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Realogy Holdings Corp. (RLGY)

Q1 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Realogy Holdings Corp., First Quarter 2020 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 later today. 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 the Realogy's Senior Vice President, Alicia Swift. Please go ahead, Alicia.

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

Thank you, Natalia. Good morning and welcome to Realogy's first quarter 2020 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 and 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 any statements we make related to the expectations with respect to the ongoing COVID-19 crisis.

Actual results may differ materially from those expressed or implied 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, May 7th, 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 our annual and quarterly SEC filings.

Also, certain non-GAAP financial measures will be discussed on this call, and per SEC rules, important information regarding these non-GAAP financial measures is included in our earnings press release.

Finally, the Relocation business remains in discontinued operations for the first quarter and in Q1, we consolidated the Realogy Leads Group into the Realogy Franchise Group. Based upon developments in our litigation related to the Relocation business sale, the company may reassess segment classification in future periods.

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 for joining us this morning and I hope you and your loved ones are safe and healthy during this COVID crisis. With the onset of the COVID crisis, we moved quickly to ensure the health and safety of our affiliated agents, employees, franchisees and customers. We pivoted rapidly to virtually support housing transactions, frankly more than you may be expecting and we took quick actions to proactively position Realogy to navigate this crisis and emerge strong on the other side.

When I ended our Q4 call in February, I shared my excitement about the momentum we were building in late 2019 and early 2020. We delivered on that momentum with a very strong Q1, 8% volume growth and a $35 million increase in operating EBITDA. Every business segment, both expanded margins and improved its bottom line year-over-year. We continued our technology transformation and new growth initiatives like our Corcoran franchise expansion.

And while COVID has clearly eclipsed that momentum, our Q1 results delivery gives me confidence that we can emerge strong from this crisis and resume that momentum. Given the substantial uncertainty driven by COVID, we thought it would be most helpful to you to do this earnings call differently than our usual approach. While we are excited by our Q1, we will only briefly touch on it. You can refer to the press release for additional details. Instead, I will spend most of our time sharing what we are seeing in the April housing market, what we are doing to respond and how we are navigating this uncertain environment.

So I will now turn the call over to Charlotte to briefly discuss Q1 results.

Charlotte C. Simonelli

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

Thank you, Ryan. Good morning everyone. I also wish you and your families continued health and safety during this challenging time. Realogy had a strong first quarter of both operating and financial performance and delivered improvements across many of our financial metrics. We drove strong volume growth in the quarter and improved profitability across all of our business segments.

Q1 revenues were up $62 million year-over-year driven by 8% higher transaction volume across both franchise and brokerage. We grew volumes 13% in January, 11% in February and 3% in March with the first half up 12% before we started to see the impacts from COVID and the second half of March down 10%. We grew our owned brokerage agent count by 4% year-over-year in the first quarter, which represents four consecutive quarters of year-over-year agent growth. We also had better agent retention as the competitive environment remained more rational.

Operating EBITDA from continuing operations was $37 million, an increase of $35 million year-over-year. Operating EBITDA margin expanded 300 basis points in the quarter, marking the second quarter in a row of year-over-year improvement. More drops to the bottom line this quarter despite higher commission split. Realized cost savings in the quarter were driven predominantly by the actions we took late last year. We remain laser focused on driving simplification across our business.

We took quick action on additional savings in March in response to COVID, which Ryan will discuss in greater detail later in the call. We benefited from the low rate environment, which fueled substantial growth in our Title business and mortgage JV in the quarter. The GRA mortgage JV continued to contribute meaningfully to our business results, generating $9 million in operating EBITDA this quarter.

We exited the quarter with $628 million in cash and cash equivalents, inclusive of regulatory cash and the $400 million we proactively drew down on our revolver in March amid COVID. Our total net leverage ratio was 5.2 times and the senior secured leverage ratio was 3.06 times as of March 31, 2020.

I am incredibly proud of our start to the year and our Q1 results. We have delivered solid execution and operating improvements across the business. Given the uncertainty of COVID going forward, let me now turn the call back to Ryan to talk about what we are seeing in the market and what we are doing to respond.

Ryan M. Schneider

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

Thank you, Charlotte. [Technical Difficulty] (00:07:17) in our company to confront the threat from COVID, enabled by our technology transformation substantially all of our employees smoothly transitioned to remote working arrangements and are now supporting agents and franchisees in a virtual environment. Since we moved to a virtual environment, we've closed approximately 150,000 transactions from mid-March to the end of April. We're leveraging the technology investments we've been making over the last few years to support more tech-enabled virtual transaction execution.

We've delivered new technology and marketing product releases to support more virtual home sale transactions for agents and franchisees. And we have substantially ramped up utilization of our digital notarization and flash closing products to support our title and mortgage closings.

In parallel to the multiple agent and market basing actions, we made a number of rapid decisions to help Realogy navigate the COVID crisis at the corporate level and emerge strong on the other side. First, we moved very aggressively to implement crisis level cost savings through multiple people cost levers, marketing reductions, select investment deferrals and real estate actions. The cost savings actions we took in the last two weeks of March and throughout April are expected to lower our operating cost by $80 million to $100 million each full quarter they are in effect.

Second, we drew down $400 million in cash on our revolving credit line to ensure strong cash in hand liquidity and ended Q1 with $628 million in cash and cash equivalents. Third, we benefit from these business decisions we made before the crisis began, in particular we talked with you about how we are only focused on profitable growth even at the expense of market share. That choice should benefit us during this crisis, especially compared to those who have been making unprofitable choices, those trying unprofitable new business models or those trying to disrupt the industry with new capital intensive but unprofitable ideas. And we had already adjusted our capital allocation decisions well in advance of the downturn, including focusing on debt reduction, stopping share repurchases 15 months ago and not paying a dividend since August of 2019.

We implemented our cost and liquidity decisions early to ensure we were being aggressive in our response. The length and depth of this crisis will determine how long we will need to maintain many of those actions and whether even more actions are necessary.

Now let me pivot to what we are actually seeing in the residential real estate market based on our preliminary April data. Starting with closed transaction volume, comparing 2020 to 2019, first, we are seeing overall closed transaction volumes down about 20% to 25% in April. Specifically, our April closed transaction volume is down approximately 20% in franchise and approximately 25% in brokerage with the delta driven by the different geographic mix between those two businesses.

This is actually better than I thought it would be when the crisis began. Second, as you'd expect, there is significant geographic variation, using the data from our Brokerage business, New York City April closed volume is down about 30% and California, which went into lockdown earlier than New York City, closed volume is also down around 30%. Florida closed volume is down around 20% and there are a few states that are only down kind of low single digits in April closed volumes such as Texas, Minnesota and Georgia. And while the specific franchise volume numbers are not exactly the same, the relative Geographic performance is in the same ZIP Code as the Brokerage data. The worst three performing franchise geographies are New York, California and New Jersey.

More importantly, let's talk about what we're experiencing with new contracts to buy and sell a home, which we refer to as open transactions in April comparing 2020 to 2019. We are seeing April new open transaction volume down approximately 40% in Franchise and approximately 50% in Brokerage with the delta between the two businesses again, mostly driven by the geographic mix difference.

Second, the decline in new open transaction volume appears to have reached its peak decline in mid-April. The weekly data for mid-March and April showed the decline in open transaction volume growing every week in the second half of March and early April. But since the mid-April peak, this decline in open transaction volume, while still significant, has lessened over the second half of April. Finally, there are substantially fewer $1 million-plus homes coming onto the market and going under contract in April. This mix change is driving lower overall average price for April open transactions. We did not see this high-end price effect in the April closed transactions.

So fundamentally, the data we've seen in late March and April is probably better than I personally would have guessed heading into crisis, especially the mid April peaking we've observed in new open transaction volume declines. While we're excited to see the improvements since mid-April, we're not running away with our excitement because it's only a few weeks of trend that could obviously change. And, as I already told you, the decline in new open transaction volume in the second half of April is still significant.

So, let me now shift to what we're seeing on the consumer side. Consumers are clearly still engaged in housing and demand still seems to be out there, even if some of its pent up for a while, given the crisis. While both new listings and new contracts are down in April, consumer searches are actually up substantially on our websites and have been reported up on other public-facing housing websites.

Searches and viewings have shifted to more to single-family homes and you've all seen mobile articles about the increased interest in suburban living. While we are not sociologists, a shift to a more dispersed living could be an enduring change from COVID that would trigger us and contribute a substantial number of housing transactions.

Refinance volume is definitely up substantially and in the past week we've seen mortgage applications for home purchases start to trend up. And we have a huge number of stories of consumers interacting with agents and transacting in new creative ways to get deals done. Frankly, we're seeing anyone in the market now is serious about getting transaction done despite the crisis.

So overall kind of based on what we're seeing we believe there's going to be pent-up inventory and consumer demand post-COVID. Since housing is not a perishable good, we believe the listing and transaction volumes will improve in geographies as they reopen. We are seeing a bit of green shoots already in our weekly data from select geographies and there have been some public articles to that effect also. Now all of this will be subject to what happens with the macro, but those are the consumer trends that we're seeing in this crisis.

On the agent side, I've been excited by the agility agents and Realogy have demonstrated to continue to get deals done in a social distancing world. Agents are using technology, both Realogy technology and third-party technology more and in new ways to help customers buy and sell homes. We're seeing an adoption acceleration of our technology products. We're excited by rapid technology product enhancements we've deployed including virtual home tours, expanding virtual staging, new online marketing capabilities and increasing digital payment options.

We also like the creativity we're seeing from agents and employees to complete the last mile of real estate transactions using our remote notarization product for title, our flash close product for mortgage and operational changes like our title company doing drive through title and mortgage closings. And people are getting creative to take care of our most vulnerable customers. We've had people witness a transaction standing outside of a closed window for an immune-compromised customer. I'm proud of what our agents and employees are doing to help customers safely.

So, pulling way up, we're in one of the most uncertain economic environments in recent history. We're watching the data closely. We're making aggressive corporate decisions early and we're using substantial creativity in the housing market to support agents and customers. We're doing all this to set up Realogy to navigate this uncertain economic environment, both if the housing market comes back quicker as a few market watchers like NAR and Fannie Mae are predicting or if the recovery takes longer. We remain laser focused on moving quickly on the things in our control to ensure we weather this storm and emerge strong.

And at a higher level, one of the things I've learned from past crises is that there's often both a flight to scale businesses and to quality brands like ours. Crises also often expose unprofitable business models or unprofitable attempts of disruption, creating new opportunities for established players. So, we're working hard to be a beneficiary of both of those phenomena, especially given our demonstrative Q1 momentum. We look forward to navigating this crisis and to taking advantage of opportunities that will occur in our industry.

With that we will take your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question is from the line of Stephen Kim with Evercore ISI.

Stephen Kim
Analyst, Evercore ISI

Q

Yeah. Thanks a lot guys. A lot of super interesting information you gave there and tons of questions, which I'm sure a lot of my peers are going to ask. But first, I hope you all are doing well and it was good to hear that you started to see some improvement in the overall market. My first question relates to the strong margin performance in the quarter. You addressed the cost savings that you took in response to COVID in March and you quantified that I believe is $80 million to $100 million on a quarterly basis while in effect. So my question is can you be a little more specific about the permanence of these? Is any portion of that $80 million to $100 million permanent and does it include the – some portion of the $70 million to $90 million previous cost saves guide or are they completely independent?

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

A

Sure. Thanks. Yeah, so they are completely independent. And as far as what percent will remain, there is a piece of it that will definitely remain but the broader bits are around salary changes, furloughs, marketing changes, which would definitely vary with volume. So there's a piece of it that would remain. I would also like to point you to the fact that that's what we've already done. And clearly it's still relatively early in the year, so we're always working for additional cost actions that we may have more information to share with you at a later date. So a big piece of the $80 million to $100 million will vary with volume, does not include the previous $70 million to $90 million, which is separate from that, which is what you're mostly seeing in the Q1 results. And obviously we're always working on more cost actions. So that's how I would frame that.

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

A

And Stephen, it's Ryan. First off, you are the last person we got to see from this group. So, hope you are doing well. One of the things that we're also doing that as prospective as many companies are is how do you use this time of crisis frankly to reimagine work, right? We're finding a bunch of stuff, we're able to do either with more productive or lower cost or even higher employee satisfaction in a virtual environment and kind of the forced adoption is helping us accelerate some of that stuff.

And so, Charlotte, I think did it well, right, which is we had the cost stuff earlier, that is separate. We got this additional – a lot of which will depend on how the crisis evolve. But then there is going to be whatever happens on our reimagining work and I'm excited about that. And we don't have any numbers to share with you on that yet, but knowing that we're one of many companies taking on that challenge and can see some different things already I find exciting and want to share with you.

Stephen Kim
Analyst, Evercore ISI

Q

Yeah, that's very encouraging. Just pressing a little bit more on the cost saves, that was very helpful, but can you give us a sense for of those $70 million-$90 million program – $70 million to $90 million cost save program you had previously outlined, how much of that fell roughly in 1Q? What was the allocation between Brokerage and

Franchise? And then lastly, just a housekeeping, can you remind me what the big buckets of your costs are the way you look at them? I'm thinking specifically to things that might be addressed by that virtual environment changing things that you just mentioned?

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

A

Sure. Sure. Absolutely. So, it's relatively straight lined that the $70 million to $90 million. So, it was slightly higher in the first quarter, so slightly more than a quarter's worth of that but it's relatively straight lined. As far as the bits of Brokerage versus Franchise, it was predominantly on the Brokerage side, but you would also see some in Franchise and in corporate. So I would think it be heavier on Brokerage but then bits in Franchise and corporate as well. And – I'm sorry what was the last piece of that?

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

A

Big cost bucket.

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

A

Big cost, big cost buckets, yeah.

Stephen Kim
Analyst, Evercore ISI

Q

I was asking about...

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

A

Yeah.

Stephen Kim
Analyst, Evercore ISI

Q

Yeah.

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

A

Yeah, so it's predominantly two things which is workforce optimization and office footprint optimization. So those – it's basically people cost and the cost associated with our facilities, so that was last year's program.

Stephen Kim
Analyst, Evercore ISI

Q

Thanks very much.

Operator: Your next question is from the line of Chris Gamaitoni with Compass Point.

Chris Gamaitoni
Analyst, Compass Point Research & Trading LLC

Q

Good morning. Thanks for taking my call.

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

Good morning.

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

Good morning.

Chris Gamaitoni
Analyst, Compass Point Research & Trading LLC
Q

Good morning. So I wanted to – if you had any update on – given the additional cost announcements you had and the survey issue, if you had thoughts on your leverage ratio throughout the year based off what you're seeing on transaction volume, is there any concern, are you confident that you're fine from the senior secured debt level?

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

Yeah. So first and foremost, obviously, we are in compliance with the senior secured leverage ratio. Clearly, we have modeled many different scenarios. And so we did move quickly to take our cost actions as expeditiously as possible but there are additional cost actions we would take if the volume was to go in a different direction. So we have many, many scenarios we've played out both on the volume side but also on the cost reduction side. And yeah, we are in compliance today.

Chris Gamaitoni
Analyst, Compass Point Research & Trading LLC
Q

All right. That's great. And then on the virtual touring, you've mentioned your application, are most of your Brokerage and Franchise agents using something that you're offering, are they using third-party offerings? I'm trying to understand if this is accelerating more into your ecosystem helping kind of broad-based virtualization?

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

Yeah, so a great question, Chris. A two-part answer. So, as I said in the script, the adoption of our tech product by our agent base has absolutely accelerated. And we're real excited about that and there's a lot of different pieces obviously to that. But, I would actually say – but I think they're just using – I know for sure they're not just using our product out there and I'm fine with that because I'm an open architecture guy. I want to enable them to use whatever.

And so for virtual tours, I mean people are using Matterport and stream and people will have just – have agents doing stuff with FaceTime, and stuff, I mean there is – and so I'm good with all of that. But we are gaining more of our adoption, which we think will help us in the longer term, and then we want to be here and support them with other good products they've got that they want to use and make it easy to integrate those in our ecosystem with APIs.

So we are seeing more adoption of our stuff, but I love the creativity our agents are using, whatever is working for them and their customer and we're going to continue to try to support an open architecture more than require our technology, but we like the increased adoption of our technology during this time, which we absolutely have seen.

Chris Gamaitoni
Analyst, Compass Point Research & Trading LLC

Q

That's great. And just one quick housekeeping, on the $80 million to $100 million, is that inclusive of a reduction in the marketing fund, the pass-through expense?

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

A

Yes, it is. That's a small piece of it, to be honest, but yes.

Chris Gamaitoni
Analyst, Compass Point Research & Trading LLC

Q

Okay. Thank you. Thank you so much.

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

A

Sure.

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

Matthew Bouley
Analyst, Barclays Capital, Inc.

Q

Hey, good morning. Hope everyone is doing well. Thanks for all the detail today. I wanted to ask back on the cost savings side sort of beyond the near-term, I guess, austerity measures. Is there any opportunity to accelerate any of the original cost savings plans that are obviously meant to be a little more permanent accelerating footprint rationalization and things like that?

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

A

Absolutely. So I think, Ryan tried to mention it on the first question that we got from Stephen, but we are certainly taking advantage of what we'll call a bit of a cultural shift to people being much more willing to work virtually. So I think there's a lot of side benefits to that, cost is certainly one of them. Employee satisfaction, as Ryan mentioned, is certainly another one. So I think there's a lot of really interesting things that we're evaluating with regard to just how we work and what office footprint we actually need. So absolutely that's definitely – it's not included in the $80 million to $100 million that we mentioned and there certainly is an opportunity to advance [ph] perhaps (00:26:44).

Matthew Bouley
Analyst, Barclays Capital, Inc.

Q

Okay. Understood. And then on the competitive environment sort of in the midst of all of this, I mean I guess and you guys showed continued strong progress there. So I guess, over the past six weeks or so, what have you seen with sort of your own recruitment and retention, ability to proceed through all of this and then how have you seen the competition acting through this as well? Thank you.

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

Yeah, so let me start with Q1. Q1 was definitely a more rational competitive environment just like Q4 was, especially if you compare to Q2 and Q3 last year. And we showed up in our numbers, Charlotte mentioned, we had strong agent growth gain in Q1, our retention in Q1 was better. So we really liked our Q1 and we like the competitive environment there.

The last six weeks, it's been a little bit harder bluntly to read because – both because we don't actually have the April data yet for what happened through the whole month of April on the recruiting side when we look across the ecosystem. On our side, there's been some slowdown because we've transitioned – people frankly is in a crisis management during that time when getting to health and safety of our employees and agents was a lot more important than getting the incremental recruit kind of thing. But we continue to do it and we continue to focus our managers on it. And I just don't have enough data to give you like a different competitive environment yet for April.

But, we're still focused on it but as we've all had, there's been this kind of big distraction during the time that has taken away a little bit from that, which is why in script I talked through truthfully, I loved our Q1 momentum. If you think about, we made more money in 2020 in Q1 than we did in 2019, even with all the disruption and pressures between now and then, love the momentum but COVID kind of is – kind of eclipsed that. I think we can get it back, obviously, I believe that. But, I think telling you more about COVID is the important thing right now.

We have kept going on with other things that have also driven growth by the Franchise side. We did – we've now got multiple kind of [indiscernible] (00:29:05) companies out there that are building that Franchise brand, all of that happened in Q1. So, we're still focused on that kind of stuff, too early to say about April. And obviously, a big [indiscernible] (00:29:18) we all got, but we like the Q1 momentum and hope we can continue it in the competitive recruiting, retention question that you asked.

Matthew Bouley
Analyst, Barclays Capital, Inc.
Q

Got it. Thanks for all the details.

Operator: Your next question is from the line of Ryan McKeveny with Zelman & Associates.

Ryan McKeveny
Analyst, Zelman & Associates
Q

Hi. Thank you so much. And I also hope you guys are continuing to do well and thank you so much for all the detail. I think the commentary on April, the closings and particularly the new contracts was very helpful and it actually aligns really closely with a lot of the survey work we've done lately. So all things considered in this period, definitely good to see the less negative trends flowing in your business as well.

So a question on kind of the franchisee and agents side of things. So a month ago you put out some of the efforts you're doing to help franchisees from a cash flow and financial perspective. I guess, first question is just how is the reception of that been and generally speaking, how are you feeling about the franchise base kind of fighting through and making it through this period?

And then on the agent side of things, I think the number you cited in there, in the release was 4% growth brokerage, which is very solid. What are you seeing even past quarter, if you can't say into April? Is the dynamic around agent count changing? How are those agents kind of staying involved in this work-from-home environment, are you seeing any movements even since quarter-end?

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

A

Yeah. So let me start with your second question, like my earlier answer, I don't have all the data on April from kind of any sort of an industry standpoint. Again, for us we saw a little less momentum in April in part because of how focused we were on both pivoting into the virtual environment, the health and safety stuff and just supporting agents doing transactions more virtually. So maybe a little less time for recruiting but I think we're kind of getting back to that as we get to this semi new normal that maybe we're in right now. But it's a huge focus for us and it's going to remain a focus for us.

On the franchisee side, we think we're entering the crisis with a bit of a healthier franchise system than in the last crisis, frankly. And we've been really pleased with what we've seen from our franchisees in the last month. Important topic, we got to watch it closely and work with them, but we were proactive, trying to provide some relief. I think that was well-received.

The franchise consolidation we've been telling you about for the last few years where a bunch of our stronger franchisees have been absorbing the weaker ones, I think helps with the health of the ecosystem there. And then, we have great franchisees. And I think all of them learned the lesson from the 2008 downturn and they have been very proactive in the last six weeks around their cost base. I've seen it firsthand talking to them and I think that's a good thing.

And then finally, you shouldn't underestimate this, the unprecedented levels of fiscal and government assistance available here is a real thing. And it's available for both franchisees and agents, right? And I don't think you can overestimate how helpful that is at this time. And we've been excited about our franchisees' engagements take advantage of those programs. As part of our value proposition, we've actually been running webinars for both – for franchisees around, taking advantage of the CARES Act, PPP program and EIDL. And we're really excited by and we have literally thousands of franchisees drawing those kind of webinars to listen to what has been some of our experts from outside of our company had to say on those.

And then, we've also been trying to do the same on agents. We went out and partnered with a small business focused lender who was willing to do kind of a dedicated process and landing page for real estate agents as independent contractors to help them apply for some of this government assistance, if appropriate, which is a pretty specialized category with a lot of complexity, but they great kind of helping agents were through that stuff.

So look, it's a crazy time for, I think, all companies. But I think our franchisees' system is healthier than it was going into the last crisis for the reasons I just said. I like the proactive actions they're doing and we're going to continue to do what we can obviously to help them and support them through this crisis.

Ryan McKeveny
Analyst, Zelman & Associates

Q

That's very helpful. Thank you, Ryan. And one other question, so some of the strategic initiatives that you put out there over the last year or two whether it's Social Ad Engine with Facebook or RealVitalize, RealSure, TurnKey, can you just give us an update on kind of where each of these programs sit as far as kind of being active versus maybe being paused and then – especially on the kind of online side of other through the Facebook partnership or TurnKey, et cetera. Are you seeing this period of stay-at-home pull through into more engagement from agents with those programs, more engagements from consumer towards those programs, any update there would be helpful? Thank you.

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

A

Sure. Yeah, let me just kind of give you a laundry list here and try to hit a bunch of them. So we've, actually on some of the things you talked about, been pushing faster. So Social Ad Engine with Facebook, for example, we did an earlier release than we planned because of COVID to introduce some new capabilities to help agents even more with some of their online marketing we were really excited about that.

We went ahead and actually did do a soft launch of the AARP program. We didn't spend some of the big marketing dollars we were planning because of COVID, but we went ahead and did a soft launch and we've actually already closed some transactions from that less than about six weeks later. So we're really excited about that.

And Realogy Military Rewards continues to push forward with a lot of traction and that's doing really well. A couple of things that have changed. One is you mentioned RealSure, which is kind of an iBuying partnership we had with a slightly different model we use Home Partners of America for the capital and the source of that, we have paused that because it just didn't seem like the right thing for either of us when we kind of went in to COVID here.

And then the TurnKey program, the value proposition of the TurnKey program, which – we've piloted with Amazon in 15 cities, the value proposition of that is all built around in-home services an in-home installation. And so we together kind of made the joint decision that we were going to suspend that because we think it's helping people a smart home products at their home services that require people being in someone's home just doesn't work in a COVID kind of social distancing world. So we really like the TurnKey pilot program, but we ran into this thing that really just cut the core proposition kind off at the pass.

And we and Amazon, we had a decision point on the next phase of what we were going to do that was in April, and in a COVID world, bluntly it didn't make much sense to continue that pilot. So, we're going to keep being creative on lead generation opportunities like AARP et cetera, but you're not going to hear that much from us about TurnKey giving COVID because of the way it's kind of eviscerated the value proposition that the thing was built on.

Ryan McKeveny
Analyst, Zelman & Associates

Q

Got it. Thank you.

Operator: Your next question is from the line of Tommy McJoynt with KBW.

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

Q

Hey, good morning guys. I just wanted to ask about the outlook for splits. Just given that volumes are going to be coming down pretty significantly year-over-year that should theoretically push things down a bit on the commission table. So could you guys kind of give us a way to think about that going forward?

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

A

Yeah. It's really too early to say. What I can tell you is in the first couple of weeks of living in COVID, it actually is the opposite because what's happening is a higher percentage of the transactions are coming from the agents that actually are higher up on the split table. So it really comes down to two things, which agents are actually closing the transactions and in which geography. So there is a mix piece to do with split that way as well. So because it's hard to say which geographies are going to come back sooner and how quickly and how fast and how strong and which agents are going to be the ones doing the transaction, it would just be – it would be premature for us to give you any bit of an outlook on that.

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

Q

Okay. No problem. And you also mentioned I think the $1 million listings or $1 million plus listings are down sharper than the market. Was that temporary occurrence that you saw in that it's kind of normalized now or is that still the case?

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

A

Yeah, good question, Tommy. So that's what we saw in April and it's only with kind of new listings and new contracts. If you think about the market dynamics I tried to give you – and look, I tried to give you guys a lot more detail on we are actually seeing in a given month, which we usually wouldn't do both because our April data is still primary a little bit but also because we just don't do that much on a monthly but we're in this crazy crisis and I think it helpful for you to know.

The $1 million houses that were under contract in March, they went ahead and closed in April. That happened – that's – there was no change there. But when you look at the new inventory that came onto the market in late March and April and the houses that closed, there were just fewer $1 million-plus ones. It doesn't mean there were zero, but there were just less. And so – and by the way inventory is pretty low going into this crisis. You would be amazed at how quickly houses are selling right now even in the midst of this crisis because you do have serious buyers and serious sellers and you just have less inventory obviously with COVID.

But the inventory that is out there definitely has less $1 million-plus. And so when we see average home prices fall in April, it's a mix change as far as we can tell from this $1 million effect, it's not that every home is being sold for x percent less, it's that the mix of homes just sold in April just don't have as much at the high-end as they do in most months. And we can all guess as to why there's fewer $1 million homes being put on as listings but we're – we saw that dynamic in April and that's what's happening.

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

Q

Yeah. That's great. Thanks for clarifying that.

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

A

Yeah.

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

Q

That's all for now. Thanks, guys.

Operator: Your final question is from the line of Jack Micenko with SIG.

Jack Micenko
Analyst, Susquehanna International Group, LLP

Q

Hi. Good morning, everybody. Thanks for fitting me in. Wanted to come back to the splits questioning again in maybe a different way. The increase – it looks like you're stabilizing your market share, that's great. The split number was higher than we thought and higher than trend line, certainly better agents do more deals in tough times and they are better agents for a reason and so their splits are higher. How much I guess of what we saw this quarter and the uptick above trend is competition versus that agent mix would you say?

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

A

So it's not really driven by competition. There is – it's truly driven by the agent mix that is the single biggest driver. There is always a piece of geography in there. There is a little bit of the loss of USAA, so there is some small little nits that are in the numbers that will plague us for the next couple of quarters as well. But the biggest single driver was actually the agent mix.

Jack Micenko
Analyst, Susquehanna International Group, LLP

Q

Okay. Okay. And then really good April data. Thank you for that. I think, Ryan, you talked about website traffic up, but I don't know if you put any specific numbers around that. I think the debate in the market is obviously what – how much of the demand is now deferred versus destroyed, if you will? Can you give us some numbers on what – is the web traffic basically up enough to offset the decline in actual activity as people are kind of waiting around, keeping an eye on what's available, so that when the world opens up again, they're back in it? Or could you talk maybe about what the increase maybe in virtual touring has been in April and early May, kind of frame out the rest of that that sort of view that maybe things aren't as bad as everybody had feared as a lot of these buyers that are out there, they're just delayed, not lost.

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

A

Yeah. Look, unlike a lot of stuff, housing, I don't think is a perishable good. So obviously, there's a real potential, there's a lot of pent-up demand. We have all kinds of different websites the top of my list here is the one number that I actually remember well enough that I'm willing to share with you. One of our kind of premium brand kind of websites, traffic's up by 35%, right? And does that balance out the 20% to 25% down in April or 40% down in transaction open ones? I mean you guys can judge that.

Things like virtual tours and stuff, they've taken off dramatically, but that's more because in many geographies that's kind of the best way to see a house both from a safety standpoint, and in some cases, from kind of a local restriction standpoint, right? Remember, real estate is actually classified almost everywhere as an essential service kind of on par with banking. And we were excited to see that at the federal level and at most of the state levels but we don't have – we're still being incredibly focused on the safety of the customers and agents and franchisees.

And so all the virtual stuff is taking off dramatically, so percentage changes in that really isn't that helpful here, even the website thing, I don't think is that helpful but since you asked, I figured I just share it with you. But anybody who's putting their house on the market or is out looking for a house right now is a very serious buyer, it's probably the first thing you should know and that our agents and franchisees are telling us, right? And nobody's messing around, nobody's just doing this for fun or because they're interested in it. If you're putting a house on the market or if you're out there actually wanting to buy a house you're very serious. We're seeing those transactions get done at the volumes, I told you about, which again we're probably better than I might have thought going into this thing.

And then we look at the website traffic and we look at some of the green shoots in geographies that have handled the crisis pretty well from a public health standpoint. When you see the public articles too about it and we can all judge of how much of that's going to come back quickly versus long-term. But look we're modeling both a kind of V-shaped bounce back for housing, which is what the NARs and Fannie Maes are forecasting. I think Zillow's Chief Economist just came out and said the same kind of thing. But we're also modeling longer scenarios and being proactive on our actions both to support transactions with agents and stuff but also what we need to do to steer the company from a cost, leverage, et cetera standpoint to try to navigate this thing.

Jack Micenko Q
Analyst, Susquehanna International Group, LLP

Yeah. And just to follow up on that, there's been a lot made about listing cadence and listings coming off the market, compared, I don't know maybe early May versus early March, where are you on listings and how – I guess, what are you hearing from the field around sort of the rebound of those listing being quote? Are they temporary and how that look, as we look into inventory sort of into the summer?

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

Yeah. Listings are pretty close to the same ZIP Code as the open transaction volume I gave you in terms of what's been happening with listings. That said, again, as I referenced, when you look at sub-geographies, you are starting to see listings growth come back stronger and some of the geographies that have handled the COVID crisis better. There have been some public articles about green shoots in the Seattles and San Franciscos of the world et cetera. And then there's a bunch of optimism, obviously, for people who do believe that it is – that there is pent-up demand.

And a lot of houses when they do come onto the market in this time are moving incredibly quick. Some of that was the low inventory coming in, obviously now even a lot less inventory. And there's a lot of that's anecdotal still but, there's enthusiasm on that. But, if you're in the real estate business, you want to be enthusiastic about real estate, which is why we always just try to look at the data of what we actually know and can prove. And in this case, on this call, decided to share a lot more specifics of what we're seeing here.

Jack Micenko Q
Analyst, Susquehanna International Group, LLP

All right. Thanks for taking my questions.

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

Thanks.

Operator: This concludes today's conference.

Ryan M. Schneider

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

All right. Thank you, everybody. Stay healthy. We'll close the call now.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.