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PRESENTATION

Operator

Good morning and welcome to the Realogy Holdings Corporation third-quarter 2016 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 Realogy's Senior Vice President, Alicia Swift. Please go ahead, Alicia.

Alicia Swift - *Realogy Holdings Corp. - SVP of IR*

Thank you, Christy. Good morning and welcome to the Realogy's third-quarter 2016 earnings conference call. On the call with me today are Realogy's Chairman, CEO and President, Richard Smith, and Chief Financial Officer, Tony Hull.

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 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. Actual results may differ materially from those expressed or implied in the forward-looking statement.

For those who listen to the rebroadcast of this presentation, we remind you that the remarks made herein are as of today, November 4, 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. Now I will turn the call over to our Chairman, CEO and President, Richard Smith.

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Thank you, Alicia, and good morning, everyone. Let me begin by speaking to the macro environment and the general trends in existing home sales that we have seen during 2016, in particular as it relates to our company-owned brokerage business. Then I will conclude with a discussion of our key strategic priorities and the progress we have made against them.

As we look at the US housing market we are seeing a tale of two markets with the dividing line being drawn between the entry and move up price segments and the high-end markets. At the entry and move up price segments it continues to be a seller's market while the high end remains a buyer's market.

Demand in entry and move up levels is healthy; however national inventory is at a low 4.5 month supply and total inventory has fallen year over year for 16 consecutive months. This helps explain much of why overall average home sale price continues to rise at a faster pace than home sale transactions.

Existing home sales in the higher price markets across the country are quite different. Inventory levels, which frequently are greater in average priced homes -- than in average priced homes are now in some cases being reported in years not months. This oversupply has put added pressure on the high end of the markets.

In our view the mainstream housing market seems relatively healthy and our franchise operation, RFG, is performing in a manner consistent with the national housing market trends.

Slide 4, as a reminder, is a map of the footprint of our franchised and company-owned offices in the United States. Our franchise affiliates and company-owned offices do business under one or more of our brands in all 50 states.

Turning to slide 5, you will see that NRT's operations are concentrated on the coasts and in the higher-priced major metropolitan markets across the country. Long-term these are highly desirable housing markets. By design NRT is focused on the largest, higher-priced and, by historic standards, the strongest housing markets in the United States. On a combined basis NRT's largest operations, the New York City metropolitan region, California and Florida, represent 60% of total NRT revenues.

As we discussed on our second-quarter call, NRT has been facing two significant operating challenges: strong competition for our top producing agents and soft demand at the high end of the housing market. Again as we expected, those challenges continued to influence NRT's performance in the third quarter.

We made a number of changes in NRT during the third quarter, including the creation of new executive roles created to focus on growth, maximize the efficiency of its operations, and to provide enhanced value and service levels for its agents and consumers.

We created the position of Chief Strategy & Operating Officer for NRT to assist CEO Bruce Zipf in executing its new growth and efficiency initiatives. We appointed Ryan Gorman, a 12-year veteran of Realogy to the role. Ryan played an integral part in the acquisition of ZipRealty and NRT's recent adjacent growth initiative into property management, which under Ryan's leadership has grown to over 26,000 single-family homes under management.

The major focus for NRT is to more rapidly grow its independent sales associate base as well as increase the productivity and retention of existing sales associates. With that in mind NRT created the role of Chief Recruiting Officer in the third quarter appointing Peter Sobeck who most recently served as the Chief Operating Officer for our Citi Habitats subsidiary in New York City.

Peter is working with field leadership to organize and execute an aggressive campaign to increase our recruitment of top producing independent sales agents and their agent teams, and to enhance NRT's existing agent retention and productivity programs.

We expect the impact of these initiatives to be realized over the next year. Although early, recent operating metrics are showing encouraging signs of improvement, specifically the stabilization of first and second quartile agent retention rates and overall net agent attrition.

We expect near-term moderate pressure on margins from our various initiatives to improve NRT's performance which we anticipate will be more than offset by revenue and profit gains for NRT and the Realogy business units that benefit from NRT's volume.

NRT also continues to invest in its agent value proposition and recently promoted a seasoned operating executive, Monty Smith, to the new role of President of Company Generated Business. The position is responsible for all activities that produce Company generated leads, which accounted for approximately 10% of NRT's closed business including leads from relocation and Internet lead service centers as well as NRT's ZipRealty operations.

As a reminder, a Company generated lead that results in a closed transaction has higher margin characteristics than agent generated business. Company generated leads are highly valued by agents and are an important part of our agent value proposition.

On the M&A front, this past quarter NRT acquired Climb Real Estate, an independent brokerage that ranks in the top 10 in San Francisco by both transaction sides and sales volume. Climb is a distinctive and innovative brand in the San Francisco marketplace and will retain its brand and unique operating culture under the leadership of its founder and CEO, Chris Lim.

Climb's solid positioning in the millennial market is expected to have broad influence over our NRT operations. We are excited about the prospects of this very forward thinking business model.

At the Realogy Franchise Group, RFG, we believe our strategic investment in the ZAP technology platform continues to position us to better serve the needs of our franchisees and their affiliated agents. Through the first three quarters of 2016 over 1,200 franchisees are now live on the ZAP platform and by year end we expect to have 1,500 of our 2,600 franchisees live on ZAP, along with 20,000 active agent users.

Our focus is to increase franchisees and agent adoption and utilization to maximize the benefits of the technology. We are encouraged by the early indications of productivity gains for agents actively using the ZAP platform.

On the franchise sales front, RFG added $107 million in new franchisee and sales production gross commission income, called GCI, in the third quarter. This brings its year-to-date total to approximately $300 million in new GCI, an increase of 28% compared to the prior year. This trend continues demonstrate the value that independent brokers see in affiliating with our brands.

In our efforts to continue building the strength and depth of our senior management ranks we appointed global franchising and branding veteran John Peyton to the newly created role of President and Chief Operating Officer for RFG.

John brings extensive experience with world-class brands, including his 17-year tenure with Starwood Hotels and Resorts worldwide, serving most recently as the Company's Senior Vice President of Brands and Shared Services. Reporting to RFG CEO, Alex Perriello, John's focus will be on accelerating the growth of our franchise brands.

At Title Resource Group, TRG, we continue to make strategic investments in new and existing markets. In September TRG expanded its operating footprint in the Western region with the acquisition of TitleOne Corporation, a leading title and escrow services company with 13 offices and more than 200 employees. TRG now operates in 48 states and is licensed to provide title and closing services in all 50 states.

During the third quarter we made substantial progress on our key long-term goals. As discussed on prior calls, we continue to focus on our three primary drivers this year: enhancing our value proposition and service levels across all segments of our business; maximizing our operational efficiency; and returning capital to our shareholders.

To that end we added new talent and created senior roles focused on growth. As these measures begin to take effect we believe we have positioned ourselves to improve the performance of the business and enhance shareholder value.

During the quarter we have continued to execute on our commitment to reduce costs and increase operational efficiency. Through an ongoing strategic realignment of resources across all Realogy units, we are beginning to realize tangible improvements in process efficiencies and service levels. We expect to realize over $30 million in savings in 2016 versus the prior year and we are on track to reach an annualized run rate savings of $60 million in 2017.

We have made progress in returning capital to shareholders during this past quarter. We repurchased 2.48 million shares of common stock in the open market at a weighted average market price of $27 per share for a total of approximately $67 million. Year-to-date we have repurchased and retired 4.5 million shares of common stock for $134 million. Our intent is to continue returning capital to our shareholders principally through our $275 million stock repurchase authorization.

We also initiated a quarterly cash dividend which returned $13 million to shareholders in August. On a year-to-date basis the dividend and repurchased shares have returned approximately $147 million to our shareholders.

In summary, we are making good progress improving the operating issues we believe will have the greatest impact on the future profitability of the Company, with the strongest emphasis being on NRT. And we remain laser focused on our long-term strategic objectives addressing our competitive challenges, optimizing and streamlining our business, deleveraging the balance sheet and returning capital to our shareholders.

Over the long-term we maintain a very positive view of the housing market and we believe that, even in this tale of two markets, that housing recovery will continue. As we have indicated on prior calls, the recovery will be uneven and at times may even pause, but long-term the demographics and characteristics of housing are compelling.

The industry continues to benefit from attractive mortgage rates and strong demand at the entry and move up segments. We are confident that if we continue to successfully execute our strategy we will be well positioned to capitalize on the strength of the housing market. So with that I will turn the call over to Tony for our financial results. Tony?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

Thanks, Richard. Let's go through our key financial metrics for Q3 starting on slide 6. Revenue for the quarter was $1.64 billion, down 1% compared with the same period in 2015. Operating EBITDA was $275 million (sic - see slide 6, $279 million), a 5% from the prior year. As a reminder, operating EBITDA is EBITDA before restructuring costs, early extinguishment of debt and former parent legacy items.

Adjusted basic earnings per share was $0.75. For the nine months ended September 30, 2016 adjusted basic earnings per share has increased 10% compared to the same period in 2015 from $1.24 to $1.37 per share.

Book interest expense for the quarter before the impact of the mark-to-market adjustment from our interest rate swaps was $42 million, a $12 million decline, compared to $54 million on the same basis in the third quarter of 2015. Before that adjustment book interest decreased $33 million from the third quarter of last year. As of September 30 our net debt leverage ratio was 3.8 times.

Turning to slide 7, key revenue drivers. Our overall home sale transaction volume growth was approximately 2% year over year, which was within the guidance range of 1% to 4% that we provided in August. RFG's transaction volume increased 4% with 1 percentage point coming from higher transaction sides and 3 points coming from greater average sales price.

NRT's transaction volume decreased 3% in the quarter compared to the same period last year as transaction sides declined 4% and average sales price increased 1% to $486,000. Average broker commission rate at RFG and NRT both decreased 2 basis points during the quarter. We expect the commission rate to be flat in 2016 to prior year levels.

Net effective royalty rate at RFG for the quarter and year-to-date was 4.5%. For full-year 2016 we expected to be flat to prior year levels.

NRT commission split increased 30 basis points on a year-to-date basis. For the full year we currently expect commission splits to be in the range of 35 to 40 basis points above prior year levels.

At NRT from a regional perspective Northeast total sales volume grew 3% compared to Q3 2015. The Midwest was up 2% but the West and South were down 6% and 10% respectively. Across NRT's key markets the continuation of the impact of competitive pressures coupled with the dynamics of a buyer's market at the high end resulted in transaction sides being down year-over-year ranging from decreases of 1% in the Northeast and 2% in the Midwest to 7% declines in the South and West. Average sales price was up in each region except for the South.

Across all of the MLSs in which NRT operates inventory levels for list prices below $2.5 million are at 3.7 months supply, whereas above the $2.5 million threshold there is 19 months of inventory in those same markets.

Now I will move on to more specifics of our Q3 financial results on slide 8 starting with NRT. NRT revenue decreased 3% or $36 million in the latest quarter compared to the same period last year. The decline was partially due to the continued soft demand in NRT's high end markets as well as the cumulative impact of market share attrition we discussed in the second quarter. NRT operating EBITDA decreased $16 million as a result of reduced revenue partially offset by lower commission expense of $21 million.

At RFG revenue increased $1 million and was driven by domestic franchise volume increases of $5 million offset primarily by decreases in NRT intercompany royalty revenue. RFG's operating EBITDA increased $2 million.

Cartus operating EBITDA decreased $6 million due to revenue decreasing $8 million. The Cartus revenue decline was related to lower referral revenue due to smaller input from broker-to-broker volume and as well as a decrease in international revenue.

TRG's operating EBITDA increased $4 million due to the higher purchase and refinance volume as well as the inclusion of the results from its acquisition of TitleOne.

Turning to slide 9. For the full year we expect total transaction volume to increase between 3% and 4%. RFG's transaction volumes are expected to increase 5% to 6%. And NRT transaction volume is expected to range from down 1% to flat for the year. As a result, for the full year 2016 we expect revenue to range from approximately $5.775 billion to $5.85 billion. Operating EBITDA for the year is forecast to be between $750 million and $770 million. And that yields approximately $425 million to $450 million of free cash flow for the year.

We modestly reduced the low end and narrowed the range for operating EBITDA and free cash flow for 2016 based on the results of the third quarter and current trends of open and closed transactions of NRT.

Slide 10 provides guidance for specific cash flow items below operating EBITDA; in particular corporate cash interest for the year is expected to be approximately $170 million. This is down 27% from last year.

Before closing I think it is important to clarify the economic relationship between RFG and NRT and highlight the latter's contribution to Realogy as a whole. As its largest franchisee, this is on slide 11; NRT generates significant revenue and EBITDA for RFG through royalty and, to a lesser degree, the marketing fees it pays just like RFG's unaffiliated franchisees.

On slide 11 we show our 2015 results in two ways. The left-hand column shows reported operating EBITDA. In that regard our segment reporting reflects that in 2015 RFG generated $495 million of operating EBITDA compared to $204 million at NRT.

Going across we break out the intercompany royalty and marketing that NRT paid to RFG as its largest franchisee. By the way, these intercompany payments between NRT and RFG are eliminated in the corporate and other line item in the revenue section of our segment reporting. You can see that for the full-year 2015 that combined amount was $295 billion.

When you restore these intercompany amounts back to NRT it illustrates that NRT generated $499 million in total EBITDA or approximately 60% of Realogy's operating EBITDA in 2015.

Finally, we have experience in managing the business throughout a wide range of operating environments and remain focused on our key strategic priorities. Overall we are encouraged with the progress we are making to address competitive pressures in executing on our business optimization initiatives.

And of course we will continue to be thoughtful about deploying our free cash flow with a balanced approach to delevering, acquisitions and returning capital to shareholders. With that we will open the line up for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Brad Burke, Goldman Sachs.

Brad Burke - *Goldman Sachs - Analyst*

Wanted to touch on the profitability of the NRT business. I assume that the year-over-year reduction is a result of some of the investments that you are making. Are you able to give any sort of guidance on when we ought to expect those to be completed? And is it reasonable to think that we will see the NRT business return to the historical level of profitability that was seen over the last few years?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

I guess two parts of that. For the quarter anyway most of the decline in EBITDA was a direct result of the lower revenue. The expense items, whether investment or acquisition related, or just sort of normal inflationary, were offset by some of the cost deficiencies that we have put in place and realized in that quarter.

But to your point, going forward we -- as we stated last quarter, we reiterated today. We expect the initiatives that we are putting in will impact margins adversely but pretty modestly. But we think the gain in revenue at NRT from those investments will yield a higher absolute level of EBITDA not only at NRT but throughout Realogy because of the intercompany royalty paid to RFG.

Brad Burke - *Goldman Sachs - Analyst*

Okay. And I guess somewhat related to that, I am interested in terms of what you are seeing for rebates being offered to home buyers and whether you have seen any meaningful change and rebate levels over the last couple of years.

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

This is Richard. No, we've seen no noticeable trend and that is not our business model, as you know. The bigger issue is the price gap between the seller's needs and the buyer's wants and that is price discovery. So we don't see that as a rebate issue, we see that as negotiating value. So that clearly is occurring in most markets today, particularly at the very high end of the market.

Brad Burke - *Goldman Sachs - Analyst*

Okay, thank you.

Operator

Ryan McKeveny, Zelman & Associates.

Ryan McKeveny - *Zelman & Associates - Analyst*

One question on the strategy around NRT, any thoughts on just whether there is some decentralization or additional flexibility given to the local managers regarding your changes around commission splits and recruiting and trying to ramp that up? Any thoughts around that? Is that a bit of decentralization from the prior strategy or any thoughts around that?

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

No, I think it is empowering field management with higher level oversight than ways we have done in the past. But fundamentally it is we are more competitive than we have been in the past. We held splits, as you well know, to a very high level to the agent and to the Company. It was a mix that we thought was appropriate under the circumstances.

That made us not competitive in a number of market so we have changed that and that is built into our margins. We expect both field level management and the oversight to be more aggressive than they have been in the past. And as we indicated in our script, we are starting to see the benefits of that. It is a slow process; it is not going to happen overnight. We called it out in the second quarter. It will diminish over time as we become more competitive.

Ryan McKeveny - *Zelman & Associates - Analyst*

Got it. One on the acquisition side of things. With Climb in San Francisco, you mentioned you kept that brand in place. I guess is that a unique situation because of their uniqueness within that market?

Or is there something from a branding perspective that with some of these local independents maybe they just have more strength [than] the consumer at the local level than going in with the larger national brands? And with acquisitions in the future, if you would consider similar things of keeping the existing brand in place within NRT?

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

That is a great question. As you know, we have a track record of managing private label brands, Corcoran in New York City, Citi Habitats in New York City, those are two great examples. We see this as an opportunity to manage and own a very attractive brand in a key market in the US that has created its own following, its own sense of purpose and it is a strong and compelling brand in that market.

And we like it; we think it is very innovative, it's got a particular appeal to the millennial -- emerging millennial buyer. And we expect that that brand can be extended into other markets. So it is yet again another brand that we think is very attractive for a variety of reasons.

Operator

Anthony Paolone, JPMorgan.

Anthony Paolone - *JPMorgan - Analyst*

I think you mentioned in your commentary NRT effectively being your largest franchisee. Have you considered or can you talk to the merits of just the notion of maybe splitting those businesses over time, is that something that is doable?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

We consistently look at ways to maximize shareholder value and we have examined that one. We think it is more financial engineering than a significant value creator. And just because it is hard to put your finger on where the two -- where the pieces would trade because they are really no comps.

You would still have the issue that we have no comps in that situation. And you would also end up with two pretty leveraged entities. So they would be constrained financially. So we look at it, we examine these alternatives and we continually monitor a lot of different alternatives that we think about.

Anthony Paolone - *JPMorgan - Analyst*

And then in terms of the business initiatives, can you talk -- can you split it between what you think happens to splits and how you kind of fortify NRT with just perhaps offering better splits to the agents versus other types of costs that are being spent to improve competitiveness?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

It is a combination of getting -- looking sort of market by market at being more competitive on splits, so that is a very laser focused activity that NRT has already done in three or four of their markets and will continue to do in more of their markets over time. So you are seeing the effects of that on split today to some extent.

But to the other part of the -- we are a full service broker and we want to enhance the value proposition we provide to agents. And obviously we have 47,000 agents who think the value proposition is very strong and the Company generates $4.4 billion of revenue.

So we think we have a rock solid foundation. But we always can improve on things like coaching and training and more leads and more lead conversion, better marketing tools and that sort of thing. So it is really a combination of the two.

Operator

Brandon Dobell, William Blair.

Brandon Dobell - *William Blair - Analyst*

Sticking with NRT for a second. I know there was a focus on recruiting the higher end, more productive agents. But how do you think about the non-higher end, non really productive agent? So the first-timers, people with low production rates. Is there a change in philosophy there around it or splits or recruiting, things like that?

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

The third and fourth quartile is what you are speaking to. We have a very aggressive recruiting campaign, that is our core business. We recruit quite aggressively in that category. So this is outside of that category. We don't believe we have any meaningful competitive issues in that regard.

Although we would like to and are currently in the process of creating even a stronger value proposition for teams. Teams often fall in lower categories. But the very high end of the market is all about the economics of the relationship between us and the agent. And that is where our primary focus is right now.

And as we indicated in our comments, we launched this in September, it is a very concerted effort to attract the very desirable top producing agents in key markets in which NRT operates and we are making progress in that regard.

But again, that is not necessarily all about the value proposition. We think we have a compelling one, but we are always trying to enhance it. It is about the economics and the splits that our agents enjoy through their affiliation with us.

Brandon Dobell - *William Blair - Analyst*

Okay, and then my second question would be -- in line with that September launch, any notable changes in I guess incentive compensation or kind of on the ground level compensation for the office managers, the regional managers that you have made in order to try and drive a little more traction with these efforts?

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

There is a direct correlation. The managers are incentivized based on the profitability of their office and also on key metrics like agent recruiting. So agents in and agents out are a very important metric by which we judge not only field level management but also senior leadership as well.

Operator

David Ridley-Lane, Bank of America Merrill Lynch.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

Wondering what the rough contribution of acquired brokerages to NRT revenue would be in the third quarter if you have that -- if that is easier for the fourth quarter transaction volume growth.

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

Yes, it is -- in the third quarter it was -- it was about $30 million in the third quarter. And in the fourth quarter -- these are deals that are already done and in the mix, but it helps the fourth quarter by about 2 percentage points on volume.

David Ridley-Lane - *BofA Merrill Lynch - Analyst*

And then is there any framework you can give us in thinking around 2017 free cash flow or perhaps things you would highlight to be aware of?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

It is sort of early days for that. I think we feel really good about the initiatives and the actions that NRT is taking to reverse some of the market attrition issues that it has seen -- market share attrition issues it has seen. So we feel great about those.

And feel great about Ryan, Monty and Peter who are -- taken on leadership roles that we think will be very impactful for the entire Company. And then obviously John Peyton on the RFG side as well.

We have the same -- generally we have the same information everyone has for 2017 which is the five forecasts that are out there. And they are showing a 5% -- really a 6% to 10% type growth in total transaction volume in 2017. So sort of a continuation.

Operator

John Campbell, Stephens Inc.

John Campbell - *Stephens Inc. - Analyst*

So on the 26,000 single-family homes for the property management business; I just want to dig in on that for a second. It seems like a pretty good opportunity. So I guess, first, could you guys just talk about how that is structured and if those are actually Realogy owned rental homes? And then if you could maybe help us size up the revenue contributions and how big you think that business could be over time?

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Sure. As you know, it is very much a cottage industry, so at 26,000 single-family homes under contract with the landlords or the owners -- we are not the owner of those properties, we are the manager. We are probably one of the largest in the country. That has been cobbled together through a series of acquisitions that have been very strategic.

We continue to look for opportunity to add to that. We agree with you, we like the business; it has metrics that are very appealing to us. Also side benefit is we get the value of eventually the owner of the property selling that property and it becomes a lead generator for us as well. So I don't think we have indicated anywhere the EBITDA metrics, but they are very attractive.

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

Yes.

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Tony?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

Well, it is obviously a high-margin business, but the revenue -- it's definitely a higher margin business than NRT brokerage business. But it is small in comparison to the revenues. It's hard to see in the $4.4 billion that NRT generates.

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

But it is a growing business, we like it, it is a nice --.

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

Strategically it is very --.

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Yes, a nice vertical; we like every aspect of it. We expect to continue to grow it. But when you grow it you are buying companies that have 400, 500 maybe, if you are lucky 1,000 homes under management. That would be big in that industry. So it is not as easy to grow it as rapidly as you would think. But it grows incrementally and it is doing quite well, it is well-managed.

John Campbell - *Stephens Inc. - Analyst*

Okay, great. And then, Tony, on the business optimization program, I just want to make sure I am getting that right. So you guys have taken a good bit of cost already I guess of the costs you are kind of parsing out to reduce the run rate by $60 million. Are those incremental costs backed out of the operating EBITDA metric or are you just eating those costs through the P&L?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

The cost to achieve that is about -- so just to summarize. We expect to have a run rate savings of $60 million. We expect to realize $30 million of that $60 million in actual numbers in 2016. So the rest will be -- the second half will be in next year -- in next year's numbers. And the overall cost to execute on this is $69 million and that is considered restructuring, which is backed out of operating EBITDA.

Operator

Will Randow, Citi.

Will Randow - *Citigroup - Analyst*

In terms of -- you talked about looking at ways of maximizing value, I guess I would love to get your thoughts on -- I mean your stock is trading at about seven times cash or free cash flow per share this year. Does it make as much sense to think about acquisitions as opposed to finding a way to add some leverage and take down a fair amount of stock? How do you think about that?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

Yes, I mean capital allocation; I think we have definitely allocated more of our free cash flow this year to reducing debt and to returning capital than acquisitions. And on the brokerage side our total acquisition number is like 130 for the year, but about $50 million of that is pure brokerage tuck-ins, so it's a pretty small amount of the total.

And these are mostly smaller deals, a couple of big ones, but mostly smaller deals, but certainly very manageable and fit really well within our existing footprint; they offer great returns. But as we have said, going forward there will be more emphasis on returning capital, that will be sort of number one, and then debt and deleveraging and acquisitions will be a lesser part of the entire mix.

Will Randow - *Citigroup - Analyst*

Thanks for that. And on the last call you talked about using the balance sheet in regards to brokerage retention. So I guess some of the hiccups you are -- I don't want to say hiccups, but incremental costs you are running into, how should we think about those on an annual run rate basis or is it an every other year basis? And what type of cost should we bake in?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

Yes. In the working capital used for the year that we put on the cash flow page, the upfront numbers are sort of baked into that. So it puts -- it is not the whole thing by any means, by the way, but it is certainly a portion of that. And in terms -- you will see that running through the income statement in terms of commission -- the commission split percentage, that sort of thing. So that is -- so it is sort of baked into the numbers that you are currently seeing.

Operator

Jason Deleeuw, Piper Jaffray.

Jason Deleeuw - *Piper Jaffray & Co. - Analyst*

I just wanted to be clear on the NRT commission splits. You are expecting a bigger increase this year than previously. And just was hoping to get some color on why we are going to have a bigger split increase this year. And then is that the key reason for the EBITDA guidance reduction?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

No, the key reason for the EBITDA slight reduction in the low end and the narrowing of the range is really what we saw in the third quarter from NRT. And on volume it is more volume related and what their opens look like in October and which of those opens will close. Plus there is -- so those are the major drivers, the split didn't have much impact on the numbers.

Jason Deleeuw - *Piper Jaffray & Co. - Analyst*

Okay. And then for the high end home trends and just the trends for NRT overall, what are you seeing versus -- how are things trending versus your expectations through October? And what are you assuming for the fourth quarter? Are you assuming continued weak trends or is there any change there in your view for the fourth quarter?

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Yes, we expect the high end of the market to continue to indicate the weakness that we have indicated. Now don't get the wrong impression; high end homes are not sitting on the sidelines, they are selling. But there is a gap between what the seller expects to get and what the buyer is interested in paying. So that price discovery is occurring around the market.

So they still have activity and you will see evidence of that throughout the year and well into next year. But it is not as robust as it should be and it is not as robust as we think it will be once it recovers.

So it is a slow, slow market at the very high end and that is -- our current thinking is that will continue into the end of this year and probably a little bit into 2007. But we don't really know about 2017 nor does anybody else right now.

Operator

Anthony Paolone, JPMorgan.

Anthony Paolone - *JPMorgan - Analyst*

Thanks. I know you guys kind of cut this a few different ways, but just try to make sure I understand both the cost savings as well as the incremental cost to invest in the system. So it sounds like from an operating EBITDA point of view if everything remained equal it would go up $30 million next year because you would get the full impact of the cost initiatives. But then how do we think about what the incremental spend would be all things being equal? Like how do we net those?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

The overall -- obviously there is a ton of other factors in 2017. So just isolating this, we talked -- it is really -- it is $69 million of spend to get $60 million of run rate cost savings, $30 million have been realized this year. But you know we have inflation next year, we have a lot of ins and outs.

So it is hard to -- certainly the NRT initiatives, as we've talked about, we are going to see most of that -- the investment for that is going to be in the split line. And again, we think the revenue gains and the profit gains will more than offset the -- any pressure on margins there.

Anthony Paolone - *JPMorgan - Analyst*

Okay. And then just my other question, it's -- last year in the fourth quarter you had the impact of the disclosure rule change. Do you see a benefit from just an easier comp in your numbers and in your guidance for this year or not?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

Yes, that is baked into the NRT volume estimate for the quarter of 1% to 3%.

Anthony Paolone - *JPMorgan - Analyst*

Okay, I guess the same for RFG?

Tony Hull - *Realogy Holdings Corp. - EVP, CFO & Treasurer*

Yes, it has a lesser impact. But, yes.

Anthony Paolone - *JPMorgan - Analyst*

Okay, thank you.

Operator

Bose George, KBW.

Bose George - *Keefe, Bruyette & Woods - Analyst*

Can you just give us an update on the competitive landscape for acquisitions? Are you seeing others that are being more active? Or just any update on the trends there would be great.

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

No, we have not. It has been relatively quiet considering past periods making it possible for us to continue to be extremely selective. As Tony indicated in his comments, the small tuck-in, high ROI kind of targets are continuing to be interesting to us. We are very selective and very careful, because again we want most of our capital to go into rewarding the shareholder. And we have demonstrated that in the recent couple quarters.

So they are still out there, the large regional opportunities are not apparent and not interesting to us right now. But again, small tuck-in acquisitions and total capital -- use of capital in that $50 million range for the year continue to be attractive and interesting.

The dynamics generally in a market that are -- is a little weaker than it has been in the past, there is less cash at close, more in the form of an earnout. And that has been our model for more than 10 years. So we will continue to attract companies on the basis of cash at close and some percentage in the form of an earnout over a two or three year period. So we don't see that changing at all.

Bose George - *Keefe, Bruyette & Woods - Analyst*

Okay, thanks. And then actually can you just talk about your appetite for growth in other areas, some of your related areas potentially title or anything else that might look interesting?

Richard Smith - *Realogy Holdings Corp. - Chairman, CEO & President*

Title has been particularly interesting from a growth perspective. It is growing quite well actually, both organically and through acquisitions. So we find that to be a very attractive vertical for us. We think RFG has an opportunity to grow faster through greater franchise sales. We are tracking well ahead of last year. We expect to outperform last year from a franchise sales perspective quite handsomely.

NRT, again we keep going back to our core business. NRT is a very strong potential for growth if the market starts accommodating us more than they have in the recent past. We are well positioned to leverage that business model quite well. As we have demonstrated in prior periods, it is a big generator of cash in a stronger market than we have seen in the recent past. So we think all the business units have potential to grow quite handsomely given the right market conditions.

Operator

There are no further questions in the queue at this time. I will turn the call back over to our presenters for any closing remarks.

Alicia Swift - *Realogy Holdings Corp. - SVP of IR*

Hi, we thank you for joining the call today and we look forward to talking with you over the quarter. Thanks.

Operator

Ladies and gentlemen, this does conclude today's conference call. Thank you for joining us today. You may now disconnect your lines.
