Good day, and welcome to the Redfin Corporation Q2 2021 Earnings Call. Today’s conference is being recorded.

At this time, I would like to turn the conference over to Meg Nunnally, Head of Investor Relations. Please go ahead.

Meg Nunnally - Redfin Corporation - Head of IR

Thanks, Madison. Good afternoon, and welcome to Redfin’s financial results conference call for the second quarter ended June 30, 2021. I’m Meg Nunnally, Redfin’s Head of Investor Relations. Joining me on the call today is 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, note that some of our statements on today’s call are forward-looking. We believe our assumptions and 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 content of today’s call. Any forward-looking statements are based on our assumptions today, and we don’t undertake to update these statements in light of new information or future events.

During this call, the financial metrics will be presented on a GAAP basis and include stock-based compensation as well as depreciation and amortization expenses. In the event we discuss any non-GAAP measures today, we’ll post the most comparable GAAP measure and a reconciliation on our website. All comparisons made in the course of this call are against the same period in the prior year, unless otherwise stated.

Lastly, we will be providing a copy of our prepared remarks on our website by the conclusion of today’s call, and a full transcript and audio replay will also be available soon after the call.

With that, let me turn the call over to Glenn.
Thanks, Meg, and howdy, everyone. Redfin’s second quarter net income and revenues were better than we projected in our last earnings call. Second quarter revenues grew year-over-year by 121% from $214 million to $471 million, with $43 million coming from the RentPath acquisition that closed in April.

Even if the housing market grew by leaps and bounds since its near-death experience in the second quarter of 2020, Redfin’s share of that market also increased by a whopping 24 basis points, reaching 1.18% of all home sales based on the value of the homes sold. This is our largest market share gain since Redfin’s 2017 initial public offering, and the fourth straight quarter of share gain acceleration.

Net losses widened from $7 million in the second quarter of 2020 to $28 million in the second quarter of 2021. The loss widened almost entirely because RentPath lost $13 million, and we spent another $6 million in transaction fees. Redfin’s marketing media expenses ramped back up to $37 million when a year ago, media costs were $7 million. Gross profit was $126 million, an increase of $80 million or 174% compared to the second quarter of 2020. Gross profits from the RentPath acquisition in April contributed $35 million to the total.

For our core real estate services business of brokering home sales through Redfin agents and through other firm’s agents working as our partners, second quarter gross margins increased year-over-year by 70 basis points to 34.9%. Our total gross margin was 26.8%, up from 21.5% a year before.

But just as important as our financial results has been our brokerages return to being fully staffed, the emergence of RedfinNow as a large-scale profitable business, and the hiring of a world-class RentPath’s CEO to bring back property management customers by the thousands to our rentals marketplace. Parts of Redfin that have been in the defensive crouch can now go on the attack.

Every major property technology company is scrambling to build the complete real estate solution that Redfin envisioned years ago. Online listing search, a brokerage, an iBuyer, a national home-renovator, a lender and a title company. As Redfin addresses one by one, the challenges created by rapid growth, we can combine these services in new ways to make moving from home to home profoundly better. This is why we believe we can build a company an order of magnitude larger than the one we have today.

Since the third quarter of 2020, we told investors that it would take until June 2021 to match Redfin agent supply with demand. We kept to this schedule with a number of lead agents at Redfin increasing by 2.5% from the first to the second quarter of 2021. This is one reason why our market share gains reached a record high.

Now we just need to develop these new agents into long-term top producers. Throughout our history, Redfin has been better than traditional brokerages at retaining agents, but in our May earnings call, we noted that first quarter attrition among new agents was at an annualized rate of 53% compared to 26% a year ago. Second quarter attrition among new agents fell to an annualized rate of 49%. We expect to make more significant progress on new-agent attrition when a new class of agents joins Redfin at the start of 2022.

Overall, agent attrition reached an annualized rate of 37% in the second quarter, up from 31% in the first quarter. Annualized attrition among tenured agents with 2-plus years of experience remains low, but still it rose from an annualized rate of 9% in the first quarter to 18% in the second. Attrition among our highest performing group of agents has remained below 5%.

A major cause of higher attrition in the first half of 2021 was fast hiring. New agents are already the group most likely to leave Redfin, and we haven’t had such a high proportion of new agents in years. Because we’ve been eager to return to market share growth, we probably also made more hiring mistakes, nearly half the people who left in the second quarter were people we wouldn’t choose to hire again.

Well-capitalized companies trying to build a brokerage quickly have bid up agent compensation some, but the housing market has probably been a larger cause of attrition. With realtors outnumbering listings, it has been hard for any buyer’s agent to put a deal together and most new Redfin agents start out as buyers’ agents. We can’t say for sure where the agency who just left will turn up, but of the agents who took an exit survey, about 1 in 5 plan to leave real estate entirely. Of those who left in the first 3 months of 2021, only 21% had completed a sale at another brokerage by July 27.

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To give new Redfin agents a chance to learn how to compete in a hot housing market, we’ve already eased performance standards and offered onetime bonuses to new agents based on submitted offers rather than closed sales. But attrition may remain above Redfin’s historical levels until we roll out a comprehensive pay update for buyer’s agents in January 2022. Taken together with efficiency gains and pricing changes, we don’t expect the new pay to change brokerage gross margins meaningfully. And we think we can keep our new agents busy.

Comparing the second quarters of 2021 and 2020, the average number of Redfin monthly visitors grew 14%. This is the second consecutive quarter that year-over-year traffic growth decelerated from 44% in the fourth quarter of 2020 to 30% in the first quarter of 2021. For redfin.com and probably other real estate websites, traffic peaked in March this year when the typical peak is in May.

This is a trend we already discussed in our May earnings call. As the economy has reopened, more people have been exploring life beyond the home, and with the number of listings near historic lows, there hasn’t been much to look at anyway. Since December, Redfin has also ceded some search share to realtor.com, a trend that seems likely to continue at least until year-end when redfin.com will import more neighborhood data. We’re still growing faster than Zillow and Trulia.

Starting June 4, ahead of any other major real estate authority, Redfin reported that the housing mania was waning some with fewer bidding wars and more price reductions. Growth in the number of homes toured and offers written by Redfin agents slowed after Memorial Day. But now more customers are getting sales under contract. What’s driving Redfin sales now isn’t more online visitors or even more homebuying customers, we’ve just needed more homes for our customers to buy. New listings grew 8% year-over-year in June. And now at least for Redfin, sales are increasing, too.

To drive long-term demand, on April 19, we started running our new ad called Redfin World, which introduces Redfin’s on-demand tours as the best way to beat other buyers to the punch. We spent $29 million to advertise on local broadcast stations, national cable channels and online in the second quarter, with another $21 million underway in the third quarter and a final $1 million coming in the fourth quarter.

Early measurements of adult awareness of Redfin have been encouraging, but the most reliable consumer survey won’t be ready until the end of August. We focused on awareness because our goal isn’t just to drive immediate sales, but to educate consumers about the premise of Redfin, that an agent armed with technology can deliver better service, better value.

The economics of investing in long-term demand growth are easier to justify when our brokerage is getting more efficient. Among Redfin agents with at least 6 months of tenure, productivity increased 15% from the second quarter of 2020 to the second quarter of 2021. In 2019 and 2020, roughly 1 in 4 sales came from repeat or referral customers. But in the second quarter of 2021, this number was 1 and 3.

For our homebuyers, we’ve increased the percentage of tours that are instantly confirmed from 5% in February to 16% in June. But our primary service improvement for buyers has been a 6 market pilot to lower the number of customers an agent supports. After 18 months of assigning 24% fewer homebuyers through each Redfin agent, we found that each agent generates modestly fewer sales, but that the service improvement should lead to more total sales and more gross profit.

Feedback from agents and managers has been almost universally enthusiastic, and we’ve seen some early indications that fewer customers per agent may also improve agent well-being and retention. We are preparing to expand this service upgrade from 1/3 of our agents now to all agents by the end of 2022. We’ll monitor the results in the pilot markets through the fall of 2021 before finalizing our expansion plans.

We’re using similar tactics to improve the service delivered to home buyers by our partner agents by reducing response times and limiting the number of customers most agents have to support. From May to July, the time a partner agent took to respond to a customer fell by 65% as a result of better call tracking. We believe we can further increase sales by assigning customers only to agents with the time to serve those customers well. In January of 2021, agents who are already busy with 8 or more referrals connected with 21% of our partner program’s customers. By June, this number had fallen to less than 1%.

Where we’ve made the biggest service improvements is with our brokerage’s listing customers, especially at the high end. Since launching Redfin Premier service for listings above $1 million in February, the number of Redfin consultations in this price range has increased 111% over last year.
when other consultations in the same markets increased 33%. Million-dollar listings accounted for 13% of our second quarter listing business compared to 5% a year ago. Of all the luxury listings sold by any broker in U.S. Redfin markets, Premier service has been available in markets representing 64% of those listings. On July 29, we expanded Premier to markets representing 85% of those listings.

We also continue to see returns from our investment in locally licensed, guest-based agents for connecting customers to RedfinNow cash offers and home valuation analysis. For the second straight quarter, these agents have significantly increased the number of people who decided to meet a Redfin agent about listing a home. Responding quickly and educating customers about a complete set of options for selling a home leads to more total sales. Unifying the sales force for RedfinNow and our brokerage has made it easier for customers to figure out which service meets their needs.

We're not only getting more brokered sales from RedfinNow inquiries, we're also getting more RedfinNow sales. Revenue from our properties business increased 139% in the second quarter with gross margins up 450 basis points to 2.9%. This was our second consecutive quarter of significant properties gross profit.

This revenue growth will continue, even though we started in late March to offer less for RedfinNow homes. One reason for our pricing caution has been seasonal as we'll end up selling late spring and early summer purchases in late summer or the fall when typically fewer people are moving. Another reason for caution is our expectation that U.S. home price appreciation will moderate in the second half of 2021.

Even with more cautious offers, we bought nearly 40% more homes in the second quarter than we did in all of 2020, significantly exceeding our second quarter target. We expanded RedfinNow to Tucson, Boston and Portland, Oregon, broadening our coverage from markets that accounted for 64% of our 2020 listings to 72%. Just this Tuesday, we added Chicago, expanding our coverage to nearly 80%.

Competition will always be fierce, with Opendoor's offers being especially aggressive. But our main issue in 2021 has been hiring the labor to renovate homes, either as employees in Redfin-branded vans or as vendors. The increased renovations capacity we're racing to become one of North America's best general contractors, with well-scoped work and fast payment for the simple upgrades needed to get a home on the market.

We've made major investments in our home services organization, giving us the capability to fix up homes for higher-margin sales. But the software we're building to support an operation of that scale still has to improve. We're also investing significantly in machine learning to identify which homes will be hard or easy to sell, accounting for the time and money required for renovations. Because of our renovations expertise and the analytics to know which renovations are needed, our listings in the second quarter sold faster than any -- than those of any other major institutional buyer.

RedfinNow's success has funded other businesses in Redfin's portfolio like Redfin Mortgage, which had some growing pains in the second quarter. Mortgage revenue grew 47% year-over-year as compared with nearly 200% in the first quarter. Some of this revenue deceleration was expected. We deferred hiring Redfin Mortgage salespeople in February and March to focus on improving service quality.

From March to May, the Net Promoter Score we earned from our lending customers had increased from 58 to 73, giving us the confidence to bring new salespeople on board in July. This hiring should lift transaction growth in the fourth quarter and beyond, improving utilization of the mortgage employees who prepare loan paperwork, make lending decisions and fund loans.

Beyond the sales increase in our existing markets, Redfin Mortgage has expanded to California later in August. Redfin Mortgage markets will account for 81% of our brokerages purchase transactions by the end of this month, up from 75% at the start of the second quarter. We expect Redfin Mortgage markets to cover 94% of Redfin's purchase transactions by the end of 2021.

Transaction growth is crucial because like the rest of the industry, we're generating less revenue per loan. Lenders who staffed up to handle refinancings are now trying to keep their employees busy with purchase loans. Even as our revenue from each sold loan fell 5% year-over-year in the second quarter, our cost per loan increased. In order to establish our buyers' credentials for bidding wars that the buyers only sometimes win, Redfin Mortgage is underwriting more borrowers who don't close on a home. For these reasons, Redfin Mortgage no longer expects to turn a full year gross profit.
But as our brokerage gets more efficient, Redfin Mortgage should get more efficient, too. Easing competition among homebuyers and Redfin’s initiatives to improve our homebuyer success rate will benefit Redfin Mortgage almost as much as the brokerage. We still expect Redfin Mortgage over time to be a major source of profit.

We’re also pleased with our progress rebuilding RentPath, the rentals marketplace we acquired out of bankruptcy this April. The most important development has been the hiring of Jon Ziglar, announced on July 28 as RentPath’s new CEO. Redfin also hired a senior engineering leader to develop rental search on redfin.com. Jon previously ran ParkMobile, the leading parking and mobility service provider in North America, where he led an 800% increase in customers over 6 years. In that time, the company not only expanded the number of parking lots using ParkMobile but also the number of ParkMobile transactions per lot.

Even before Jon’s August 16 start, we’ve taken initial steps to improve sales execution. In June, we elevated a new sales leader. And earlier this month, we simplified sales compensation and reduced the number of products we’re selling. There are bigger changes to come. Jon will need a few months to set a strategy and develop a financial forecast. But the sales force is gaining confidence already, and customers have been glad to hear that RentPath has a stable owner committed to long-term growth.

We still need more property managers to promote their communities via RentPath, but we have reason to believe we can get them. The number of inquiries per property is up 38% compared to the second quarter last year. Customers are paying 22% less per inquiry. As we publish listings via redfin.com next spring, the value we offer these customers will increase.

Now let’s turn to the housing market. Demand remains above historical levels, but as we already noted, online interest in real estate began to wane in April. And in June, many of the buyers touring and bidding on homes took a break from their search in part to celebrate graduations and take family trips. This has been a welcome return to a more sustainable housing market.

At least some of the drop in demand has been a belated revolt against runaway prices. In May, prices have increased by 26%, the largest year-over-year gain in the 10 years for which we have data, and June prices increased at still sizzling 25%. Prices increased the most in midsized cities with Austin and Boise prices up approximately 36% year-over-year compared to a 7% gain in San Francisco or 13% in Chicago.

One reason price growth may subside is that the number of homes for sale is finally rising, not just from the panic-stricken, “nobody sets foot in this house” level in the second quarter in 2020, but relative to the year before, too. Comparing the 4 weeks ending July 18 in the same period in 2019, new listings increased 4.2%, and not all of that inventory was snapped up by buyers. The number of active listings increased 1.5% compared to the 4 weeks prior.

Unlike earlier in 2021, its individual homeowners, not builders, who are providing the inventory relief. With labor and material shortages, building permits fell 5.1% from May to June and many Redfin agents have told our buyers to focus on what’s available now. Earlier, we’d counsel people to avoid a bidding war by buying a new home, even where construction might take a year to finish.

Our advice to home sellers has changed, too. Listing clients whom we’d once advised to get their home on the market without waiting for repairs now need to get the place fixed up in order to get a good sale, sometimes through Redfin Concierge Service for coordinating that work. Listing clients who were once insistent about pricing in future months of appreciation now acknowledge the market may have peaked.

On average, for the 4 weeks ending July 18, 4.3% of the active listings reduced their prices each week compared to 3.6% during that period in 2020 and 4.7% for that period in 2019. Price drops have risen the most in places like Phoenix, Austin and Bend, where due to an influx of Californians, home prices had increased the most through June.

The market is still hot, just not as hot as before, which has made it easier for our agents in July to put deals together. If interest rates stay low, we’re optimistic that U.S. home sales will improve from June levels.

With that, I'll turn the call over to Chris.
Chris Nielsen - Redfin Corporation - CFO

Thanks, Glenn. Our second quarter results exceeded our expectations as tailwinds from the robust housing market as well as competitive share gains continue to propel growth. Second quarter revenue was $471 million, up 121% from a year ago. We acquired RentPath, our rental segment business at the beginning of the quarter. Rentals generated $43 million of revenue and contributed approximately 20 percentage points to total revenue growth. Our organic businesses also posted strong growth.

Real estate services revenue, which includes our brokerage and partner businesses, generated $252 million in revenue, up 87% year-over-year. Brokerage revenue or revenue from home sales closed by our own agents was up 85% on a 52% increase in brokerage transactions. Revenue from our partners was up 126% on a 71% increase in partner transactions. Revenue per partner transaction was up 20% year-over-year and continues to benefit from rising home prices.

The properties segment, which consists primarily of homes sold through RedfinNow generated $172 million in revenue and was up 139% on an 80% increase in RedfinNow transactions. Our other segment, which includes mortgage, title and other services, contributed revenue of $9 million, an increase of 18% year-over-year. Growth decelerated quarter-over-quarter due to an intentional pause in our title business as we realign operations as well as slower-than-expected ramp in our mortgage business. Although both are smaller businesses within Redfin at present, we remain excited about their long-term growth potential.

Total gross profit was $126 million, up 174% year-over-year. Real estate services gross margin was 34.9%, up 70 basis points year-over-year. This increase was driven by a 50 basis point decrease in personnel costs and transaction bonuses, an 80 basis point decrease in listing expenses and an 80 basis point decrease in office and occupancy expenses. These decreases were offset by an 80 basis point increase in tour and field costs due to a combination of pandemic-related touring shutdowns last year and low inventory this year, which is forcing buyers to increase touring activity to find a home.

Properties gross margin was up 450 basis points year-over-year to 2.9%. This was our second consecutive quarter of significant positive gross profit in our properties business. The improvement was primarily attributable to a 700 basis point decrease in home purchase costs and related capitalized improvement showing that we’re buying homes better. This improvement was offset by a 170 basis point increase in personnel costs and transaction bonuses. Other segment gross margin was negative 22.8%, down from positive 13.2% a year ago. This was primarily attributable to a 3,410 basis point increase in personnel costs and transaction bonuses.

Operating expenses were up 210% year-over-year and represented 33% of revenue, up from 24% of revenue 1 year ago. Approximately half of the increase was attributable to the acquisition of RentPath, and marketing expenses were impacted by the timing shift of our annual campaign.

Technology and development expenses increased by $23.5 million as compared with the same period in 2020. The increase was primarily attributable to a $13.0 million increase from RentPath, and the remaining increase was primarily attributable to an $8.6 million increase in personnel costs due to increased headcount. Total technology and development expenses represented 9% of revenue, up from 8% 1 year ago.

Marketing expenses increased by $45.9 million as compared with the same period in 2020. The increase was primarily attributable to a $12.6 million increase from RentPath. The remainder was primarily attributable to an increase in mass media marketing costs as we shifted the launch of our annual television commercial from the first quarter to the second quarter. In the second quarter of 2020, we’d largely shut down television advertising in response to the impact that COVID-19 might have had on our business. Total marketing expenses represented 12% of revenue, up from 4% 1 year ago.

General and administrative expenses increased by $36.5 million as compared with the same period in 2020. The increase was primarily attributable to $23.0 million increase from RentPath. The remaining increase was primarily attributable to a $9.3 million increase in personnel costs due to increased head count and a $5.6 million increase in transaction costs from our acquisition of RentPath. This was partially offset by a $6.2 million decrease in prior year restructuring expenses. Total G&A expenses represented 13% of revenue, up from 11% 1 year ago.
Net loss of $28 million beat the better end of our $38 million to $32 million guidance range. Diluted loss per share attributable to common stock was $0.29 compared with diluted loss attributable to common stock of $0.08 per share 1 year ago.

You'll see RentPath's financial results broken out in our filing. I wanted to make 2 call-outs, referring you back to second quarter guidance that we provided. Through the purchase accounting, which you now see reflected in our financials, we determined that we acquired $211 million in intangible assets. This, in turn, led to depreciation and amortization for RentPath of $9 million, $3 million more than our guidance. We expect this greater depreciation to continue through the useful lives of the acquired intangible assets.

We also determined that RentPath's sales team should be reported in our G&A expenses rather than in marketing, as I had described on our last call. There were $11 million of such expenses. Both of these differences are now reflected in our third quarter guidance. We also received a $5 million tax benefit associated with the RentPath acquisition, which you'll see in our financials.

Now turning to our financial expectations for the third quarter of 2021. Consolidated revenue is expected to be between $530 million and $541 million, year-over-year growth between 124% and 128%. We expect our property segment to account for $231 million to $236 million of that revenue. RentPath revenue is expected to be between $40 million and $41 million and contribution to net loss of approximately $17 million. Our consolidated net loss is expected to be between $24 million and $20 million compared with a $34 million net income in the third quarter of 2020.

Although real estate services gross margins have grown year-over-year for the past 8 quarters, we expect real estate services gross margin quarter as compared with the same quarter in the prior year, primarily due to prior year comparisons when the business was understaffed due to the market rebound.

As previously discussed, we incurred the bulk of our anticipated mass media campaign expenses in the second quarter. But timing delays have shifted some of this expense into the third quarter, and we are also allocating incremental spending where we see an opportunity for strong return. In the third quarter, we expect $50 million in total company marketing expense, which includes RentPath marketing expenses.

On a consolidated basis, this guidance includes approximately $14 million of stock-based compensation, $14 million of depreciation and amortization and $4 million of interest expense associated with our convertible senior notes and other credit obligations. In addition, we expect to pay a quarterly dividend of 30,640 shares of common stock to our preferred stockholder.

This guidance 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'll open the line to take your questions.
Chris Nielsen - Redfin Corporation - CFO

Glenn, I think you might be on mute.

Glenn Kelman - Redfin Corporation - President, CEO & Director

I'll just repeat what I said into the void. Generally, digital businesses, digital marketplaces like RentPath have very high gross margins. So we expect this business to be very profitable long term. We just don’t have any immediate expectations. And we don’t want to box Jon in before he’s even started to make money in 1 quarter or another next year or this year.

So we're going to invest in this business. We think we're offering better value than any other rentals marketplace. We should see more customers sign up to the platform, and that is the first quarter of business, just to restore the platform so that when people look for listings, they see more sponsored properties in the results with higher quality photos. So that was the first part of your question.

And then the second part was about Redfin Mortgage. Clearly, there's an industry dynamic right now that's compressing margins where all the people who had been focused on refinancing loans are shifting toward purchase loans and to keep those folks busy, as we said in the earnings script, loans are just being priced more aggressively. The spreads are narrower. So that's going to lower revenue per loan.

Long term, this trend favors us because we subsist almost entirely on purchase transactions, and we have this brokerage that we compare with Redfin Mortgage so that we are getting just a steady stream of customers, but it's still going to be tougher times ahead for the lending industry overall, even if it favors us relative to those other lenders.

Operator

And we'll go ahead and take our next question from Jason Helfstein with Oppenheimer.

Jason Stuart Helfstein - Oppenheimer & Co. Inc., Research Division - MD & Senior Internet Analyst

Two questions. One, just I mean there's always been a question about what's the right way to compensate agents. Do you think that you're dialed in now where there still needs to be more changes to the compensation model to keep the people you want and not keep the people you don’t want also generating the kind of margins you want? And then second question, Chris, can you just review the impact of RentPath to each of the OpEx lines just kind of line by line for the quarter?

Glenn Kelman - Redfin Corporation - President, CEO & Director

Chris, do you want me to go first? Or do you want to go first? I'll go first. Jason, so we don’t expect to see change in how we compensate agents. Adam Wiener is the new President of the brokerage. Scott Nagel transitioned to a different role as he approaches his retirement, and that’s something that we talked about last quarter. So we want to give Adam the latitude in his first couple of months on the job to make sure that the incentive plan fits his values. But in general, he and Scott have been quite simpatico.

The long-term trend for agent compensation is that we will pay agents more for business that they generate as a repeat customer or referral customer or someone in their personal network, and we'll continue to drive efficiency gains for customers that agents meet through our website.

And the key to driving agent well-being, agent compensation and overall gross profit is just qualifying those customers better. This isn't just an issue with Redfin. Every single real estate marketplace has been optimized to generate a huge number of opportunities for agents to work against sometimes -- excuse me, those opportunities aren’t well qualified. So because we’ve integrated a website with the brokerage, we should just be
better at trying to figure out the perfect handoff, figuring out the right level of service for some people who just want a touring service to be able to access properties and other people who want in-depth strategy guidance on how to win this home.

And so my expectation is that our agents are going to keep earning more money. And I'm not overly worried long term about agent retention. I think it's something that we need to focus on right now because the market is just hellacious, and we have put a lot of new people into a really tough spot. So we're focused on the short term, but long term, I think we've got it right.

*Chris Nielsen - Redfin Corporation - CFO*

And then in terms of -- yes, in terms of RentPath operating expenses, so this is taking a look at the second quarter here. Technology and development, we had $13 million of RentPath expenses. Marketing expenses were $12.6 million, and then G&A expenses were $23.0 million, and that's broken out in MD&A in our Q as well.

*Operator*

We'll go ahead and take our next question from Ygal Arounian with Wedbush Securities.

*Ygal Arounian - Wedbush Securities Inc., Research Division - Research Analyst*

I guess I have another one on agents and hiring. So you're fully staffed on target, but your attrition is still really high. So just thinking about what that means for productivity and like when things actually normalize hopefully, you called out at the beginning of 2022. But if attrition is really high, then are you theoretically fully staffed right now? And as you are at this point, is this the kind of last link to keep? You saw a really strong share gain this quarter to keep that at these kind of levels going forward.

*Glenn Kelman - Redfin Corporation - President, CEO & Director*

I'm not going to speculate on a share next quarter, but I do think that we will see more experienced agents talking to customers in the third and the fourth quarter than we do in the first and the second. That's almost always the case every year at Redfin that we bring on a new class of agents. Just this year, that class was massive relative to the size of the rest of the company because it was such a V-shaped recovery.

So I'm not worried that in the third and fourth quarter, more new agents will have low productivity. The average experience level of a Redfin agent will be higher in the second half of the year than the first. And I'm also not worried about having enough agents to handle demand. It's such a seasonal business that really you try to staff up for the middle of the summer. We have seen strong sales growth in July. It's been a really welcome surprise. June was a little bit soft. That's why we were warning everyone that the housing market had really changed since Memorial Day.

But I think there's been a change again just because some inventory has come on to the market, it's easier to put deals together. There might not be as much price pressure, but I do think that we're going to see a sales pickup just because buyers and sellers are mating in the wild.

So having said all that, we're optimistic about being able to staff up for 2022. There are the challenges that as we lower agent productivity expectations slightly, and lower customers per agent significantly, we'll see a higher close rate, but we'll also have to hire more agents to staff to that. But I think we can do it.

So we expect to see more gross profit and more sales from our field organization in 2022 because we think our customers are going to be happy to get better service, and we've seen plenty of data over 18 months testing these pilot markets to validate that. So I think we're going to have more experienced agents in the second half. And then in the first half of next year, there's going to be another bolus of agents coming on board, and we just have to do a great job of wrapping them up to speed quickly. I think we've learned a lot from '21.
Ygal Arounian - Wedbush Securities Inc., Research Division - Research Analyst

Okay. That’s really helpful. I wanted to ask a follow-up on different direction. Can you expand on the comments about realtor.com? And I think what you said is they are taking share. What’s driving that? Is that new? And what’s the plan to kind of fix all that? I think you’ve mentioned it a little bit, but can you expand on it?

Glenn Kelman - Redfin Corporation - President, CEO & Director

Sure. Well, some of it’s driven by a December update to Google search algorithm so that realtor.com has begun to rank higher than it did before. So through most of 2020, we were taking search share, hand over fist not just from Zillow and Trulia but also from Realtor. And then for Realtor, that had reversed, where Realtor has taken back some of the share that we gained in 2020.

So in general, there’s a tailwind in the housing market, and in general, Redfin is taking share. But in the hand-to-hand combat with one particular website, realtor.com, they have been doing better, and it’s just a trade-off. So Redfin has sometimes optimized page load where we get listings to load very quickly in what we call long click where we get people to go from one listing to another to another. Once you discover Redfin, you’re going to use it as your home search site. And realtor.com had optimized to provide more data that Google sees is unique information about a neighborhood.

And so it’s just going to take us a little while to import that data and then it’s going to take a little while longer for Google to recognize that. And of course, it’s always a mystery need anyway trying to figure out how to rank #1 for a particular search. But this is just an area where we thought we needed to do better and we wanted to tell investors about it.

Operator

(Operator Instructions) Our next question from John Campbell with Stephens.

John Robert Campbell - Stephens Inc., Research Division - MD

Chris, thanks for the color on the real estate gross margin. I think that was helpful. And I think we might be able to get to this kind of with the inputs we have, but I’m hoping you might be able to shortcut it for us. But relative to last year, what was the margin mix shift kind of impact from the partner transactions? They’re obviously representing a good bit of a smaller portion of the transaction mix now.

Chris Nielsen - Redfin Corporation - CFO

Yes. It’s not something we’ve broken out into a lot of detail, but generally, you should think of revenue from partner transactions as having very high gross margin because the cost to serve the customer mostly comes from the agent who does that, not someone from -- within Redfin. So again, we haven’t broken it out, but you can certainly use that assumption that is a very high gross margin on the partner business and disentangle at using them.

John Robert Campbell - Stephens Inc., Research Division - MD

Okay. That’s helpful. And then I don’t know if you can provide this, I think this would be helpful for us to kind of understand maybe a pickup in productivity as you kind of get through the next couple of quarters. But out of the 2,200 agents or so you have now, just roughly what base -- how many -- or maybe just what percent of that is less than 1 year tenured with Redfin, so kind of newer agents?
Glenn Kelman - Redfin Corporation - President, CEO & Director

I don’t think we segment that.

Chris Nielsen - Redfin Corporation - CFO

That’s not something that we’ve historically -- all right. It’s not something we’ve historically broken out. It’s certainly true. And just by our commentary, we have hired a lot over the last year, but it’s not a detail that we’ve provided.

John Robert Campbell - Stephens Inc., Research Division - MD

Okay. Is it fair to say that you’re probably running higher than you normally have in the past?

Glenn Kelman - Redfin Corporation - President, CEO & Director

Yes. Some of that has been mitigated by the fact that the newer agents have churned more than they have in the past. It’s just been a really hard market to be a new real estate agent.

Operator

We can go ahead and take our next question from Ivy Zelman, CEO of Zelman & Associates.

Ivy Lynne Zelman - Zelman & Associates LLC - CEO and Principal

So Glenn, just big picture. Recognizing your point about July improving after June showed a little bit of softness. Just thinking through sort of the complexities of the market and especially with RedfinNow, how much of your RedfinNow transactions are sold directly to SFR operators?

And roughly what percent of your transactions would be in your data and all of the research that you guys do, if you have any application of the amount of investors and just maybe quantify them as non-primary? I know that might be difficult because there are so many investors, whether it’s a fix and flip or it’s a second home, true co-primary or you’ve got all of your capital with institutional capital chasing so much opportunity. How can we really understand primary, so maybe you guys have done the research that can help us.

Glenn Kelman - Redfin Corporation - President, CEO & Director

Yes. Well, Ivy, I’m a nutjob. Out of principle, we don’t sell to single-family residency institutions. We really believe that we want to make housing more affordable and that we want to sell homes to people that are going to live in them. So at some point, we may have to take some expedient course to sell scratch and dent homes to anyone who will buy them. But right now, we are just selling to people who are going to live in the house.

Ivy Lynne Zelman - Zelman & Associates LLC - CEO and Principal

So you’re saying that within the transactions for all of Redfin side from RedfinNow, are you not selling to investors as well, just overall as a brokerage firm? Or you’re saying specifically to RedfinNow?

Glenn Kelman - Redfin Corporation - President, CEO & Director

No, I thought you were asking about RedfinNow. I mean, I’m sure that if the individual homeowner -- yes, yes, yes.
Ivy Lynne Zelman - Zelman & Associates LLC - CEO and Principal

No, I get it. I was just trying to delineate...

Glenn Kelman - Redfin Corporation - President, CEO & Director

I'm sure like some individual homeowners -- yes, yes, yes.

Ivy Lynne Zelman - Zelman & Associates LLC - CEO and Principal

Let's separate the question, Glenn. Like, let's say, okay, great. I'm glad to hear that you're not feeling directly to SFR. Separately, as you look at Redfin in total, is your research and data analytics show any way to delineate between primary versus nonprimary because I think it's really clouding the true underlying of the demand.

Glenn Kelman - Redfin Corporation - President, CEO & Director

Yes. I've talked to some folks at RentPath about how much of the inventory being rented out right now in single-family homes is from different institutions, and it's still a small amount. So that's one perspective on it. I know that it's increased significantly, but it's still small compared to the number of accidental landlords you have in America. And all I can give you is...

Ivy Lynne Zelman - Zelman & Associates LLC - CEO and Principal

Right. So what about these like mom-and-pop investors that are buying homes that are doing so for verification reasons or fix and flips? So do you guys have any of that ability to know how many of your owners or how many of your transactions actually are primary versus, let's just say, everything else? Or do you not break that out and...

Glenn Kelman - Redfin Corporation - President, CEO & Director

No, we don't break it out. I wish I had a good answer for you there, but I don't. I'm sorry, Ivy.

Operator

And we will take our next question from Tom Champion with Piper Sandler.

Thomas Steven Champion - Piper Sandler & Co., Research Division - Director & Senior Research Analyst

The release highlights the strong growth in Premier services markets and I think, higher-end listings as well. And just curious if you see this as kind of a 1 quarter trend or maybe something that is more lasting in your business. Also just any thoughts on the sustainability of RedfinNow gross margin profitability, it's been really strong in the last 2 quarters now. I'm just curious if that's by design and if that trend continues.

Glenn Kelman - Redfin Corporation - President, CEO & Director

Sure. So starting with Premier, I think there are 2 or 3 factors that make it durable. One is that we're just making a concerted effort to go after the high end when before, I think we had almost been dispositionally focused on the middle of the market. We have just seen that many high-end
customers want better value from their real estate agent. We’ve invested in concierge service to fix up homes and sell them for top dollar, which has particular appeal to high-end customers. So it’s been a focus.

And then it’s also been aided by the fact that housing has just gotten more expensive. So there are more listings that effectively qualify as luxury listing. So I do think that we’ll keep taking share there. I’m sure there are going to be ups and downs in that part of the business, like every part of the business, but mostly as with all of our market share gains, it’s an inexorable march. I think we’re going to take more and more share whenever we focus on something that’s what we do.

As far as the durability of RedfinNow gross margins, I do think there’s a tailwind in the whole industry. when you’re pricing in some home price appreciation, that isn’t going to last. So there will be some pressure on gross margins in RedfinNow or there will be some deceleration in growth. But what was really pleasing about the most recent quarter is that we got pretty disciplined about how we priced our offers and still, we were able to win those offers.

So I do think there is some secular demand growth where just more people are interested in liquidating their property that way, less people want to deal with the house without listing a home. There’s also some share gain here where RedfinNow is just doing better at responding quickly to offer inquiries, and we’re also doing better at getting the people who reject our offers to list a home, which is all about the synergy between the brokerage and iBuying.

And then lastly, you just get some leverage from scaling. That business used to have a bunch of managers managing one people. I think it’s one person, not people. But nonetheless, we are just getting some advantages from scale. And we just have to see how much of our efficiency gains are going to be offset by a tough market. Everybody thought that we’d kind of stress-tested iBuying in the second quarter of 2020. But I don’t think that V-shaped cataclysm, if you will, is really the model for kind of a long-term softness in housing prices. We still have to see how iBuying is going to perform in those markets. And then I think margins will probably compress a little.

Operator

It appears there are no further questions at this time. Ms. Nunnally, I’d like to turn the conference back to you for any additional or closing remarks.

Meg Nunnally - Redfin Corporation - Head of IR

Thanks, Madison, and thank you, everyone, for joining the call today. We look forward to getting together again next quarter.

Operator

This concludes today’s call. Thank you for your participation. You may now disconnect.