

# FIRST QUARTER 2018 EARNINGS CONFERENCE CALL

May 8, 2018

# FORWARD-LOOKING STATEMENTS

Certain statements in this presentation are “forward-looking statements” within the meaning of the federal securities laws, including our business outlook for 2017 and beyond and expectations for market share growth. Statements about our beliefs and expectations and statements containing the words “may,” “could,” “would,” “should,” “believe,” “expect,” “anticipate,” “plan,” “estimate,” “target,” “project,” “intend,” “well-positioned” and similar expressions constitute forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results and performance in future periods to be materially different from any future results or performance suggested in forward-looking statements in this earnings press release. Investors are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Any forward-looking statements speak only as of the date of this earnings press release and, except to the extent required by applicable securities laws, the Company expressly disclaims any obligation to update or revise any of them to reflect actual results, any changes in expectations or any change in events. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

Factors that could cause results to differ materially include, but are not limited to: (1) general economic conditions and commercial real estate market conditions, including the conditions in the global markets and, in particular, the U.S. debt markets; (2) the Company’s ability to attract and retain transaction professionals; (3) the Company’s ability to retain its business philosophy and partnership culture; (4) competitive pressures; (5) the Company’s ability to integrate new agents and sustain its growth; and (6) other factors discussed in the Company’s public filings, including the risk factors included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2018.

## CONFERENCE CALL PARTICIPANTS



HESSAM NADJI

President, Chief Executive Officer and Director



MARTY LOUIE

Chief Financial Officer

# MMI FINANCIAL HIGHLIGHTS

# 2018 FIRST QUARTER HIGHLIGHTS

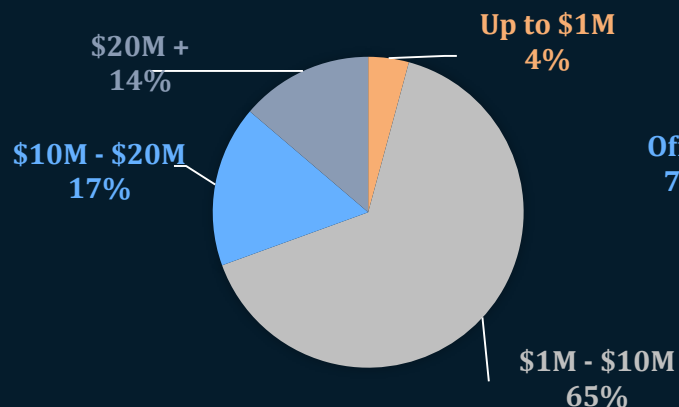
Financial Highlights		YOY
<b>Revenue</b>	\$174.5 million	13.9%
<b>Net Income</b>	\$18.0 million	50.1%
<b>Adjusted EBITDA</b>	\$27.4 million	22.3%

Operational Highlights		YOY
<b>Sales Volume</b>	\$9.8 billion	15.1%
<b>Transaction Closings</b>	2,085	0.9%
<b>Investment Sales and Financing Professionals as of March 31, 2018</b>	1,769	1.9%

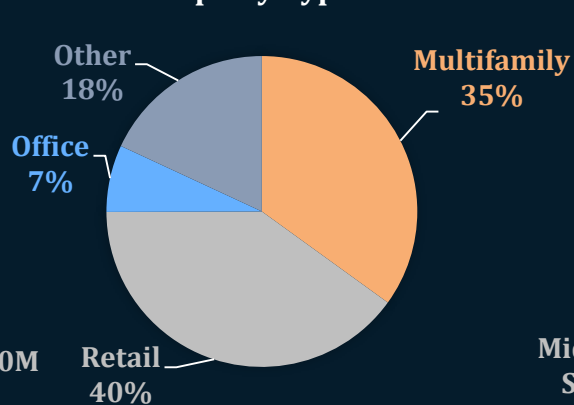
# 2018 FIRST QUARTER BROKERAGE HIGHLIGHTS

		YOY
Sales Volume	\$7.9 billion	22.0%
Transaction Closings	1,585	6.4%
Investment Sales Professionals as of March 31, 2018	1,678	2.4%
Real Estate Brokerage Commissions Revenue	\$162.5 million	16.0%

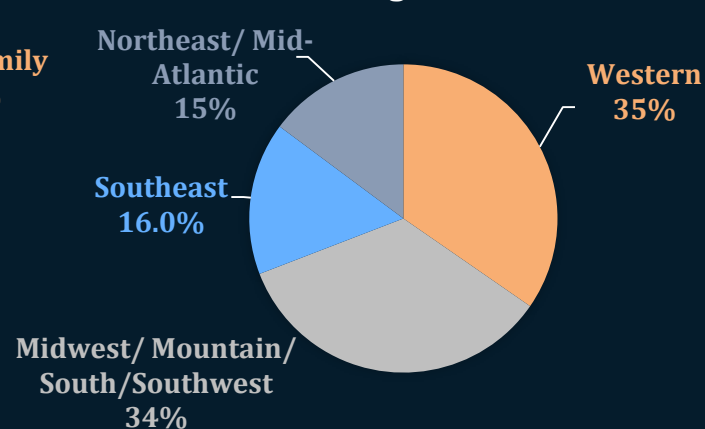
Revenue by  
Transaction Size



Transactions by  
Property Type



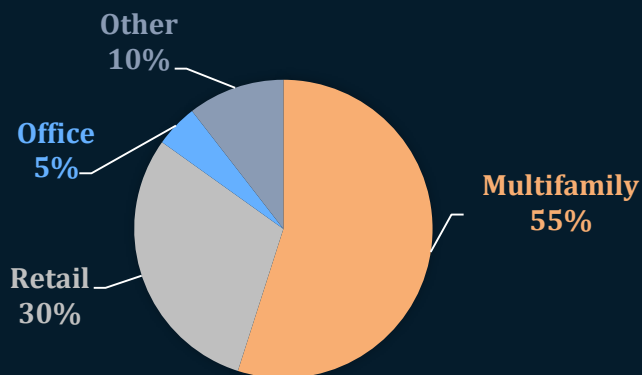
Transactions by  
Region



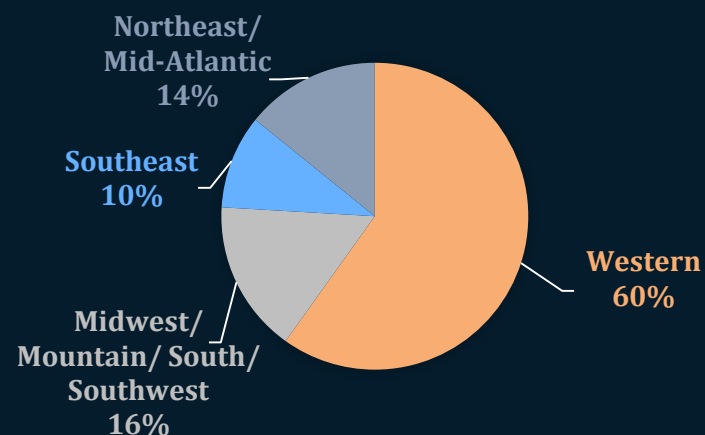
# 2018 FIRST QUARTER FINANCING HIGHLIGHTS

		YOY
Sales Volume	\$1.0 billion	(13.8)%
Transaction Closings	324	(17.1)%
Financing Professionals as of March 31, 2018	91	(7.1)%
Financing Fees Revenue	\$9.7 million	(3.3)%

Transactions by  
Property Type



Transactions by  
Region



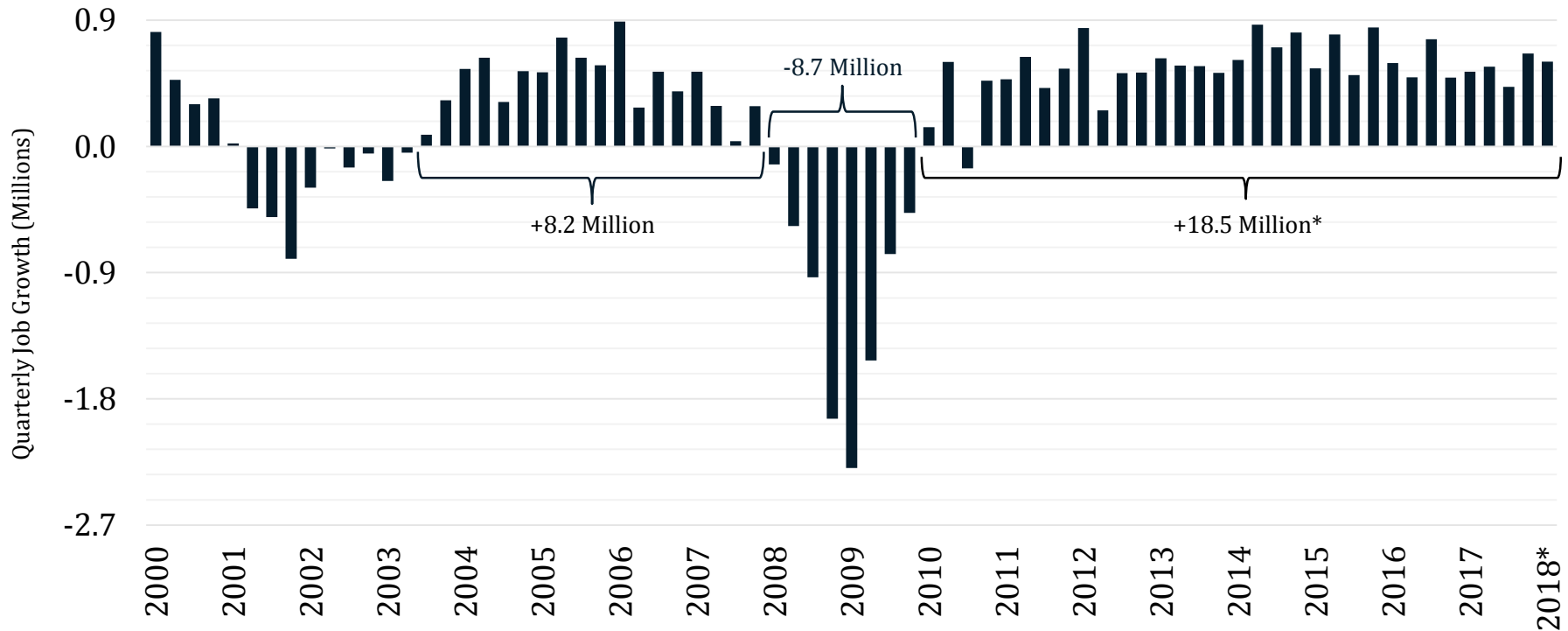
# MARKET HIGHLIGHTS



# U.S. EMPLOYMENT GAINS DRIVING REAL ESTATE DEMAND

U.S. Employment Has Expanded Well Above Prior Peak

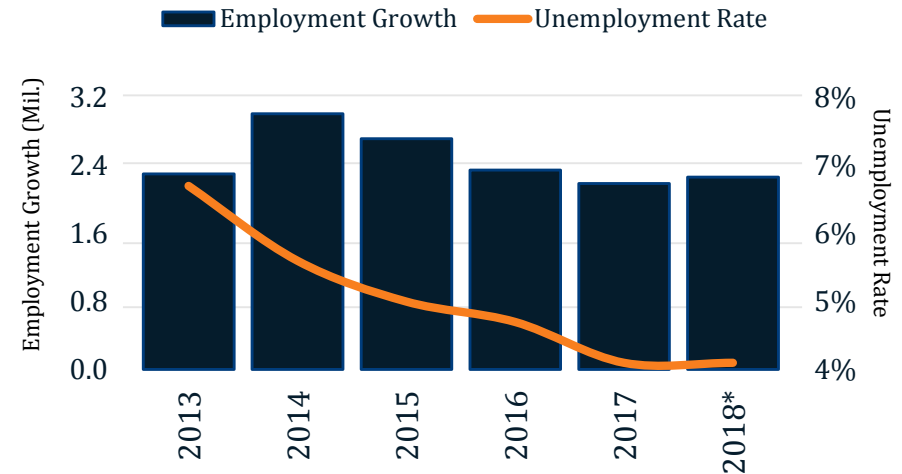
*2018 forecast to add 2.6 million jobs\*\**



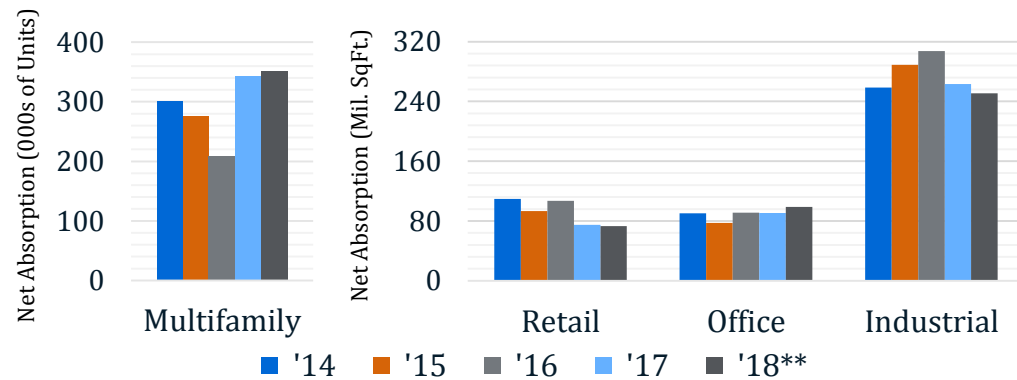
## EMPLOYMENT AND SPACE DEMAND REMAIN STRONG

- Employment growth totaled nearly 2.3 million jobs in the past 12 months
- Total employment stands 9.8 million above the pre-recession peak
- Unemployment rate is down 260 basis points since 2013
- Space absorption for multifamily, office, and industrial remain solid
- Retail absorption encountering variation by location, type, and age of property

### Employment Growth vs. Unemployment Rate



### Space Absorption Trends



\* Through 1Q; trailing 12-months through 1Q for employment growth

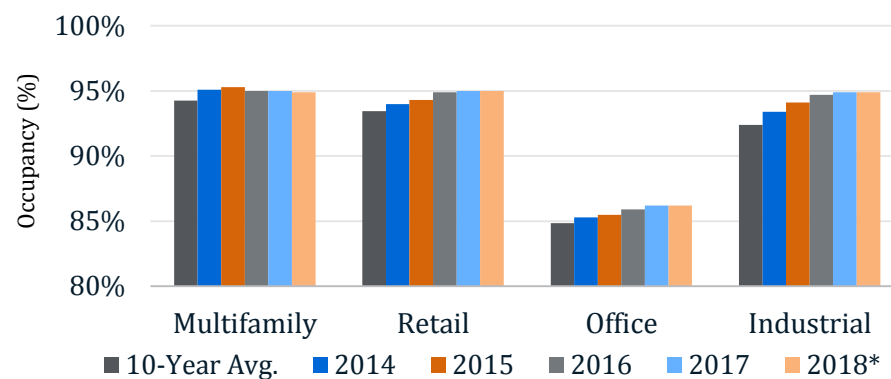
\*\* Preliminary estimate for trailing 12-months through 1Q

Sources: BLS, CoStar Group, Inc., RealPage, Inc.

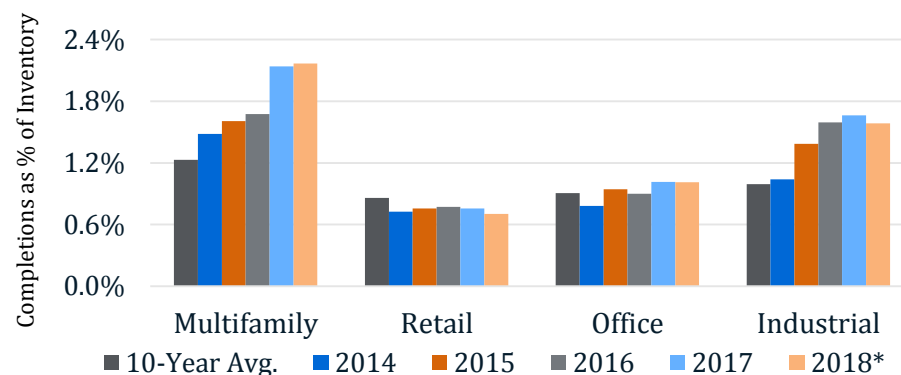
# PROPERTY FUNDAMENTALS REMAIN HEALTHY; CONSTRUCTION TRENDS VARY BY PROPERTY TYPE

- Property fundamentals demonstrate healthy performance across all property types
- Multifamily properties led the recovery, followed by industrial – new supply in both sectors has increased as a result
- Select markets showing signs of high-end apartment oversupply risk; class B/C workforce apartments remain very stable
- New supply for office and retail remain within long-term averages

## Occupancy Trends



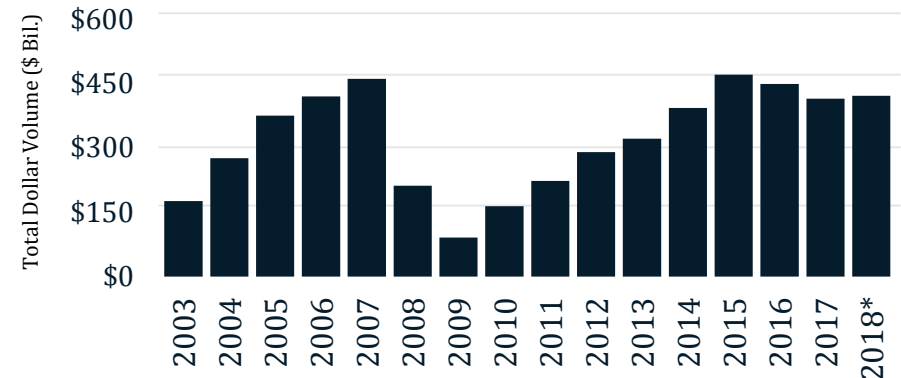
## Construction Trends



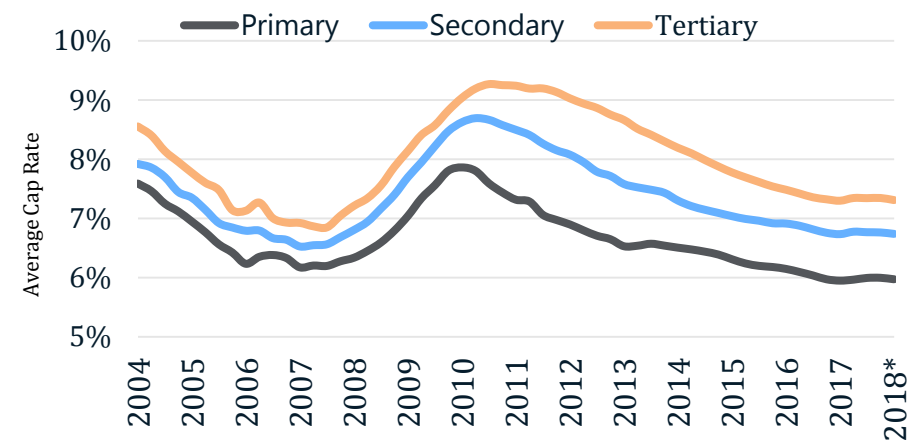
## INVESTMENT SALES HAVE FLATTENED; REMAIN AT HEALTHY LEVELS

- Investment sales have declined moderately since 2015 but remain at healthy levels
- First quarter 2018 sales were generally flat based on preliminary estimates<sup>(1)</sup>
- Strengthening economic outlook, healthy fundamentals and positive aspect of new tax law on commercial real estate expected to counter balance rising interest rates
- Price and cap rates stable, but lower velocity indicative of widened bid-ask spread

U.S. Commercial Real Estate: Total Dollar Volume <sup>(1)</sup>



Cap Rates by Market Type <sup>(1)</sup>



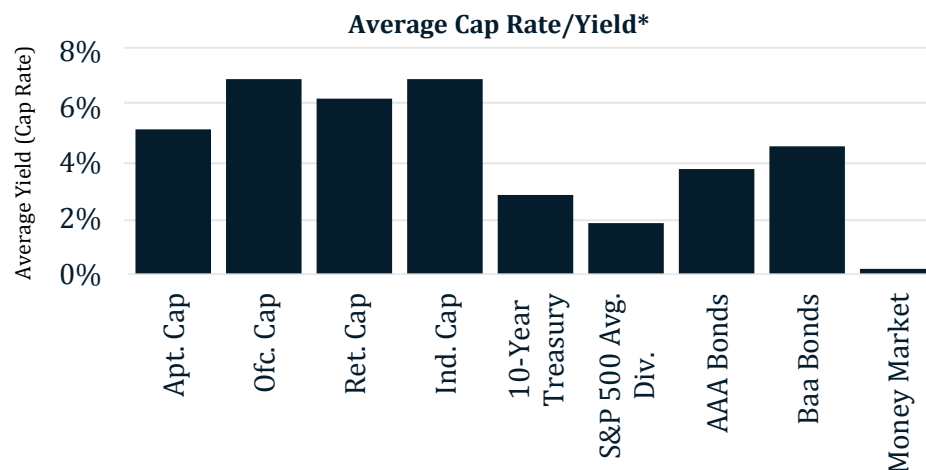
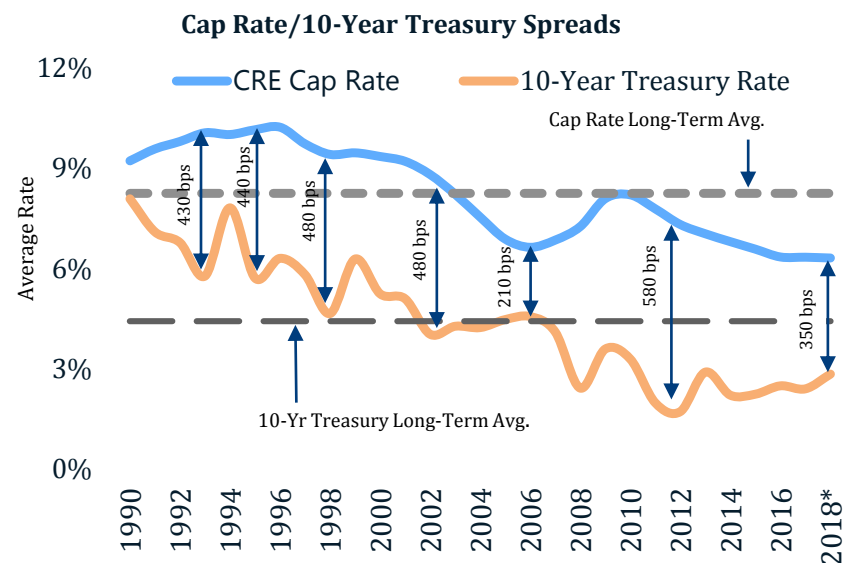
Sources: CoStar Group, Inc., Real Capital Analytics

\* Preliminary estimate through 1Q; trailing 12-months through 1Q for dollar volume

(1) Includes sales \$1 million and greater for multifamily, retail, office and industrial properties.

# COMMERCIAL REAL ESTATE YIELDS COMPELLING

- Overall, cap rates have maintained stability despite interest rate volatility
- The spread between cap rates and the ten-year treasury is still wider than the 2007 market peak
- Commercial real estate offers compelling yields when compared to other investment options



\* As of 1Q 2018  
Cap rates for sales \$1 million and greater  
Sources: CoStar Group, Inc., Real Capital Analytics, Federal Reserve, Standard & Poor's

# MMI MARKET POSITION

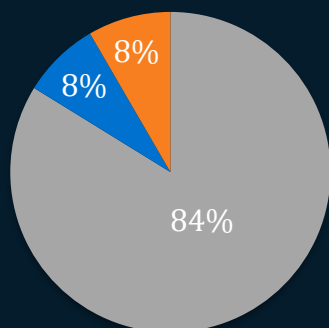
# PRIVATE CLIENT MARKET SEGMENT

## Largest Sales and Commission Pool Opportunity

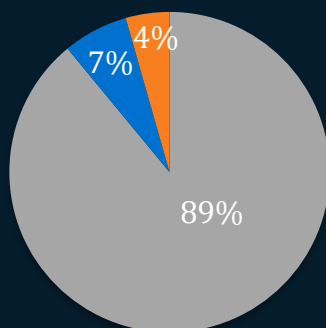
- Market segment consists of sales \$1 million - \$10 million; is the largest and most active, accounting for 80%+ of transactions
- Primarily driven by high-net worth individuals, partnerships and smaller private fund managers
- Often driven by personal factors that result in buying/selling/refinancing properties
- Market segment features the highest commission rates

Transactions by Investor Segment <sup>(1)</sup>

Commercial Real Estate Market

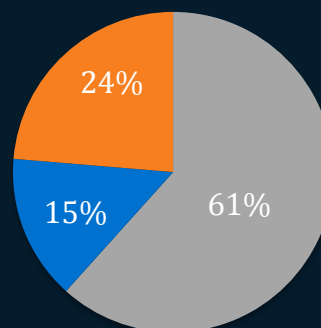


Marcus & Millichap

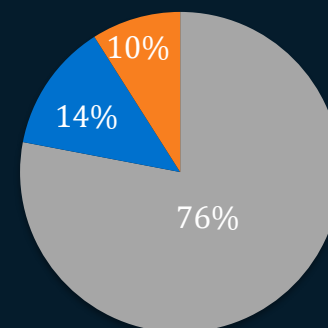


Commission Pool by Investor Segment <sup>(1) (2)</sup>

Commercial Real Estate  
Total Commission Pool



Marcus & Millichap  
Revenue



■ Private Client Market Segment (\$1M - \$10M)  
■ Middle Market Segment (\$10M - \$20M)  
■ Larger Transaction Market Segment (\$20M+)

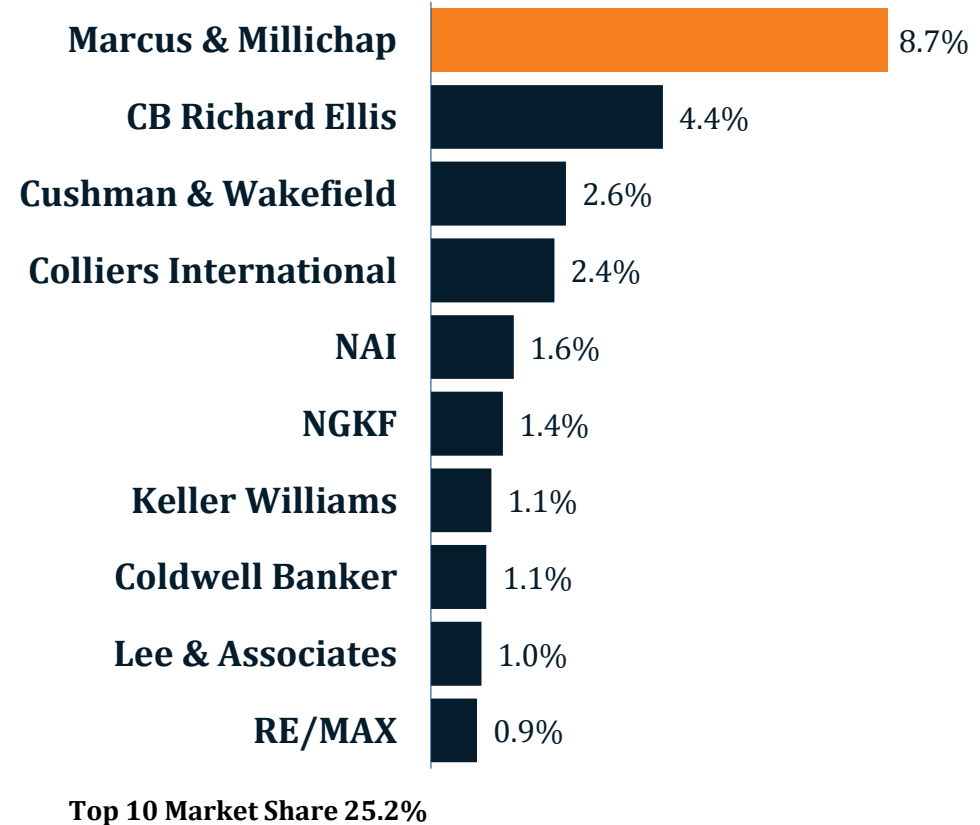
Sources: CoStar Group, Inc., Real Capital Analytics

(1) Includes apartment, retail, office, and industrial sales \$1 million and greater for the trailing 12-months through 1Q 2018; 1Q preliminary estimate for market total. Commercial Real Estate market totaled an estimated 52,848 transactions, with \$7.9 billion in total commission pool.

(2) Estimate based on industry averages: 3.7% commission rate for Private Client Market segment, 2.0% rate for Middle Market Segment and 0.8% for Larger Transaction Market segment.

## MMI: PRIVATE CLIENT MARKET LEADER WITH GROWTH OPPORTUNITY

- Top 10 U.S. Brokerage Firms' Private Client (\$1M – \$10M) Market Share by Transactions <sup>(1)</sup>



Sources: CoStar Group, Inc., Real Capital Analytics  
Market share includes recent company mergers and acquisitions

(1) Includes multifamily, retail, office, and industrial sales from \$1 million to \$10 million during the trailing 12-months through 4Q 2017 in which the brokerage firms represented the seller.



## MARKET SHARE GROWTH OPPORTUNITY BY PROPERTY TYPE

- Leverage platform, relationships, brand to grow in various sectors
- Growth opportunity remains in leading property types (multifamily and retail)
- Expanding multi-tenant office, shopping center and industrial presence
- Increased engagement in specialty property types and larger transactions

**MMI Transactions by Property Type**  
**T-12 as of 1Q 2018 <sup>(1)</sup>**

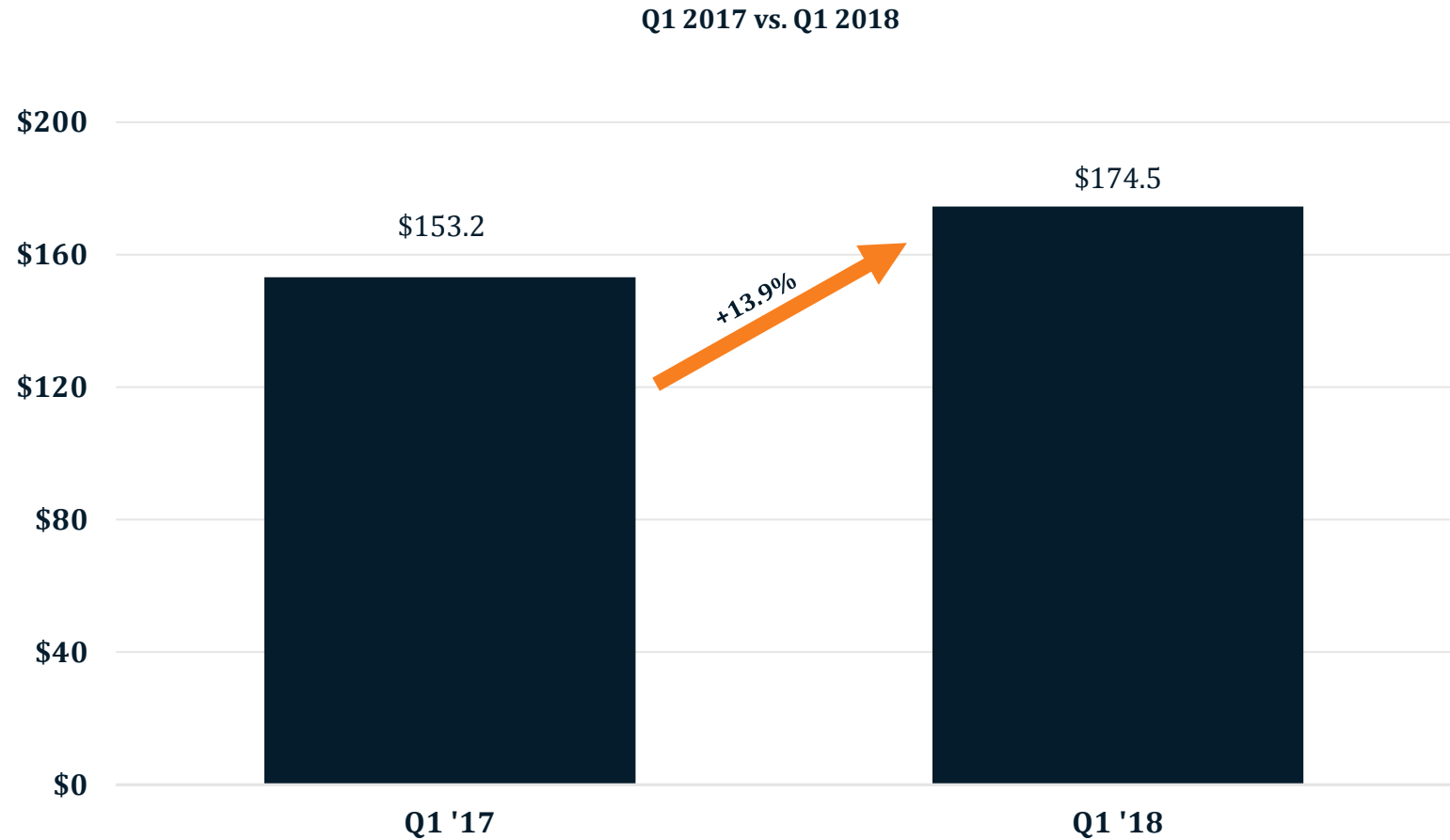
Property Type	Transactions	Volume (\$Billion)
<b>Multifamily</b>	3,333	\$22.7
<b>Retail</b>	3,564	\$11.3
<b>Office</b>	629	\$2.6
<b>Industrial</b>	343	\$1.5
<b>Hospitality</b>	262	\$1.4
<b>Self-Storage</b>	201	\$1.1
<b>Land</b>	265	\$0.7
<b>Manufactured Housing</b>	95	\$0.6
<b>Seniors Housing</b>	59	\$0.5
<b>Mixed - Use / Other</b>	246	\$1.1
<b>Total</b>	<b>8,997</b>	<b>\$43.5</b>

(1) Includes investment sales, financing and other transactions for the trailing 12-months through 1Q 2018

# MMI FINANCIAL DETAILS

# TOTAL REVENUES

(\$ in millions)

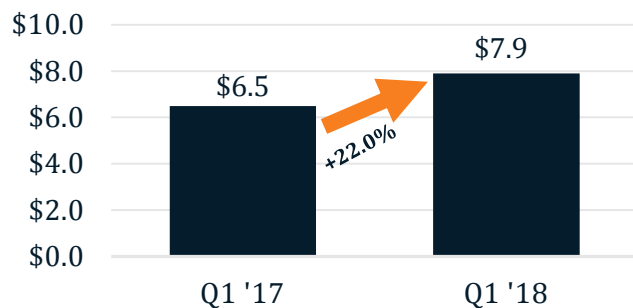


# BROKERAGE OPERATING METRICS

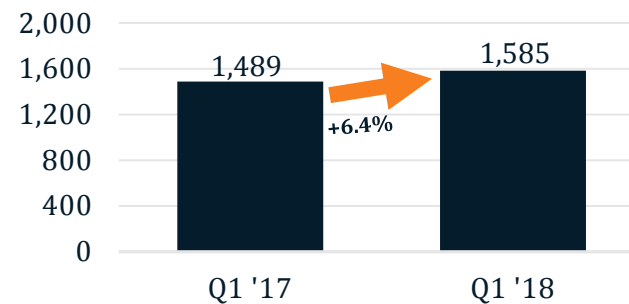
Q1 2018

## Total Sales Volume

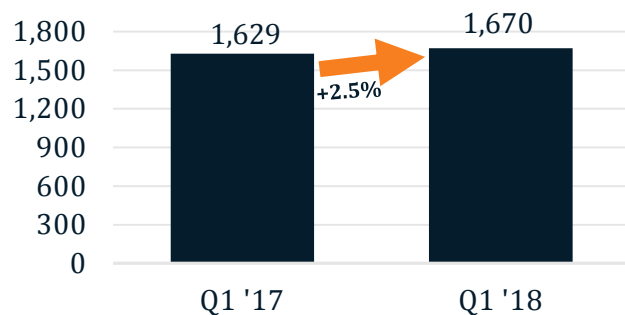
(\$ in billions)



## Total Number Of Sales Transactions

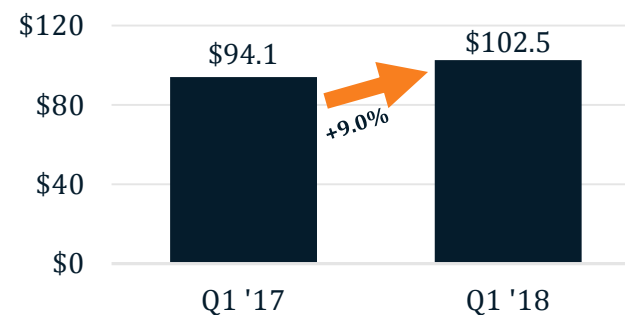


## Average Number of Investment Sales Professionals



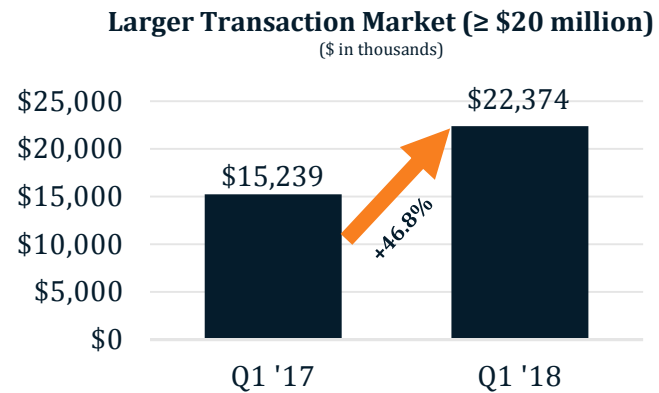
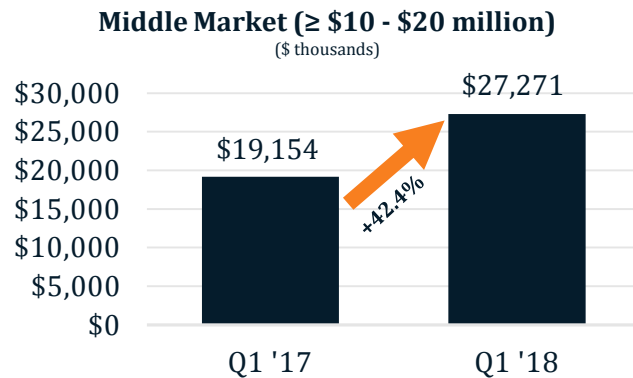
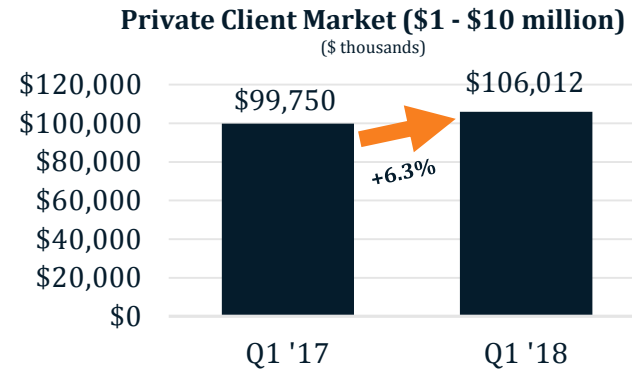
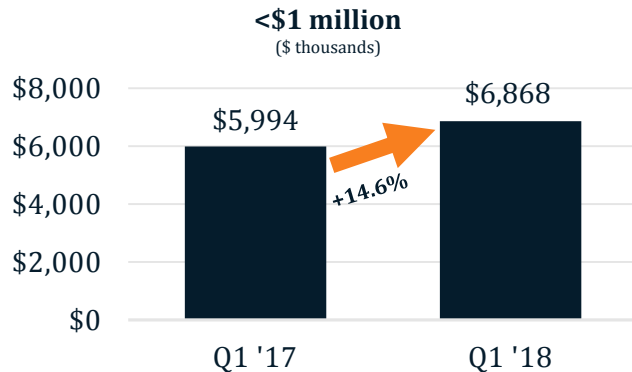
## Average Commission Per Transaction

(\$ in thousands)



# BROKERAGE REVENUE BY MARKET SEGMENT

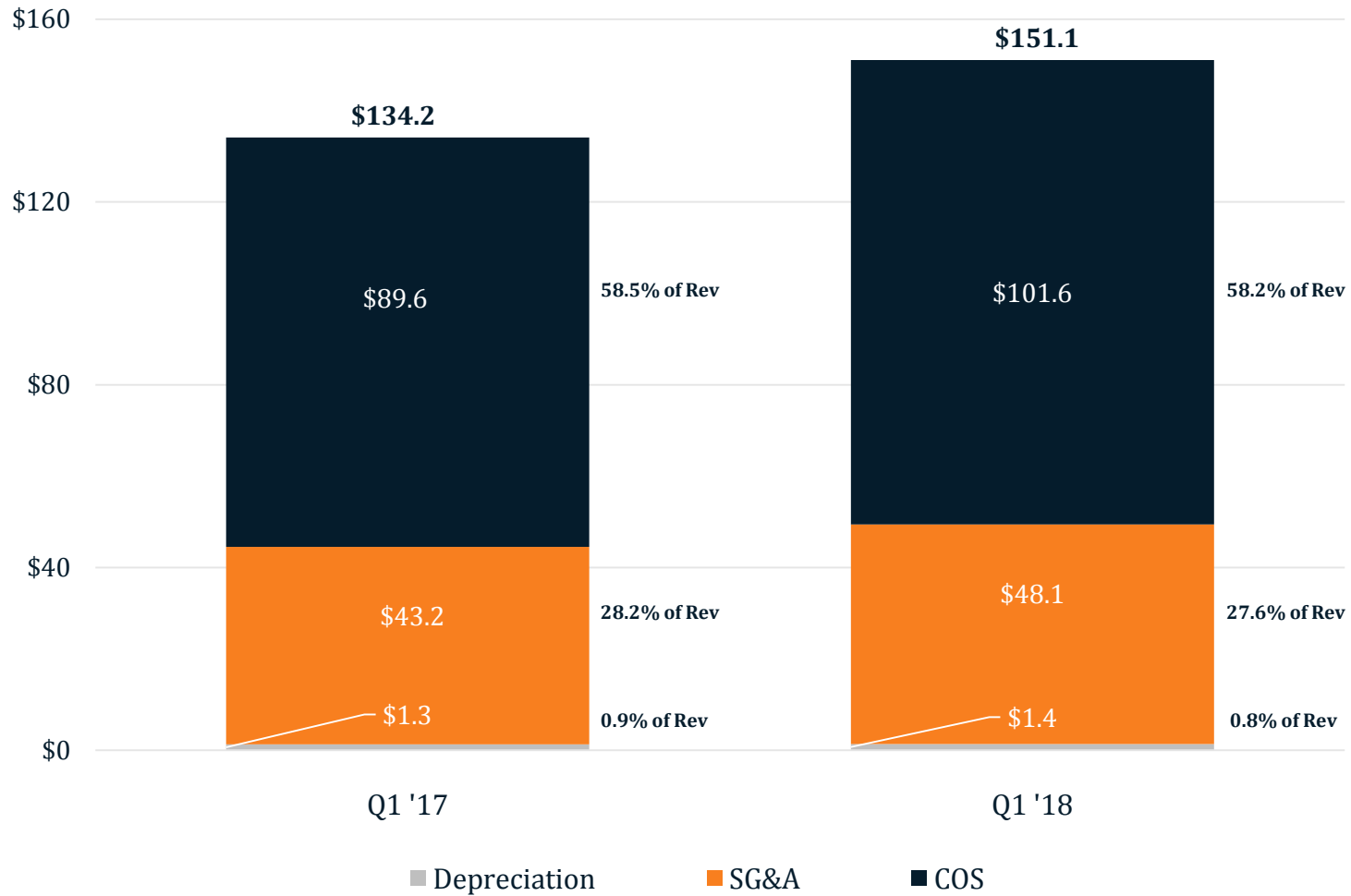
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# OPERATING EXPENSES

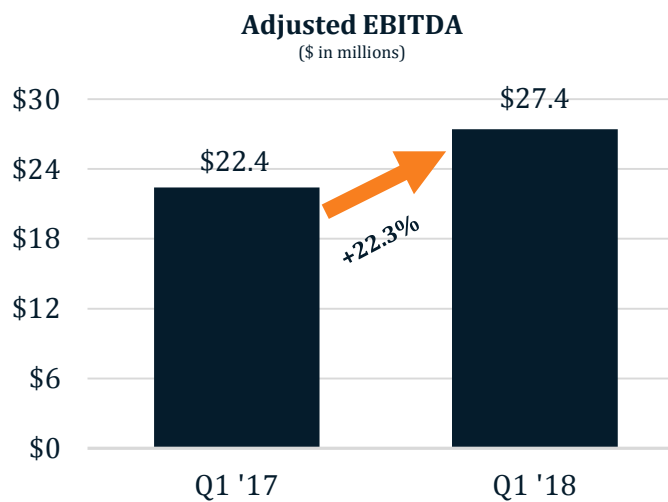
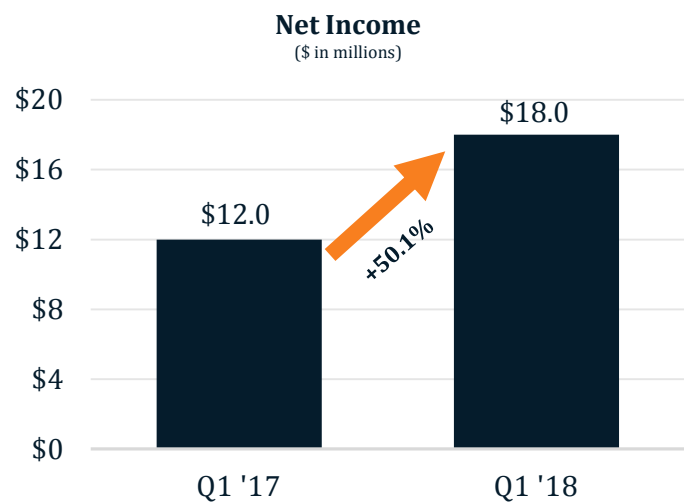
(\$ in millions)

Q1 2017 vs. Q1 2018

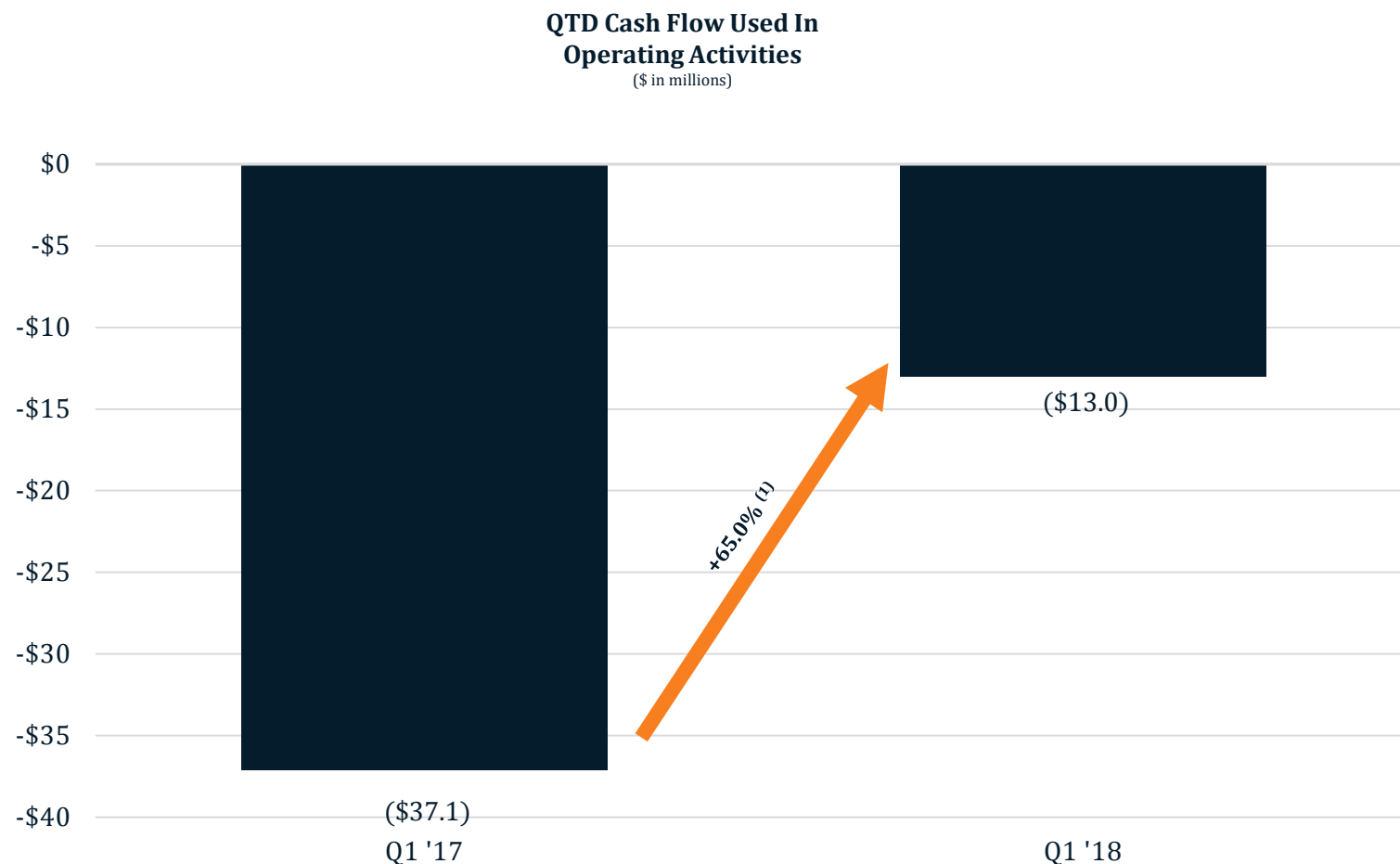


# NET INCOME AND ADJUSTED EBITDA PERFORMANCE

Q1 2018



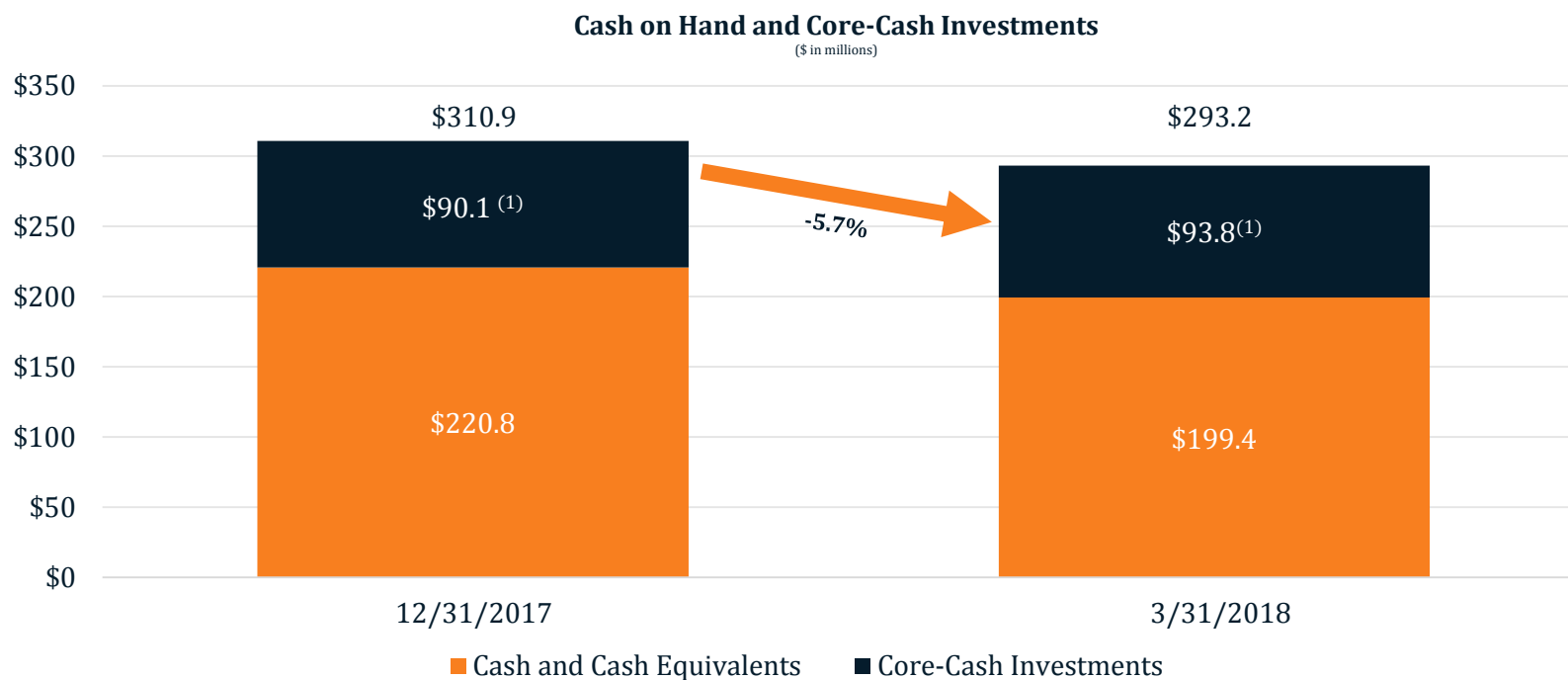
# CASH FLOW USED IN OPERATING ACTIVITIES



(1) Net cash used in operating activities is driven by our net income adjusted for non-cash items and changes in operating assets and liabilities. The improvement in cash used in operating activities was primarily due to differences in timing of payments and receipts, a decrease in advances to our investment sales and financing professionals, a change in bonus accruals and a lower proportion of operating expenses compared to revenues. These improvements in operating cash flows were partially offset by a decrease in the deferral of certain discretionary and other commissions. We traditionally experience net cash used in operating activities during the three-month periods ended March 31 since bonuses and certain deferred commissions related to the prior year(s) are typically paid during the first quarter of the new year.



# STRONG LIQUID CAPITAL POSITION



(1) Relates to investments designated by the Company as core-cash investments in fixed and variable debt securities, in accordance with our investment policy approved by the Board of Directors with weighted average maturity of 0.50 years and 0.53 years for the periods ended 3/31/2018 and 12/31/2017, respectively.

# APPENDIX

# ADJUSTED EBITDA RECONCILIATION

Adjusted EBITDA, which the Company defines as net income before (i) interest income and other, including net realized gains (losses) on marketable securities, available-for-sale and cash and cash equivalents, (ii) interest expense, (iii) provision for income taxes, (iv) depreciation and amortization and (v) stock-based compensation. The Company uses Adjusted EBITDA in its business operations to evaluate the performance of its business, develop budgets and measure its performance against those budgets, among other things. The Company also believes that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate its overall operating performance. However, Adjusted EBITDA has material limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under U.S. generally accepted accounting principles ("U.S. GAAP"). The Company finds Adjusted EBITDA as a useful tool to assist in evaluating performance because Adjusted EBITDA eliminates items related to capital structure and taxes and non-cash stock-based compensation charges. In light of the foregoing limitations, the Company does not rely solely on Adjusted EBITDA as a performance measure and also considers its U.S. GAAP results. Adjusted EBITDA is not a measurement of the Company's financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with U.S. GAAP. Because Adjusted EBITDA is not calculated in the same manner by all companies, it may not be comparable to other similarly titled measures used by other companies.

	Three Months Ended March 31,	
	2018	2017
<b>Net Income</b>	\$18,011	\$12,000
<b>Adjustments:</b>		
<b>Interest income and other<sup>(1)</sup></b>	(1,228)	(625)
<b>Interest expense</b>	360	382
<b>Provision for income taxes<sup>(2)</sup></b>	6,302	7,502
<b>Depreciation and amortization</b>	1,375	1,297
<b>Stock-based compensation</b>	2,613	1,866
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>\$27,433</b>	<b>\$22,422</b>

(1) Other for the three months ended March 31, 2018 and 2017 includes net realized gains (losses) on marketable securities, available-for-sale and cash and cash equivalents.

(2) Provision for income taxes for the three months ended March 31, 2018 was calculated using a revised 21% U.S. federal corporate tax rate due to the enactment of the Tax Cuts and Jobs Act, which reduced the U.S. federal corporate tax rate from 35% to 21%.

(3) The increase in Adjusted EBITDA for the three months ended March 31, 2018 compared to the same period in the prior year is primarily due to higher total revenues and a lower proportion of operating expenses compared to revenues.

# COMPANY OVERVIEW

## **NATIONAL PLATFORM FOCUSED ON INVESTMENT BROKERAGE**

- 47-year old platform dedicated to perfecting real estate investment brokerage
- Designed to facilitate the movement of capital providing liquidity to clients

## **MARKET LEADER IN THE PRIVATE CLIENT MARKET SEGMENT**

- Only national brokerage firm focused on the Private Client Market segment
- Private Client Market segment consistently comprises 80%+ of U.S. commercial property sales transactions annually

## **PLATFORM BUILT FOR MAXIMIZING INVESTOR VALUE**

- Marcus & Millichap Capital Corporation (“MMCC”), Research & Advisory support client dialogue, financing, strategy and sales execution
- Culture and policy of information sharing is key to maximizing investor value

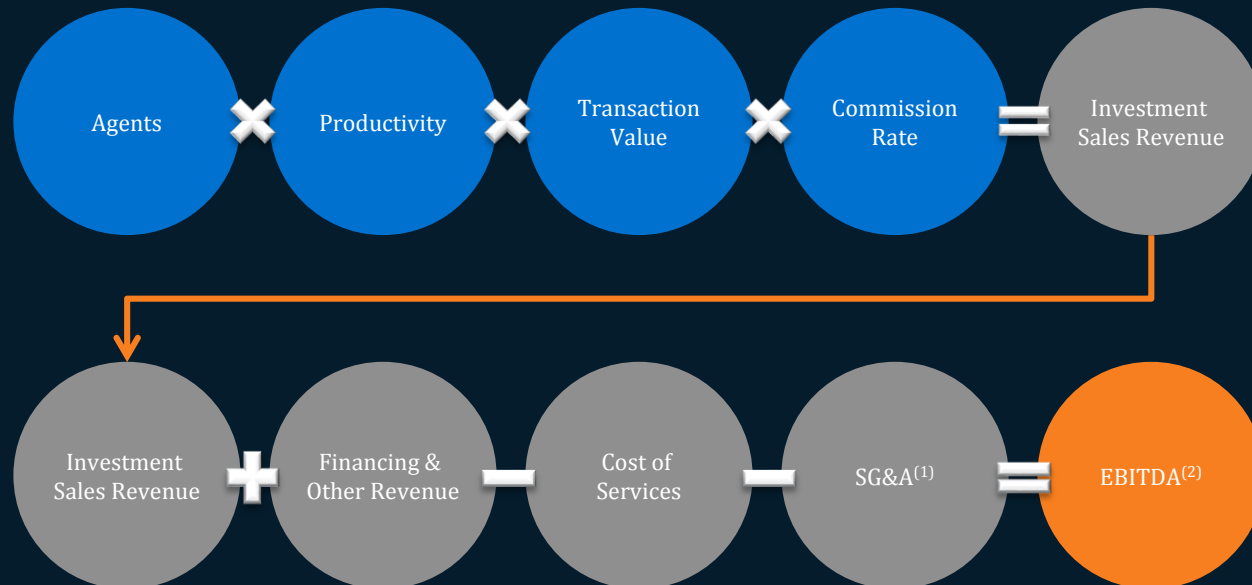
## **MANAGEMENT WITH SIGNIFICANT INVESTMENT BROKERAGE EXPERIENCE**

- Non-competitive management with extensive investment brokerage experience, committed to training, coaching and supporting investment sales professionals
- Creates a competitive advantage through agent retention and better client results

## **WELL-POSITIONED TO EXECUTE ON STRATEGIC GROWTH PLAN**

- Positioned to increase Private Client Market segment share, expand presence in specialty niches/larger transaction business and grow financing division, MMCC

# ILLUSTRATIVE MMI EARNINGS MODEL



(1) Includes stock-based compensation

(2) EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measure derived in accordance with U.S. GAAP