year, the same rate as our total revenue growth despite a near zero contribution to gross profit from Redfin Now. Gross margin on the combined partner and brokerage business known as our real estate segment increased 80 basis points from 36.2% during the second quarter of 2016 to 37.0% in the second quarter of 2017. This was driven by a 65 basis point decline in transaction bonuses, a 35 basis point reduction in local operating expenses and a 28 basis point reduction in listing expenses. This was partially offset by a 29 basis point increase in occupancy expenses.

We continue to invest in the businesses accounted for in our Other segment, including Redfin Now mortgage and title services. We don't break out the results of these businesses but combined they lost $262,000 in gross profit.

Our operating expenses showed continued leverage, growing 25% year-over-year to $33 million and representing 31% of revenue, down from 34% of revenue one year ago. This performance is consistent with our long-term goal of holding down fixed costs and improving profitability.

Our net income, including stock-based compensation and depreciation, was $4.3 million, up from $1.4 million during the second quarter of 2016.

We closed our initial public offering on August 2. We received approximately $144 million in net proceeds from the sale of approximately 10.6 million shares of common stock. These additional shares and funds will be reflected in our third-quarter results in the earnings per care calculations.

Net loss per common share was $7.15 for the second quarter of 2017. This loss was primarily driven by the fair market value feature of our redeemable convertible preferred stock. Of course the preferred stock converted to common stock in connection with the IPO, so the pro forma net income per common share for the second quarter of 2017 was $0.06.

Turning to our financial expectations for the third quarter. Revenue is expected to be between $108.5 million and $110.5 million representing year-over-year growth between 34% and 36%. We expect one part of that revenue to be $2.6 million to $3.6 million of Redfin Now revenue.

Net income is expected to be between $10.0 million and $10.8 million compared with $5.7 million in the third quarter of 2016. This guidance includes approximately $2.8 million of stock-based compensation and $1.7 million of depreciation and amortization. It assumes, among other things, that no additional business acquisitions, investments, restructurings or legal settlements are concluded and that there are no further revisions to stock-based compensation estimates.

And with that we are opening it up to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Jason Helfstein, Oppenheimer.

Jason Helfstein - *Oppenheimer & Co. - Analyst*

I'll ask two. Can you talk a bit more about competition for -- to drive traffic? And just do you expect continued efficiency when we think about spend [per UV] for the rest of the year?

And then when we think about the guidance, I am assuming Houston is already in your guidance. What about Florida? Can you give us any color as to how much of your business perhaps in the first half came from Florida and how we should think about that? Thanks.

Chris Nielsen - *Redfin Corporation - CFO*

This is Chris; I'll start with the second part of your question. So we have included the impact of Houston in our guidance. We have not included yet any impact from Florida in the guidance given the uncertainty we have around that.

Just to give you a sense, a little bit less than 2% of our revenue would come from the whole state of Florida, so that could have an impact. But there's just a lot of uncertainty at this point so we have not reflected it in the guidance.

Glenn Kelman - *Redfin Corporation - CEO*

And then you asked about traffic.

Jason Helfstein - *Oppenheimer & Co. - Analyst*

Basically color on online -- competition for online to drive the UV growth.

Glenn Kelman - *Redfin Corporation - CEO*

So, it's just always been a competitive marketplace. I don't think those dynamics have shifted in any meaningful way. But because we grew so fast last year the comparisons to the third quarter and the fourth quarter are just going to be slightly harder. We do expect to continue to be the fastest-growing top 10 real estate website going forward.

Jason Helfstein - *Oppenheimer & Co. - Analyst*

Thank you.

Glenn Kelman - *Redfin Corporation - CEO*

But I don't think there's been any seismic shift in the competitive landscape.

Operator

Mark Mahaney, RBC Capital Markets.

Mark Mahaney - *RBC Capital Markets - Analyst*

Great, two questions as well. First, Glenn, you talked about more growth coming from sellers than from buyers -- I'm sorry, Chris, you talked about that. Could you maybe give a little explanation as to why that was the case? Was that materially different than you had expected or was that largely in line with your expectations?

And then, Glenn, you had talked about I think kind of a risk limit of $10 million I think to Redfin Now. Could you just talk about how you arrived at that level? Why not more? Why not less?

Glenn Kelman - *Redfin Corporation - CEO*

Thanks, Mark. So the listing business has been growing faster than the buy side business for some time now and really it's to correct a historical deficiency. We started this business focused on buyers because we invented map-based search, which was a website feature for buyers. But over time we realized that to be an effective broker we had to have an equal number of buyers and sellers and we are still not at that point.

So we have been focused on growing listing share to match our buy side share and we've been pleased with the results. They have been consistent with the past. We think that improvements to our pricing strategy will accelerate our share gains on the listing side without really doing any damage to what's going on with the buyers.

And then as far as the $10 million limit on Redfin Now, that was just based on the fact that we wanted to put enough capital to work where we could learn meaningful lessons by buying and selling houses. If you are only buying one house per quarter you're really not going to learn anything about it. But when you are buying 5, 10, 15 houses that's enough to learn without putting too much capital at risk and we just haven't decided yet whether we want to be in this business in earnest.

What the management team has decided is that there may be a new type of seller out there and we want to understand him or her better than any other vendor in the space. So we've put enough capital to work to learn, but not enough to really have a meaningful impact on gross profits or to create meaningful balance sheet risk.

Operator

John Egbert, Stifel.

John Egbert - *Stifel Nicolaus - Analyst*

Great, thanks for taking the question. Could you give us an update on the number of lead agents you are employing and possibly an idea about how many supporting agents are assisting them? And then maybe using your earliest markets as a proxy, have you seen support agents become able to support more and more of the lead agents over time as markets mature?

And then as you take on initiatives like scheduling more tours automatically and then doing some -- more of the procedural work, like you mentioned offer paperwork automatically, how can that help you lever the human capital that you have deployed over time? Thanks.

Glenn Kelman - *Redfin Corporation - CEO*

Thanks, it's a great question. In the final table of our earnings press release some of the key business metrics include the average number of lead agents, which is now at 1,010 for the second quarter of 2017. We have continued to hire agents, but we are getting more efficient year-over-year. They are closing slightly more sales in the second quarter of 2017 as compared to 2016.

We expect to get more leverage from our support staff because many of those functions lend themselves to software and automation. We will probably continue hiring those folks but slower than revenue grows. And those efficiency gains are probably going to take time to get.

We are still investing in hubs where we take people who were working out of their homes and ask them to work in offices. That allows for more consistent customer experience. It makes it easier for us to invest in process improvements. But over the short-term it neutralizes some of the gains that we would otherwise get from automatic tour scheduling and other software investments.

John Egbert - *Stifel Nicolaus - Analyst*

Great, thanks.

Operator

Heath Terry, Goldman Sachs.

Heath Terry - *Goldman Sachs - Analyst*

Great, thanks. I was wondering if you can give us a sense -- you spent a good amount of time in your prepared remarks talking about the difference between the 1% and 1.5% markets and what you are seeing as you migrate between those or to more 1% market.

I was wondering if you could give a sense how you quantify or when a market is ready for that sort of move. And what kind of -- as you migrate more markets in that direction, how we should think about the net effect of taking pricing down versus the volume increase that you see off of that when we're thinking about revenue growth in those markets?

Glenn Kelman - *Redfin Corporation - CEO*

I'll start and, Chris, you may have something to add here. But it isn't really a matter of the market being ready, it was a matter of us being sure that the pricing change really drove an overall gain in share.

So our concern had been, when we first launched this a couple of years ago in Washington DC, that it might accelerate listing share gain, but at the expense of share among homebuyers. And what we found is that the buyers weren't as price-sensitive as the sellers. And in fact that getting more sellers actually helped us get more buyers.

So the net effect on overall share was positive. And to really make sure that was true took about a year and then we rolled it out to Seattle and a few other markets to see if it was aberrational and it wasn't. And now we have conviction that in the current market, which is a seller's market, that in almost every market it's just a more efficient pricing strategy. That we are charging more to the people who are willing to pay more and charging less to the people who are interested in paying less.

And to be clear, we are not just trying to make this up on volume. We actually manage pricing so we charge buyers more as we charge sellers less. And the average revenue per transaction blended between the buy side and the sell side stays the same. And sometimes we fall behind one step in adjusting pricing to account for mix shifts, but the goal is to manage pricing so that quarter over quarter it's consistent -- revenue per transaction across buyers and sellers is consistent.

Chris Nielsen - *Redfin Corporation - CFO*

And just one other piece to add to that with regard to revenue per real estate transaction, that is a variable that will change over time based on mix of business across markets, mix of product, etc. But the description that Glenn gave with regard to pricing on the sell side and the buy side is how we think about the business.

Heath Terry - *Goldman Sachs - Analyst*

And I guess maybe one follow-up. You guys, in talking about the second-quarter, highlighted the macro -- some softness in the macro environment. We are obviously nearly three-quarters of the way or so through the third quarter. Curious how much of what you are seeing -- or curious how you are seeing the macro environment in the third quarter relative to what you saw in Q2.

Glenn Kelman - *Redfin Corporation - CEO*

Well, our guidance is our guidance, but it was hard to tell coming into the final weeks of August, because the market always gets funky around then, people give up, send their kids to school, settle in for another three months at least in their homes. Some of the agents who got us through the summer rush are just a little fatigued. And you want to separate that from is the market shifting.

I think the sentiment from many agents here is that the market is shifting, that we are saying more price reductions, listings that would've sold quickly staying on the market. But that anecdote hasn't been fully corroborated by data. The data that we have is only cured for the first couple of weeks in August.

You can't quite pull something out of the database from last week because real estate agents are still entering records into the MLS and into our own systems too. So there may be a shift in the offing and we wanted to be clear about that, but it doesn't affect our guidance.

We think our market share gains are going to be good. We are confident about the guidance we provided. And maybe possible that the market comes back, that everyone is back in school, that people come back from Labor Day and really the economy roars again. Or it may be possible that that funkiness we saw in the final two weeks of August is part of something new.

I haven't heard real estate agents say that in a long time -- that sellers are pricing ahead of the market, that listings are sitting, that buyers are stepping back from bidding wars. And so, we thought it was worth mentioning at least in the call. But we just need more data to be sure.

Heath Terry - *Goldman Sachs - Analyst*

Great, thank you.

Operator

(Operator Instructions). Nat Schindler, bank of America Merrill Lynch.

Nat Schindler - *BofA Merrill Lynch - Analyst*

Yes, hi, guys. Hey, just wondering, if you look at this quarter and going -- you are basically showing your revenue growth is basically matching your growth in agents because your agents are putting up doing -- their transaction growth is flat versus the last three quarters where it was quite strong growth there.

Is there some sort of barrier at about 3.5 transactions per month per agent, that that's not likely to change much and there's -- a real growth driver from here is going to be agents? Or is that just happenstance of how the numbers worked out?

Glenn Kelman - *Redfin Corporation - CEO*

Well, we still think about the main driver of our growth as being demand. We are not like some other brokerages where we drive growth through agent hiring. The agent at Redfin is not responsible for prospecting for clients. And our own experience is that there are plenty of agents who do more than 3.5 transactions a month, so it's not like the speed of light, a physical law that can't be broken.

We have been mindful of just the balance between volume efficiency and value to the consumer versus personal service. And so, we always look at what as a customer would pay for. Would I rather have more of my agent's time or would I rather have a better value? And so far we think we struck the right balance.

We will get over time higher productivity out of our agents and higher productivity out of our support staff. We think there's probably more leverage over time in the support staff just because some of the ministerial tasks that are assigned to those folks do lend themselves to automation. And we've also just been centralizing those folks into these regional hubs, that's a process that's just starting this year, where we think they will be more efficient over time.

Nat Schindler - *BofA Merrill Lynch - Analyst*

Great. And just one second question was about agent retention. Has there been any change in agent retention? And how does it differ between your top-tier markets and your next tier?

Glenn Kelman - *Redfin Corporation - CEO*

We haven't seen any meaningful differences in agent retention from one market to the next. Sometimes a market will lose two or three people out of 15 and so the data can be very spiky at low numbers. If we had many, many markets with many, many agents I think it would be easier to make those comparisons.

But generally agent retention is significantly better at Redfin than it is at other brokerages. There's plenty of data in the prospectus about that and that's continued to hold true. What we focus on, as you may have heard us talk about before, is just retention in the first six months.

Sometimes agents who start at Redfin experience culture shock because they have to learn a new system in terms of the technology, but also in terms of the values where it's less of a sales driven culture and more about putting the customer first, telling someone to walk away from a bad deal, a bad home, and that just isn't for everyone.

So, we want to be the kind of place that has a special appeal to a certain type of agent, but may put off others just because we hope to be different in the consumer's mind too.

Nat Schindler - *BofA Merrill Lynch - Analyst*

Great, thank you.

Operator

Thank you. And that does conclude today's question-and-answer session. At this time I'd like to turn the conference back over to Ms. Perron for additional or closing remarks.

Elena Perron - *Redfin Corporation - Head of IR*

Great. Thank you, Cody, and thanks, everyone, for joining us today. Glenn, any closing thoughts?

Glenn Kelman - *Redfin Corporation - CEO*

No, no. That wasn't so bad. Thanks, we had a lot of fun, guys. See you next quarter.

Elena Perron - *Redfin Corporation - Head of IR*

Thank you.

Operator

Thank you. That does conclude today's conference. Thank you all for your participation.
