UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___ to ___

Commission file number 001-38160

Redfin Corporation

(Exact name of registrant as specified in its charter)

Delaware	**74-3064240**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1099 Stewart Street Suite 600 Seattle WA	**98101**
(Address of Principal Executive Offices)	(Zip Code)

(206) 576-8333
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value per share	RDFN	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ N

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ N

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ N

The registrant had 108,454,765 shares of common stock outstanding as of July 28, 2022.

Redfin Corporation

Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2022

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As used in this quarterly report, the terms "Redfin," "we," "us," and "our" refer to Redfin Corporation and its subsidiaries taken as a whole, unless otherwise noted or unless the context indicates otherwise. However, when referencing (i) the 2023 notes, the 2025 notes, and the 2027 notes, the terms “we,” “us,” and “our” refer only to Redfin Corporation and not to Redfin Corporation and its subsidiaries taken as a whole, (ii) the secured revolving credit facility, the terms "we," "us," and "our" refer only to RedfinNow Borrower LLC, and (iii) each warehouse credit facility, the terms "we," "us," and "our" refer to Redfin Mortgage, LLC or Bay Equity LLC, as the context dictates.

Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, our market growth and trends, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” "hope,” “potentially,” “preliminary,” “likely,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described under Item 1A of our annual report for the year ended December 31, 2021, as supplemented by Part II, Item 1A of this report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this report or to conform these statements to actual results or revised expectations.

Note Regarding Industry and Market Data

This quarterly report contains information using industry publications. While we are not aware of any misstatements regarding the information from these industry publications, we have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied on therein.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Redfin Corporation and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share amounts, unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 379,922	$ 591,003
Restricted cash	28,279	127,278
Short-term investments	82,506	33,737
Accounts receivable, net of allowances for credit losses of $1,655 and $1,298	86,082	69,594
Inventory	377,518	358,221
Loans held for sale	306,364	35,759
Prepaid expenses	30,775	22,948
Other current assets	18,378	7,524
Total current assets	1,309,824	1,246,064
Property and equipment, net	59,709	58,671
Right-of-use assets, net	54,321	54,200
Mortgage servicing rights, at fair value	35,050	—
Long-term investments	52,989	54,828
Goodwill	461,349	409,382
Intangible assets, net	181,766	185,929
Other assets, noncurrent	12,720	12,898
Total assets	$ 2,167,728	$ 2,021,972
Liabilities, mezzanine equity, and stockholders' equity		
Current liabilities		
Accounts payable	$ 20,237	$ 12,546
Accrued and other liabilities	161,803	118,122
Warehouse credit facilities	298,303	33,043
Secured revolving credit facility	156,540	199,781
Convertible senior notes, net	—	23,280
Lease liabilities	18,180	15,040
Total current liabilities	655,063	401,812
Lease liabilities, noncurrent	50,920	55,222
Convertible senior notes, net, noncurrent	1,239,873	1,214,017
Deferred tax liabilities	728	1,201
Total liabilities	1,946,584	1,672,252
Commitments and contingencies (Note 8)		
Series A convertible preferred stock—par value $0.001 per share; 10,000,000 shares authorized; 40,000 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	39,891	39,868
Stockholders’ equity		
Common stock—par value $0.001 per share; 500,000,000 shares authorized; 108,415,939 and 106,308,767 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	108	106
Additional paid-in capital	723,251	682,084
Accumulated other comprehensive loss	(990)	(174)
Accumulated deficit	(541,116)	(372,164)
Total stockholders’ equity	181,253	309,852
Total liabilities, mezzanine equity, and stockholders’ equity	$ 2,167,728	$ 2,021,972

See Notes to the consolidated financial statements.

Redfin Corporation and Subsidiaries
Consolidated Statements of Comprehensive Loss
(in thousands, except share and per share amounts, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenue				
Service	$ 344,309	$ 298,870	$ 561,902	$ 474,463
Product	262,606	172,445	642,359	265,171
Total revenue	606,915	471,315	1,204,261	739,634
Cost of revenue				
Service	232,886	177,762	398,695	312,613
Product	256,026	167,417	615,026	258,527
Total cost of revenue	488,912	345,179	1,013,721	571,140
Gross profit	118,003	126,136	190,540	168,494
Operating expenses				
Technology and development	51,506	41,488	101,146	69,166
Marketing	56,743	55,398	100,085	67,200
General and administrative	71,733	59,567	130,699	96,957
Restructuring and reorganization	12,677	—	18,386	—
Total operating expenses	192,659	156,453	350,316	233,323
Loss from operations	(74,656)	(30,317)	(159,776)	(64,829)
Interest income	554	135	774	293
Interest expense	(3,620)	(2,813)	(7,481)	(4,151)
Income tax (expense) benefit	(159)	5,052	(293)	5,052
Other (expense) income, net	(265)	65	(2,176)	(27)
Net loss	$ (78,146)	$ (27,878)	$ (168,952)	$ (63,662)
Dividends on convertible preferred stock	(350)	(1,878)	(1,144)	(4,214)
Net loss attributable to common stock—basic and diluted	$ (78,496)	$ (29,756)	$ (170,096)	$ (67,876)
Net loss per share attributable to common stock—basic and diluted	$ (0.73)	$ (0.29)	$ (1.59)	$ (0.65)
Weighted-average shares to compute net loss per share attributable to common stock—basic and diluted	107,396,575	104,391,337	107,032,381	103,912,212
Net loss	$ (78,146)	$ (27,878)	$ (168,952)	$ (63,662)
Other comprehensive income				
Foreign currency translation adjustments	34	—	38	—
Unrealized gain on available-for-sale debt securities	217	84	778	134
Comprehensive loss	$ (77,895)	$ (27,794)	$ (168,136)	$ (63,528)

See Notes to the consolidated financial statements.

Redfin Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Operating Activities		
Net loss	$ (168,952)	$ (63,662)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	31,140	18,018
Stock-based compensation	33,601	26,327
Amortization of debt discount and issuance costs	2,899	2,203
Non-cash lease expense	7,096	5,448
Net loss on IRLCs, forward sales commitments, and loans held for sale	2,721	238
Other	3,170	169
Change in assets and liabilities:		
Accounts receivable, net	(6,791)	(22,312)
Inventory	(19,297)	(199,845)
Prepaid expenses and other assets	(2,852)	(7,137)
Accounts payable	5,964	15,766
Accrued and other liabilities, deferred tax liabilities, and payroll tax liabilities, noncurrent	5,529	26,915
Lease liabilities	(8,042)	(6,144)
Origination of mortgage servicing rights	(964)	—
Change in fair value of mortgage servicing rights, net	(878)	—
Proceeds from sale of mortgage servicing rights	774	—
Origination of loans held for sale	(1,641,377)	(488,274)
Proceeds from sale of loans originated as held for sale	1,587,759	478,652
Net cash used in operating activities	(168,500)	(213,638)
Investing activities		
Purchases of property and equipment	(12,131)	(13,580)
Purchases of investments	(82,184)	(104,877)
Sales of investments	12,946	89,536
Maturities of investments	19,425	92,843
Cash paid for acquisition, net of cash acquired	(97,341)	(608,000)
Net cash used in investing activities	(159,285)	(544,078)
Financing activities		
Proceeds from the issuance of common stock pursuant to employee equity plans	9,258	12,496
Tax payments related to net share settlements on restricted stock units	(3,743)	(16,530)
Borrowings from warehouse credit facilities	1,628,684	464,250
Repayments to warehouse credit facilities	(1,572,033)	(456,854)
Borrowings from secured revolving credit facility	326,025	230,608
Repayments to secured revolving credit facility	(369,266)	(130,788)
Proceeds from issuance of convertible senior notes, net of issuance costs	—	561,529
Purchases of capped calls related to convertible senior notes	—	(62,647)
Payments for repurchases and conversions of convertible senior notes	—	(1,925)
Other financing payables	—	97
Principal payments under finance lease obligations	(414)	(353)
Cash paid for secured revolving credit facility issuance costs	(764)	(305)
Net cash provided by financing activities	17,747	599,578
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(42)	—
Net change in cash, cash equivalents, and restricted cash	(310,080)	(158,138)
Cash, cash equivalents, and restricted cash:		
Beginning of period	718,281	945,820
End of period	$ 408,201	$ 787,682
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 6,581	$ 2,038
Non-cash transactions		
Stock-based compensation capitalized in property and equipment	2,053	1,717
Property and equipment additions in accounts payable and accrued liabilities	69	1,013
Leasehold improvements paid directly by lessor	77	1,334

	As of June 30, 2022	As of June 30, 2021
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	$ 379,922	$ 735,387
Restricted cash	28,279	52,295
Total cash, cash equivalents, and restricted cash	$ 408,201	$ 787,682

See Notes to the consolidated financial statements.

Redfin Corporation and Subsidiaries
Consolidated Statements of Changes in Mezzanine Equity and Stockholders' Equity
(in thousands, except share amounts, unaudited)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, March 31, 2022	40,000	$ 39,879	107,025,691	$ 107	$ 699,225	$ (462,970)	$ (739)	$ 235,623
Issuance of convertible preferred stock, net	—	12	—	—	—	—	—	—
Issuance of common stock as dividend on convertible preferred stock	—	—	30,640	—	—	—	—	—
Issuance of common stock pursuant to employee stock purchase program	—	—	661,054	1	4,629	—	—	4,630
Issuance of common stock pursuant to exercise of stock options	—	—	436,621	—	2,813	—	—	2,813
Issuance of common stock pursuant to settlement of restricted stock units	—	—	372,111	—	—	—	—	—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	—	—	(110,178)	—	(1,148)	—	—	(1,148)
Stock-based compensation	—	—	—	—	17,732	—	—	17,732
Other comprehensive loss	—	—	—	—	—	—	(251)	(251)
Net loss	—	—	—	—	—	(78,146)	—	(78,146)
Balance, June 30, 2022	40,000	$ 39,891	108,415,939	$ 108	$ 723,251	$ (541,116)	$ (990)	$ 181,253
Balance, December 31, 2021	40,000	$ 39,868	106,308,767	$ 106	$ 682,084	$ (372,164)	$ (174)	$ 309,852
Issuance of convertible preferred stock, net	—	23	—	—	—	—	—	—
Issuance of common stock as dividend on convertible preferred stock	—	—	61,280	—	—	—	—	—
Issuance of common stock pursuant to employee stock purchase program	—	—	661,054	1	4,629	—	—	4,630
Issuance of common stock pursuant to exercise of stock options	—	—	645,120	—	4,628	—	—	4,628
Issuance of common stock pursuant to settlement of restricted stock units	—	—	1,056,468	1	(1)	—	—	—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	—	—	(316,750)	—	(3,743)	—	—	(3,743)
Stock-based compensation	—	—	—	—	35,654	—	—	35,654
Other comprehensive loss	—	—	—	—	—	—	(816)	(816)
Net loss	—	—	—	—	—	(168,952)	—	(168,952)
Balance, June 30, 2022	40,000	$ 39,891	108,415,939	$ 108	$ 723,251	$ (541,116)	$ (990)	$ 181,253

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, March 31, 2021	40,000	$ 39,834	103,983,585	$ 104	$ 641,702	$ (298,335)	$ 161	$ 343,632
Issuance of convertible preferred stock, net	—	12	—	—	—	—	—	—
Issuance of common stock as dividend on convertible preferred stock	—	—	30,640	—	—	—	—	—
Issuance of common stock pursuant to employee stock purchase program	—	—	135,426	—	7,299	—	—	7,299
Issuance of common stock pursuant to exercise of stock options	—	—	419,153	1	1,736	—	—	1,737
Issuance of common stock pursuant to settlement of restricted stock units	—	—	377,744	—	—	—	—	—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	—	—	(109,077)	—	(5,670)	—	—	(5,670)
Purchases of capped calls related to convertible senior notes	—	—	—	—	(8,168)	—	—	(8,168)
Issuance of common stock in connection with conversion of convertible senior notes	—	—	624	—	(1)	—	—	(1)
Stock-based compensation	—	—	—	—	14,729	—	—	14,729
Other comprehensive loss	—	—	—	—	—	—	(84)	(84)
Net loss	—	—	—	—	—	(27,878)	—	(27,878)
Balance, June 30, 2021	40,000	$ 39,846	104,838,095	$ 105	$ 651,627	$ (326,213)	$ 77	$ 325,596

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2020	40,000	$ 39,823	103,000,594	$ 103	$ 860,556	$ (270,313)	$ 211	$ 590,557
Issuance of convertible preferred stock, net	—	23	—	—	—	—	—	—
Issuance of common stock as dividend on convertible preferred stock	—	—	61,280	—	—	—	—	—
Issuance of common stock pursuant to employee stock purchase program	—	—	135,426	—	7,299	—	—	7,299
Issuance of common stock pursuant to exercise of stock options	—	—	1,089,203	1	5,199	—	—	5,200
Issuance of common stock pursuant to settlement of restricted stock units	—	—	738,095	1	(1)	—	—	—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	—	—	(224,107)	—	(16,530)	—	—	(16,530)
Cumulative-effect adjustment from accounting changes	—	—	—	—	(170,240)	7,762	—	(162,478)
Purchases of capped calls related to convertible senior notes	—	—	—	—	(62,647)	—	—	(62,647)
Issuance of common stock in connection with conversion of convertible senior notes	—	—	37,604	—	(53)	—	—	(53)
Stock-based compensation	—	—	—	—	28,044	—	—	28,044
Other comprehensive loss	—	—	—	—	—	—	(134)	(134)
Net loss	—	—	—	—	—	(63,662)	—	(63,662)
Balance, June 30, 2021	40,000	$ 39,846	104,838,095	$ 105	$ 651,627	$ (326,213)	$ 77	$ 325,596

See Notes to the consolidated financial statements.

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Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(in thousands, except share and per share amounts, unaudited)

Note 1: Summary of Accounting Policies

Basis of Presentation—The consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP").

The financial information as of December 31, 2021 that is included in this quarterly report is derived from the audited consolidated financial statements and notes for the year ended December 31, 2021 included in Item 8 in our annual report for the year ended December 31, 2021. Such financial information should be read in conjunction with the notes and management's discussion and analysis of the consolidated financial statements included in our annual report.

The unaudited consolidated interim financial statements, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position as of June 30, 2022, our statements of comprehensive loss, and statements of changes in mezzanine equity and stockholders' equity for the three and six months ended June 30, 2022 and 2021, as well as our statements of cash flows for the six months ended June 30, 2022 and 2021. The results for the three and six months ended June 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any interim period or for any other future year.

Principles of Consolidation—The unaudited consolidated interim financial statements include the accounts of Redfin Corporation and its wholly owned subsidiaries, including those entities in which we have a variable interest and of which we are the primary beneficiary. Intercompany transactions and balances have been eliminated.

Use of Estimates—The preparation of consolidated financial statements, in conformity with GAAP, requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and results of operations during the respective periods. Our estimates include, but are not limited to, valuation of deferred income taxes, stock-based compensation, net realizable value of inventory, capitalization of website and software development costs, the incremental borrowing rate for the determination of the present value of lease payments, recoverability of intangible assets with finite lives, fair value of our mortgage loans held for sale ("LHFS") and mortgage servicing rights, estimated useful life of intangible assets, fair value of reporting units for purposes of allocating and evaluating goodwill for impairment, and current expected credit losses on certain financial assets. The amounts ultimately realized from the affected assets or ultimately recognized as liabilities will depend on, among other factors, general business conditions and could differ materially in the near term from the carrying amounts reflected in the consolidated financial statements.

Restructuring and Reorganization—Restructuring and reorganization expenses primarily consist of employee termination costs (including severance, retention, benefits, and payroll taxes) associated with the restructuring and reorganization activities from our acquisitions of Bay Equity, our mortgage business, and Rent., our rental business, and from our June 2022 workforce reduction. These expenses are included in restructuring and reorganization in our consolidated statements of comprehensive loss and in accrued and other liabilities in our consolidated balance sheets. We expect to complete our restructuring and reorganization activities by the end of 2022.

Mortgage Servicing Rights ("MSRs")—We determine the fair value of MSRs using a valuation model that calculates the net present value of estimated future cash flows. Key estimates of future cash flows include prepayment speeds, default rates, discount rates, cost of servicing, objective portfolio characteristics, and others factors. Changes in these estimates could materially change the estimated fair value.

Recently Adopted Accounting Pronouncements—On October 28, 2021, the Financial Accounting Standards Board issued ASU 2021-08— *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which amends ASC 805 to "require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination." Under current GAAP, an acquirer generally recognizes such items at fair value on the acquisition date. As a result of the amendments made by ASU 2021-08, it is expected that an acquirer will generally recognize and measure acquired contract assets and contract liabilities in a manner consistent with how the acquiree recognized and measured them in its pre-acquisition financial statements. The amendments made by ASU 2021-08 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including in interim periods, for any financial statements that have not yet been issued. We elected to early adopt this standard in the second quarter of 2022, and there was not any material impact on our financial statements as a result of adopting ASU 2021-08.

Recently Issued Accounting Pronouncements—None applicable.

Note 2: Business Combinations

On April 1, 2022, we acquired, for $139,671 in cash, all of the equity interests of Bay Equity LLC ("Bay Equity"), and Bay Equity became one of our wholly owned subsidiaries. We acquired Bay Equity to expand our mortgage business.

The results of operations and the fair values of the assets acquired and liabilities assumed have been included in our consolidated financial statements since the date of acquisition. The revenue from Bay Equity is reported in our mortgage segment in Note 3. The goodwill recognized in connection with our acquisition of Bay Equity is primarily attributable to the anticipated synergies from future growth of the combined business and is not expected to be deductible for tax purposes. We assigned the recognized goodwill of $51,967 to the mortgage segment.

The following table summarizes the preliminary fair value of assets acquired and liabilities assumed as a result of the Bay Equity acquisition and is subject to revision as more detailed analyses are completed and additional information about the fair value of assets acquired and liabilities assumed becomes available:

Cash and cash equivalents	$ 39,963
Restricted cash	2,367
Accounts receivable	9,697
Prepaid expenses	1,222
Other current assets	19,262
Property and equipment, net	897
Operating lease right-of-use assets	4,995
Loans held for sale	213,891
Mortgage servicing rights, at fair value	33,982
Other assets, noncurrent	294
Intangible assets	14,510
Goodwill	51,967
Total assets acquired	393,047
Accounts payable	1,747
Accrued and other liabilities	38,026
Lease liabilities	2,848
Lease liabilities and deposits, noncurrent	2,147
Warehouse credit facilities	208,608
Total liabilities assumed	253,376
Total purchase consideration	$ 139,671

Acquisition-related costs consisted of external fees for advisory, legal, and other professional services and totaled approximately $ 1,507 and $2,424 for the three and six months ended June 30, 2022, respectively. These costs were expensed as incurred and recorded in general and administrative costs in our consolidated statements of comprehensive loss.

Identifiable Intangible Assets—The following table provides the preliminary fair values of the Bay Equity intangible assets, along with their estimated useful lives:

	Estimated Fair Value	Estimated Useful Life (in years)
Trade names	$ 11,650	5
Developed technology	2,860	3
Total	$ 14,510	

The identifiable intangible assets include trade names and developed technology. Trade names primarily relate to the Bay Equity brand. Developed technology primarily relates to website functionality around data consolidation and optimization which helps drive efficiencies in loan origination and processing. The fair values of trade names and developed technology are derived by applying the relief from royalty method and replacement cost method, respectively. Critical estimates in valuing the intangible assets include revenue growth rate, royalty rate, discount rate, and number of months to recreate the underlying application.

Unaudited Pro Forma Financial Information—The following table presents unaudited pro forma financial information for the three and six months ended June 30, 2022 and 2021. The pro forma financial information combines our results of operations with that of Bay Equity as though the companies had been combined as of January 1, 2021. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the Bay Equity acquisition had taken place at such time. The pro forma financial information presented below includes adjustments for depreciation and amortization, restructuring costs, and transaction costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	$ 606,915	$ 560,241	$ 1,260,129	$ 941,990
Net loss	(78,967)	(14,538)	(165,561)	(32,785)

There were no material non-recurring adjustments made in the pro forma financial information disclosed above.

Note 3: Segment Reporting and Revenue

In its operation of our business, our management, including our chief operating decision maker ("CODM"), who is also our chief executive officer, evaluates the performance of our operating segments based on our statement of operations results, inclusive of net loss. We do not analyze discrete segment balance sheet information related to long-term assets, substantially all of which are located in the United States. We have six operating segments and four reportable segments, real estate services, properties, rentals, and mortgage.

We generate revenue primarily from commissions and fees charged on each real estate services transaction closed by our lead agents or partner agents, from the sale of RedfinNow homes, from subscription-based product offerings for our rentals business, and from the origination, sales, and servicing of mortgages. Our key revenue components are brokerage revenue, partner revenue, properties revenue, rentals revenue, mortgage revenue, and other revenue.

Information on each of the reportable and other segments and reconciliation to consolidated net loss is presented in the table below. We have assigned certain previously reported expenses to each segment to conform to the way we internally manage and monitor our business. We allocated indirect costs to each segment based on a reasonable allocation methodology, when such costs are significant to the performance measures of the segments.

	Three Months Ended June 30, 2022						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Revenue	$ 251,809	$ 262,606	$ 38,248	$ 53,098	$ 5,894	$ (4,740)	$ 606,915
Cost of revenue	177,698	255,839	7,901	46,316	5,898	(4,740)	488,912
Gross profit	74,111	6,767	30,347	6,782	(4)	—	118,003
Operating expenses							
Technology and development	27,696	4,684	14,871	1,904	1,189	1,162	51,506
Marketing	40,765	821	13,086	1,843	71	157	56,743
General and administrative	24,341	3,210	21,824	9,450	850	12,058	71,733
Restructuring and reorganization	—	—	—	—	—	12,677	12,677
Total operating expenses	92,802	8,715	49,781	13,197	2,110	26,054	192,659
Loss from operations	(18,691)	(1,948)	(19,434)	(6,415)	(2,114)	(26,054)	(74,656)
Interest income, interest expense, income tax expense, and other expense, net	(123)	(1,245)	232	(35)	11	(2,330)	(3,490)
Net loss	$ (18,814)	$ (3,193)	$ (19,202)	$ (6,450)	$ (2,103)	$ (28,384)	$ (78,146)

	Three Months Ended June 30, 2021						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Revenue	$ 252,199	$ 172,445	$ 42,548	$ 5,099	$ 3,422	$ (4,398)	$ 471,315
Cost of revenue	164,125	167,420	7,570	6,832	3,630	(4,398)	345,179
Gross profit	88,074	5,025	34,978	(1,733)	(208)	—	126,136
Operating expenses							
Technology and development	20,010	3,080	13,568	2,536	479	1,815	41,488
Marketing	41,746	572	12,607	130	30	313	55,398
General and administrative	18,498	2,078	23,116	1,927	416	13,532	59,567
Total operating expenses	80,254	5,730	49,291	4,593	925	15,660	156,453
Income (loss) from operations	7,820	(705)	(14,313)	(6,326)	(1,133)	(15,660)	(30,317)
Interest income, interest expense, income tax expense, and other expense, net	(3)	(662)	212	1	1	2,890	2,439
Net income (loss)	$ 7,817	$ (1,367)	$ (14,101)	$ (6,325)	$ (1,132)	$ (12,770)	$ (27,878)

	Six Months Ended June 30, 2022						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Revenue	$ 429,295	$ 642,359	$ 76,292	$ 56,015	$ 10,263	$ (9,963)	$ 1,204,261
Cost of revenue	331,482	614,704	15,094	51,834	10,570	(9,963)	1,013,721
Gross profit	97,813	27,655	61,198	4,181	(307)	—	190,540
Operating expenses							
Technology and development	54,435	8,803	29,154	4,251	2,225	2,278	101,146
Marketing	71,608	1,974	24,128	1,871	125	379	100,085
General and administrative	47,333	6,035	46,015	10,974	1,562	18,780	130,699
Restructuring and reorganization	—	—	—	—	—	18,386	18,386
Total operating expenses	173,376	16,812	99,297	17,096	3,912	39,823	350,316
(Loss) income from operations	(75,563)	10,843	(38,099)	(12,915)	(4,219)	(39,823)	(159,776)
Interest income, interest expense, income tax expense, and other expense, net	(123)	(2,869)	701	(35)	12	(6,862)	(9,176)
Net (loss) income	$ (75,686)	$ 7,974	$ (37,398)	$ (12,950)	$ (4,207)	$ (46,685)	$ (168,952)

	Six Months Ended June 30, 2021						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Revenue	$ 420,808	$ 265,171	$ 42,548	$ 10,810	$ 7,068	$ (6,771)	$ 739,634
Cost of revenue	292,342	258,551	7,570	12,701	6,747	(6,771)	571,140
Gross profit	128,466	6,620	34,978	(1,891)	321	—	168,494
Operating expenses							
Technology and development	40,130	5,910	13,767	4,904	952	3,503	69,166
Marketing	52,928	779	12,611	264	63	555	67,200
General and administrative	42,429	4,507	23,149	3,352	933	22,587	96,957
Total operating expenses	135,487	11,196	49,527	8,520	1,948	26,645	233,323
Loss from operations	(7,021)	(4,576)	(14,549)	(10,411)	(1,627)	(26,645)	(64,829)
Interest income, interest expense, income tax expense, and other expense, net	(31)	(1,082)	212	2	1	2,065	1,167
Net loss	$ (7,052)	$ (5,658)	$ (14,337)	$ (10,409)	$ (1,626)	$ (24,580)	$ (63,662)

Note 4: Financial Instruments

Derivatives

Our primary market exposure is to interest rate risk, specifically U.S. treasury and mortgage interest rates, due to their impact on mortgage-related assets and commitments. We use forward sales commitments on whole loans and mortgage-backed securities to manage and reduce this risk. We do not have any derivative instruments designated as hedging instruments.

Forward Sales Commitments—We are exposed to interest rate and price risk on loans held for sale from the funding date until the date the loan is sold. Forward sales commitments on whole loans and mortgage-backed securities are used to fix the forward sales price that will be realized at the sale of each loan.

Interest Rate Lock Commitments—Interest rate lock commitments ("IRLCs") represent an agreement to extend credit to a mortgage loan applicant. We commit (subject to loan approval) to fund the loan at the specified rate, regardless of changes in market interest rates between the commitment date and the funding date. Outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of commitment through the loan funding date or expiration date. Loan commitments generally range between 30 and 90 days and the borrower is not obligated to obtain the loan. Therefore, IRLCs are subject to fallout risk, which occurs when approved borrowers choose not to close on the underlying loans. We review our commitment-to-closing ratio ("pull-through rate") as part of an estimate of the number of mortgage loans that will fund according to the IRLCs.

Notional Amounts	June 30, 2022	December 31, 2021
Forward sales commitments	$ 633,188	$ 70,550
IRLCs	594,111	67,485

The locations and amounts of gains (losses) recognized in income related to our derivatives are as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
Instrument	Classification	2022	2021	2022	2021
Forward sales commitments	Service revenue	$ (9,870)	$ (1,849)	$ (9,845)	$ 79
IRLCs	Service revenue	4,054	35	4,029	201

Fair Value of Financial Instruments

A summary of assets and liabilities related to our financial instruments, measured at fair value on a recurring basis and as reflected in our consolidated balance sheets, is set forth below:

	Balance at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents				
Money market funds	$ 302,480	$ 302,480	$ —	$ —
Agency bonds	7,589	7,589	—	—
Total cash equivalents	310,069	310,069	—	—
Short-term investments				
U.S. treasury securities	71,014	71,014	—	—
Agency bonds	11,492	11,492	—	—
Total short-term investments	82,506	82,506	—	—
Loans held for sale	306,364	—	306,364	—
Other current assets				
Forward sales commitments	3,462	—	3,462	—
IRLCs	10,821	—	—	10,821
Total other current assets	14,283	—	3,462	10,821
Mortgage servicing rights, at fair value	35,050	—	—	35,050
Long-term investments				
U.S. treasury securities	52,989	52,989	—	—
Total assets	$ 801,261	$ 445,564	$ 309,826	$ 45,871
Liabilities				
Accrued liabilities				
Forward sales commitments	$ 2,175	$ —	$ 2,175	$ —
IRLCs	1,310	—	—	1,310
Total liabilities	$ 3,485	$ —	$ 2,175	$ 1,310

	Balance at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents				
Money market funds	$ 509,971	$ 509,971	$ —	$ —
Total cash equivalents	509,971	509,971	—	—
Short-term investments				
U.S. treasury securities	16,718	16,718	—	—
Agency bonds	11,906	11,906	—	—
Equity securities	5,113	5,113	—	—
Loans held for sale	35,759	—	35,759	—
Other current assets				
Forward sales commitments	138	—	138	—
IRLCs	1,191	—	—	1,191
Total other current assets	1,329	—	138	1,191
Long-term investments				
U.S. treasury securities	54,828	54,828	—	—
Total assets	$ 635,624	$ 598,536	$ 35,897	$ 1,191
Liabilities				
Accrued liabilities				
Forward sales commitments	$ 93	$ —	$ 93	$ —
IRLCs	60	—	—	60
Total liabilities	$ 153	$ —	$ 93	$ 60

There were no transfers into or out of Level 3 financial instruments during the periods presented.

The significant unobservable inputs used to determine the fair value of IRLCs and MSRs that could result in a significant change in fair value measurement were as follows:

		June 30, 2022		December 31, 2021	
Key Inputs	**Valuation Technique**	**Range**	**Weighted-Average**	**Range**	**Weighted-Average**
IRLCs					
Pull-through rate	Market pricing	69.9% - 100.0%	89.4%	71.1%	71.1%
MSRs					
Prepayment speed	Discounted cash flow	6.0% - 15.4%	6.6%	N/A	N/A
Default rates	Discounted cash flow	0.0% - 0.5%	0.1%	N/A	N/A
Discount rate	Discounted cash flow	9.0% - 11.8%	9.1%	N/A	N/A

The following is a summary of changes in the fair value of IRLCs for the three and six months ended June 30, 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Balance, net—beginning of period	$ 243	$ 1,771	$ 1,155	$ 1,771
IRLCs acquired in business combination	4,326	—	4,326	—
Issuances of IRLCs	18,017	5,170	20,300	10,674
Settlements of IRLCs	(14,099)	(5,569)	(17,268)	(10,708)
Fair value changes recognized in earnings	1,024	600	998	235
Balance, net—end of period	$ 9,511	$ 1,972	$ 9,511	$ 1,972

The following is a summary of changes in the fair value of MSRs for the three and six months ended June 30, 2022 and 2021:

	Three and Six Months Ended June 30,	
	2022	2021
Balance—beginning of period	$ —	$ —
MSRs acquired in business combination	33,982	—
MSRs originated	964	—
MSRs sales	(774)	—
Fair value changes recognized in earnings	878	—
Balance, net—end of period	$ 35,050	$ —

The following table presents the carrying amounts and estimated fair values of our convertible senior notes that are not recorded at fair value on our consolidated balance sheets:

	June 30, 2022		December 31, 2021	
Issuance	Net Carrying Amount	Estimated Fair Value	Net Carrying Amount	Estimated Fair Value
2023 notes	$ 23,355	$ 21,264	$ 23,280	$ 34,487
2025 notes	652,164	386,534	650,783	593,366
2027 notes	564,354	268,962	563,234	467,814

The difference between the principal amounts of our 2023 notes, our 2025 notes, and our 2027 notes, which were $ 23,512, $661,250, and $575,000, respectively, and the net carrying amounts of the notes represents the unamortized debt issuance costs. The estimated fair value of each tranche of convertible senior notes is based on the closing trading price of the notes on the last day of trading for the period, and is classified as Level 2 within the fair value hierarchy due to the limited trading activity of the notes. Based on the closing price of our common stock of $8.24 on June 30, 2022, the if-converted values of all three convertible notes were less than the principal amounts, respectively. See Note 15 for additional details on our convertible senior notes.

See Note 11 for the carrying amount of our convertible preferred stock.

Assets and liabilities recognized or disclosed at fair value on a nonrecurring basis include items such as property and equipment, goodwill and other intangible assets, and other assets. These assets are remeasured at fair value if determined to be impaired.

The cost or amortized cost, gross unrealized gains and losses, and estimated fair market value of our cash, money market funds, restricted cash, available-for-sale investments, and equity securities were as follows:

	June 30, 2022						
	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Cash, Cash Equivalents, and Restricted Cash	Short-term Investments	Long-term Investments
Cash	$ 69,853	$ —	$ —	$ 69,853	$ 69,853	$ —	$ —
Money markets funds	302,480	—	—	302,480	302,480	—	—
Restricted cash	28,279	—	—	28,279	28,279	—	—
U.S. treasury securities	124,973	30	(1,000)	124,003	—	71,014	52,989
Agency bonds	19,087	1	(7)	19,081	7,589	11,492	—
Total	$ 544,672	$ 31	$ (1,007)	$ 543,696	$ 408,201	$ 82,506	$ 52,989

	December 31, 2021						
	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Cash, Cash Equivalents, and Restricted Cash	Short-term Investments	Long-term Investments
Cash	$ 81,032	$ —	$ —	$ 81,032	$ 81,032	$ —	$ —
Money markets funds	509,971	—	—	509,971	509,971	—	—
Restricted cash	127,278	—	—	127,278	127,278	—	—
U.S. treasury securities	71,749	1	(204)	71,546	—	16,718	54,828
Agency bonds	11,900	6	—	11,906	—	11,906	—
Equity securities	500	4,613	—	5,113	—	5,113	—
Total	$ 802,430	$ 4,620	$ (204)	$ 806,846	$ 718,281	$ 33,737	$ 54,828

We have evaluated our portfolio of available-for-sale debt securities based on credit quality indicators for expected credit losses and do not believe there are any expected credit losses. Our portfolio consists of U.S. government securities, all with a high quality credit rating issued by various credit agencies.

As of June 30, 2022 and December 31, 2021, we had accrued interest of $ 171 and $86, respectively, on our available-for-sale investments, of which we have recorded no expected credit losses. Accrued interest receivable is recorded in other current assets in our consolidated balance sheets.

Note 5: Inventory

The components of inventory were as follows:

	June 30, 2022	December 31, 2021
Finished goods		
Properties for sale	$ 98,020	$ 36,302
Properties under contract for sale	55,201	83,108
Work in progress		
Properties not available for sale	41,106	16,377
Properties under improvement	183,191	222,434
Inventory	$ 377,518	$ 358,221

Inventory includes direct home purchase costs and any capitalized improvements, net of inventory reserves, which reflect the lower of cost or net realizable value write-downs applied on a specific home basis. As of June 30, 2022 and December 31, 2021, lower of cost or net realizable value write-downs were $4,739 and $2,364, respectively. These write-downs are included within the changes in inventory in net cash used in operating activities in our consolidated statements of cash flows. During the six months ended June 30, 2022, we purchased 1,045 homes with an inventory value of $ 540,882 and sold 1,040 homes with an inventory value of $515,067. During the six months ended June 30, 2021, we purchased 808 homes with an inventory value of $ 410,960 and sold 463 homes with an inventory value of $213,921.

Homes that are under contract to purchase through our properties business, but that have not closed, are excluded from inventory and represent commitments at the end of the period. As of June 30, 2022, the aggregate purchase price of these homes was $138,271.

Note 6: Property and Equipment

The components of property and equipment were as follows:

	Useful Lives (Years)	June 30, 2022	December 31, 2021
Leasehold improvements	Shorter of lease term or economic life	$ 32,386	$ 33,455
Website and software development costs	2 - 3	56,670	50,439
Computer and office equipment	3 - 5	17,791	14,216
Software	3	1,871	1,871
Furniture	7	7,594	8,091
Property and equipment, gross		116,312	108,072
Accumulated depreciation and amortization		(66,668)	(59,766)
Construction in progress		10,065	10,365
Property and equipment, net		$ 59,709	$ 58,671

Depreciation and amortization expense for property and equipment amounted to $ 6,579 and $4,751 for the three months ended June 30, 2022 and 2021, respectively, and $12,466 and $8,970 for the six months ended June 30, 2022 and 2021, respectively. We capitalized website and software development costs, including stock-based compensation, of $4,896 and $5,045 for the three months ended June 30, 2022 and 2021, respectively, and $ 11,011 and $8,410 for the six months ended June 30, 2022 and 2021, respectively.

Note 7: Leases

We lease office space under noncancelable operating leases with original terms ranging from one to 11 years and vehicles under noncancelable finance leases with terms of four years. Generally, the operating leases require a fixed minimum rent with contractual minimum rent increases over the lease term. The components of lease expense were as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
Lease Cost	**Classification**	**2022**	**2021**	**2022**	**2021**
Operating lease cost					
Operating lease cost[1]	Cost of revenue	$ 3,703	$ 2,381	$ 6,083	$ 4,705
Operating lease cost[1]	Operating expenses	1,796	1,595	3,487	2,712
Total operating lease cost		$ 5,499	$ 3,976	$ 9,570	$ 7,417
Finance lease cost					
Amortization of right-of-use assets	Cost of revenue	$ 184	$ 140	$ 367	$ 196
Interest on lease liabilities	Cost of revenue	23	21	48	30
Total finance lease cost		$ 207	$ 161	$ 415	$ 226

(1) Includes lease expense with initial terms of twelve months or less of $ 1,047 and $434 for the three months ended June 30, 2022 and 2021, respectively, and $ 1,423 and $726 for the six months ended June 30, 2022 and 2021, respectively.

Maturity of Lease Liabilities	Lease Liabilities Operating	Lease Liabilities Financing	Other Leases Operating	Total Lease Obligations
2022, excluding the six months ended June 30, 2022	$ 10,238	$ 340	$ 1,538	$ 12,116
2023	19,050	667	476	20,193
2024	15,812	581	188	16,581
2025	11,741	258	128	12,127
2026	10,621	15	5	10,641
Thereafter	6,434	—	—	6,434
Total lease payments	$ 73,896	$ 1,861	$ 2,335	$ 78,092
Less: Interest(1)	6,523	134		
Present value of lease liabilities	$ 67,373	$ 1,727		

(1) Includes interest on operating leases of $ 2,547 and financing lease of $ 76 within the next twelve months.

Lease Term and Discount Rate	June 30, 2022	December 31, 2021
Weighted-average remaining operating lease term (years)	4.3	4.8
Weighted-average remaining finance lease term (years)	2.9	3.2
Weighted-average discount rate for operating leases	4.4 %	4.4 %
Weighted-average discount rate for finance leases	5.4 %	5.4 %

Supplemental Cash Flow Information	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 9,567	$ 7,654
Operating cash flows from finance leases	48	42
Financing cash flows from finance leases	284	122
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	$ 1,745	$ 6,139
Finance leases	477	768

Note 8: Commitments and Contingencies

Legal Proceedings

Below is a discussion of our material, pending legal proceedings. We cannot estimate a range of reasonably possible losses given the preliminary stage of these proceedings and the claims and issues presented. In addition to the matters discussed below, from time to time, we are involved in litigation, claims, and other proceedings arising in the ordinary course of our business. Except for the matters discussed below, we do not believe that any of our pending litigation, claims, and other proceedings are material to our business.

Lawsuit by David Eraker—On May 11, 2020, David Eraker, our co-founder and former chief executive officer who departed Redfin in 2006, filed a complaint through Appliance Computing III, Inc. (d/b/a Surefield) ("Surefield"), which is a company that Mr. Eraker founded and that we believe he controls, in the U.S. District Court for the Western District of Texas, Waco Division. The complaint alleged that we were infringing four patents claimed to be owned by Surefield without its authorization or license. Surefield sought an unspecified amount of damages and an injunction against us offering products and services that allegedly infringe the patents at issue. On May 17, 2022, the jury returned a verdict in our favor, finding that we did not infringe any of the asserted claims of the patents claimed to be owned by Surefield, and accordingly, we do not owe any damages to Surefield. The jury also found that all asserted claims of Surefield's claimed patents were invalid.

Lawsuit Alleging Violations of the Fair Housing Act—On October 28, 2020, a group of ten organizations filed a complaint against us in the U.S. District Court for the Western District of Washington. The organizations are the National Fair Housing Alliance, the Fair Housing Center of Metropolitan Detroit, the Fair Housing Justice Center, the Fair Housing Rights Center in Southeastern Pennsylvania, the HOPE Fair Housing Center, the Lexington Fair Housing Council, the Long Island Housing Services, the Metropolitan Milwaukee Fair Housing Council, Open Communities, and the South Suburban Housing Center. The complaint alleged that certain of our business policies and practices violate certain provisions of the Fair Housing Act (the “FHA”). The plaintiffs alleged that these policies and practices (i) have the effect of our services being unavailable in predominantly non-white communities on a more frequent basis than predominantly white communities and (ii) are unnecessary to achieve a valid interest or legitimate objective. The complaint focused on the following policies and practices, as alleged by the plaintiffs: (i) a home's price must exceed a certain dollar amount before we offer service through one of our lead agents or partner agents and (ii) our services and pricing structures are available only for homes serviced by one of our lead agents and those same services and pricing structures may not be offered by one of our partner agents. The plaintiffs sought (i) a declaration that our alleged policies and practices violate the FHA, (ii) an order enjoining us from further alleged violations, (iii) an unspecified amount of monetary damages, and (iv) payment of plaintiffs’ attorneys' fees and costs.

On April 29, 2022, we settled this lawsuit. As part of the settlement, we paid an aggregate of $ 3,000 to the ten organizations on May 25, 2022 and will pay an additional aggregate of $1,000 to the ten organizations by April 29, 2023. The latter payment will be dedicated to fund programs devoted to expanding home ownership opportunities. In addition to the financial payments, we also agreed to certain changes to our business practices, including expanding our brokerage services to lower-priced homes in certain markets, designating a fair housing compliance officer, revamping our fair housing training, and expanding our diversity recruiting efforts.

Lawsuits Alleging Misclassification—On August 28, 2019, Devin Cook, who was one of our former independent contractor licensed sales associates, whom we call associate agents, filed a complaint against us in the Superior Court of California, County of San Francisco. The plaintiff initially pled the complaint as a class action and alleged that we misclassified her as an independent contractor instead of an employee. The plaintiff also sought unspecified penalties pursuant to representative claims under California’s Private Attorney General Act ("PAGA"). On January 30, 2020, the plaintiff filed a first amended complaint dismissing her class action claim and asserting only claims under PAGA.

On November 20, 2020, Jason Bell, who was one of our former lead agents as well as a former associate agent, filed a complaint against us in the U.S. District Court for the Southern District of California. The complaint was pled as a class action and alleges that, (1) during the time he served as an associate agent, we misclassified him as an independent contractor instead of an employee and (2) during the time he served as a lead agent, we misclassified him as an employee who was exempt from minimum wage and overtime laws. The plaintiff also asserted representative claims under PAGA. The plaintiff sought unspecified amounts of unpaid overtime wages, regular wages, meal and rest period compensation, waiting time and other penalties, injunctive and other equitable relief, and plaintiff's attorneys' fees and costs.

On May 23, 2022, pursuant to a combined mediation, we settled the lawsuits brought by Ms. Cook and Mr. Bell for an aggregate of $ 3,000. This amount is subject to adjustment if our actual number of associate agents, lead agents, or their respective workweeks differs from the number that we represented to the plaintiffs. This settlement is subject to each court’s approval.

On March 24, 2021, Anthony Bush, who is one our former lead agents as well as a former associate agent, filed a complaint against us in the Superior Court of California, County of Alameda. The original complaint alleges that, during the time he served as an associate agent, we misclassified him as an independent contractor instead of an employee. The plaintiff also asserts representative claims under PAGA. The plaintiff is seeking unspecified amounts of unpaid overtime wages, regular wages, meal and rest period compensation, penalties, injunctive, and other equitable relief, and plaintiff's attorneys' fees and costs. On September 27, 2021, the court granted our motion to stay the plaintiff’s action pending resolution of the PAGA claims brought against us by Devin Cook described above. The plaintiff subsequently filed an arbitration demand. In arbitration, the plaintiff alleges that (i) during the time he served as an associate agent, we misclassified him as an independent contractor instead of an employee and (ii) during the time he served as a lead agent, we misclassified him as an exempt employee.

Other Commitments

Our title and settlement business and our mortgage business each holds cash in escrow at third-party financial institutions on behalf of homebuyers and home sellers. As of June 30, 2022, we held $30,879 in escrow and did not record this amount on our consolidated balance sheets. We may be held contingently liable for the disposition of the cash we hold in escrow. See Note 5 for our commitments related to inventory under contract but not closed.

Note 9: Acquired Intangible Assets and Goodwill

Acquired Intangible Assets—The gross carrying amounts and accumulated amortization of intangible assets were as follows:

		June 30, 2022			December 31, 2021		
	Weighted-Average Useful Lives (Years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trade names	9.3	$ 82,690	$ (10,139)	$ 72,551	$ 71,040	$ (6,004)	$ 65,036
Developed technology	3.3	66,340	(27,756)	38,584	63,480	(17,285)	46,195
Customer relationships	10	81,360	(10,729)	70,631	81,360	(6,662)	74,698
Total		$ 230,390	$ (48,624)	$ 181,766	$ 215,880	$ (29,951)	$ 185,929

Amortization expense amounted to $9,747 and $8,926 for the three months ended June 30, 2022 and 2021, respectively, and $ 18,673 and $9,048 for the six months ended June 30, 2022 and 2021, respectively.

Our estimate of remaining amortization expense for intangible assets that existed as of June 30, 2022 is as follows:

2022, excluding the six months ended June 30, 2022	$ 19,494
2023	38,988
2024	23,741
2025	17,618
2026	17,380
Thereafter	64,545
Estimated remaining amortization expense	$ 181,766

Goodwill—The carrying amounts of goodwill by reportable segment were as follows:

	Real Estate Services	Rentals	Mortgage	Total
Balance as of December 31, 2021	$ 250,231	$ 159,151	$ —	$ 409,382
Goodwill resulting from acquisition	—	—	51,967	51,967
Balance as of June 30, 2022	$ 250,231	$ 159,151	$ 51,967	$ 461,349

Note 10: Accrued and Other Liabilities

The components of accrued and other liabilities were as follows:

	June 30, 2022	December 31, 2021
Accrued compensation and benefits	$ 107,304	$ 78,437
Miscellaneous accrued liabilities	39,294	25,217
Payroll tax liability deferred by the CARES Act	7,760	7,760
Customer contract liabilities	7,445	6,708
Total accrued and other liabilities	$ 161,803	$ 118,122

Note 11: Mezzanine Equity

On April 1, 2020, we issued 4,484,305 shares of our common stock, at a price of $ 15.61 per share, and 40,000 shares of our preferred stock, at a price of $1,000 per share, for aggregate gross proceeds of $ 110,000. We designated this preferred stock as Series A Convertible Preferred Stock (our "convertible preferred stock"). Our convertible preferred stock is classified as mezzanine equity in our consolidated financial statements as the substantive conversion features at the option of the holder precludes liability classification. We have determined there are no material embedded features that require recognition as a derivative asset or liability.

We allocated the gross proceeds of $ 110,000 to the common stock issuance and the convertible preferred stock issuance based on the standalone fair value of the issuances, resulting in a fair valuation of $40,000 for the preferred stock, which is also the value of the mandatory redemption amount.

As of June 30, 2022, the carrying value of our convertible preferred stock, net of issuance costs, is $ 39,891, and holders have earned unpaid stock dividends in the amount of 30,640 shares of common stock. This stock dividend was issued on April 1, 2022. These shares are included in basic and diluted net loss per share attributable to common stock in Note 13. As of June 30, 2022, no shares of the preferred stock have been converted, and the preferred stock was not redeemable, nor probable to become redeemable in the future as there is a more than remote chance the shares will be automatically converted prior to the mandatory redemption date. The number of shares of common stock reserved for future issuance resulting from dividends, conversion, or redemption with respect to the preferred stock was 2,622,177 as of the issuance date.

Dividends—The holders of our convertible preferred stock are entitled to dividends. Dividends accrue daily based on a 360 day fiscal year at a rate of 5.5% per annum based on the issue price and are payable quarterly in arrears on the first business day following the end of each calendar quarter. Assuming we satisfy certain conditions, we will pay dividends in shares of common stock at a rate of the dividend payable divided by $17.95. If we do not satisfy such conditions, we will pay dividends in a cash amount equal to (i) the dividend shares otherwise issuable on the dividends multiplied by (ii) the volume-weighted average closing price of our common stock for the ten trading days preceding the date the dividends are payable.

Participation Rights—Holders of our convertible preferred stock are entitled to dividends paid and distributions made to holders of our common stock to the same extent as if such preferred stockholders had converted their shares of preferred stock into common stock and held such shares on the record date for such dividends and distributions.

Conversion—Holders may convert their convertible preferred stock into common stock at any time at a rate per share of preferred stock equal to the issue price divided by $19.51 (the "conversion price"). A holder that converts will also receive any dividend shares resulting from accrued dividends.

Our convertible preferred stock may also be automatically converted to shares of our common stock. If the closing price of our common stock exceeds $27.32 per share (i) for each day of the 30 consecutive trading days immediately preceding April 1, 2023 or (ii) following April 1, 2023 until 30 trading days prior to November 30, 2024, for each day of any 30 consecutive trading days, then each outstanding share of preferred stock will automatically convert into a number of shares of our common stock at a rate per share of preferred stock equal to the issue price divided by the conversion price. Upon an automatic conversion, a holder will also receive any dividend shares resulting from accrued dividends.

Redemption—On November 30, 2024, we will be required to redeem any outstanding shares of our convertible preferred stock, and each holder may elect to receive cash, shares of common stock, or a combination of cash and shares. If a holder elects to receive cash, we will pay, for each share of preferred stock, an amount equal to the issue price plus any accrued dividends. If a holder elects to receive shares, we will issue, for each share of preferred stock, a number of shares of common stock at a rate of the issue price divided by the conversion price plus any dividend shares resulting from accrued dividends.

A holder of our convertible preferred stock has the right to require us to redeem up to all shares of preferred stock it holds following certain events outlined in the document governing the preferred stock. If a holder redeems as the result of such events, such holder may elect to receive cash or shares of common stock, as calculated in the same manner as the mandatory redemption described above. Additionally, such holder will also receive, in cash or shares of common stock as elected by the holder, an amount equal to all scheduled dividend payments on the preferred stock for all remaining dividend periods from the date the holder gives its notice of redemption.

Liquidation Rights—Upon our liquidation, dissolution, or winding up, holders of our convertible preferred stock will be entitled to receive cash out of our assets prior to holders of the common stock.

Note 12: Equity and Equity Compensation Plans

Common Stock—As of June 30, 2022 and December 31, 2021, our amended and restated certificate of incorporation authorized us to issue 500,000,000 shares of common stock with a par value of $0.001 per share.

Preferred Stock—As of June 30, 2022 and December 31, 2021, our amended and restated certificate of incorporation authorized us to issue 10,000,000 shares of preferred stock with a par value of $0.001.

Amended and Restated 2004 Equity Incentive Plan—We granted options under our 2004 Equity Incentive Plan, as amended (our "2004 Plan"), until July 26, 2017, when we terminated it in connection with our initial public offering. Accordingly, no shares are available for future issuance under our 2004 Plan. Our 2004 Plan continues to govern outstanding equity awards granted thereunder. The term of each stock option under the plan is no more than 10 years, and each stock option generally vests over a four-year period.

2017 Equity Incentive Plan—Our 2017 Equity Incentive Plan (our "2017 EIP") became effective on July 26, 2017, and provides for the issuance of incentive and nonqualified common stock options and restricted stock units to employees, directors, and consultants. The number of shares of common stock initially reserved for issuance under our 2017 EIP was 7,898,159. The number of shares reserved for issuance under our 2017 EIP will increase automatically on January 1 of each calendar year beginning on January 1, 2018, and continuing through January 1, 2028, by the number of shares equal to the lesser of 5% of the total outstanding shares of our common stock as of the immediately preceding December 31 or an amount determined by our board of directors. The term of each stock option and restricted stock unit under the plan will not exceed 10 years, and each award generally vests between two and four years.

We have reserved shares of common stock for future issuance under our 2017 EIP as follows:

	June 30, 2022	December 31, 2021
Stock options issued and outstanding	3,513,601	4,019,011
Restricted stock units outstanding	10,152,284	4,617,425
Shares available for future equity grants	14,010,059	15,205,854
Total shares reserved for future issuance	27,675,944	23,842,290

2017 Employee Stock Purchase Plan—Our 2017 Employee Stock Purchase Plan (our "ESPP") was approved by our board of directors on July 27, 2017 and enables eligible employees to purchase shares of our common stock at a discount. Purchases will be accomplished through participation in discrete offering periods. We initially reserved 1,600,000 shares of common stock for issuance under our ESPP. The number of shares reserved for issuance under our ESPP will increase automatically on January 1 of each calendar year beginning after the first offering date and continuing through January 1, 2028, by the number of shares equal to the lesser of 1% of the total outstanding shares of our common stock as of the immediately preceding December 31 or an amount determined by our board of directors. On each purchase date, eligible employees will purchase our common stock at a price per share equal to 85% of the lesser of (i) the fair market value of our common stock on the first trading day of the offering period and (ii) the fair market value of our common stock on the purchase date.

We have reserved shares of common stock for future issuance under our ESPP as follows:

	Six Months Ended June 30, 2022	Year Ended December 31, 2021
Shares available for issuance at beginning of period	4,768,506	4,039,667
Shares issued during the period	(661,054)	(334,248)
Total shares available for future issuance at end of period	4,107,452	3,705,419

Stock Options—Option activity for the six months ended June 30, 2022 was as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2022(1)	4,019,011	$ 8.02	3.73	$ 122,038
PSOs earned(1)	150,000	27.50		
Options exercised	(645,120)	6.97		
Options expired	(10,290)	6.55		
Outstanding as of June 30, 2022	3,513,601	9.05	3.30	4,717
Options exercisable as of June 30, 2022	3,513,601	9.05	3.30	4,717

(1) We granted stock options subject to performance conditions (“PSOs”) to our chief executive officer in 2019. We previously reported the target achievement level of these PSOs - 150,000 PSOs - within our outstanding stock options. During the first quarter of 2022, our board of directors determined that our chief executive officer earned his PSOs at the maximum achievement level. Accordingly, we are reporting an additional 150,000 PSOs as being earned during the first quarter of 2022.

The grant date fair value of our stock options was recorded as stock-based compensation over the stock options' vesting period. All outstanding options were fully vested as of June 30, 2022. We did not recognize any option-related expense during the six months ended June 30, 2022. With respect to our PSOs, we had previously expensed the PSOs based on their maximum achievement level. During the first quarter of 2022, our board of directors certified our maximum achievement of the PSOs.

Restricted Stock Units—Restricted stock unit activity for the six months ended June 30, 2022 was as follows:

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding as of January 1, 2022	4,617,425	$ 37.13
Granted	7,719,582	11.21
Vested	(1,056,468)	26.86
Forfeited or canceled	(1,128,255)	28.80
Outstanding or deferred as of June 30, 2022[1]	10,152,284	19.42

(1) Starting with the restricted stock units granted to them in June 2019, our non-employee directors have the option to defer the issuance of common stock receivable upon vesting of such restricted stock units until 60 days following the day they are no longer providing services to us or, if earlier, upon a change in control transaction. The amount reported as vested excludes restricted stock units that have vested but whose settlement into shares has been deferred. The amount reported as outstanding or deferred as of June 30, 2022 includes these restricted stock units. As no further conditions exist to prevent the issuance of the shares of common stock underlying these restricted stock units, the shares are included in basic and diluted weighted shares outstanding used to calculate net loss per share attributable to common stock. The amount of shares whose issuance have been deferred is not considered material and is not reported separately from stock-based compensation in our consolidated statements of changes in mezzanine equity and stockholders' equity.

The grant date fair value of restricted stock units is recorded as stock-based compensation over the vesting period. As of June 30, 2022, there was $170,956 of total unrecognized compensation cost related to restricted stock units, which is expected to be recognized over a weighted-average period of 3.23 years.

As of June 30, 2022, there were 616,731 restricted stock units subject to performance and market conditions ("PSUs") at 100% of the target level. Depending on our achievement of the performance and market conditions, the actual number of shares of common stock issuable upon vesting of PSUs will range from 0% to 200% of the target amount. For each PSU recipient, the awards will vest only if the recipient is continuing to provide service to us upon our board of directors, or its compensation committee, certifying that we have achieved the PSU's related performance or market conditions. Stock-based compensation expense for PSUs with performance conditions is recognized when it is probable that the performance conditions will be achieved. For PSUs with market conditions, the market condition is reflected in the grant-date fair value of the award and the expense is recognized over the life of the award. Stock-based compensation expense associated with the PSUs is as follows:

	Six Months Ended June 30,	
	2022	2021
PSU expense	$ 1,669	$ 2,621

Compensation Cost—The following table details, for each period indicated, our stock-based compensation, net of forfeitures, and the amount capitalized in website and software development costs, each as included in our consolidated statements of comprehensive loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of revenue	$ 3,879	$ 3,758	$ 7,257	$ 6,736
Technology and development[1]	7,700	5,771	15,665	11,532
Marketing	924	535	1,996	1,078
General and administrative	4,310	3,679	8,683	6,981
Total stock-based compensation	$ 16,813	$ 13,743	$ 33,601	$ 26,327

(1) Net of $ 919 and $ 985 of stock-based compensation that was capitalized in the three months ended June 30, 2022 and 2021, respectively, and $ 2,053 and $ 1,717 for the six months ended June 30, 2022 and 2021, respectively.

Note 13: Net Loss per Share Attributable to Common Stock

Net loss per share attributable to common stock is computed by dividing the net loss attributable to common stock by the weighted-average number of common shares outstanding. We have outstanding stock options, restricted stock units, options to purchase shares under our ESPP, convertible preferred stock, and convertible senior notes, which are considered in the calculation of diluted net loss per share whenever doing so would be dilutive.

We calculate basic and diluted net loss per share attributable to common stock in conformity with the two-class method required for companies with participating securities. We consider our convertible preferred stock to be participating securities. Under the two-class method, net loss attributable to common stock is not allocated to the preferred stock as its holders do not have a contractual obligation to share in losses, as discussed in Note 12.

The calculation of basic and diluted net loss per share attributable to common stock was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net loss	$ (78,146)	$ (27,878)	$ (168,952)	$ (63,662)
Dividends on convertible preferred stock	(350)	(1,878)	(1,144)	(4,214)
Net loss attributable to common stock—basic and diluted	$ (78,496)	$ (29,756)	$ (170,096)	$ (67,876)
Denominator:				
Weighted-average shares—basic and diluted(1)	107,396,575	104,391,337	107,032,381	103,912,212
Net loss per share attributable to common stock—basic and diluted	$ (0.73)	$ (0.29)	$ (1.59)	$ (0.65)

(1) Basic and diluted weighted-average shares outstanding include (i) common stock earned but not yet issued related to share-based dividends on our convertible preferred stock, and (ii) restricted stock units that have vested but whose settlement into common stock were deferred at the option of certain non-employee directors.

The following outstanding shares of common stock equivalents were excluded from the computation of the diluted net loss per share for the periods presented because their effect would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
2023 notes as if converted	769,623	777,021	769,623	777,021
2025 notes as if converted	9,119,960	9,119,960	9,119,960	9,119,960
2027 notes as if converted	6,147,900	6,147,900	6,147,900	6,147,900
Convertible preferred stock as if converted	2,040,000	2,040,000	2,040,000	2,040,000
Stock options outstanding	3,513,601	4,639,132	3,513,601	4,639,132
Restricted stock units outstanding(1)(2)	10,119,140	3,671,589	10,119,140	3,671,589
Total	31,710,224	26,395,602	31,710,224	26,395,602

(1) Excludes 616,731 incremental PSUs that could vest, assuming applicable performance criteria and market conditions are achieved at 200% of target, which is the maximum achievement level. See Note 12 for additional information regarding PSUs.
(2) Excludes 33,144 restricted stock units that have vested but whose settlement into common stock were deferred at the option of certain non-employee directors as of June 30, 2022.

Note 14: Income Taxes

During the six months ended June 30, 2022, we recorded income tax expense of $ 293, resulting in an effective tax rate of (0.17)%, which is primarily a result of current state income taxes. Our current income tax expense was partially offset by a deferred tax benefit resulting from a reduction to deferred tax liabilities originally created through our April 2, 2021 acquisition of Rent. Our June 30, 2021 effective tax rate of 7.35% is primarily a result of our previously recorded full valuation allowance against our deferred tax assets.

In determining the realizability of the net U.S. federal and state deferred tax assets, we consider numerous factors including historical profitability, estimated future taxable income, prudent and feasible tax planning strategies, and the industry in which we operate. Management reassesses the realization of the deferred tax assets each reporting period, which resulted in a valuation allowance against the full amount of our U.S. deferred tax assets for the six months ended June 30, 2022 and 2021. To the extent that the financial results of our U.S. operations improve in the future and the deferred tax assets become realizable, we will reduce the valuation allowance through earnings.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, substantial changes in our ownership may limit the amount of net operating loss ("NOL") and income tax credit carryforwards that could be utilized annually in the future to offset taxable income and income tax liabilities. Any such annual limitation may significantly reduce the utilization of the NOLs and income tax credits before they expire. A Section 382 limitation study performed as of March 31, 2017 determined that we experienced an ownership change in 2006 with $1,506 of the 2006 NOL and $ 32 of the 2006 research and development tax credit unavailable for future use. Furthermore, in connection with our acquisition of Rent., Rent. experienced an ownership change that triggered Section 382. As of September 30, 2021, Rent. completed a Section 382 limitation study and, based on this analysis, we do not expect a reduction in our ability to fully utilize Rent.'s pre-change NOLs.

As of December 31, 2021, we had accumulated approximately $ 611,296 of federal net operating losses, approximately $ 18,777 (tax effected) of state net operating losses, and approximately $3,213 of foreign net operating losses. Federal net operating losses are available to offset federal taxable income and begin to expire in 2025, with net operating loss carryforwards of $320,123 generated after 2017 available to offset future U.S. federal taxable income over an indefinite period.

Net research and development credit carryforwards of $ 18,828 are available as of December 31, 2021 to reduce future liabilities. The research and development credit carryforwards begin to expire in 2026.

Deductible but limited federal business interest expense carryforwards of $ 149,710 are available as of December 31, 2021 to offset future U.S. federal taxable income over an indefinite period.

Our material income tax jurisdiction is the United States (federal) and Canada (foreign). As a result of NOL carryforwards, we are subject to audit for all tax years for federal purposes. All tax years remain subject to examination in various other jurisdictions that are not material to our consolidated financial statements.

Note 15: Debt

Warehouse Credit Facilities—To provide capital for the mortgage loans that it originates, our mortgage segment utilizes warehouse credit facilities that are classified as current liabilities in our consolidated balance sheets. Borrowings under each warehouse credit facility are secured by the related mortgage loan and rights and income associated with the loan. The following table summarizes borrowings under these facilities as of the periods presented:

	June 30, 2022			
Lender	Borrowing Capacity	Outstanding Borrowings	Weighted-Average Interest Rate on Outstanding Borrowings	Maturity Date
City National Bank	$ 100,000	$ 36,151	3.63 %	10/11/2022
Comerica Bank	75,000	33,448	3.80	Upon lender demand
Origin Bank	75,000	35,000	4.31	9/30/2022
People's United Bank, National Association	50,000	21,695	3.47	10/19/2022
Prosperity Bank	150,000	81,268	3.71	9/30/2022
Republic Bank & Trust Company	75,000	31,906	3.32	8/17/2022
Wells Fargo Bank, N.A.	135,000	44,964	3.52	As determined by lender
Western Alliance Bank	25,000	13,871	3.18	12/2/2022
Total	$ 685,000	$ 298,303	—	—

	December 31, 2021		
Lender	Borrowing Capacity	Outstanding Borrowings	Weighted-Average Interest Rate on Outstanding Borrowings
Western Alliance Bank	$ 50,000	$ 17,089	3.00 %
Texas Capital Bank, N.A.	40,000	11,852	3.01
Flagstar Bank, FSB	25,000	4,102	3.00
Total	$ 115,000	$ 33,043	—

Secured Revolving Credit Facility—To provide capital for the homes that it purchases, RedfinNow has, through a special purpose entity called RedfinNow Borrower, entered into a secured revolving credit facility with Goldman Sachs Bank, N.A. ("Goldman Sachs"). Borrowings under the facility are secured by RedfinNow Borrower's assets, including the financed homes, as well as the equity interests in RedfinNow Borrower. Under the facility, RedfinNow Borrower and certain other Redfin entities have ongoing obligations, including Redfin Corporation's compliance with financial covenants based on its net worth, liquidity, and leverage ratio, each measured on a quarterly basis. The following table summarizes borrowings under this facility as of the periods presented:

	June 30, 2022			December 31, 2021		
Lender	Borrowing Capacity	Outstanding Borrowings	Weighted-Average Interest Rate on Outstanding Borrowings	Borrowing Capacity	Outstanding Borrowings	Weighted-Average Interest Rate on Outstanding Borrowings
Goldman Sachs Bank USA	$ 400,000	$ 156,540	4.55 %	$ 200,000	$ 199,781	3.30 %

The facility matures on August 9, 2023, but we may extend the maturity date for an additional six months to repay outstanding borrowings. Goldman Sachs may, at its sole option, finance a portion of RedfinNow Borrower's acquisition costs of qualified homes that have been purchased. The portion financed is based, in part, on how long the qualifying home has been owned by a Redfin entity. Beginning on January 1, 2022, all outstanding borrowings generally bear interest at a rate equal to (i) the USD-SOFR-Compound rate plus (ii) 11.448 basis points (subject to a floor of 0.30%) plus (iii) 3.00%. Outstanding borrowings before January 1, 2022 generally bore interest at a rate of one-month LIBOR (subject to a floor of 0.30%) plus 3.00%.

RedfinNow Borrower must repay all borrowings and accrued interest upon the termination of the facility, and it has the option to repay the borrowings, and the related interest, with respect to a specific financed home upon the sale of such home. In certain situations involving a financed home remaining unsold after a certain time period or becoming ineligible for financing under the facility, RedfinNow Borrower may be obligated to repay all or a portion of the borrowings, and related interest, with respect to such home prior to the sale of such home. In instances involving "bad acts," Redfin Corporation has guaranteed repayment of amounts owed under the facility, in some situations, and indemnification of certain expenses incurred, in other situations.

As of June 30, 2022, RedfinNow Borrower had $470,950 of total assets, of which $364,962 related to inventory and $76,823 in cash and cash equivalents. As of December 31, 2021, RedfinNow Borrower had $567,128 of total assets, of which $337,630 related to inventory and $101,064 in cash and equivalents.

For the three months ended June 30, 2022 and 2021, we amortized $94 and $50 of debt issuance costs, respectively, and recognized $1,243 and $613 of interest expense, respectively. For the six months ended June 30, 2022 and 2021, we amortized $185 and $136 of debt issuance costs, respectively, and recognized $2,751 and $953 of interest expense, respectively.

Convertible Senior Notes—We have issued convertible senior notes with the following characteristics:

Issuance	Maturity Date	Stated Cash Interest Rate	Effective Interest Rate	First Interest Payment Date	Semi-Annual Interest Payment Dates	Conversion Rate
2023 notes	July 15, 2023	1.75 %	2.45 %	January 15, 2019	January 15; July 15	32.7332
2025 notes	October 15, 2025	—	0.42	—	—	13.7920
2027 notes	April 1, 2027	0.50	0.90	October 1, 2021	April 1; October 1	10.6920

We issued our 2023 notes on July 23, 2018, with an aggregate principal amount of $143,750. Subsequent to the issuance date, we repurchased or settled conversions of an aggregate of $120,238 of our 2023 notes. On July 20, 2021, our 2023 notes became redeemable by us, but we did not exercise our redemption right during the three months ended June 30, 2022.

We issued our 2025 notes on October 20, 2020, with an aggregate principal amount of $661,250.

We issued our 2027 notes on March 25, 2021 and April 5, 2021, with an aggregate principal amount of $575,000.

The components of our convertible senior notes were as follows:

	June 30, 2022			
Issuance	Aggregate Principal Amount	Unamortized Debt Discount	Unamortized Debt Issuance Costs	Net Carrying Amount
2023 notes	$ 23,512	$ —	$ 157	$ 23,355
2025 notes	661,250	—	9,086	652,164
2027 notes	575,000	—	10,646	564,354

	December 31, 2021			
Issuance	Aggregate Principal Amount	Unamortized Debt Discount	Unamortized Debt Issuance Costs	Net Carrying Amount
2023 notes	$ 23,512	$ —	$ 232	$ 23,280
2025 notes	661,250	—	10,467	650,783
2027 notes	575,000	—	11,766	563,234

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
2023 notes				
Contractual interest expense	$ 103	$ 104	$ 206	$ 208
Amortization of debt discount	—	—	—	—
Amortization of debt issuance costs	38	39	75	110
Total interest expense	$ 141	$ 143	$ 281	$ 318
2025 notes				
Contractual interest expense	—	—	—	—
Amortization of debt discount	—	—	—	—
Amortization of debt issuance costs	690	690	1,380	1,380
Total interest expense	$ 690	$ 690	$ 1,380	$ 1,380
2027 notes				
Contractual interest expense	719	715	1,438	749
Amortization of debt discount	—	—	—	—
Amortization of debt issuance costs	560	557	1,120	585
Total interest expense	$ 1,279	$ 1,272	$ 2,558	$ 1,334
Total				
Contractual interest expense	822	819	1,644	957
Amortization of debt discount	—	—	—	—
Amortization of debt issuance costs	1,288	1,286	2,575	2,075
Total interest expense	$ 2,110	$ 2,105	$ 4,219	$ 3,032

Conversion of Our Convertible Senior Notes

Prior to the free conversion date, a holder of each tranche of our convertible senior notes may convert its notes in multiples of $1,000 principal amount only if one or more of the conditions described below is satisfied. On or after the free conversion date, a holder may convert its notes in such multiples without any conditions. The free conversion date is April 15, 2023 for our 2023 notes, July 15, 2025 for our 2025 notes, and January 1, 2027 for our 2027 notes.

The conditions are:

- during any calendar quarter (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of the applicable notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such trading day;
- if we call any or all of the applicable notes for redemption, at any time prior to the close of business on the scheduled trading day prior to the redemption date; or
- upon the occurrence of specified corporate events.

We intend to settle any future conversions of our convertible senior notes by paying or delivering, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election. We apply the if-converted method to calculate diluted earnings per share when applicable. Under the if-converted method, the denominator of the diluted earnings per share calculation is adjusted to reflect the full number of common shares issuable upon conversion, while the numerator is adjusted to add back interest expense for the period.

Classification of Our Convertible Senior Notes

Historically, we had separated our 2023 notes and our 2025 notes into liability and equity components. With our adoption of ASU 2020-06 on January 1, 2021, using the modified retrospective approach, this accounting treatment is no longer applicable. All of our convertible senior notes are now accounted for wholly as liabilities. The difference between the principal amount of the notes and the net carrying amount represents the unamortized debt discount, which we record as a deduction from the debt liability in our consolidated balance sheets. This discount is amortized to interest expense using the effective interest method over the term of the notes.

See Note 4 for fair value information related to our convertible senior notes.

2027 Capped Calls—In connection with the pricing of our 2027 notes, we entered into capped call transactions with certain counterparties (the “2027 capped calls”). The 2027 capped calls have initial strike prices of $93.53 per share and initial cap prices of $ 138.56 per share, in each case subject to certain adjustments. Conditions that cause adjustments to the initial strike price and initial cap price of the 2027 capped calls are similar to the conditions that result in corresponding adjustments to the conversion rate for our 2027 notes. The 2027 capped calls cover, subject to anti-dilution adjustments, 6,147,900 shares of our common stock and are generally intended to reduce or offset the potential dilution to our common stock upon any conversion of the 2027 notes, with such reduction or offset, as the case may be, subject to a cap based on the cap price. The 2027 capped calls are separate transactions, and not part of the terms of our 2027 notes. As these instruments meet certain accounting criteria, the 2027 capped calls are recorded in stockholders’ equity and are not accounted for as derivatives. The cost of $62,647 incurred in connection with the 2027 capped calls was recorded as a reduction to additional paid-in capital.

Note 16: Subsequent Events

On July 13, 2022, Bay Equity terminated its warehouse credit facility with Western Alliance Bank effective July 29, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements, the accompanying notes, and other information included in this quarterly report and our annual report for the year ended December 31, 2021. In particular, the disclosure contained in Item 1A in our annual report, as updated by Part II, Item 1A in this quarterly report, may reflect trends, demands, commitments, events, or uncertainties that could materially impact our results of operations and liquidity and capital resources.

The following discussion contains forward-looking statements, such as statements regarding our future operating results and financial position, our business strategy and plans, our market growth and trends, and our objectives for future operations. Please see "Note Regarding Forward-Looking Statements" for more information about relying on these forward-looking statements. The following discussion also contains information using industry publications. Please see "Note Regarding Industry and Market Data" for more information about relying on these industry publications.

When we use the term "basis points" in the following discussion, we refer to units of one-hundredth of one percent.

Overview

We help people buy and sell homes. Representing customers in over 100 markets in the United States and Canada, we are a residential real estate brokerage. We pair our own agents with our own technology to create a service that is faster, better, and costs less. We meet customers through our listings-search website and mobile application.

We use the same combination of technology and local service to originate and service mortgage loans and offer title and settlement services. We also buy homes directly from homeowners who want an immediate sale, taking responsibility for selling the home while the original owner moves on. Beginning in April 2021, we started using digital platforms to connect consumers with available apartments and houses for rent.

Our mission is to redefine real estate in the consumer's favor.

Adverse Macroeconomic Conditions and Our Associated Actions

Since the beginning of the second quarter of 2022, a number of economic factors began to adversely impact the residential real estate market, including higher mortgage interest rates, lower consumer sentiment, increased inflation, and declining financial market conditions. This shift in the macroeconomic backdrop has had an adverse impact on consumer demand for our services, as consumers weighed the financial implications of selling or purchasing a home and taking out a mortgage. Our real estate services transaction volume declined by four percent in the second quarter of 2022 compared to the prior year. Our newly acquired mortgage business, Bay Equity, also experienced significant declines in loan volumes, particularly from refinancing prior mortgages. In response to these macroeconomic and consumer demand developments, we have taken, and intend to take, action to adjust our operations accordingly and manage our business towards longer-term profitability. Recent and anticipated future actions include:

- In June, we laid off approximately 470 employees, which represented approximately six percent of total employees. This workforce reduction was intended to align the size of our brokerage operations and headquarters support with the level of consumer demand for our services.
- Since our June layoff, we continued to reduce our headcount through voluntary employee attrition and have refrained from backfilling most roles. This has resulted in a net reduction of more than 210 employees through the end of July, which represented approximately three percent of total employees.
- In July, we laid off approximately 26 Bay Equity employees to align headcount with projected loan volume. Bay Equity employees were not part of our June workforce reduction. Bay Equity continues to invest in tools and technology to automate operations and continue reducing the cost to originate a loan.

• With respect to our properties business, we expect to significantly reduce the number of home purchases during the third quarter of 2022, compared to the same period last year. Additionally, the purchase prices we offer to sellers will reflect our reduced expectations for home price appreciation during our anticipated holding period for homes. Furthermore, we intend to sell existing and future inventory more rapidly by listing homes at more competitive prices.

Key Business Metrics

In addition to the measures presented in our consolidated financial statements, we use the following key metrics to evaluate our business, develop financial forecasts, and make strategic decisions.

	Three Months Ended								
	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30 2020	Jun. 30, 2020
Monthly average visitors (in thousands)	52,698	51,287	44,665	49,147	48,437	46,202	44,135	49,258	42,537
Real estate services transactions									
Brokerage	20,565	15,001	19,428	21,929	21,006	14,317	16,951	18,980	13,828
Partner	3,983	3,417	4,603	4,755	4,597	3,944	4,940	5,180	2,691
Total	24,548	18,418	24,031	26,684	25,603	18,261	21,891	24,160	16,519
Real estate services revenue per transaction									
Brokerage	$ 11,692	$ 11,191	$ 10,900	$ 11,107	$ 11,307	$ 10,927	$ 10,751	$ 10,241	$ 9,296
Partner	2,851	2,814	2,819	2,990	3,195	3,084	3,123	2,988	2,417
Aggregate	10,258	9,637	9,352	9,661	9,850	9,233	9,030	8,686	8,175
U.S. market share by units(1)	0.82 %	0.79 %	0.78 %	0.78 %	0.77 %	0.75 %	0.68 %	0.70 %	0.66 %
Revenue from top-10 Redfin markets as a percentage of real estate services revenue	59 %	57 %	61 %	62 %	64 %	62 %	63 %	63 %	63 %
Average number of lead agents	2,640	2,750	2,485	2,370	2,456	2,277	1,981	1,820	1,399
RedfinNow homes sold	423	617	600	388	292	171	83	37	162
Revenue per RedfinNow home sold (in ones)	$ 604,120	$ 608,851	$ 622,519	$ 599,963	$ 571,670	$ 525,765	$ 471,895	$ 504,730	$ 444,757
Mortgage originations by dollars (in millions)	$ 1,565	$ 159	$ 242	$ 258	$ 261	$ 227	$ 206	$ 185	$ 161
Mortgage originations by units (in ones)	3,860	414	591	671	749	632	570	539	475

(1) Prior to the second quarter of 2022, we reported our U.S. market share based on the aggregate home value of our real estate services transactions, relative to the aggregate value of all U.S. home sales, which we computed based on the mean sale price of U.S. homes provided by the National Association of REALTORS® ("NAR"). Beginning in the second quarter of 2022, NAR (1) revised its methodology of computing the mean sale price, (2) restated its previously reported mean sale price beginning from January 2020 (and indicated that previously reported mean sale price prior to January 2020 is not comparable), and (3) discontinued publication of the mean sale price as part of its primary data set. Due to these changes, we are now reporting our U.S. market share based on the number of homes sold, rather than the dollar value of homes sold. Our market share by number of homes sold has historically been lower than our market share by dollar value of homes sold. We also stopped reporting the aggregate home value of our real estate services transactions.

Monthly Average Visitors

The number of, and growth in, visitors to our website and mobile application are important leading indicators of our business activity because these channels are the primary ways we meet customers. The number of visitors is influenced by, among other things, market conditions that affect interest in buying or selling homes, the level and success of our marketing programs, seasonality, and how our website appears in search results. We believe we can continue to increase visitors, which helps our growth, including through adding rental properties to our website and mobile application.

Given the lengthy process to buy or sell a home, a visitor during one month may not convert to a revenue-generating customer until many months later, if at all.

When we refer to "monthly average visitors" for a particular period, we are referring to the average number of unique visitors to our website and our mobile applications for each of the months in that period, as measured by Google Analytics, a product that provides digital marketing intelligence. Google Analytics tracks visitors using cookies, with a unique cookie being assigned to each browser or mobile application on a device. For any given month, Google Analytics counts all of the unique cookies that visited our website and mobile applications during that month. Google Analytics considers each unique cookie as a unique visitor. Due to third-party technological limitations, user software settings, or user behavior, it is possible that Google Analytics may assign a unique cookie to different visits by the same person to our website or mobile application. In such instances, Google Analytics would count different visits by the same person as separate visits by unique visitors. Accordingly, reliance on the number of unique cookies counted by Google Analytics may overstate the actual number of unique persons who visit our website or our mobile applications for a given month.

Our monthly average visitors exclude visitors to the websites and mobile applications of Bay Equity, our mortgage business, and Rent., our rental business.

Real Estate Services Transactions

We record a brokerage real estate services transaction when one of our lead agents represented the homebuyer or home seller in the purchase or sale, respectively, of a home. We record a partner real estate services transaction (i) when one of our partner agents represented the homebuyer or home seller in the purchase or sale, respectively, of a home or (ii) when a Redfin customer sold his or her home to a third-party institutional buyer following our introduction of that customer to the buyer. We include a single transaction twice when our lead agents or our partner agents serve both the homebuyer and the home seller of the transaction. Additionally, when one of our lead agents represents RedfinNow in its sale of a home, we include that transaction as a brokerage real estate services transaction.

Increasing the number of real estate services transactions is critical to increasing our revenue and, in turn, to achieving profitability. Real estate services transaction volume is influenced by, among other things, the pricing and quality of our services as well as market conditions that affect home sales, such as local inventory levels and mortgage interest rates. Real estate services transaction volume is also affected by seasonality and macroeconomic factors.

Real Estate Services Revenue per Transaction

Real estate services revenue per transaction, together with the number of real estate services transactions, is a factor in evaluating revenue growth. We also use this metric to evaluate pricing changes. Changes in real estate services revenue per transaction can be affected by, among other things, our pricing, the mix of transactions from homebuyers and home sellers, changes in the value of homes in the markets we serve, the geographic mix of our transactions, and the transactions we refer to partner agents and any third-party institutional buyer. We calculate real estate services revenue per transaction by dividing brokerage, partner, or aggregate revenue, as applicable, by the corresponding number of real estate services transactions in any period.

We generally generate more real estate services revenue per transaction from representing homebuyers than home sellers. However, we believe that representing home sellers has unique strategic value, including the marketing power of yard signs and other campaigns, and the market effect of controlling listing inventory.

Prior to July 2022, homebuyers who purchased their home using our brokerage services would receive a commission refund in a substantial majority of our markets. In July 2022, we began a pilot program in certain of those markets to eliminate our commission refund. If this pilot is successful, we intend to eliminate our commission refund in all markets as early as January 2023. We expect that elimination of our commission refund in all markets will increase our real estate services revenue per transaction.

U.S. Market Share by Units

Increasing our U.S. market share by units is critical to our ability to grow our business and achieve profitability over the long term. We believe there is a significant opportunity to increase our share in the markets we currently serve.

We calculate our market share by aggregating the number of brokerage and partner real estate services transactions. We then divide that number by two times the aggregate number of U.S. home sales, in order to account for both the sell- and buy-side components of each home sale. We obtain the aggregate number of U.S. home sales from the National Association of REALTORS® ("NAR"). NAR data for the most recent period is preliminary and may subsequently be updated by NAR.

Revenue from Top-10 Markets as a Percentage of Real Estate Services Revenue

Our top-10 markets by real estate services revenue are the metropolitan areas of Boston, Chicago, Denver (including Boulder and Colorado Springs), Los Angeles (including Santa Barbara), Maryland, Northern Virginia, Portland (including Bend), San Diego, San Francisco, and Seattle. This metric is an indicator of the geographic concentration of our real estate services segment. We expect our revenue from top-10 markets to decline as a percentage of our total real estate services revenue over time.

Average Number of Lead Agents

The average number of lead agents, in combination with our other key metrics such as the number of brokerage transactions, is a basis for calculating agent productivity and is one indicator of the potential future growth of our business. We systematically evaluate traffic to our website and mobile application and customer activity to anticipate changes in customer demand, helping determine when and where to hire lead agents.

We calculate the average number of lead agents by taking the average of the number of lead agents at the end of each month included in the period.

RedfinNow Homes Sold

The number of homes sold by RedfinNow is an indicator for investors to understand the underlying transaction volume growth of our RedfinNow business. This number is influenced by, among other things, the level and quality of our homes available for sale inventory and market conditions that affect home sales, such as local inventory levels and mortgage interest rates.

Revenue per RedfinNow Home Sold

Revenue per RedfinNow home sold, together with the number of RedfinNow homes sold, is a factor in evaluating revenue growth. Changes in revenue per RedfinNow home sold can be affected by, among other things, the geographic mix of home sales, the types and sizes of homes that it had previously purchased, pricing of homes listed for sale, and changes in the value of homes in the markets it serves. For any period, we calculate revenue per RedfinNow home sold by dividing revenue from sales of homes by RedfinNow, including any revenue from leasebacks, by the number of homes sold by RedfinNow during that period.

Mortgage Originations

Mortgage originations is the volume of mortgage loans originated by our mortgage business, measured by both dollar value of loans and number of loans. This volume is an indicator for the growth of our mortgage business. Mortgage originations is affected by mortgage interest rates, the ability of our mortgage loan officers to close loans, and the number of our homebuyer customers who use our mortgage business for a mortgage loan, among other factors.

Prior to April 1, 2022, our mortgage business consisted solely of Redfin Mortgage, LLC. From April 1, 2022 through June 30, 2022, our mortgage business consisted of both Bay Equity LLC and Redfin Mortgage, LLC. We dissolved Redfin Mortgage, LLC on June 30, 2022, and since that time, our mortgage business has consisted solely of Bay Equity LLC.

Components of Our Results of Operations

Revenue

We generate revenue primarily from commissions and fees charged on each real estate services transaction closed by our lead agents or partner agents, from the sale of RedfinNow homes, from subscription-based product offerings for our rentals business, and from the origination, sales, and servicing of mortgages.

Real Estate Services Revenue

Brokerage Revenue—Brokerage revenue includes our offer and listing services, where our lead agents represent homebuyers and home sellers. We recognize commission-based brokerage revenue upon closing of a brokerage transaction, less the amount of any commission refunds, closing-cost reductions, or promotional offers that may result in a material right. Brokerage revenue is affected by the number of brokerage transactions we close, the mix of brokerage transactions, home-sale prices, commission rates, and the amount we give to customers.

Partner Revenue—Partner revenue consists of fees paid to us from partner agents or under other referral agreements, less the amount of any payments we make to homebuyers and home sellers. We recognize these fees as revenue on the closing of a transaction. Partner revenue is affected by the number of partner transactions closed, home-sale prices, commission rates, and the amount we refund to customers. If the portion of customers we introduce to our own lead agents increases, we expect the portion of revenue closed by partner agents to decrease.

Properties Revenue

Properties Revenue—Properties revenue consists of revenues earned when we sell homes that we previously bought directly from homeowners and when we perform maintenance on customers' homes. Properties revenue is recorded at closing on a gross basis, representing the sales price of the home or maintenance performed.

Rentals Revenue

Rentals Revenue—Rentals revenue is primarily composed of subscription-based product offerings for internet listing services, as well as lead management and digital marketing solutions.

Mortgage Revenue

Mortgage Revenue—Mortgage revenue includes fees from the origination and subsequent sale of loans, loan servicing income, interest income on loans held for sale, origination of IRLCs, and the changes in fair value of our IRLCs, forward sales commitments, loans held for sale, and MSRs.

Other Revenue

Other Revenue—Other services revenue includes fees earned from title settlement services, Walk Score data services, and advertising. Substantially all fees and revenue from other services are recognized when the service is provided.

Intercompany Eliminations

Intercompany Eliminations—Revenue earned from transactions between operating segments are eliminated in consolidating our financial statements. Intercompany transactions primarily consist of services performed from our real estate services segment for our properties segment.

Cost of Revenue and Gross Margin

Cost of revenue consists primarily of personnel costs (including base pay, benefits, and stock-based compensation), transaction bonuses, home-touring and field expenses, listing expenses, home costs related to our properties segment, customer fulfillment costs related to our rentals segment, office and occupancy expenses, and depreciation and amortization related to fixed assets and acquired intangible assets. Home costs related to our properties segment include home purchase costs, capitalized improvements, selling expenses directly attributable to the transaction, and home maintenance expenses.

Gross profit is revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin has and will continue to be affected by a number of factors, but the most important are the mix of revenue from our relatively higher-gross-margin real estate services segment and our relatively lower-gross-margin properties segment, real estate services revenue per transaction, agent and support-staff productivity, personnel costs and transaction bonuses, and, for properties, the home purchase costs.

Operating Expenses

Technology and Development

Our primary technology and development expenses are building software for our customers, lead agents, and support staff to work together on a transaction, and building a website and mobile application to meet customers looking to move. These expenses primarily include personnel costs (including base pay, bonuses, benefits, and stock-based compensation), data licenses, software and equipment, and infrastructure such as for data centers and hosted services. The expenses also include amortization of capitalized internal-use software and website and mobile application development costs as well as amortization of acquired intangible assets. We expense research and development costs as incurred and record them in technology and development expenses.

Marketing

Marketing expenses consist primarily of media costs for online and offline advertising, as well as personnel costs (including base pay, benefits, and stock-based compensation).

General and Administrative

General and administrative expenses consist primarily of personnel costs (including base pay, benefits, and stock-based compensation), facilities costs and related expenses for our executive, finance, human resources, and legal organizations, depreciation related to our fixed assets, and fees for outside services. Outside services are principally comprised of external legal, audit, and tax services. For our rentals business, personnel costs include employees in the sales department. These employees are responsible for attracting potential rental properties and agreeing to contract terms, but they are not responsible for delivering a service to the rental property.

Restructuring and Reorganization

Restructuring and reorganization expenses primarily consist of employee termination costs (including severance, retention, benefits, and payroll taxes) associated with the restructuring and reorganization activities from our acquisitions of Bay Equity and Rent. and from our June 2022 workforce reduction.

Interest Income, Interest Expense, Income Tax Expense, and Other Expense, Net

Interest Income

Interest income consists primarily of interest earned on our cash, cash equivalents, and investments, and interest income related to originated mortgage loans.

Interest Expense

Interest expense consists primarily of any interest payable on our convertible senior notes and, for the three and six months ended June 30, 2022, the amortization of debt discounts and issuance cost related to our convertible senior notes. See Note 15 to our consolidated financial statements for information regarding interest on our convertible senior notes.

Interest expense also includes interest on borrowings and the amortization of debt issuance costs related to our secured revolving credit facility and our warehouse credit facilities. See Note 15 to our consolidated financial statements for information regarding interest for the facility.

Income Tax (Expense) Benefit

Income tax (expense) benefit relates to the partial release of our valuation allowance as a result of the intangible assets we acquired in connection with acquiring Rent. and certain state income taxes.

Other (Expense) Income, Net

Other (expense) income, net consists primarily of realized and unrealized gains and losses on investments. See Note 4 to our consolidated financial statements for information regarding unrealized gains and losses on our investments.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our revenue for those periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Revenue	$ 606,915	$ 471,315	$ 1,204,261	$ 739,634
Cost of revenue(1)	488,912	345,179	1,013,721	571,140
Gross profit	118,003	126,136	190,540	168,494
Operating expenses				
Technology and development(1)	51,506	41,488	101,146	69,166
Marketing(1)	56,743	55,398	100,085	67,200
General and administrative(1)	71,733	59,567	130,699	96,957
Restructuring and reorganization	12,677	—	18,386	—
Total operating expenses	192,659	156,453	350,316	233,323
Loss from operations	(74,656)	(30,317)	(159,776)	(64,829)
Interest income	554	135	774	293
Interest expense	(3,620)	(2,813)	(7,481)	(4,151)
Income tax (expense) benefit	(159)	5,052	(293)	5,052
Other (expense) income, net	(265)	65	(2,176)	(27)
Net loss	$ (78,146)	$ (27,878)	$ (168,952)	$ (63,662)

(1) Includes stock-based compensation as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Cost of revenue	$ 3,879	$ 3,758	$ 7,257	$ 6,736
Technology and development	7,700	5,771	15,665	11,532
Marketing	924	535	1,996	1,078
General and administrative	4,310	3,679	8,683	6,981
Total stock-based compensation	$ 16,813	$ 13,743	$ 33,601	$ 26,327

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(as a percentage of revenue)			
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue(1)	80.6	73.2	84.2	77.2
Gross profit	19.4	26.8	15.8	22.8
Operating expenses				
Technology and development(1)	8.5	8.8	8.4	9.4
Marketing(1)	9.3	11.8	8.3	9.1
General and administrative(1)	11.8	12.6	10.9	13.1
Restructuring and reorganization	2.1	0.0	1.5	0.0
Total operating expenses	31.7	33.2	29.1	31.5
Loss from operations	(12.3)	(6.4)	(13.3)	(8.8)
Interest income	0.1	0.0	0.1	0.0
Interest expense	(0.6)	(0.6)	(0.6)	(0.6)
Income tax (expense) benefit	0.0	1.1	0.0	0.7
Other expense, net	0.0	0.0	(0.2)	0.0
Net loss	(12.9)%	(5.9)%	(14.0)%	(8.6)%

(1) Includes stock-based compensation as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(as a percentage of revenue)			
Cost of revenue	0.6 %	0.8 %	0.6 %	0.9 %
Technology and development	1.3	1.2	1.3	1.7
Marketing	0.2	0.1	0.2	0.1
General and administrative	0.7	0.8	0.7	0.9
Total	2.8 %	2.9 %	2.8 %	3.6 %

Comparison of the Three Months Ended June 30, 2022 and 2021

Revenue

	Three Months Ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in thousands, except percentages)			
Real estate services				
Brokerage	$ 240,454	$ 237,511	$ 2,943	1 %
Partner	11,355	14,688	(3,333)	(23)
Total real estate services	251,809	252,199	(390)	0
Properties	262,606	172,445	90,161	52
Rentals	38,248	42,548	(4,300)	(10)
Mortgage	53,098	5,099	47,999	941
Other	5,894	3,422	2,472	72
Intercompany elimination	(4,740)	(4,398)	(342)	8
Total revenue	$ 606,915	$ 471,315	$ 135,600	29
Percentage of revenue				
Real estate services				
Brokerage	39.6 %	50.4 %		
Partner	1.9	3.1		
Total real estate services	41.5	53.5		
Properties	43.3	36.6		
Rentals	6.3	9.0		
Mortgage	8.7	1.1		
Other	1.0	0.7		
Intercompany elimination	(0.8)	(0.9)		
Total revenue	100.0 %	100.0 %		

In the three months ended June 30, 2022, revenue increased by $135.6 million, or 29%, as compared with the same period in 2021. Included in the increase was $53.4 million resulting from our acquisition of Bay Equity, and there were no such revenues in the three months ended June 30, 2021. Excluding these revenues from Bay Equity, this increase in revenue was primarily attributable to a $90.2 million increase in properties revenue. Properties revenue increased 52%, primarily driven by an 45% increase in RedfinNow homes sold and a 6% increase in revenue per RedfinNow home sold. These increases are largely due to our properties business's expansion, and greater customer awareness of that business. Brokerage revenue increased by $2.9 million, and partner revenue decreased by $3.3 million. Brokerage revenue increased 1% during the period, driven by a 3% increase in brokerage revenue per transaction and a 2% decrease in brokerage transactions.

Cost of Revenue and Gross Margin

	Three Months Ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in thousands, except percentages)			
Cost of revenue				
Real estate services	$ 177,698	$ 164,125	$ 13,573	8 %
Properties	255,839	167,420	88,419	53
Rentals	7,901	7,570	331	4
Mortgage	46,316	6,832	39,484	578
Other	5,898	3,630	2,268	62
Intercompany elimination	(4,740)	(4,398)	(342)	8
Total cost of revenue	$ 488,912	$ 345,179	$ 143,733	42
Gross profit				
Real estate services	$ 74,111	$ 88,074	$ (13,963)	(16) %
Properties	6,767	5,025	1,742	35
Rentals	30,347	34,978	(4,631)	(13)
Mortgage	6,782	(1,733)	8,515	(491)
Other	(4)	(208)	204	(98)
Total gross profit	$ 118,003	$ 126,136	$ (8,133)	(6)
Gross margin (percentage of revenue)				
Real estate services	29.4 %	34.9 %		
Properties	2.6	2.9		
Rentals	79.3	82.2		
Mortgage	12.8	(34.0)		
Other	(0.1)	(6.1)		
Total gross margin	19.4	26.8		

In the three months ended June 30, 2022, total cost of revenue increased by $143.7 million, or 42%, as compared with the same period in 2021. Included in the increase was $44.1 million resulting from our acquisition of Bay Equity, and there were no such expenses in the three months ended June 30, 2021. Excluding these expenses from Bay Equity, this increase in cost of revenue was primarily attributable to (1) an $80.2 million increase in home purchase costs and related capitalized improvements by our properties business, due to more RedfinNow homes being sold, and (2) a $17.5 million increase in personnel costs and transaction bonuses, due to increased headcount and increased brokerage transactions, respectively.

In the three months ended June 30, 2022, total gross margin decreased 740 basis points as compared with the same period in 2021, driven primarily by the relative growth of our properties business compared to our real estate services and other businesses, and a decrease in real estate services gross margin. This was partially offset by the increases in mortgage and other gross margin.

In the three months ended June 30, 2022, real estate services gross margin decreased 550 basis points as compared with the same period in 2021. This was primarily attributable to a 670 basis point increase in personnel costs and transaction bonuses as a percentage of revenue. This was partially offset by a 210 basis point decrease in home-touring and field expenses.

In the three months ended June 30, 2022, properties gross margin decreased 30 basis points as compared with the same period in 2021. This was primarily attributable to an 80 basis point increase in home purchase and related capitalized improvements as a percentage of revenue. This was partially offset by a 50 basis point decrease in personnel costs and transaction bonuses.

In the three months ended June 30, 2022, rentals gross margin decreased 290 basis points as compared with the same period in 2021. This was primarily attributable to a 180 basis point increase in personnel costs and transaction bonuses as a percentage of revenue due to expanded services.

In the three months ended June 30, 2022, mortgage gross margin increased 4,680 basis points as compared with the same period in 2021. This was primarily attributable to a 3,780 basis point decrease in personnel costs and transaction bonuses as a percentage of revenue, driven by the performance of Bay Equity as compared to our prior mortgage business.

In the three months ended June 30, 2022, other gross margin increased 600 basis points. This was primarily attributable to a 190 basis point decrease in office and occupancy expenses, a 160 basis point decrease in outside services, and a 140 basis point decrease in personnel costs and transaction bonuses, each as a percentage of revenue.

Operating Expenses

	Three Months Ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in thousands, except percentages)			
Technology and development	$ 51,506	$ 41,488	$ 10,018	24 %
Marketing	56,743	55,398	1,345	2
General and administrative	71,733	59,567	12,166	20
Restructuring and reorganization	12,677	—	12,677	n/a
Total operating expenses	$ 192,659	$ 156,453	$ 36,206	23
Percentage of revenue				
Technology and development	8.5 %	8.8 %		
Marketing	9.3	11.8		
General and administrative	11.8	12.6		
Restructuring and reorganization	2.1	—		
Total operating expenses	31.7 %	33.2 %		

In the three months ended June 30, 2022, technology and development expenses increased by $10.0 million, or 24%, as compared with the same period in 2021. Included in the increase was $0.7 million resulting from our acquisition of Bay Equity, and there were no such expenses in the three months ended June 30, 2021. Excluding these expenses from Bay Equity, the increase was primarily attributable to an $8.7 million increase in personnel costs due to increased headcount.

In the three months ended June 30, 2022, marketing expenses increased by $1.3 million, or 2.4%, as compared with the same period in 2021. Included in the increase was $1.8 million resulting from our acquisition of Bay Equity, and there were no such expenses in the three months ended June 30, 2021. Excluding these expenses from Bay Equity, the decrease was primarily attributable to a $1.9 million decrease in outside services for marketing production. This was partially offset by a $1.5 million increase in personnel costs.

In the three months ended June 30, 2022, general and administrative expenses increased by $12.2 million, or 20%, as compared with the same period in 2021. Included in the increase was $8.4 million resulting from our acquisition of Bay Equity, and there were no such expenses in the three months ended June 30, 2021. Excluding these expenses from Bay Equity, the increase was primarily attributable to a $3.2 million increase in legal expenses, largely due to a settlement offer, and a $3.1 million increase in personnel costs due to increased headcount. This was partially offset by a $4.2 million decrease in acquisition-related expenses.

In the three months ended June 30, 2022, restructuring and reorganization expenses increased by $12.7 million, and there were no such expenses in the three months ended June 30, 2021. These expenses were attributable to $10.3 million in severance and other costs associated with our June 2022 workforce reduction, and $2.4 million in severance and other costs associated with our mortgage restructuring. See Note 1 to our consolidated financial statements for more information on our restructuring and reorganization costs.

Interest Income, Interest Expense, Income Tax (Expense) Benefit, and Other (Expense) Income, Net

	Three Months Ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in thousands, except percentages)			
Interest income	$ 554	$ 135	$ 419	310 %
Interest expense	(3,620)	(2,813)	(807)	29
Income tax (expense) benefit	(159)	5,052	(5,211)	(103)
Other (expense) income, net	(265)	65	(330)	(508)
Interest income, interest expense, income tax (expense) benefit, and other (expense) income, net	$ (3,490)	$ 2,439	$ (5,929)	(243)
Percentage of revenue				
Interest income	0.1 %	0.0 %		
Interest expense	(0.6)	(0.6)		
Income tax (expense) benefit	0.0	1.1		
Other (expense) income, net	0.0	0.0		
Interest income, interest expense, income tax (expense) benefit, and other (expense) income, net	(0.5)%	0.5 %		

In the three months ended June 30, 2022, interest income, interest expense, income tax (expense) benefit, and other (expense) income, net decreased by $5.9 million as compared to the same period in 2021.

Interest expense increased by $0.8 million due primarily to use of our secured revolving credit facility and interest on our 2027 convertible senior notes. See Note 15 to our consolidated financial statements for more information.

In the three months ended June 30, 2022, we had an income tax expense rather than benefit, with a net decrease of $5.2 million. See Note 14 to our consolidated financial statements for more information.

Comparison of the Six Months Ended June 30, 2022 and 2021

Revenue

	Six Months Ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in thousands, except percentages)			
Real estate services				
Brokerage	$ 408,326	$ 393,957	$ 14,369	4 %
Partner	20,969	26,851	(5,882)	(22)
Total real estate services	429,295	420,808	8,487	2
Properties	642,359	265,171	377,188	142
Rentals	76,292	42,548	33,744	79
Mortgage	56,015	10,810	45,205	418
Other	10,263	7,068	3,195	45
Intercompany elimination	(9,963)	(6,771)	(3,192)	47
Total revenue	$ 1,204,261	$ 739,634	$ 464,627	63
Percentage of revenue				
Real estate services				
Brokerage	33.9 %	53.3 %		
Partner	1.7	3.6		
Total real estate services	35.6	56.9		
Properties	53.3	35.9		
Rentals	6.3	5.8		
Mortgage	4.7	1.5		
Other	0.9	0.8		
Intercompany elimination	(0.8)	(0.9)		
Total revenue	100.0 %	100.0 %		

In the six months ended June 30, 2022, revenue increased by $464.6 million, or 63%, as compared with the same period in 2021. Included in the increase was $76.3 million resulting from our acquisition of Rent., and there was $42.5 million of such revenue in the six months ended June 30, 2021. Also included in the increase was $53.4 million resulting from our acquisition of Bay Equity, and there were no such revenues in the six months ended June 30, 2021. Excluding these revenues from Rent. and Bay Equity, this increase in revenue was primarily attributable to a $377.2 million increase in properties revenue. Properties revenue increased 142%, primarily driven by a 125% increase in RedfinNow homes sold and an 11% increase in revenue per RedfinNow home sold. These increases are largely due to our properties business's expansion, and greater customer awareness of that business. Brokerage revenue increased by $14.4 million, and partner revenue decreased by $5.9 million. Brokerage revenue increased 4% during the period, driven by a 3% increase in brokerage revenue per transaction and a 1% increase in brokerage transactions.

Cost of Revenue and Gross Margin

	Six Months Ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in thousands, except percentages)			
Cost of revenue				
Real estate services	$ 331,482	$ 292,342	$ 39,140	13 %
Properties	614,704	258,551	356,153	138
Rentals	15,094	7,570	7,524	99
Mortgage	51,834	12,701	39,133	308
Other	10,570	6,747	3,823	57
Intercompany elimination	(9,963)	(6,771)	(3,192)	47
Total cost of revenue	$ 1,013,721	$ 571,140	$ 442,581	77
Gross profit				
Real estate services	$ 97,813	$ 128,466	$ (30,653)	(24) %
Properties	27,655	6,620	21,035	318
Rentals	61,198	34,978	26,220	75
Mortgage	4,181	(1,891)	6,072	(321)
Other	(307)	321	(628)	(196)
Total gross profit	$ 190,540	$ 168,494	$ 22,046	13
Gross margin (percentage of revenue)				
Real estate services	22.8 %	30.5 %		
Properties	4.3	2.5		
Rentals	80.2	82.2		
Mortgage	7.5	(17.5)		
Other	(3.0)	4.5		
Total gross margin	15.7	22.8		

In the six months ended June 30, 2022, total cost of revenue increased by $442.6 million, or 77%, as compared with the same period in 2021. Included in the increase was $15.1 million resulting from our acquisition of Rent., and there were $7.6 million such expenses in the six months ended June 30, 2021. Also included in the increase was $44.1 million from our acquisition of Bay Equity, and there were no such expenses in the six months ended June 30, 2021. Excluding these expenses from Rent. and Bay Equity, this increase in cost of revenue was primarily attributable to (1) a $327.4 million increase in home purchase costs and related capitalized improvements by our properties business, due to more RedfinNow homes being sold, and (2) a $46.3 million increase in personnel costs and transaction bonuses, due to increased headcount and increased brokerage transactions, respectively.

In the six months ended June 30, 2022, total gross margin decreased 710 basis points as compared with the same period in 2021, driven primarily by the relative growth of our properties business compared to our real estate services and other businesses, and decreases in real estate services and other gross margin. This was partially offset by the increase in properties and mortgage gross margin.

In the six months ended June 30, 2022, real estate services gross margin decreased 770 basis points as compared with the same period in 2021. This was primarily attributable to a 830 basis point increase in personnel costs and transaction bonuses as a percentage of revenue. This was partially offset by a 160 basis point decrease in home-touring and field expenses.

In the six months ended June 30, 2022, properties gross margin increased 180 basis points as compared with the same period in 2021. This was primarily attributable to a 170 basis point decrease in personnel costs and transaction bonuses as a percentage of revenue.

In the six months ended June 30, 2022, rentals gross margin decreased 200 basis points as compared with the same period in 2021. This was primarily attributable to a 170 basis point increase in personnel costs as a percentage of revenue due to expanded services.

In the six months ended June 30, 2022, mortgage gross margin increased 2,500 basis points as compared with the same period in 2021. This was primarily attributable to a 1,940 basis point decrease in personnel costs and transaction bonuses as a percentage of revenue, driven by the performance of Bay Equity as compared to our prior mortgage business.

In the six months ended June 30, 2022, other gross margin decreased 750 basis points. This was primarily attributable to a 940 basis point increase in personnel costs and transaction bonuses as a percentage of revenue.

Operating Expenses

	Six Months Ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in thousands, except percentages)			
Technology and development	$ 101,146	$ 69,166	$ 31,980	46 %
Marketing	100,085	67,200	32,885	49
General and administrative	130,699	96,957	33,742	35
Restructuring and reorganization	18,386	—	18,386	n/a
Total operating expenses	$ 350,316	$ 233,323	$ 116,993	50
Percentage of revenue				
Technology and development	8.4 %	9.4 %		
Marketing	8.3	9.1		
General and administrative	10.9	13.1		
Restructuring and reorganization	1.5	—		
Total operating expenses	29.1 %	31.6 %		

In the six months ended June 30, 2022, technology and development expenses increased by $32.0 million, or 46%, as compared with the same period in 2021. Included in the increase was $25.7 million resulting from our acquisition of Rent., and there were $13.0 million such expenses in the six months ended June 30, 2021. Also included in the increase was $0.7 million resulting from our acquisition of Bay Equity, and there were no such expenses in the six months ended June 30, 2021. Excluding these expenses from Rent. and Bay Equity, the increase was primarily attributable to a $14.5 million increase in personnel costs due to increased headcount.

In the six months ended June 30, 2022, marketing expenses increased by $32.9 million, or 49%, as compared with the same period in 2021. Included in the increase was $24.1 million resulting from our acquisition of Rent., and there were $12.6 million such expenses in the six months ended June 30, 2021. Also included in the increase was $1.8 million resulting from our acquisition of Bay Equity, and there were no such expenses in the six months ended June 30, 2021. Excluding these expenses from Rent. and Bay Equity, the increase was primarily attributable to a $16.0 million increase in marketing media costs as we expanded advertising.

In the six months ended June 30, 2022, general and administrative expenses increased by $33.7 million, or 35%, as compared with the same period in 2021. Included in the increase was $45.8 million resulting from our acquisition of Rent., and there were $23.0 million such expenses in the six months ended June 30, 2021. Also included in the increase was $8.4 million resulting from our acquisition of Bay Equity, and there were no such expenses in the six months ended June 30, 2021. Excluding these expenses from Rent. and Bay Equity, the increase was primarily attributable to a $10.2 million increase in personnel costs due to increased headcount, and a $3.4 million increase in Internet-based software services. This was partially offset by a $6.1 million decrease in advertising campaign and contractor expenses for recruiting employees, and a $5.3 million decrease in acquisition transaction expenses.

In the six months ended June 30, 2022, restructuring and reorganization expenses increased by $18.4 million, and there were no such expenses in the six months ended June 30, 2021. These expenses were attributable to $10.3 million in severance and other costs associated with our June 2022 workforce reduction, and $6.5 million in severance and other costs associated with our mortgage restructuring, and $1.5 million in severance costs associated with our rentals restructuring. See Note 1 to our consolidated financial statements for more information on our restructuring and reorganization costs

Interest Income, Interest Expense, Income Tax (Expense) Benefit, and Other Expense, Net

	Six Months Ended June 30,		Change	
	2022	2021	Dollars	Percentage
	(in thousands, except percentages)			
Interest income	$ 774	$ 293	$ 481	164 %
Interest expense	(7,481)	(4,151)	(3,330)	80
Income tax (expense) benefit	(293)	5,052	(5,345)	(106)
Other expense, net	(2,176)	(27)	(2,149)	7,959
Interest income, interest expense, income tax (expense) benefit, and other expense, net	$ (9,176)	$ 1,167	$ (10,343)	(886)
Percentage of revenue				
Interest income	0.1 %	0.0 %		
Interest expense	(0.6)	(0.6)		
Income tax (expense) benefit	0.0	0.7		
Other expense, net	(0.2)	0.0		
Interest income, interest expense, income tax (expense) benefit, and other expense, net	(0.7)%	0.2 %		

In the six months ended June 30, 2022, interest income, interest expense, income tax (expense) benefit, and other expense, net decreased by $10.3 million as compared to the same period in 2021.

Interest expense increased by $3.3 million due primarily to use of our secured revolving credit facility and interest on our 2027 convertible senior notes. See Note 15 to our consolidated financial statements for more information on these.

In the six months ended June 30, 2022, we had an income tax expense rather than benefit, with a net decrease of $5.3 million. See Note 14 to our consolidated financials statements for more information.

Segment Financial Information

The tables below present, for each of our reportable and other segments, financial information on a GAAP basis and adjusted EBITDA, which is a non-GAAP financial measure, for the three and six months ended June 30, 2022 and 2021.

See Note 3 to our consolidated financial statements for more information regarding our GAAP segment reporting.

To supplement our consolidated financial statements that are prepared and presented in accordance with GAAP, we also compute and present adjusted EBITDA, which is a non-GAAP financial measure. We believe adjusted EBITDA is useful for investors because it enhances period-to-period comparability of our financial statements on a consistent basis and provides investors with useful insight into the underlying trends of the business. The presentation of this financial measure is not intended to be considered in isolation or as a substitute of, or superior to, our financial information prepared and presented in accordance with GAAP. Our calculation of adjusted EBITDA may be different from adjusted EBITDA or similar non-GAAP financial measures used by other companies, limiting its usefulness for comparison purposes. Our adjusted EBITDA for the three and six months ended June 30, 2022 and 2021 is presented below, along with a reconciliation of adjusted EBITDA to net loss.

	Three Months Ended June 30, 2022						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Revenue	$ 251,809	$ 262,606	$ 38,248	$ 53,098	$ 5,894	$ (4,740)	$ 606,915
Cost of revenue	177,698	255,839	7,901	46,316	5,898	(4,740)	488,912
Gross profit	74,111	6,767	30,347	6,782	(4)	—	118,003
Operating expenses							
Technology and development	27,696	4,684	14,871	1,904	1,189	1,162	51,506
Marketing	40,765	821	13,086	1,843	71	157	56,743
General and administrative	24,341	3,210	21,824	9,450	850	12,058	71,733
Restructuring and reorganization	—	—	—	—	—	12,677	12,677
Total operating expenses	92,802	8,715	49,781	13,197	2,110	26,054	192,659
Loss from operations	(18,691)	(1,948)	(19,434)	(6,415)	(2,114)	(26,054)	(74,656)
Interest income, interest expense, income tax expense, and other expense, net	(123)	(1,245)	232	(35)	11	(2,330)	(3,490)
Net loss	$ (18,814)	$ (3,193)	$ (19,202)	$ (6,450)	$ (2,103)	$ (28,384)	$ (78,146)

	Three Months Ended June 30, 2022						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Net loss	$ (18,814)	$ (3,193)	$ (19,202)	$ (6,450)	$ (2,103)	$ (28,384)	$ (78,146)
Interest income(1)	—	(159)	(1)	(2,929)	(12)	(381)	(3,482)
Interest expense(2)	—	1,403	—	1,958	—	2,214	5,575
Income tax expense	—	—	(230)	33	—	356	159
Depreciation and amortization	4,551	603	9,511	1,070	318	274	16,327
Stock-based compensation(3)	9,670	1,527	2,739	780	441	1,656	16,813
Acquisition-related costs(4)	—	—	—	—	—	1,507	1,507
Restructuring and reorganization(5)	—	—	—	—	—	12,677	12,677
Adjusted EBITDA	$ (4,593)	$ 181	$ (7,183)	$ (5,538)	$ (1,356)	$ (10,081)	$ (28,570)

(1) Interest income includes $2.9 million of interest income related to originated mortgage loans for the three months ended June 30, 2022.
(2) Interest expense includes $2.0 million of interest expense related to our warehouse credit facilities for the three months ended June 30, 2022.
(3) Stock-based compensation consists of expenses related to stock options, restricted stock units, and our employee stock purchase program. See Note 12 to our consolidated financial statements for more information.
(4) Acquisition-related costs consist of fees for external advisory, legal, and other professional services incurred in connection with our acquisition of other companies.
(5) Restructuring and reorganization expenses primarily consist of personnel-related costs associated with employee terminations, furloughs, or retention due to the restructuring and reorganization activities from our acquisitions of Bay Equity and Rent., and from our June 2022 workforce reduction.

	Three Months Ended June 30, 2021						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Revenue	$ 252,199	$ 172,445	$ 42,548	$ 5,099	$ 3,422	$ (4,398)	$ 471,315
Cost of revenue	164,125	167,420	7,570	6,832	3,630	(4,398)	345,179
Gross profit	88,074	5,025	34,978	(1,733)	(208)	—	126,136
Operating expenses							
Technology and development	20,010	3,080	13,568	2,536	479	1,815	41,488
Marketing	41,746	572	12,607	130	30	313	55,398
General and administrative	18,498	2,078	23,116	1,927	416	13,532	59,567
Total operating expenses	80,254	5,730	49,291	4,593	925	15,660	156,453
Income (loss) from operations	7,820	(705)	(14,313)	(6,326)	(1,133)	(15,660)	(30,317)
Interest income, interest expense, income tax expense, and other expense, net	(3)	(662)	212	1	1	2,890	2,439
Net income (loss)	$ 7,817	$ (1,367)	$ (14,101)	$ (6,325)	$ (1,132)	$ (12,770)	$ (27,878)

	Three Months Ended June 30, 2021						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Net income (loss)	$ 7,817	$ (1,367)	$ (14,101)	$ (6,325)	$ (1,132)	$ (12,770)	$ (27,878)
Interest income(1)	—	(2)	—	(414)	(1)	(131)	(548)
Interest expense(2)	—	664	—	407	—	2,149	3,220
Income tax expense	—	—	(212)	—	—	(4,840)	(5,052)
Depreciation and amortization	3,180	412	9,110	313	167	495	13,677
Stock-based compensation(3)	9,042	1,239	113	770	191	2,388	13,743
Acquisition-related costs(4)	—	—	—	—	—	5,616	5,616
Restructuring and reorganization(5)	—	—	—	—	—	—	—
Adjusted EBITDA	$ 20,039	$ 946	$ (5,090)	$ (5,249)	$ (775)	$ (7,093)	$ 2,778

(1) Interest income includes $0.4 million of interest income related to originated mortgage loans for the three months ended June 30, 2021.
(2) Interest expense includes $0.4 million of interest expense related to our warehouse credit facilities for the three months ended June 30, 2021.
(3) Stock-based compensation consists of expenses related to stock options, restricted stock units, and our employee stock purchase program. See Note 12 to our consolidated financial statements for more information.
(4) Acquisition-related costs consist of fees for external advisory, legal, and other professional services incurred in connection with our acquisition of other companies.
(5) Restructuring and reorganization expenses primarily consist of personnel-related costs associated with employee terminations, furloughs, or retention due to the restructuring and reorganization activities from our acquisitions of Bay Equity and Rent., and from our June 2022 workforce reduction.

	Six Months Ended June 30, 2022						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Revenue	$ 429,295	$ 642,359	$ 76,292	$ 56,015	$ 10,263	$ (9,963)	$ 1,204,261
Cost of revenue	331,482	614,704	15,094	51,834	10,570	(9,963)	1,013,721
Gross profit	97,813	27,655	61,198	4,181	(307)	—	190,540
Operating expenses							
Technology and development	54,435	8,803	29,154	4,251	2,225	2,278	101,146
Marketing	71,608	1,974	24,128	1,871	125	379	100,085
General and administrative	47,333	6,035	46,015	10,974	1,562	18,780	130,699
Restructuring and reorganization	—	—	—	—	—	18,386	18,386
Total operating expenses	173,376	16,812	99,297	17,096	3,912	39,823	350,316
(Loss) income from operations	(75,563)	10,843	(38,099)	(12,915)	(4,219)	(39,823)	(159,776)
Interest income, interest expense, income tax expense, and other expense, net	(123)	(2,869)	701	(35)	12	(6,862)	(9,176)
Net (loss) income	$ (75,686)	$ 7,974	$ (37,398)	$ (12,950)	$ (4,207)	$ (46,685)	$ (168,952)

	Six Months Ended June 30, 2022						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Net (loss) income	$ (75,686)	$ 7,974	$ (37,398)	$ (12,950)	$ (4,207)	$ (46,685)	$ (168,952)
Interest income(1)	—	(184)	(1)	(3,247)	(13)	(575)	(4,020)
Interest expense(2)	—	3,052	—	2,235	—	4,427	9,714
Income tax expense	—	—	(434)	33	—	694	293
Depreciation and amortization	8,569	1,141	18,867	1,372	573	618	31,140
Stock-based compensation(3)	19,810	3,064	4,979	1,381	810	3,557	33,601
Acquisition-related costs(4)	—	—	—	—	—	2,424	2,424
Restructuring and reorganization(5)	—	—	—	—	—	18,386	18,386
Adjusted EBITDA	$ (47,307)	$ 15,047	$ (13,987)	$ (11,176)	$ (2,837)	$ (17,154)	$ (77,414)

(1) Interest income includes $3.2 million of interest income related to originated mortgage loans for the six months ended June 30, 2022.
(2) Interest expense includes $2.2 million of interest expense related to our warehouse credit facilities for the six months ended June 30, 2022.
(3) Stock-based compensation consists of expenses related to stock options, restricted stock units, and our employee stock purchase program. See Note 12 to our consolidated financial statements for more information.
(4) Acquisition-related costs consist of fees for external advisory, legal, and other professional services incurred in connection with our acquisition of other companies.
(5) Restructuring and reorganization expenses primarily consist of personnel-related costs associated with employee terminations, furloughs, or retention due to the restructuring and reorganization activities from our acquisitions of Bay Equity and Rent., and from our June 2022 workforce reduction.

	Six Months Ended June 30, 2021						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Revenue	$ 420,808	$ 265,171	$ 42,548	$ 10,810	$ 7,068	$ (6,771)	$ 739,634
Cost of revenue	292,342	258,551	7,570	12,701	6,747	(6,771)	571,140
Gross profit	128,466	6,620	34,978	(1,891)	321	—	168,494
Operating expenses							
Technology and development	40,130	5,910	13,767	4,904	952	3,503	69,166
Marketing	52,928	779	12,611	264	63	555	67,200
General and administrative	42,429	4,507	23,149	3,352	933	22,587	96,957
Total operating expenses	135,487	11,196	49,527	8,520	1,948	26,645	233,323
Loss from operations	(7,021)	(4,576)	(14,549)	(10,411)	(1,627)	(26,645)	(64,829)
Interest income, interest expense, income tax expense, and other expense, net	(31)	(1,082)	212	2	1	2,065	1,167
Net loss	$ (7,052)	$ (5,658)	$ (14,337)	$ (10,409)	$ (1,626)	$ (24,580)	$ (63,662)

	Six Months Ended June 30, 2021						
	Real estate services	Properties	Rentals	Mortgage	Other	Corporate Overhead and Intercompany Eliminations	Total
Net loss	$ (7,052)	$ (5,658)	$ (14,337)	$ (10,409)	$ (1,626)	$ (24,580)	$ (63,662)
Interest income(1)	—	(7)	—	(771)	(1)	(284)	(1,063)
Interest expense(2)	—	1,089	—	835	—	3,063	4,987
Income tax expense	—	—	(212)	—	—	(4,840)	(5,052)
Depreciation and amortization	6,230	803	9,111	591	334	949	18,018
Stock-based compensation(3)	17,560	2,373	174	1,444	341	4,435	26,327
Acquisition-related costs(4)	—	—	—	—	—	7,723	7,723
Restructuring and reorganization(5)	—	—	—	—	—	—	—
Adjusted EBITDA	$ 16,738	$ (1,400)	$ (5,264)	$ (8,310)	$ (952)	$ (13,534)	$ (12,722)

(1) Interest income includes $0.8 million of interest income related to originated mortgage loans for the six months ended June 30, 2021.
(2) Interest expense includes $0.8 million of interest expense related to our warehouse credit facilities for the six months ended June 30, 2021.
(3) Stock-based compensation consists of expenses related to stock options, restricted stock units, and our employee stock purchase program. See Note 12 to our consolidated financial statements for more information.
(4) Acquisition-related costs consist of fees for external advisory, legal, and other professional services incurred in connection with our acquisition of other companies.
(5) Restructuring and reorganization expenses primarily consist of personnel-related costs associated with employee terminations, furloughs, or retention due to the restructuring and reorganization activities from our acquisitions of Bay Equity and Rent., and from our June 2022 workforce reduction.

Liquidity and Capital Resources

As of June 30, 2022, we had cash and cash equivalents of $379.9 million and investments of $135.5 million, which consist primarily of operating cash on deposit with financial institutions, money market instruments, U.S. treasury securities, and agency bonds.

Also as of June 30, 2022, we had $1,259.8 million aggregate principal amount of convertible senior notes outstanding across three issuances maturing between July 15, 2023 and April 1, 2027. See Note 15 to our consolidated financial statements for our obligations to pay semi-annual interest and to repay any outstanding amounts at the notes' maturity.

Also as of June 30, 2022, we had 40,000 shares of convertible preferred stock outstanding. See Note 11 to our consolidated financial statements for our obligations to pay quarterly interest and to redeem any outstanding shares on November 30, 2024.

With respect to the cash outlay for our properties business, for the quarter ended June 30, 2022, we relied on (i) a combination of our cash on hand and borrowings from a secured revolving credit facility to fund home purchase prices and (ii) solely on our cash on hand to fund capitalized improvement costs and home maintenance expenses. See Note 5 to our consolidated financial statements for more information on our home purchases during the quarter ended June 30, 2022 and our home purchase commitments as of June 30, 2022. See Note 15 to our consolidated financial statements for more information regarding the secured revolving credit facility. Also see "Risk Factors" for a discussion of our (1) potential inability to comply with one or more of the facility's financial covenants with respect to the third quarter of 2022, (2) resulting obligation to repay all outstanding borrowings upon our potential termination of the facility, and (3) need to fund home purchases solely through cash, if we are unable to secure alternative sources of financing.

Our mortgage business has significant cash requirements due to the period of time between its origination of a mortgage loan and the sale of that loan. We have relied on warehouse credit facilities with different lenders to fund substantially the entire portion of the mortgage loans that our mortgage business originates. Once our mortgage business sells a loan in the secondary mortgage market, we use the proceeds to reduce the outstanding balance under the related facility. See Note 15 to our consolidated financial statements for more information regarding our warehouse credit facilities.

We believe that our existing cash and cash equivalents and investments, together with cash we expect to generate from future operations, and borrowings from our secured revolving credit facility (if available) and our warehouse credit facilities, will provide sufficient liquidity to meet our operational needs, repay all outstanding borrowings under our secured revolving credit facility in the event of a termination, satisfy commitments by our properties business to purchase homes, and fulfill our payment obligations with respect to our convertible senior notes and convertible preferred stock. However, our liquidity assumptions may change or prove to be incorrect, and we could exhaust our available financial resources sooner than we currently expect. As a result, we may seek new sources of credit financing or elect to raise additional funds through equity, equity-linked, or debt financing arrangements. We cannot assure you that any additional financing will be available to us on acceptable terms or at all.

Our title and settlement business and our mortgage business each holds cash in escrow that we do not record on our consolidated balance sheets. See Note 8 to our consolidated financial statements for more information regarding these amounts.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Six Months Ended June 30,	
	2022	**2021**
	(in thousands)	
Net cash used in operating activities	$ (168,500)	$ (213,638)
Net cash used in investing activities	(159,285)	(544,078)
Net cash provided by financing activities	17,747	599,578

Net Cash Used In Operating Activities

Our operating cash flows result primarily from cash generated by commissions paid to us from our real estate services business, sales of homes from our properties business, and subscription-based product offerings from our rentals business. Our primary uses of cash from operating activities include payments for personnel-related costs, including employee benefits and bonus programs, marketing and advertising activities, purchases of homes for our properties business, office and occupancy costs, and outside services costs. Additionally, our mortgage business generates a significant amount operating cash flow activity from the origination and sale of loans held for sale.

Net cash used in operating activities was $168.5 million for the six months ended June 30, 2022, primarily attributable to (i) our net loss of $169.0 million, (ii) changes in assets and liabilities, which decreased cash provided by operating activities by $80.2 million, and (iii) $80.6 million of non-cash items related to stock-based compensation, depreciation and amortization, amortization of debt discounts and issuances costs, lease expense related to right-of-use assets, and other non-cash items. The primary uses of cash related to changes in our assets and liabilities were a $19.3 million increase in inventory related to our properties business and a net increase of origination of loans held for sale of $53.6 million.

Net cash used in operating activities was $213.6 million for the six months ended June 30, 2021, primarily attributable to a net loss of $63.7 million, offset by $52.4 million of non-cash items related to stock-based compensation, depreciation and amortization, amortization of debt discounts and issuances costs, lease expense related to right-of-use assets, and other non-cash items. Changes in assets and liabilities decreased cash provided by operating activities by $202.4 million. The primary sources of cash related to changes in our assets and liabilities were a $42.7 million increase in accounts payable and other accrued liabilities related to the timing of vendor payments and payroll related expenses, and a $22.3 million decrease in accounts receivable related to the timing of escrow payments in-transit. The primary use of cash related to changes in our assets and liabilities was a $199.8 million increase in inventory related to our properties business.

Net Cash Used In Investing Activities

Our primary investing activities include the purchase, sale, and maturity of investments and purchases of property and equipment, primarily related to capitalized software development expenses and computer equipment and software.

Net cash used in investing activities was $159.3 million for the six months ended June 30, 2022, primarily attributable to the net cash paid for our acquisition of Bay Equity of $97.3 million, $49.8 million in net investments in U.S. government securities, and $9.0 million of capitalized software development expenses.

Net cash used in investing activities was $544.1 million for the six months ended June 30, 2021, primarily attributable to cash paid for our acquisition of Rent. of $608.0 million, $77.5 million in net investments in U.S. government securities, and $3.3 million of capitalized software development expenses.

Net Cash Provided By Financing Activities

Our primary financing activities have come from (i) our initial public offering in August 2017, (ii) sales of our common stock and 2023 notes in July 2018, our common stock and convertible preferred stock in April 2020, our 2025 notes in October 2020, and our 2027 notes in March 2021, and (iii) the sale of our common stock pursuant to stock option exercises and our ESPP. Additionally, we generate a significant amount of financing cash flow activity due to borrowings from and repayments to our warehouse credit facilities and our secured revolving credit facility.

Net cash provided by financing activities was $17.7 million for the six months ended June 30, 2022, attributable to a $43.2 million decrease in net borrowings under our secured revolving credit facility and a $56.7 million increase in net borrowings under our warehouse credit facilities.

Net cash provided by financing activities was $599.6 million for the six months ended June 30, 2021, primarily attributable to $498.9 million in net proceeds from the issuance of our 2027 notes offering including the purchase of capped calls related to those notes, and a $99.8 million increase in net borrowings under our secured revolving credit facility.

Critical Accounting Policies and Estimates

Discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities, revenue, and expenses at the date of the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Based on this definition, we have identified the critical accounting policies and estimates addressed below. In addition, we have other key accounting policies and estimates that are described in Note 1 to our consolidated financial statements.

Revenue Recognition

Our key revenue components are brokerage revenue, partner revenue, properties revenue, rentals revenue, mortgage revenue, and other revenue. Of these, we consider the most critical of our revenue recognition policies to be those related to commissions and fees charged on brokerage transactions closed by our lead agents, and from the sale of homes. We recognize commission-based brokerage revenue upon closing of a brokerage transaction, less the amount of any commission refunds, closing-cost reductions, or promotional offers that may result in a material right. We determined that brokerage revenue primarily contains a single performance obligation that is satisfied upon the closing of a transaction, at which point the entire transaction price is earned. We evaluate our brokerage contracts and promotional pricing to determine if there are any additional material rights and allocate the transaction price based on standalone selling prices.

Properties revenue is earned when we sell homes that were previously bought directly from homeowners. Our contracts with customers contain a single performance obligation that is satisfied upon a transaction closing. Properties revenue is recorded at closing on a gross basis, representing the sales price of the home.

Rentals revenue is primarily recognized on a straight-line basis over the term of the contract, which is generally less than one year. Revenue is presented net of sales allowances, which are not material.

Mortgage revenue is recognized (1) when an interest rate lock commitment is made to a customer, adjusted for a pull-through percentage, (2) for origination fees, when the purchase or refinance of a loan is complete, and (3) when the fair value of our interest rate lock commitments, forward sale commitments, and loans held for sale are recorded at current market quotes.

We have utilized the practical expedient in *ASC 606, Revenue from Contracts with Customers* , and elected not to capitalize contract costs for contracts with customers with durations less than one year. We do not have significant remaining performance obligations or contract balances.

See Note 1 to our consolidated financial statements for further discussion of our revenue recognition policy.

Acquired Intangible Assets and Goodwill

We recognize separately identifiable intangible assets acquired in a business combination. Determining the fair value of the intangible assets acquired requires management’s judgment, often utilizes third-party valuation specialists, and involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash flows, discount rates, replacement costs, and asset lives, among other estimates.

The judgments made in the determination of the estimated fair value assigned to the intangible assets acquired and the estimated useful life of each asset could significantly impact our consolidated financial statements in periods after the acquisition, such as through depreciation and amortization expense.

We evaluate intangible assets for impairment whenever events or circumstances indicate that they may not be recoverable. We measure recoverability by comparing the carrying amount of an asset group to future undiscounted net cash flows expected to be generated.

Goodwill represents the excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is subject to impairment testing. We assess the impairment of goodwill on an annual basis, during the fourth quarter, or whenever events or changes in circumstances indicate that goodwill may be impaired. We assess goodwill for possible impairment by performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If we qualitatively determine that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then no additional impairment steps are necessary.

See Note 2 to our consolidated financial statements for a summary of our valuation of the Bay Equity intangible assets, along with their estimated useful lives.

Inventory

Our inventory represents homes purchased with the intent of resale and are accounted for under the specific identification method. Direct home acquisition and improvement costs are capitalized and tracked directly with each specific home. Homes are stated in inventory at cost and are reviewed on a home by home basis. When evidence exists that the net realizable value of a home is lower than its cost, we recognize the difference as a loss in the period in which it occurs. In determining net realizable value, management must use judgment and estimates, including assessment of readily available market value indicators such as the Redfin Estimate and other third-party home value indicators, assessment of a current listing or pending offer price if either are available, and the value of any improvements made to the home. If a home's estimated market value is less than the inventory cost then the home is written down to net realizable value. While no material adjustments were required to our home inventory during the three months ended June 30, 2022, material adjustments may be required in the future due to changing market conditions, natural disasters, or other forces outside of our control.

See Note 5 to our consolidated financial statements for a summary of our inventory categories and any write-downs.

Business Combinations

The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of acquisition. We record assets and liabilities of an acquired business at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

The purchase price allocation process requires our management to make significant estimates and assumptions. Although we believe the assumptions and estimates made are reasonable, they are inherently uncertain and based in part on experience, market conditions, projections of future performance, and information obtained from legacy management of acquired companies. Critical estimates include but are not limited to:

- future revenue, cost of revenue and operating margin projections,
- discount rates,
- terminal growth rate; and
- market data of comparable guideline companies.

See Note 2 to our consolidated financial statements for a summary of our business combinations activities.

Recent Accounting Standards

For information on recent accounting standards, see Note 1 to our consolidated financial statements.

Item 3. Qualitative and Quantitative Disclosures About Market Risk.

Our primary operations are within the United States and Canada. We are exposed to market risks in the ordinary course of our business. These risks primarily consist of fluctuations in interest rates.

Interest Rate Risk

Our investment policy allows us to maintain a portfolio of cash equivalents and investments in a variety of securities, including U.S. treasury and agency issues, bank certificates of deposit that are 100% insured by the Federal Deposit Insurance Corporation, and SEC-registered money market funds that consist of a minimum of $1 billion in assets and meet the above requirements. The goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes.

As of June 30, 2022, we had cash and cash equivalents of $379.9 million and investments of $135.5 million. Our investments are comprised of available-for-sale securities that consist primarily of U.S. treasury securities with maturities of two years or less. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the relatively short-term nature and risk profile of our portfolio. Declines in interest rates, however, would reduce future investment income. Assuming no change in our outstanding cash, cash equivalents, and investments during the third quarter of 2022, a hypothetical 10% change in interest rates, occurring during and sustained throughout that quarter, would not have a material impact on our financial results for that quarter.

We are exposed to interest rate risk on our mortgage loans held for sale and IRLCs associated with our mortgage loan origination services. We manage this interest rate risk through the use of forward sales commitments on both a best effort whole loans basis and on a mandatory basis. Forward sales commitments entered into on a mandatory basis are done through the use of commitments to sell mortgage-backed securities. We do not enter into or hold derivatives for trading or speculative purposes. The fair value of our IRLCs and forward sales commitments are reflected in other current assets and accrued liabilities, as applicable, with changes in the fair value of these commitments recognized as revenue. The net fair value change for the periods presented were not material. See Note 4 to our consolidated financial statements for a summary of the fair value of our forward sales commitments and our IRLCs as of June 30, 2022.

We are subject to interest rate risk on borrowings under our secured revolving credit facility. See Note 15 to our consolidated financial statements for a description of this facility. Changes in the market interest rate will increase or decrease our interest expense. Assuming no change in the outstanding borrowings under the facility during the third quarter of 2022, a hypothetical 10% change in interest rates, occurring during and sustained throughout that quarter, would not have a material impact on our financial results for that quarter.

Foreign Currency Exchange Risk

As our operations in Canada have been limited, and we do not maintain a significant balance of foreign currency, we do not currently face significant foreign currency exchange rate risk.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and principal financial officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934), as of the end of the period covered by this quarterly report. Based on such evaluation, our principal executive and principal financial officers have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level described below.

Changes in Internal Control

In connection with the evaluation required by Rule 13a-15(d) under the Securities Exchange Act of 1934, there were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

See "Legal Proceedings" under Note 8 to our consolidated financial statements for a discussion of our material, pending legal proceedings.

Item 1A. Risk Factors.

Except as discussed below, there have not been any material changes from the risk factors included in Item 1A of our annual report for the year ended December 31, 2021. You should carefully consider the risks described below, together with all other information in this quarterly report, before investing in any of our securities. The occurrence of any single risk or any combination of risks could materially and adversely affect our business, operating results, financial condition, liquidity, or competitive position, and consequently, the value of our securities. The material adverse effects include, but are not limited to, not growing our revenue or market share at the pace that they have grown historically or at all, our revenue and market share fluctuating on a quarterly and annual basis, an extension of our history of losses and a failure to become profitable, not achieving the revenue and net income (loss) guidance that we provide, and harm to our reputation and brand.

Our Goldman Sachs secured revolving credit facility may become unavailable if we are unable to comply with the facility's financial covenants. If the facility becomes unavailable, we will need to seek an alternative source of financing, or rely on our cash on hand, to fund future RedfinNow home purchases. Any use of cash will decrease cash available for our other business needs. Furthermore, to the extent an alternative source of financing or cash is unavailable, RedfinNow would be unable to purchase the homes required for its growth.

Since the fourth quarter of 2019, RedfinNow has, through a special purpose entity called RedfinNow Borrower, relied on a secured revolving credit facility with Goldman Sachs to partially fund the purchase price of some of the homes that it purchases. See Note 15 to our consolidated financial statements for more information on this facility.

Under the facility, RedfinNow Borrower and certain other Redfin entities have ongoing obligations, including Redfin Corporation's compliance with financial covenants based on its net worth, liquidity, and leverage ratio, each measured on a quarterly basis. Due to current macroeconomic conditions and their impact on our business, including as discussed in “Management's Discussion and Analysis-Adverse Macroeconomic Conditions and Our Associated Action," we may be unable to comply with one or more of these covenants with respect to the third quarter of 2022 or a future quarter. We are actively negotiating changes to the facility, including the financial covenants, to decrease the risk of non-compliance and expect to reach an agreement by the end of the third quarter of 2022. However, such negotiations may be unsuccessful.

To the extent that such negotiations are unsuccessful and we anticipate breaching one or more financial covenants with respect to a quarter, then we intend to terminate the facility to avoid triggering an event of default under the facility. Terminating the facility would require us to repay all outstanding borrowings, including borrowings associated with homes that we have not sold and received the sales proceeds. The proceeds we receive from any ultimate sales of such homes may be less than the repaid borrowings. As of June 30, 2022, there were $156.5 million of outstanding borrowings under the facility.

Use of our cash in connection with terminating the facility, as well as to fund future RedfinNow home purchases, will decrease our cash available for other business needs. Additionally, to the extent an alternative source of financing or cash is unavailable for future home purchases, RedfinNow would be unable to purchase the homes required for its growth.

A disruption in the secondary mortgage loan market or Bay Equity's inability to sell the mortgage loans that it originates could adversely affect our business.

Demand in the secondary market for mortgage loans, and Bay Equity's ability to sell the mortgage loans that it originates on favorable terms and in a timely manner, can be hindered by many factors, including changes in regulatory requirements, the willingness of the agencies, aggregators, or other investors to provide funding for and purchase mortgage loans, and general economic conditions. If Bay Equity cannot continue to sell mortgage loans that it originates on favorable terms to government-sponsored enterprises or other loan purchasers, our business, financial condition, and results of operations could be materially and adversely affected.

A substantial portion of our mortgage business's assets are measured at fair value. If our estimates of fair value are inaccurate, we may be required to record a significant write down of our assets.

Bay Equity's mortgage servicing rights ("MSRs"), interest rate lock commitments, and mortgage loans held for sale will be recorded at fair value on our balance sheet. Fair value determinations require many assumptions and complex analyses, and we cannot control many of the underlying factors. If our estimates are incorrect, we could be required to write down the value of these assets, which could adversely affect our financial condition and results of operations.

In particular, our estimates of the fair value of Bay Equity's MSRs are based on the cash flows projected to result from the servicing of the related mortgage loans and continually fluctuate due to a number of factors, including estimated discount rate, the cost of servicing, objective portfolio characteristics, contractual service fees, default rates, prepayment rates and other market conditions that affect the number of loans that ultimately become delinquent or are repaid or refinanced. These estimates are calculated by a third party using financial models that account for a high number of variables that drive cash flows associated with MSRs and anticipate changes in those variables over the life of the MSR. The accuracy of our estimates of the fair value of our MSRs are dependent on the reasonableness of the results of such models and the variables and assumptions that are built into them. If prepayment speeds or loan delinquencies are higher than anticipated, or other factors perform worse than modeled, the recorded value of certain of our MSRs may decrease, which could adversely affect our financial condition and results of operations.

Bay Equity relies on its warehouse credit facilities to fund the mortgage loans that it originates. If one or more of those facilities were to become unavailable, Bay Equity may be unable to find replacement financing on commercially reasonable terms, or at all, and this could adversely affect its ability to originate additional mortgage loans.

Bay Equity relies on borrowings from warehouse credit facilities to fund substantially all of the mortgage loans that it originates. To grow its business, Bay Equity depends, in part, on having sufficient borrowing capacity under its current facilities or obtaining additional borrowing capacity under new facilities. A current facility may become unavailable if Bay Equity fails to comply with its ongoing obligations under the facility, including failing to satisfy applicable financial covenants, or if it cannot agree with the lender on terms to renew the facility. New facilities may be not be available on terms acceptable to us. If Bay Equity were unable to secure sufficient borrowing capacity through its warehouse credit facilities, then it may need to rely on our cash on hand to originate mortgage loans. If this cash were unavailable, then Bay Equity may be unable to maintain or increase the amount of mortgage loans that it originates, which will adversely affect its growth.

Item 6. Exhibits.

The exhibits required to be filed or furnished as part of this Quarterly Report are listed below. Notwithstanding any language to the contrary, exhibits 32.1, 32.2, 101, and 104 shall not be deemed to be filed as part of this Quarterly Report for purposes of Section 18 of the Securities Exchange Act of 1934.

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**Exhibit**	**Filing Date**	**Filed or Furnished Herewith**
3.1	Restated Certificate of Incorporation				X
31.1	Certification of principal executive officer, pursuant to Rule 13a-14(a)				X
31.2	Certification of principal financial officer, pursuant to Rule 13a-14(a)				X
32.1	Certification of chief executive officer, pursuant to 18 U.S.C. Section 1350				X
32.2	Certification of chief financial officer, pursuant to 18 U.S.C. Section 1350				X
101	Interactive data files				X
104	Cover page interactive data file, submitted using inline XBRL (contained in Exhibit 101)				X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Redfin Corporation
(Registrant)

August 4, 2022	/s/ Glenn Kelman
(Date)	Glenn Kelman President and Chief Executive Officer *(Duly Authorized Officer)*
August 4, 2022	/s/ Chris Nielsen
(Date)	Chris Nielsen Chief Financial Officer *(Principal Financial Officer)*

REDFIN CORPORATION
RESTATED CERTIFICATE OF INCORPORATION

Redfin Corporation, a Delaware corporation, hereby certifies as follows.

1. The name of the corporation is Redfin Corporation. The date of filing its original Certificate of Incorporation with the Secretary of State was February 22, 2005 under the name Appliance Computing Inc. and the date of filing of its restated Certificate of Incorporation with the Secretary of State was August 2, 2017.

2. The Restated Certificate of Incorporation of the corporation attached hereto as Exhibit "A", which is incorporated herein by this reference, and which restates, integrates and further amends the provisions of the Certificate of Incorporation of this corporation as previously restated, has been duly adopted by the Board of Directors and by the stockholders in accordance with Sections 242 and 245 of the Delaware General Corporation Law, with the approval of the corporation's stockholders having been given at a meeting of the corporation's stockholders.

IN WITNESS WHEREOF, this corporation has caused this Restated Certificate of Incorporation to be signed by its duly authorized officer and the foregoing facts stated herein are true and correct.

Dated: June 15, 2022 REDFIN CORPORATION

By: /s/ Anthony Kappus

Name: Anthony Kappus

Title: Chief Legal Officer and Corporate Secretary

<u>EXHIBIT "A"</u>

REDFIN CORPORATION

RESTATED

CERTIFICATE OF INCORPORATION

ARTICLE I: NAME

The name of the corporation is Redfin Corporation (the "***Corporation***").

ARTICLE II: AGENT FOR SERVICE OF PROCESS

The address of the Corporation's registered office in the State of Delaware is 651 N. Broad St., Suite 206, Middletown, DE 19709. The name of the registered agent of the Corporation at that address is Legalinc Corporate Services Inc.

ARTICLE III: PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE IV: AUTHORIZED STOCK

1. <u>Total Authorized</u>. The total number of shares of all classes of stock that the Corporation has authority to issue is Five Hundred Ten Million (510,000,000) shares, consisting of two classes: Five Hundred Million (500,000,000) shares of Common Stock, $0.001 par value per share ("***Common Stock***"), and Ten Million (10,000,000) shares of Preferred Stock, $0.001 par value per share ("***Preferred Stock***").

2. <u>Designation of Additional Series.</u>

2.1. The Board of Directors of the Corporation (the "***Board***") is authorized, subject to any limitations prescribed by the law of the State of Delaware, to provide for the issuance of the shares of Preferred Stock in one or more series, and, by filing a Certificate of Designation pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, to fix the designation, vesting, powers, preferences and relative, participating, optional or other rights, if any, of the shares of each such series and any qualifications, limitations or restrictions thereof, and to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series. The number of authorized shares of Preferred Stock may also be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of two-thirds of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote thereon, without a vote of the holders of the Preferred Stock, unless a vote of any other holders is required pursuant to the terms of any certificate or certificates establishing a series of Preferred Stock; *provided*, *however*, that if two-thirds of the Whole Board, as defined below, has approved such increase or decrease of the number of authorized shares of Preferred Stock, then only the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, without a vote of the holders of the Preferred Class (unless a vote of any other holders is required pursuant to the terms of any certificate or certificates establishing a series of Preferred Stock) shall be required to effect such increase or decrease. For purposes of this Restated Certificate of Incorporation, the term "***Whole Board***" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

2.2 Except as otherwise expressly provided in any Certificate of Designation designating any series of Preferred Stock pursuant to the foregoing provisions of this Article IV, any new series of Preferred Stock may be designated, fixed and determined as provided herein by the Board without approval of the holders of Common Stock or the holders of Preferred Stock, or any series thereof, and any such new series may have powers, preferences and rights, including, without limitation, voting rights, dividend rights, liquidation rights, redemption rights and conversion rights, senior to, junior to or pari passu with the rights of the Common Stock, the Preferred Stock or any future class or series of Preferred Stock or Common Stock.

2.3 Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; *provided, however*, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock).

ARTICLE V: AMENDMENT OF BYLAWS

The stockholders shall have power to adopt, amend or repeal the Bylaws of the Corporation. Until July 28, 2024, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Restated Certificate of Incorporation (including any Preferred Stock issued pursuant to a Certificate of Designation), the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws, *provided*, *however*, that if two-thirds of the Whole Board has approved such adoption, amendment or repeal of any provisions of the Bylaws, then only the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws. Beginning on July 28, 2024, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Restated Certificate of Incorporation (including any Preferred Stock issued pursuant to a Certificate of Designation), the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws.

The Board shall have the power to adopt, amend or repeal the Bylaws of the Corporation without stockholder approval. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board shall require the approval of a majority of the Whole Board.

ARTICLE VI: MATTERS RELATING TO THE BOARD OF DIRECTORS

1. **Director Powers**. The conduct of the affairs of the Corporation shall be managed by or under the direction of the Board. In addition to the powers and authority expressly conferred upon them by statute or by this Restated Certificate of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

2. **Number of Directors**. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by resolution adopted by a majority of the Whole Board.

3. **Classified Board**. Until the 2023 annual meeting of stockholders (the "***2023 Annual Meeting***"), the directors shall be divided, with respect to the time for which they severally hold office, into three classes designated as Class I, Class II and Class III, respectively (each class as nearly equal in number as reasonably possible). Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board. The initial term of office of the Class I directors shall expire at the Corporation's first annual meeting of stockholders following the closing of the Corporation's initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "***Securities Act***"), relating to the offer and sale of Common Stock to the public (the "***Initial Public Offering***"), the initial term of office of the Class II directors shall expire at the Corporation's second annual meeting of stockholders following the closing of the Initial Public Offering and the initial term of office of the Class III directors shall expire at the Corporation's third annual meeting of stockholders following the closing of the Initial Public Offering. At each annual meeting of stockholders following the closing of the Initial Public Offering and until the 2023 Annual Meeting, directors elected to succeed those directors of the class whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Commencing with the 2023 Annual Meeting and until the 2024 annual meeting of stockholders (the "***2024 Annual Meeting***"), the directors shall be divided, with respect to the time for which they severally hold office, into two classes designated Class A and Class B, with the directors in Class A having a term that expires at the 2024 Annual Meeting and the directors in Class B having a term that expires at the 2025 annual meeting (the "***2025 Annual Meeting***"). The successors of the directors who, immediately prior to the 2023 Annual Meeting, were members of Class III and whose terms were scheduled to expire at the 2023 Annual Meeting shall be elected to Class B with a term expiring at the 2025 Annual Meeting; the directors who, immediately prior to the 2023 Annual Meeting, were members of Class I and whose terms were scheduled to expire at the 2024 Annual Meeting shall become members of Class A and shall continue to have terms expiring at the 2024 Annual Meeting; and the directors who, immediately prior to the 2023 Annual Meeting, were members of Class II and whose terms were scheduled to expire at the 2025 Annual Meeting shall become members of Class B and shall continue to have terms expiring at the 2025 Annual Meeting. Commencing with the election of directors at the 2024 Annual Meeting, there shall be a single class of directors, with all directors of such class having a term that expires at the 2025 Annual Meeting. The successors of the directors who, immediately prior to the 2024 Annual Meeting, were members of Class A (and whose terms expire at the 2024 Annual Meeting) shall be elected at such meeting for a term that expires at the 2025 Annual Meeting, and the directors who, immediately prior to the 2024 Annual Meeting, were members of Class B and whose terms were scheduled to expire at the 2025 Annual Meeting shall continue to have terms expiring at the 2025 Annual Meeting. From and after the election of directors at the 2025 Annual Meeting, the Board shall cease to be classified and the directors elected at the 2025 Annual Meeting (and each annual meeting of the stockholders thereafter) shall be elected for a term expiring at the next annual meeting of the stockholders. Notwithstanding the foregoing, this Section 3 of this Article VI is subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances.

4. **Term and Removal**. Each director shall hold office until such director's successor is elected and qualified, or until such director's earlier death, resignation or removal. Any director may resign at any time upon notice to the Corporation given in writing or by any electronic transmission permitted in the Corporation's Bylaws. Until the 2025 Annual Meeting (when the Board shall cease to be classified) and subject to the rights of the holders of any series of Preferred Stock, no director may be removed except for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of the then-outstanding shares of capital stock of the Corporation then entitled to vote at an election of directors voting together as a single class. From and after the election of directors at the 2025 Annual Meeting and subject to the rights of the holders of any series of Preferred Stock, any director may be removed with or without cause by the affirmative vote of the holders of at least a majority of the voting power of the then-outstanding shares of capital stock of the Corporation then entitled to vote at an election of directors voting together as a single class. No decrease in the authorized number of directors constituting the Board shall shorten the term of any incumbent director.

5. **Board Vacancies**. Subject to the rights of the holders of any series of Preferred Stock, any vacancy occurring in the Board for any cause, and any newly created directorship resulting from any increase in the authorized number of directors, shall, unless (a) the Board determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders or (b) as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class, if any, to which the director has been assigned expires or until such director's successor shall have been duly elected and qualified, or until such director's earlier death, resignation or removal.

6. **Vote by Ballot**. Election of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

ARTICLE VII: DIRECTOR LIABILITY

1. **Limitation of Liability**. To the fullest extent permitted by law, no director of the Corporation shall be personally liable for monetary damages for breach of fiduciary duty as a director. Without limiting the effect of the preceding sentence, if the Delaware General Corporation Law is hereafter amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

2. **Change in Rights**. Neither any amendment nor repeal of this Article VII, nor the adoption of any provision of this Restated Certificate of Incorporation inconsistent with this Article VII, shall eliminate, reduce or otherwise adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such amendment, repeal or adoption of such an inconsistent provision.

ARTICLE VIII: MATTERS RELATING TO STOCKHOLDERS

1. **No Action by Written Consent of Stockholders**. Subject to the rights of any series of Preferred Stock, no action shall be taken by the stockholders of the Corporation except at a duly called annual or special meeting of stockholders and no action shall be taken by the stockholders by written consent.

2. **Special Meeting of Stockholders.** Special meetings of the stockholders of the Corporation may be called only by the Chairperson of the Board, the Chief Executive Officer, the President, or the Board acting pursuant to a resolution adopted by a majority of the Whole Board.

3. **Advance Notice of Stockholder Nominations and Business Transacted at Special Meetings**. Advance notice of stockholder nominations for the election of directors of the Corporation and of business to be brought by stockholders before any meeting of stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation. Business transacted at special meetings of stockholders shall be confined to the purpose or purposes stated in the notice of meeting.

ARTICLE IX: CHOICE OF FORUM

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation; (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders; (c) any action asserting a claim against the Corporation arising pursuant to any provision of the Delaware General Corporation Law, this Restated Certificate of Incorporation or the Bylaws; (d) any action to interpret, apply, enforce or determine the validity of this Restated Certificate of Incorporation or the Bylaws; or (e) any action asserting a claim against the Corporation governed by the internal affairs doctrine.

Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article IX.

ARTICLE X: AMENDMENT OF RESTATED CERTIFICATE OF INCORPORATION

If any provision of this Restated Certificate of Incorporation becomes or is declared on any ground by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Restated Certificate of Incorporation, and the court will replace such illegal, void or unenforceable provision of this Restated Certificate of Incorporation with a valid and enforceable provision that most accurately reflects the Corporation's intent, in order to achieve, to the maximum extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Restated Certificate of Incorporation shall be enforceable in accordance with its terms.

The Corporation reserves the right to amend or repeal any provision contained in this Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation. Until July 28, 2024, notwithstanding any other provision of this Restated Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of the Corporation required by law or by this Restated Certificate of Incorporation, the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal any provision of this Restated Certificate of Incorporation; *provided*, *however*, that if two-thirds of the Whole Board has approved such amendment or repeal of any provisions of this Restated Certificate of Incorporation, then only the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal such provisions of this Restated Certificate of Incorporation. Beginning on July 28, 2024, notwithstanding any other provision of this Restated Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of the Corporation required by law or by this Restated Certificate of Incorporation, the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal any provision of this Restated Certificate of Incorporation.

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Glenn Kelman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Redfin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 4, 2022

/s/ Glenn Kelman
Glenn Kelman
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Chris Nielsen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Redfin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 4, 2022

/s/ Chris Nielsen

Chris Nielsen
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

I, Glenn Kelman, Chief Executive Officer of Redfin Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350 that, to my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2022

/s/ Glenn Kelman

Glenn Kelman
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

I, Chris Nielsen, Chief Financial Officer of Redfin Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350 that, to my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2022

/s/ Chris Nielsen

Chris Nielsen
Chief Financial Officer